

Optorun Co., Ltd.

## QA Summary for Q1 FY12/23 Earnings Presentation

Q: Given that the annual goal of the ratio of new-type products to net sales was set at around 50.0% at the beginning of the year, does the rather modest Q1 ratio of 37% in comparison to the goal ratio indicates that, from the second quarter onwards, the gross profit could be higher?

A: In the year 2023, sales of some ALD equipment were recorded earlier than expected at the beginning of the year, and as a result, the ratio of new-type equipment ended higher, pushing up the gross profit margin. New-type equipment typically has higher gross margins, but overall gross margins also vary depending on product mix. Of the gross profit margin, about 1.0 percentage point is attributable to favorable foreign exchange rate.

Q: What is the backlog of ALD equipment as of the end of March 2023?

A: Approximately 40% of the order backlog at the end of March 2023 was for ALD equipment.

Q: What is the outlook for orders for ALD equipment from the second quarter of 2023 onwards?

A: In 2022, orders from North American smartphone manufacturer for smartphone camera modules were strong. Orders for these needs have come to a halt at this moment, but demand is expected to grow in applications such as micro-LEDs and semiconductor chips going forward. The Q1 orders for ALD included orders for semiconductor-related products in addition to smartphone camera modules.

Q: What was the amount of orders received for smartphone touch panels in Q1? What was the background to the winning of the orders?

A: More than half of smartphone-related orders were for touch panels. Besides North American smartphone manufacturers, makers in other regions are also envisioning sophisticated functionalities to be embedded on their phones. Some of these players who were looking for further sophistication of their touch panel technology highly evaluated our cutting-edge deposition technology and placed orders in Q1.

Q: What are the main contents of orders for automotive displays?

A: We received orders for equipment for heads-up displays and other products.

Q: What is the likely timing of Q1 orders turning to revenue?

A: Order receiving equipment for the first quarter of 2023 is expected to be recorded as sales sometime from the fourth quarter of 2023 to the first quarter of 2024.

As for lead time, although the tight material supply situation is rather easing now, we are still cautiously estimating the overall average lead time to stay at around nine months in consideration of the prolongation of the acceptance inspection at our customers' sites.

Q: What is the outlook for orders in the second quarter of 2023?

A: For smartphones, the market for final products is rather slow to recover, but demand for higher functionality is still strong. In contrast to the sluggish recovery of overall Chinese smartphone makers, electric vehicles and new energy-related needs are expected to grow strong throughout this year.

Q: What is the outlook for the percentage of new-type products after 2024?

A: The breakdown of new-type products will change overtime. The proportion of orders for new-type equipment related to semiconductor optics and new energy are expected to increase in the future as disclosed in our Mid-term Vision.

Q: What is the content of 1.3 billion Yen of new-type equipment other than ALD included in the Q1 sales?

A: It includes equipment for automobiles and LEDs.

Q: What is the outlook for automobiles?

A: Approximately 15% of the sales in the first quarter of 2023 were for automobiles, and the ratio is expected to be higher in 2023 than in 2022. In the future, orders for equipment for the IoT field are expected to increase mainly for automobiles, semiconductors and AR/VR.