



**Optorun Co., Ltd.**  
**Financial Results (Second Quarter 2019)**

**August 8, 2019**

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# Financial Result Highlights (consolidated)



## Strong rise in business performance

- Diversification of sales composition progressed. Sales in non-North American markets account for 70%.
- For smartphones, responded to demand for high-performance 3D, decorative film and camera modules mainly for China and South Korea. We also led the market for camera lens, IoT and LED applications, and sales were strong.
- Orders increased steadily in the first half of Q2; however, due to the impact of US-China trade friction, a wait-and-see attitude to orders became stronger.
- With increasing number of customers requesting shorter delivery times, close and detailed contact is essential.
- Compared with the 2019 earnings forecast, the achievement rate in Q2 was 58% for sales, 64% for ordinary profits, and 71% for net profits.

(million yen)

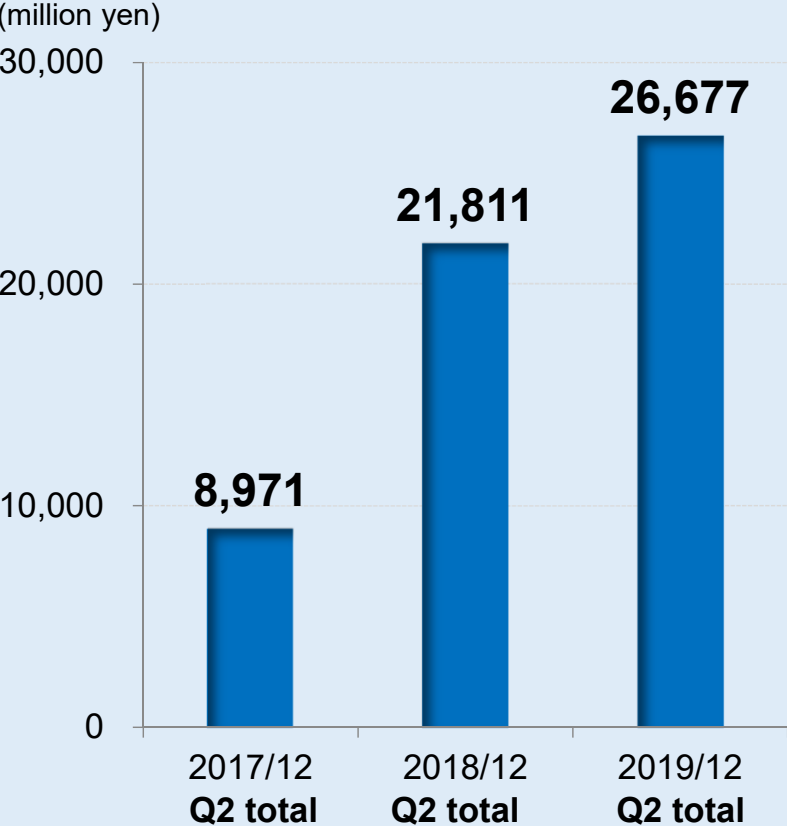
	Q2 total ended December 2018	Q2 total ending December 2019	Year-over-year
Sales	21,811	26,677	+22.3%
Operating profit	5,425	7,396	+36.3%
(Operating profit margin)	(24.9%)	(27.7%)	—
Ordinary profit	5,719	7,262	+27.0%
Quarterly net profit attributable to shareholders of parent company	3,972	5,994	+50.9%
R&D expenses	1,603	1,478	Δ7.8%

# Composition of sales and category

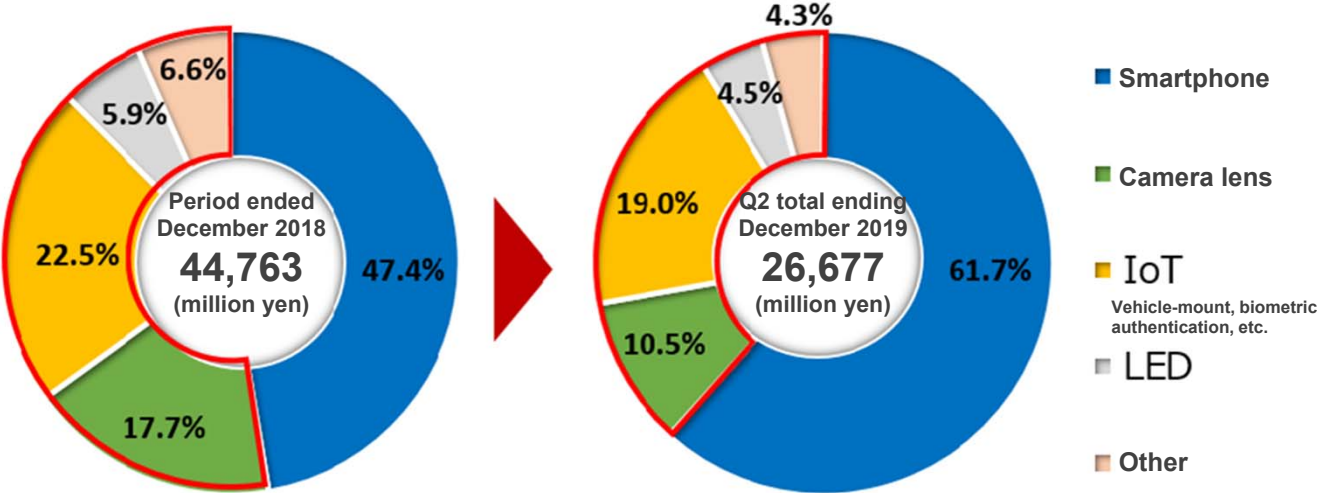


- Sales of sputtering equipment accounted for 60%, contributing to an increase in 2019 Q1.
- Smartphone sales increased in the Chinese and South Korean markets, and the ratio of them to North American market was 1:1.
- Sales of camera lenses remained strong due to continued functional enhancement.
- For IoT, besides biometric authentication, orders and sales for sputtering equipment for vehicle-mount instrumental panels were secured.
- For LED, we booked sales on new DBR film deposition equipment.

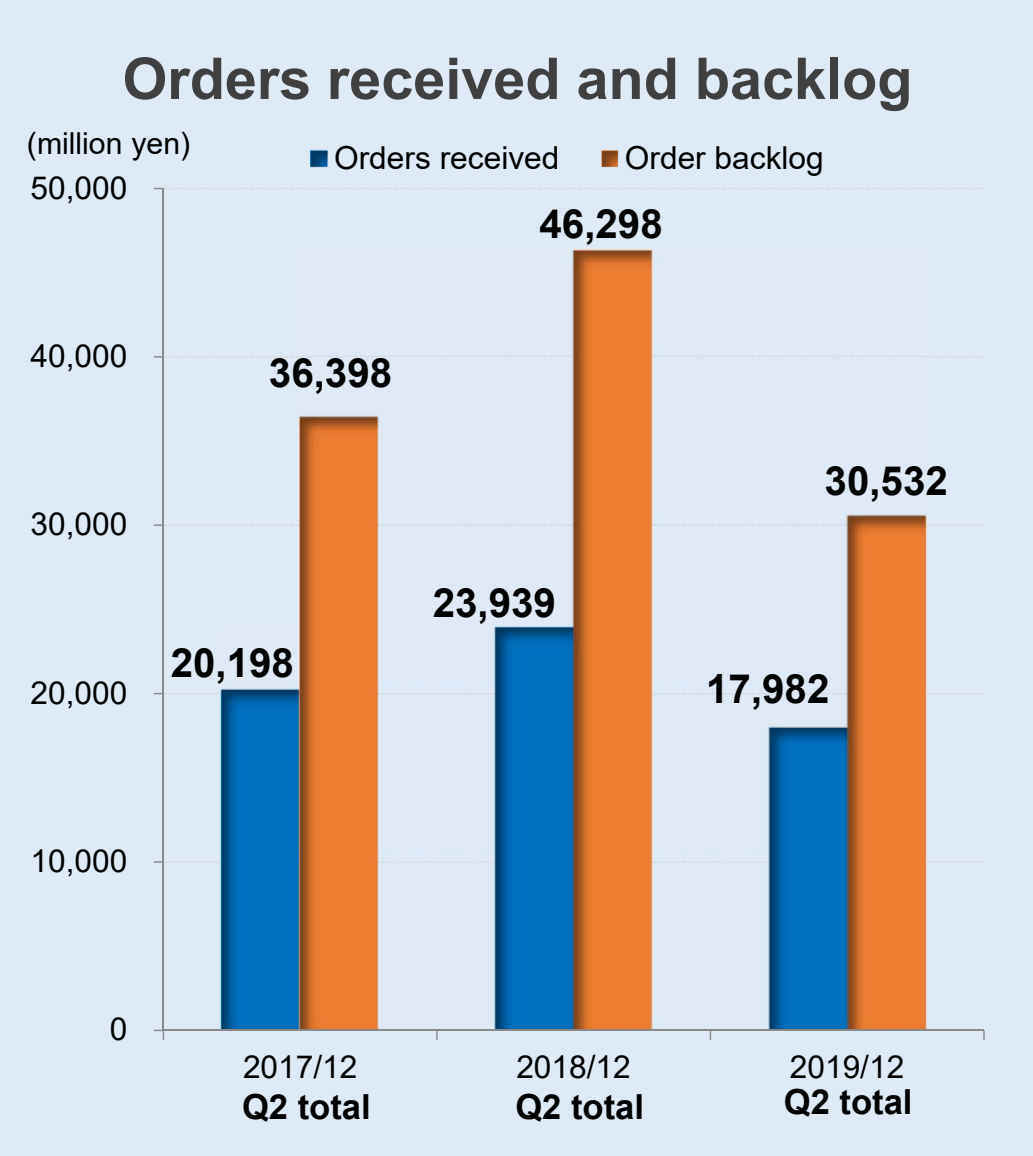
**Net sales**



**Composition of sales by category**



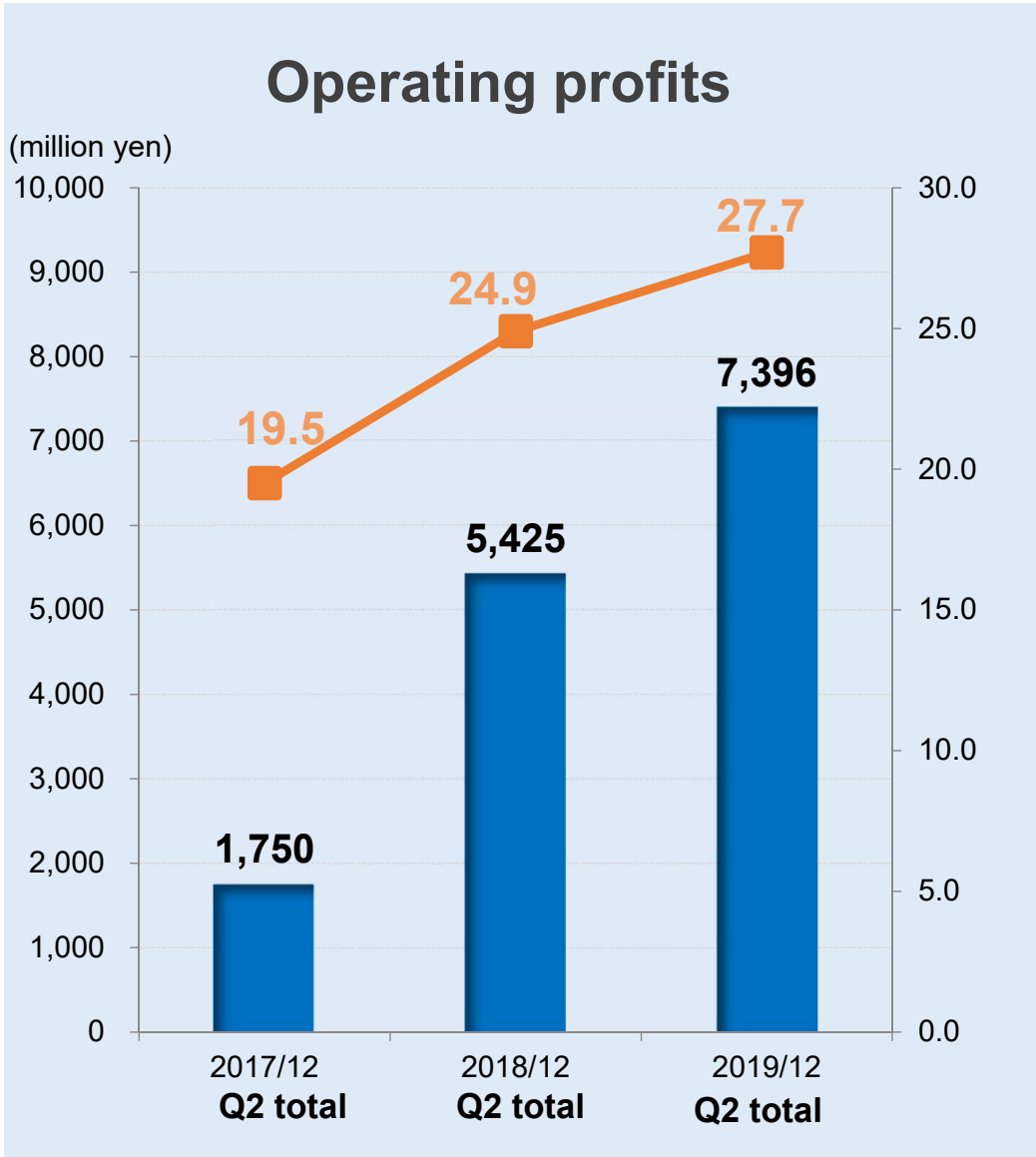
# Orders Received and Backlog



### <Total orders received in 2019 Q2>

- Orders received were at the same level as Q2 of the previous year, reflecting a decline in orders in Q1 2019.
- The order composition was 10:7 for vacuum deposition equipment vs. sputtering equipment.
- Although 2019 Q1 was weak and Q2 showed signs of recovery, the impact of US-China trade friction became significant from the latter half of the period.
- For smartphones, orders from China, South Korea, and Taiwan were firm. For camera lenses, orders for high-performance film deposition equipment from surveillance camera manufacturers in China were strong.
- For IoT, besides biometric authentication, we secured orders for new equipment for vehicle-mount instrumental panels and DBR/TCO film deposition equipment for LED.

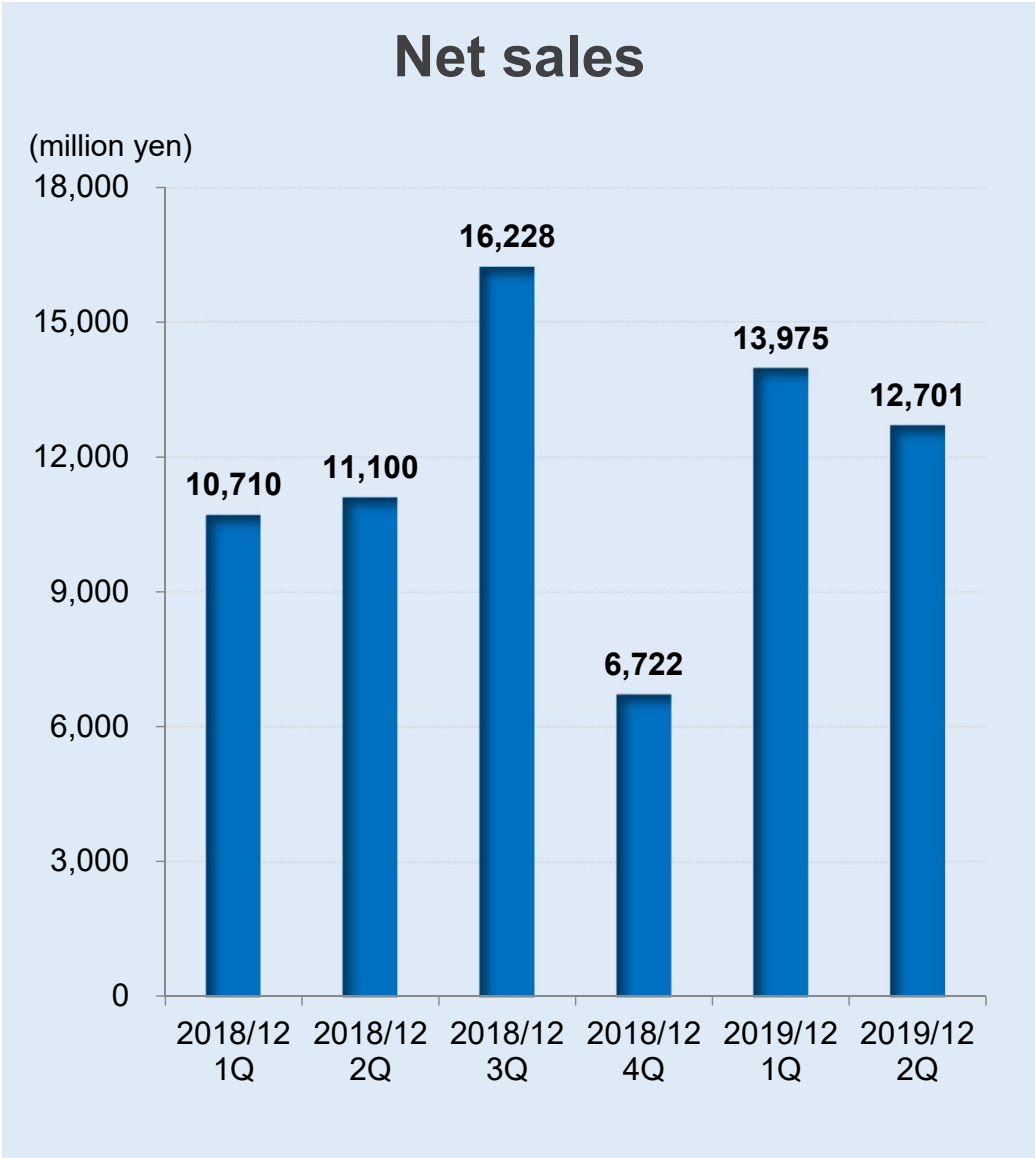
# Operating profits



### <Total operating profits for 2019 Q2>

- Operating profit margin remained high at 27.7% (+2.8% YOY)
- Cost ratio remained the same year-on-year, and SG&A expenses decreased by 2.9%, contributing to improvement in operating profit margin.
- Positive impact of increased sales.

# Sales (2019 Q2)

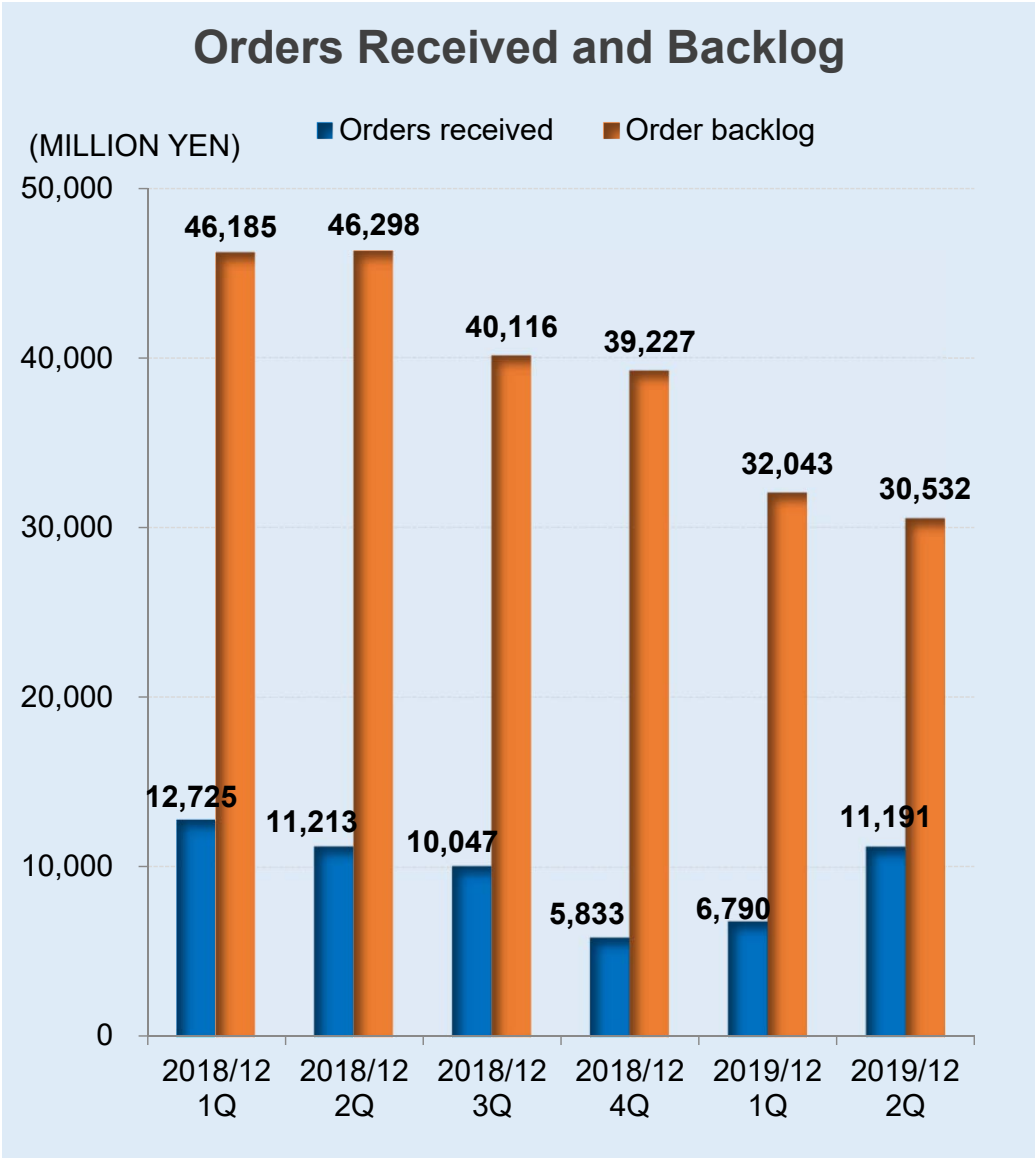


### <Sales for 2019 Q2>

- Sales increased year-on-year to 12.7 billion yen.
- For smartphones, Chinese and South Korean manufacturers were active. Sales to Non-North American countries account for 80%.
- We responded to demand for higher performance 3D, casing-back-glass, decorative film, and camera modules.
- Sales of camera lenses for surveillance camera manufacturers were strong.
- For IoT applications, we secured sales for vehicle-mount, biometric authentication, semiconductor, and optical communications.
- Orders and sales of new DBR/TCO equipment for LED and film deposition equipment for vehicle-mount instrument panels have begun.



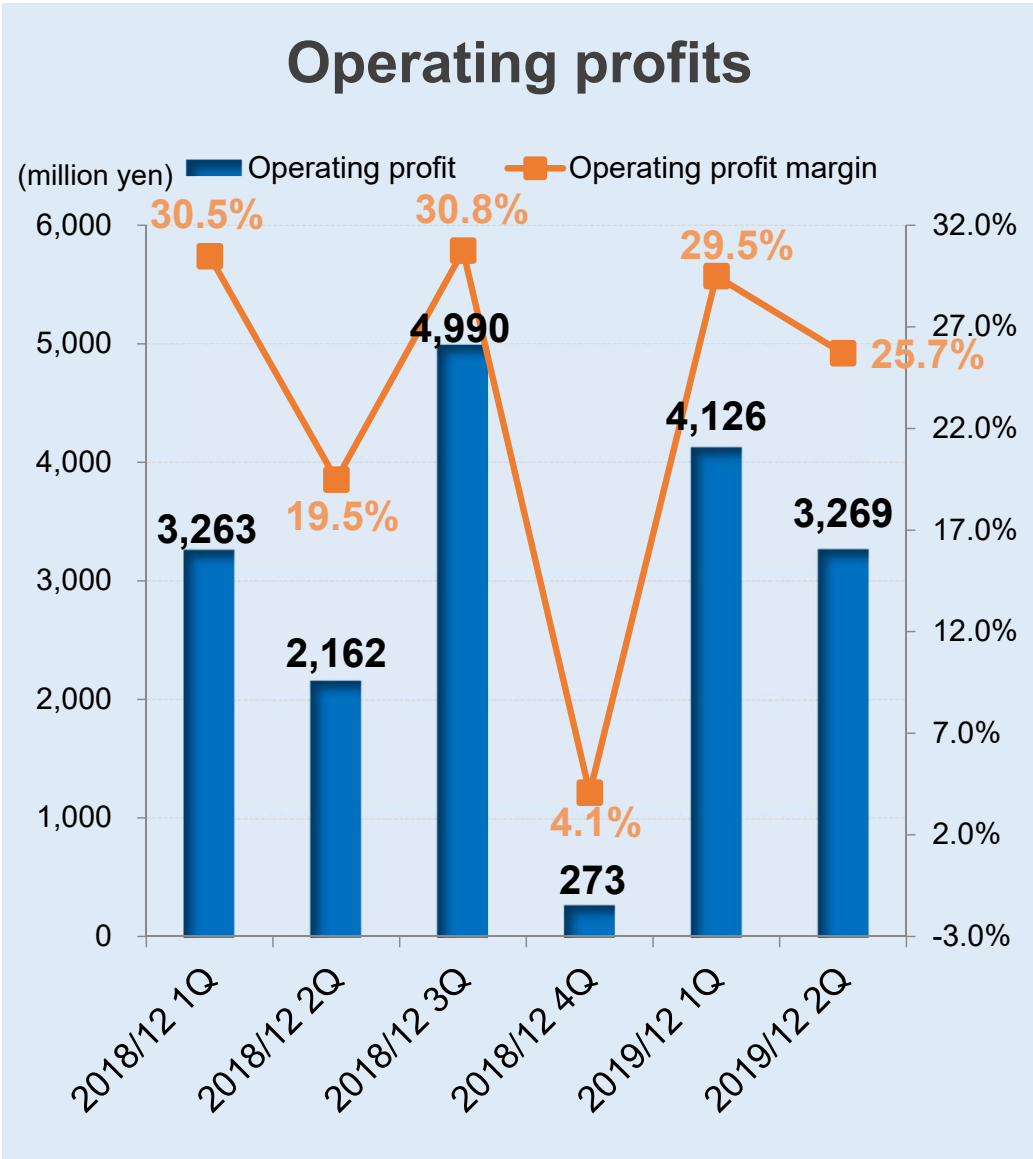
# Orders Received and Backlog(2019 Q2)



### < Orders received in 2019 Q2 >

- Year-over-year orders remained unchanged.
- Orders were weak in Q1 of 2019 and showed signs of recovery from Q2, but the impact of us-china trade friction became influential in the latter half of the period and orders slowed down again.
- However, the demand for high-performance film deposition is substantial, and customer needs for high-performance film deposition equipment is strong in general.

# Operating profits (2019 Q2)



### <Operating profits for 2019 Q2>

- Operating profit margin was high at 25.7%.
- Down 3.8% compared to 2019 Q1.  
Cost ratio +2.9% and SG&A expenses +1% were the factors.
- Note that the cost ratio was 60.4% (+2.9% YOY), but it was virtually unchanged at 57.8%.  
(Description) Due to consolidated accounting, +2.6% cost was posted to cancel Shanghai inventory gains, thus the actual cost ratio was 57.8% (same as 2019 Q1).
- SG&A expenses increased due to sales decline (up +1% from the previous quarter)

# Financial condition



(million yen)

	As of end of December 2018		As of end of June 2019		
	Amount	Percentage	Amount	Percentage	Change
<b>Current assets</b>	<b>48,142</b>	<b>86.5%</b>	<b>47,957</b>	<b>85.9%</b>	Δ184
Cash and deposits	15,740	28.3%	26,089	46.8%	+10,348
Trade notes and accounts receivable	6,837	12.3%	5,665	10.2%	Δ1,171
Inventories	24,487	44.0%	15,780	28.3%	Δ8,707
Allowance for doubtful accounts	Δ420	Δ0.8%	Δ483	Δ0.9%	Δ63
Other	1,497	2.7%	906	1.6%	Δ591
<b>Non-current assets</b>	<b>7,501</b>	<b>13.5%</b>	<b>7,840</b>	<b>14.1%</b>	+338
<b>Total assets</b>	<b>55,644</b>	<b>100.0%</b>	<b>55,798</b>	<b>100.0%</b>	+153
<b>Current liabilities</b>	<b>25,922</b>	<b>46.6%</b>	<b>22,687</b>	<b>40.7%</b>	Δ3,235
Trade notes and accounts payable	1,652	3.0%	3,463	6.2%	+1,811
Short-term interest-bearing debt	756	1.4%	572	1.0%	Δ184
Accrued corporate taxes	1,143	2.1%	1,161	2.1%	+17
Advances received	20,108	36.1%	15,658	28.1%	Δ4,450
Other	2,261	4.1%	1,831	3.3%	Δ430
<b>Non-current liabilities</b>	<b>1,658</b>	<b>3.0%</b>	<b>1,611</b>	<b>2.9%</b>	Δ47
Long-term interest-bearing debt	233	0.4%	208	0.4%	Δ25
Other	1,425	2.6%	1,402	2.5%	Δ22
<b>Total liabilities</b>	<b>27,581</b>	<b>49.6%</b>	<b>24,298</b>	<b>43.5%</b>	Δ3,282
<b>Total net assets</b>	<b>28,062</b>	<b>50.4%</b>	<b>31,499</b>	<b>56.5%</b>	+3,436
<b>Total liabilities and net assets</b>	<b>55,644</b>	<b>100.0%</b>	<b>55,798</b>	<b>100.0%</b>	+153

• Increase in cash and deposits due to increase in sales

• Decrease in inventories due to increased sales

• Decrease in advances received due to posting of sales

# Cash Flow



(million yen)

	Total for Q2 2018	Total for Q2 2019		Main factors
	Amount	Amount	Change	
CF from operating activities	<b>Δ2,304</b>	<b>14,232</b>	+16,536	• Decrease in inventories and advances received due to sales increase
CF from investment activities	<b>Δ926</b>	<b>Δ1,079</b>	Δ153	• Payment for investment in capital
CF from financing activities	<b>Δ5,413</b>	<b>Δ2,389</b>	+3,023	• Payment for dividends
Effect of exchange rate changes on cash and cash equivalents	<b>Δ226</b>	<b>Δ414</b>	Δ187	
Change in cash and cash equivalents	<b>Δ8,871</b>	<b>10,348</b>	+19,219	
Cash and cash equivalents at beginning of fiscal period	<b>19,893</b>	<b>15,740</b>	Δ4,153	
Cash and cash equivalents at end of fiscal period (quarterly)	<b>11,022</b>	<b>26,089</b>	+15,066	

# II. Appendix

- Earnings forecast for period ending December 2019
- Dividends returned to shareholders

# Earnings forecast for period ending December 2019



**We plan to increase sales and profits.**

(million yen)

	Period ended December 2018 Achievements	Period ending December 2019 Forecast	Year-over-year
Sales	44,763	46,000	+2.8%
Operating profit	10,690	11,300	+5.7%
(Operating profit margin)	(23.9%)	(24.6%)	—
Ordinary profit	10,992	11,300	+2.8%
Net profit for this period attributable to shareholders of parent company	7,745	8,400	+8.4%
R&D expenses	3,103	3,900	+25.7%

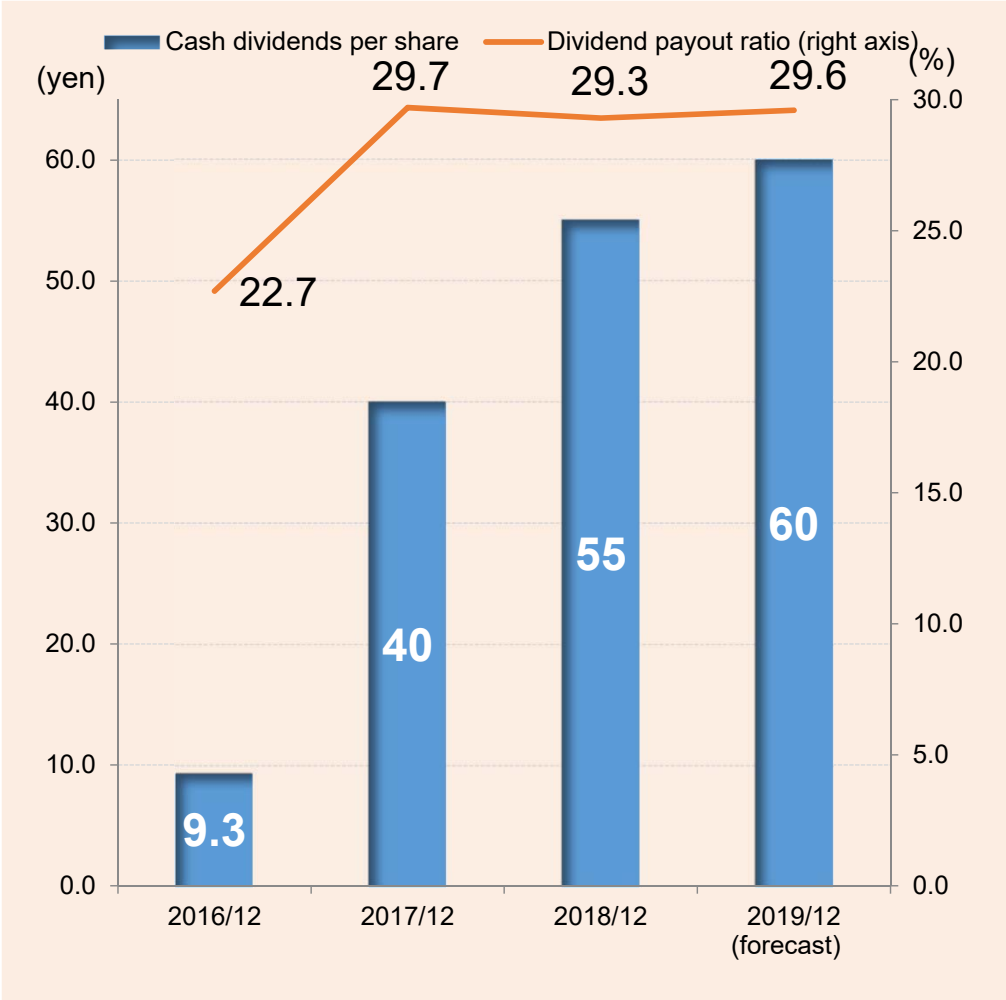
# Dividends returned to shareholders

- Dividends for the period ended December 2018 (55 yen), 29.3% (dividend payout ratio)
- Dividend forecast for the period ending December 2019 (60 yen), 29.6% (dividend payout ratio)

## Dividend policy

We will secure the necessary internal reserves for investment in R&D, enhancement of production systems, and development of new businesses, etc., while maximizing returns to shareholders.

We aim to achieve stable dividends with a consolidated dividend payout ratio of approximately 30%.



\* Implemented a stock split of 1:1,000 effective March 18, 2017 and a stock split of 1:3 effective October 13, 2017. The dividends per share prior to December 2017 period have been corrected to reflect the above stock splits.

# Disclaimer, precautions and contact information



The information in this document has been prepared based on the generally accepted economic and social situation as of August 7, 2019 and certain assumptions that Our Company believes are reasonable, but is subject to change without notice due to changes in the business environment or other reasons.

Materials and information provided with this announcement include so-called "forward-looking information" (forward-looking statements). These statements are based on current expectations, predictions, and assumptions including risks and contain uncertainties that could cause actual results to differ materially from these statements.

These risks and uncertainties include general industry and market conditions, and general national and international economic conditions such as interest rates and currency exchange rate fluctuations.

Our Company is not obligated to update or revise the "forward-looking information" included in this announcement, even if new information or future events arise.

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