



Optorun Co., Ltd.

~ Strong performance in optical business areas such as smartphones contributed to 1Q2024 results.~

Financial Results for 1Q FY12/2024

May 13, 2024

Optical Thin Film Equipment



Semiconductor Optical Fusion Equipment



Electronic Device Equipment



□ Forward-Looking Statements

This document contains "forward-looking statements." These statements include those relating to expected growth and trends in our business and markets, industry outlook and demand factors, our investment and growth strategies, the development of new products and technologies, and current and future business prospects. We assume no obligation to update or revise any forward-looking statements, which may differ materially from expectations and plans due to changes in a variety of external and internal factors.

□ Foreign Exchange Risk

Export sales of manufacturing equipment, our main product, are affected by fluctuations in the U.S. dollar exchange rate due to our heavy reliance on U.S. dollar-denominated production. Since our manufacturing costs are highly dependent on production in Greater China, they are affected by fluctuations in the Chinese yuan. The foreign exchange assumptions used in our business outlook are based on past performance and are intended to reduce the impact of foreign exchange rate fluctuations. Although our export destinations are highly dependent on Greater China, our end-user customers are spread worldwide.

□ Actions to Achieve Management Conscious of Cost of Capital and Stock Prices

As a policy to deal with cost of capital and stock price awareness, we have defined "operating margin" and "ROE" in the management targets of our mid-term management plan. We assume that we will pay stable dividends and conduct flexible and strategic share buybacks in order to increase shareholder value. However, with an eye on sustainable growth, we plan to aggressively pursue R&D, capital investment, and strategic business alliances, including M&A. For inquiries, please contact E-mail: ir-info@optorun.co.jp

□ Consolidated Orders Received and Business Results for 1Q of FY12/2024

Orders received improved to 11.1 billion yen, up 16% from the previous year, due to a recovery in investment related to smartphones (hereafter referred to as "smart phones"). In particular, inquiries for ALD systems (Atomic Layer Deposition) for smartphones and camera modules increased. Sales rose 25% YoY to 11.3 billion yen due to the increased contribution of ALD systems, and operating profit rose 52% YoY to 4.0 billion yen. Ordinary income rose sharply due to a decrease in foreign exchange-related losses. Exchange rates were ¥151.41/\$ and ¥20.83/Yuan.

□ Consolidated Orders and Forecasts for FY12/2024 and Business Environment

Orders are expected to recover due to increased investment related to AI smartphones. Net sales are expected to increase 1% y/y to 37.0 billion yen due to the performance of the optical domain. Operating income is expected to decline 23% YoY to 7.6 billion yen due to the strong yen and intensified price competition, but ordinary income is expected to increase 25% YoY to 7.6 billion yen. The exchange rate assumptions are 130 yen to the dollar and 20.5 yen to the yuan. The operating income sensitivity is estimated to be -¥150 million for a ¥1 appreciation of the yen against the dollar and +¥100 million for a ¥0.1 appreciation of the yen against the yuan.

□ Medium-Term Management Plan and Next Business Strategy

The Company's management targets assume an operating margin of over 20% and ROE (return on equity) of over 10%. To increase shareholder value, we assume a stable dividend payment based on a consolidated payout ratio of at least 30% and flexible and strategic share buybacks. 52 yen dividend per share (interim dividend of 26 yen) is planned for the full year of FY12/2024. In our business strategy for the next fiscal year, we intend to make semiconductor optical integration and electronic devices the pillars of business growth in addition to optics, as shown in Business Domain Development.

Optics

Semiconductor Optical Fusion

Electronic Device

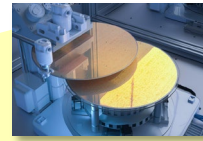


■ AI Smartphone

- CMOS image sensor
- Periscope Lens

■ EV/Connected Car

- ADAS (Advanced Driver Assistance Systems)
- Integrated Cockpit/Mobility

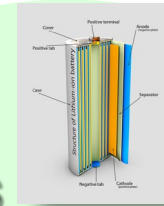


■ Photoelectric Fusion Devices

- Datacom Transceivers
- Board Connection Devices

■ Spatial Computer

- Micro LED/LiDAR sensor
- OLED Display

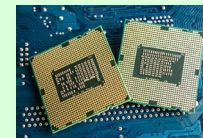


■ Green Energy

- Power Semiconductor
- All Solid-state Battery

■ Communication Devices

- Millimeter Wave Devices BAW/SAW/RF



Generative AI Revolution

Orders Received and Results of Operations



Figure 1: Orders Received, Business Performance and Per Share Indicators/Financial Indicators (in millions of yen, yen, %)

accounting period item	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024		Year-on-Year %	
							Q1	Full Year E	Q1	Full Year E
Orders received	39,821	36,062	28,606	35,435	43,124	24,080	11,136	-	16.4	-
Order backlog	39,228	32,468	23,583	28,126	36,947	24,219	24,058	-	-35.8	-
Net sales	44,763	42,822	37,491	30,892	34,304	36,807	11,298	37,000	24.7	0.5
Operating income	10,690	10,879	8,628	7,025	7,449	9,752	3,965	7,500	51.7	-23.1
Ordinary income	10,993	11,031	8,610	7,901	8,763	6,051	4,325	7,600	138.3	25.6
Income before income taxes	10,748	11,488	8,678	8,773	9,405	5,998	4,321	-	138.1	-
Income taxes	3,001	2,386	1,874	2,440	2,512	1,325	1,030	-	148.8	-
Net income	7,746	9,102	6,797	6,330	6,890	4,632	3,284	5,400	134.1	16.6
Net income per share	187.6	216.7	159.1	146.8	159.0	106.1	75.0	123.2	132.5	16.1
Dividend per share	55.0	60.0	50.0	50.0	50.0	50.0	-	52.0	-	4.0
Net assets per share	676.2	821.1	919.0	1,066.0	1,199.1	1,285.3	1,343.9	-	12.5	-
Gross profit margin	39.0	41.3	39.2	43.3	43.6	50.1	52.4	-	1.9	-
Operating income margin	23.9	25.4	23.0	22.7	21.7	26.5	35.1	20.3	6.3	-6.2
Corporate tax rate	27.9	20.8	21.6	27.8	26.7	22.1	23.8	-	1.0	-
Inventory turnover days	327.1	220.4	178.4	268.1	385.2	357.7	275.0	-	-40.5	-
Return on equity	30.6	29.0	18.3	14.8	14.0	8.5	-	-	-	-

Note: Accounting is based on Japanese GAAP, Forecast is our forecast, and figures are rounded to the nearest million yen.

Balance Sheets and Statements of Cash Flows



Figure 2: Summary of main balance sheets and statements of cash flows (in millions of yen)

accounting period item	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024 Q1
Cash and deposits	15,741	26,970	22,723	32,274	34,923	33,054	33,329
Notes and accounts receivable–trade	6,417	3,902	9,426	5,627	7,423	4,882	3,206
Inventories	24,487	15,173	11,147	12,855	20,430	17,989	16,213
Current assets	48,142	47,194	44,572	53,145	65,401	57,632	55,184
Fixed assets	7,502	9,315	9,755	11,529	17,515	20,859	21,775
Total assets	55,644	56,509	54,327	64,675	82,916	78,491	76,959
Notes and accounts payable–trade	1,653	2,735	1,703	3,246	4,785	1,284	2,326
Short–term interest–bearing debt	757	510	489	472	414	403	402.8
Contract liabilities	20,109	13,989	8,922	9,831	19,060	14,743	9,441
Current liabilities	25,923	19,826	13,655	17,057	28,400	19,097	14,812
Fixed liabilities	1,659	1,864	1,157	1,535	2,357	2,478	2,637
Net assets	28,063	34,819	39,515	46,084	52,159	56,916	59,510
Cash flows from operating activities	9,572	16,233	-535	10,686	8,561	3,180	-
Cash flows from investing activities	-2,964	-2,432	-1,048	376	-4,396	-3,599	-
Free cash flow	6,608	13,801	-1,583	11,061	4,165	-419	-
Financial Cash Flows	-10,054	-2,359	-2,467	-2,735	-2,172	-2,207	-

Note: Figures are rounded to the nearest million yen; notes and accounts receivable take into account allowance for doubtful accounts; short–term interest–bearing debt is the sum of short–term borrowings and lease obligations.

□ Consolidated Orders and Results for 1Q FY12/2024

Orders received improved to 11.1 billion yen, up 16% from the previous year, due to a recovery in investment related to smartphones. In particular, inquiries for ALD systems (Atomic Layer Deposition) for smartphones and camera modules increased. Sales rose 25% YoY to 11.3 billion yen due to the increased contribution of ALD systems, and operating profit rose 52% YoY to 4.0 billion yen. Ordinary income rose sharply due to a decrease in foreign exchange-related losses. The exchange rate was 151.41 yen to the dollar and 20.83 yen to the yuan.

The smartphone market has been experiencing a prolonged replacement cycle due to maturing demand, but the emergence and strong sales of AI smartphones has enabled us to win orders for new equipment: cutting-edge semiconductor chipsets with AI functions, 1-inch image sensors, double periscope and triple foldable displays, and other new technologies. With the adoption of new technologies, smartphones may stimulate demand for high value-added products. However, we are cautious about this decision due to geopolitical risks and concerns about an economic slowdown.

□ Consolidated Orders and Forecasts for FY12/2024 and Business Environment

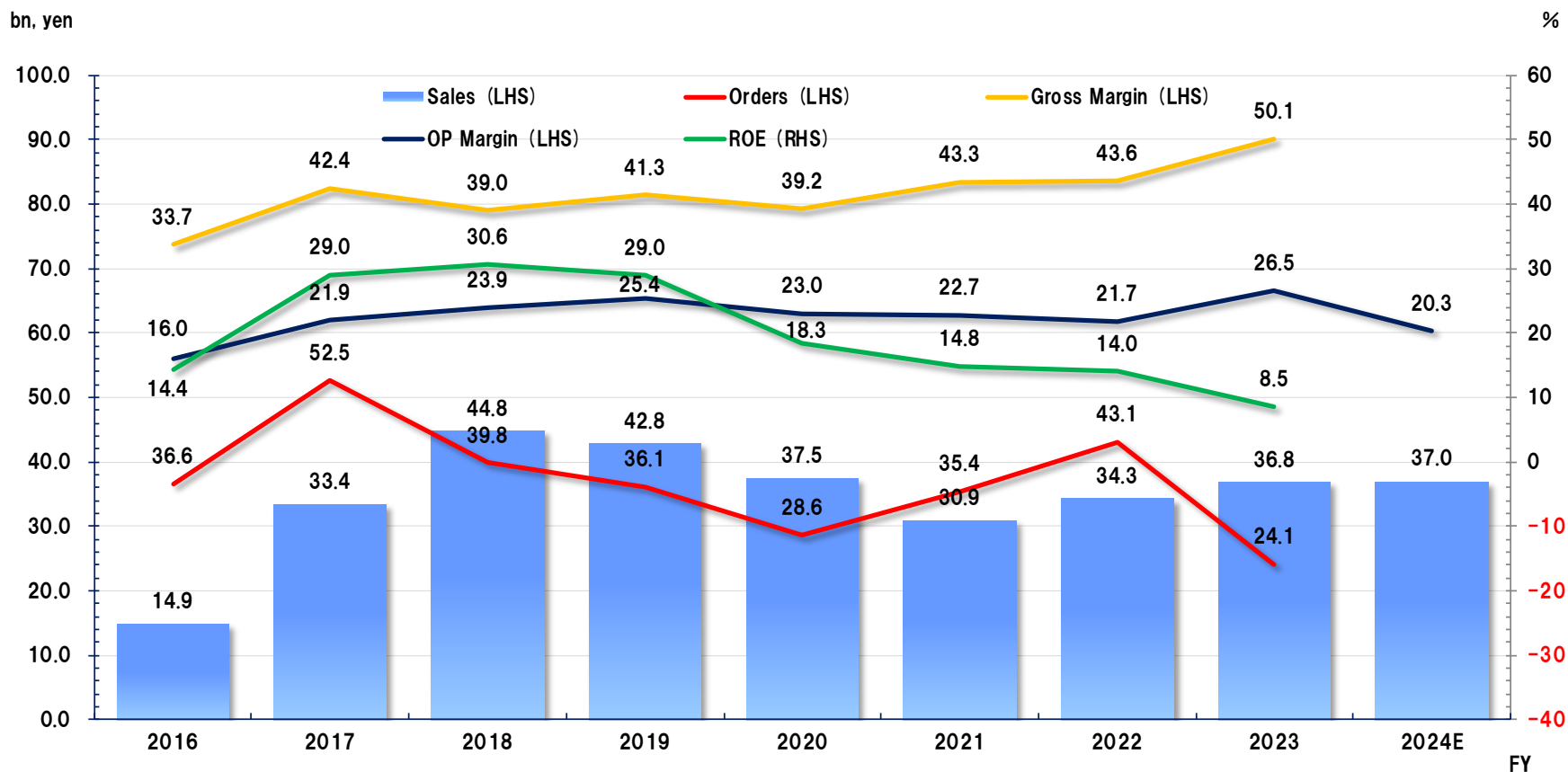
Orders are expected to recover due to increased investment related to AI smartphones. Sales are expected to increase slightly due to expansion in the optical business area. Operating income is expected to decrease due to the strong yen and intensified price competition, while ordinary income is expected to increase. The exchange rate assumptions are ¥130/\$ and ¥20.5/yuan, which are more cautious than the current exchange rate. The operating income sensitivity is -¥150 million for a \$1 appreciation of the yen against the dollar and +¥100 million for a ¥0.1 appreciation of the yen against the yuan.

The AI generation revolution is expected to expand demand for film deposition in all business domains, including optics, semiconductor optics integration, and electronic devices. The incorporation of generative AI functions in top-end smartphone models and the increased sophistication of cameras with compound eyes and larger format are expected to stimulate demand for new equipment. The semiconductor optical fusion business is positioned as a key focus area, and plans include aggressive R&D and IP investments and M&A. In the EV/automotive area, new equipment demand is expected to arise from improved automatic driving technology.

Orders, Sales and Profitability/Profitability Indicators



Figure 3: Orders Received, Sales and Profitability/Profitability Indicators

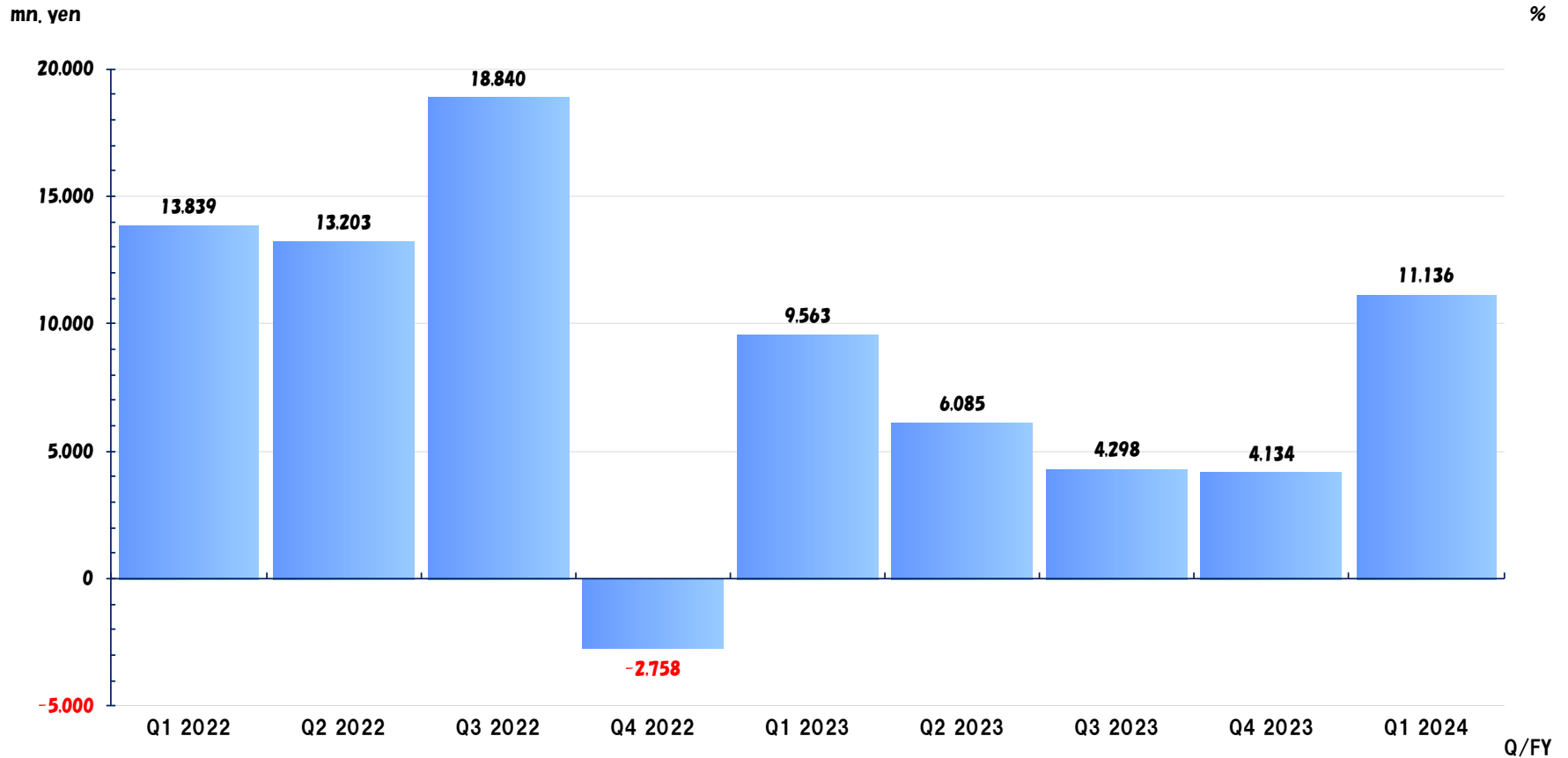


Note: The exchange rate assumptions for FY12/2024 are \$130/\$ and ¥20.5/ yuan. Operating income sensitivity is -150 million yen at \$1/\$ and +100 million yen at 0.1 yen/ yuan.

Quarterly Orders



Figure 4: Quarterly Orders Received

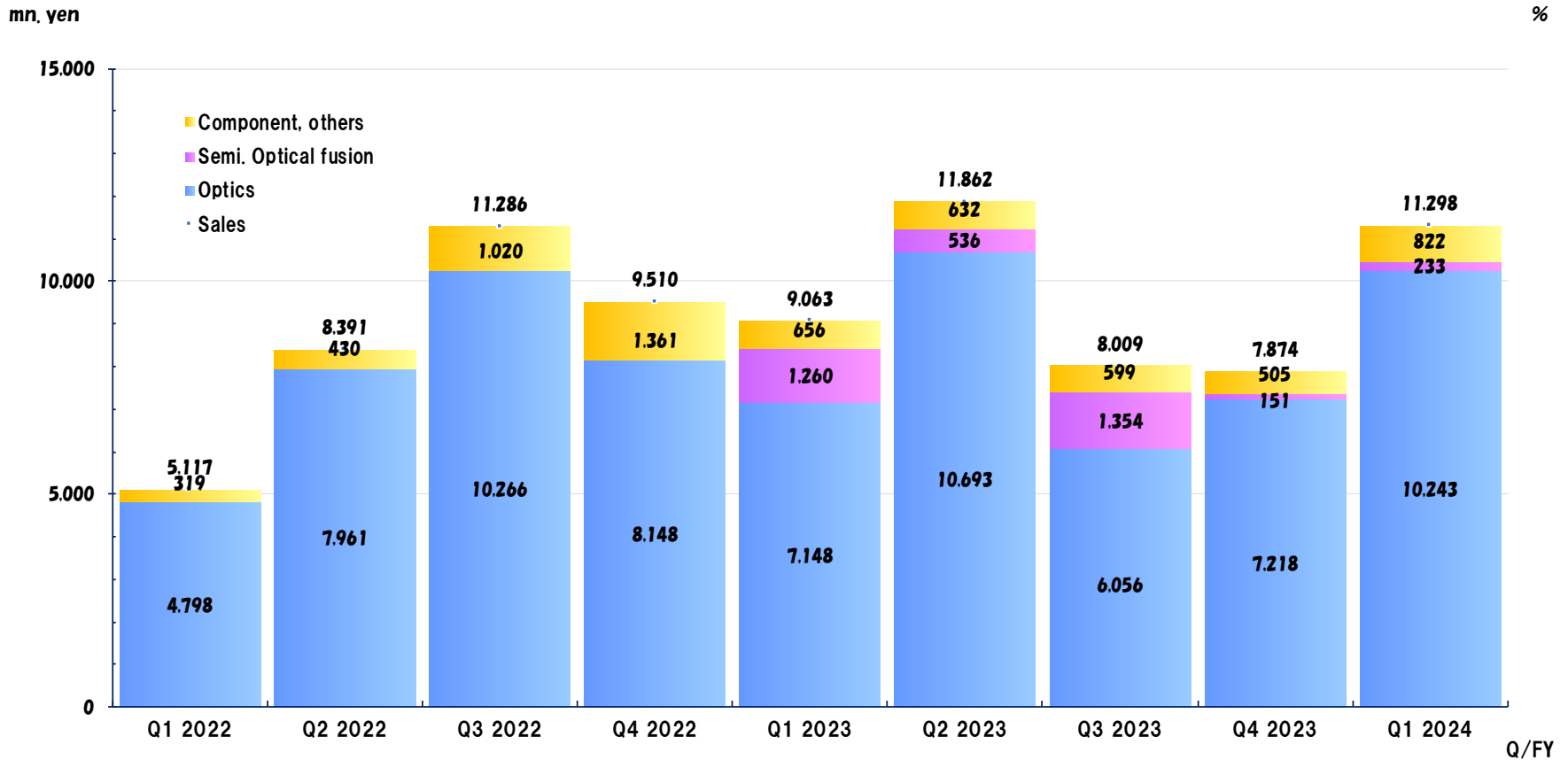


Note: Figures for orders received by business domain are not disclosed from FY12/2024.

Quarterly Sales by Business Domain



Figure 5: Quarterly Sales by Business Area



Note: Optics business area includes AI smartphones, EV/connected cars, and optical components; Semiconductor optical fusion and electronic devices business area includes optoelectronics, spatial computers, optoelectronic fusion devices green energy, communication devices, and MEMS devices.

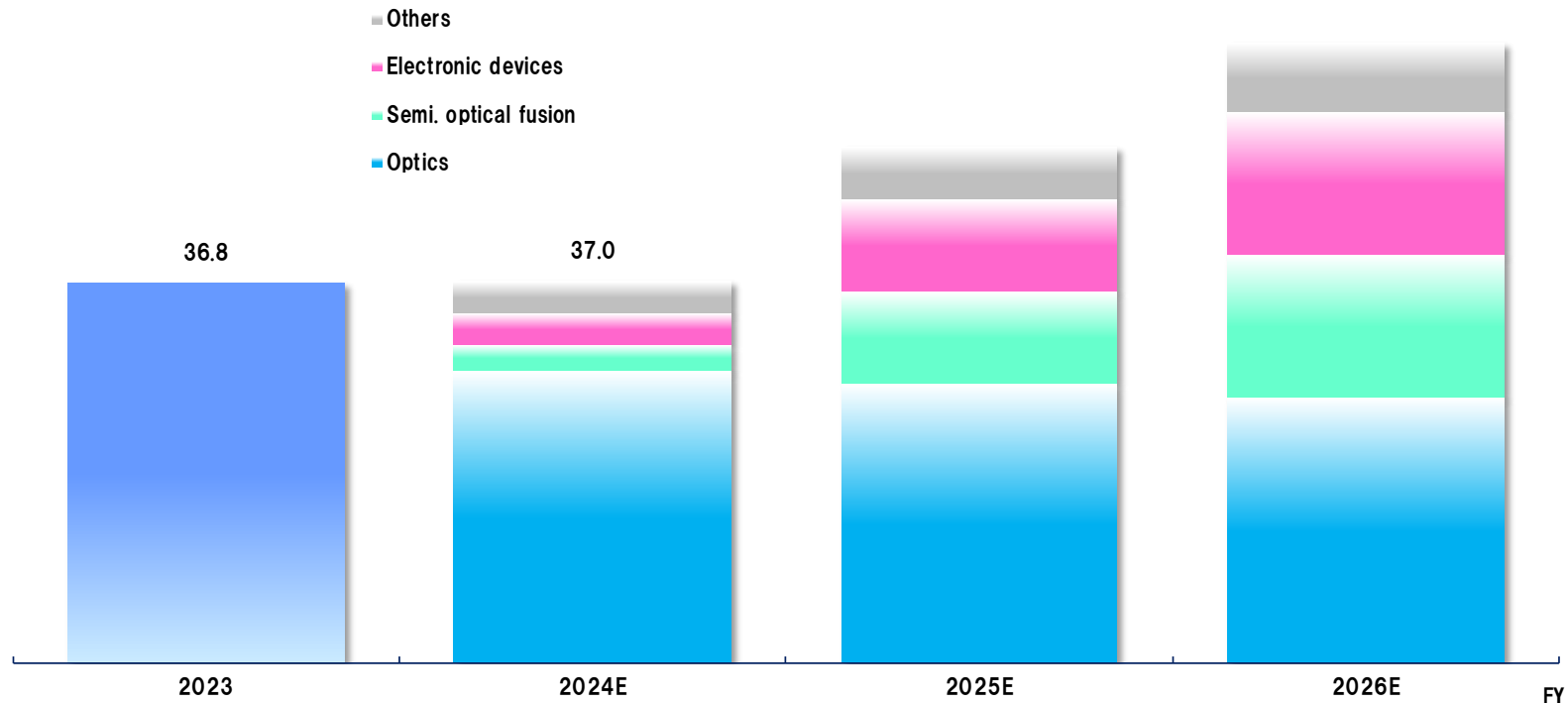


Medium-term Management Policy

□ Medium-Term Management Plan and Next Business Strategy

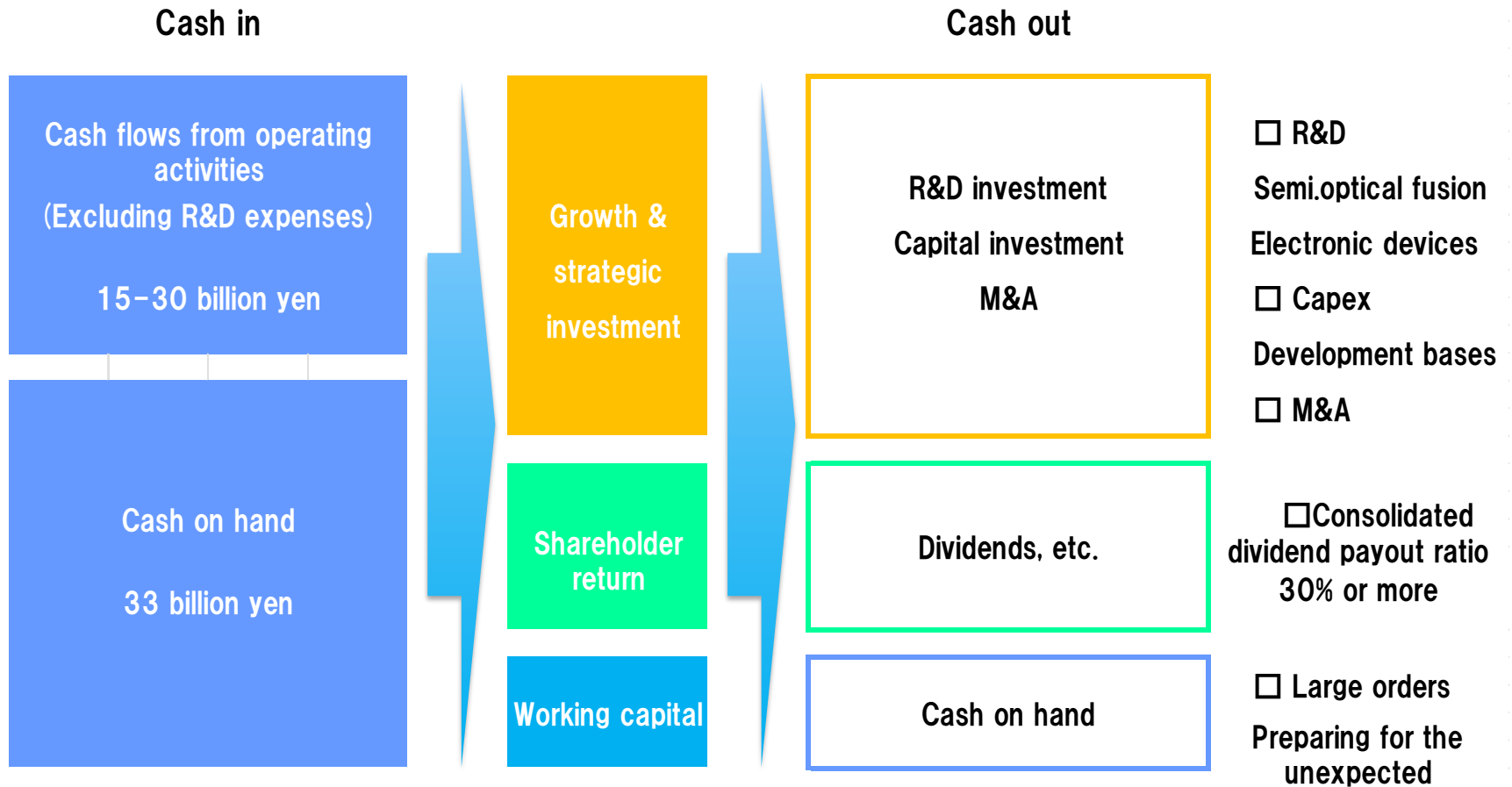
As management targets, we assume an operating margin of over 20% and ROE (return on equity) of over 10%. To increase shareholder value, the company is considering stable dividends based on the assumption of a consolidated payout ratio of 30% or more and flexible and strategic share buybacks. As shown in the business domain development in the next business strategy, we intend to make semiconductor optical integration and electronic devices the pillars of business growth in addition to optics.

Figure 6: Medium-Term Management Targets by Domain (Unit: billions of yen)



Cash Allocation (3 years)

Figure 7: Cash Allocation



Capital Expenditure and R&D Expenditure Plan

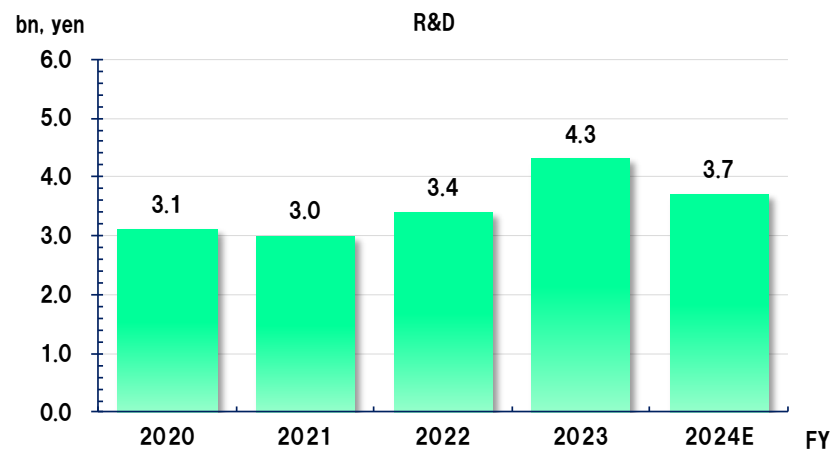
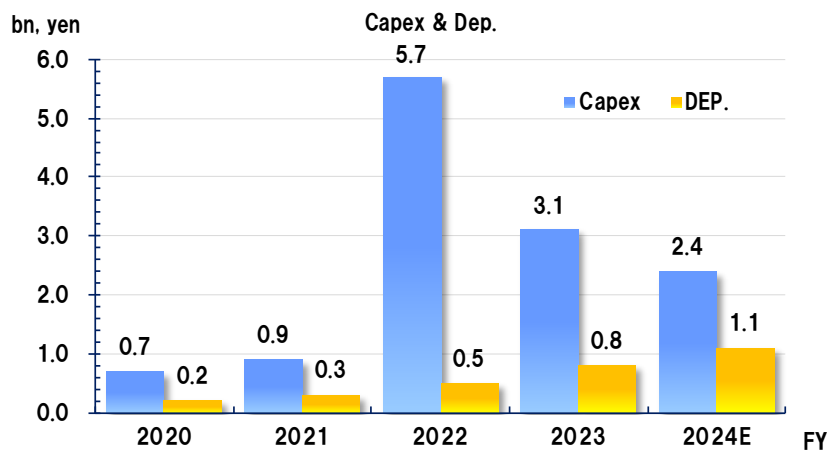
Figure 8: Capital Expenditures, Depreciation and R&D Expenses



Research and development center for advanced fields such as optics, semiconductor optics, and electronic devices

Production and R&D base for new technology equipment, such as ALD equipment, to begin operations in Jan. 2024

Equip. design, equip. installation, maintenance and repair for customers in Southeast Asia, and parts machining and sales Start of operation in Dec. 2023



□ Shareholder Returns / Dividend Forecast

We will return profits to shareholders based on a consolidated dividend payout ratio of 30% or more, while securing the necessary internal reserves for R&D investment, production system reinforcement, and new business development. In order to increase shareholder value, we plan to pay interim and year-end dividends twice a year starting from the fiscal year ending December 31, 2024, and plan to pay a full-year dividend of 52 yen for the fiscal year ending December 31, 2024. Dividends may be revised in the event of significant changes in earnings conditions.

Figure 9: Dividend per share and annual dividend payout ratio

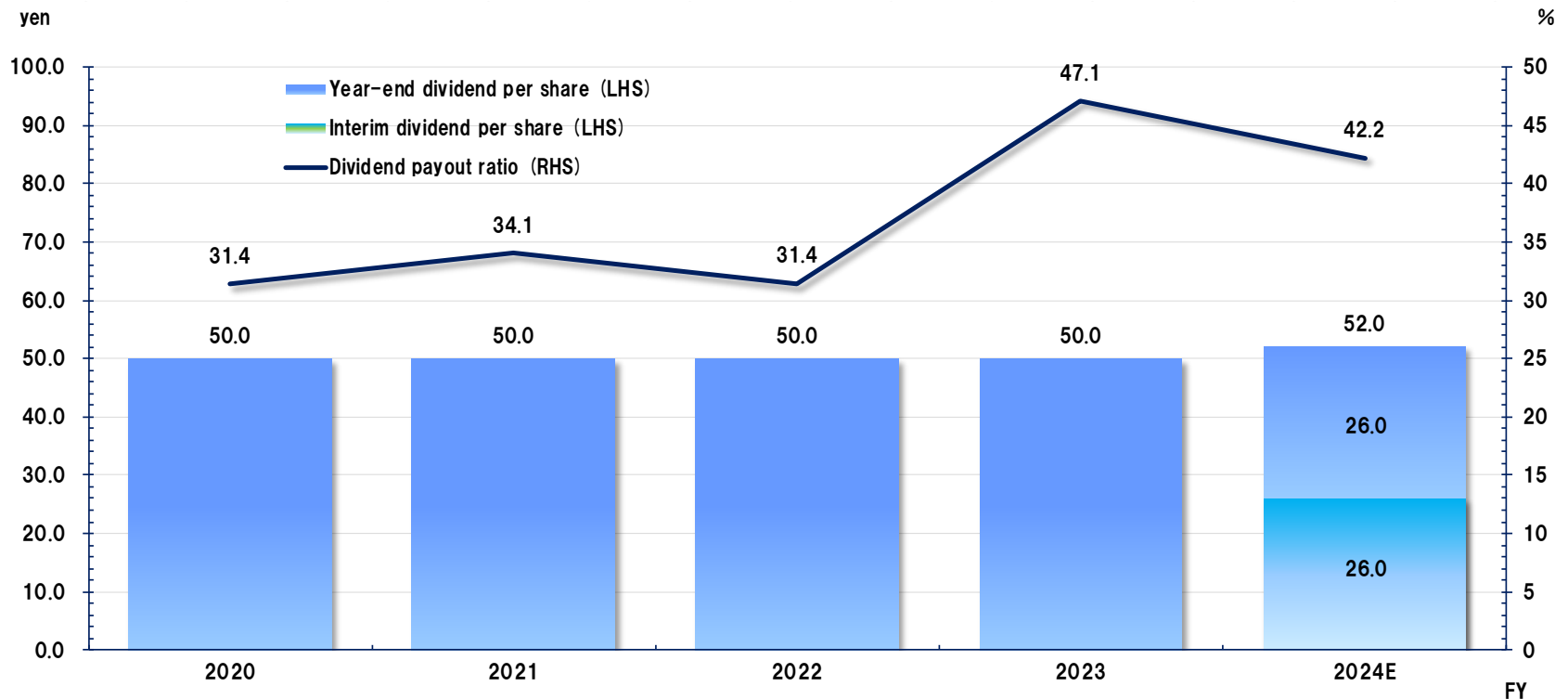


Figure 10: Optical Thin Film Equipment for AI Smartphones

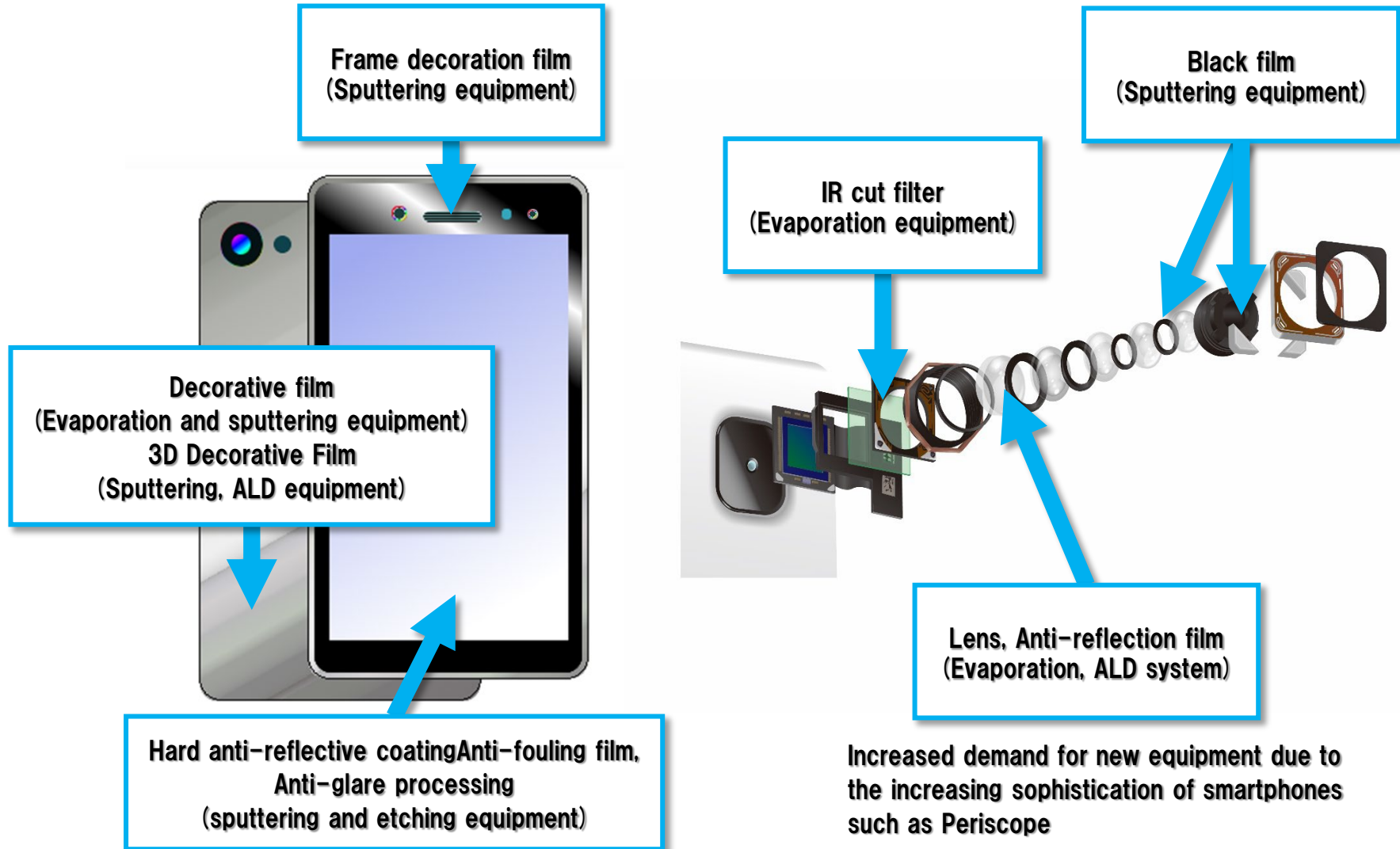
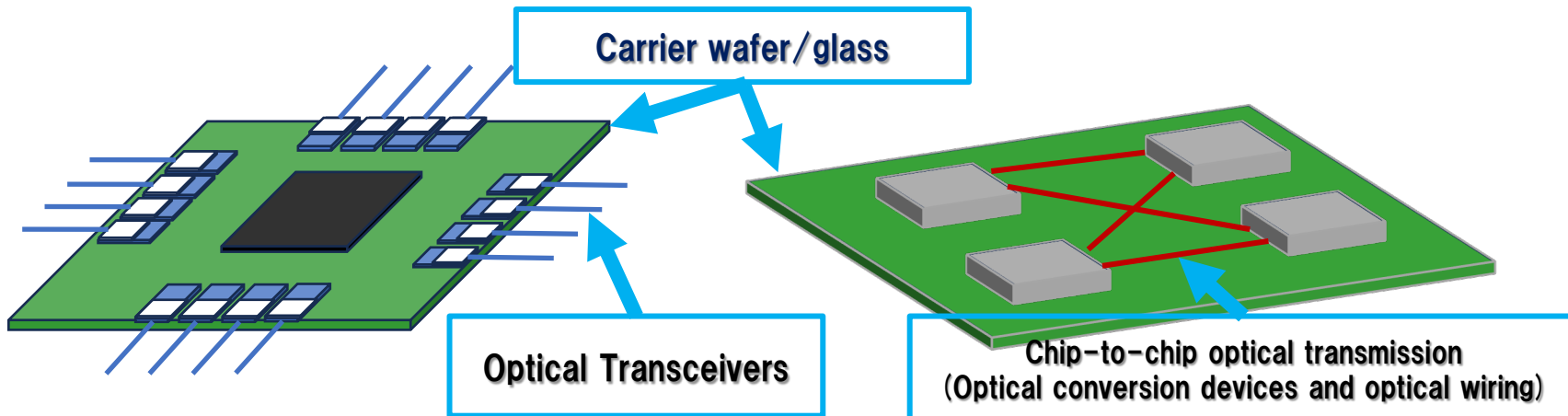


Figure 11: Semiconductor optical fusion equipment for optoelectronic fusion devices

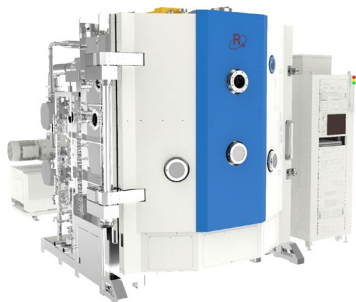


Photoelectric Fusion Technology to Contribute to Realization of Chip-to-Chip Optical Transmission Devices

2nd Gen. Optical Comm.

3rd Gen. Optical Comm.

3.5 Gen. Optical Comm.



Evaporation Equipment



Sputtering equipment



ALD system

Figure 12: Semiconductor optical fusion equipment for spatial computers

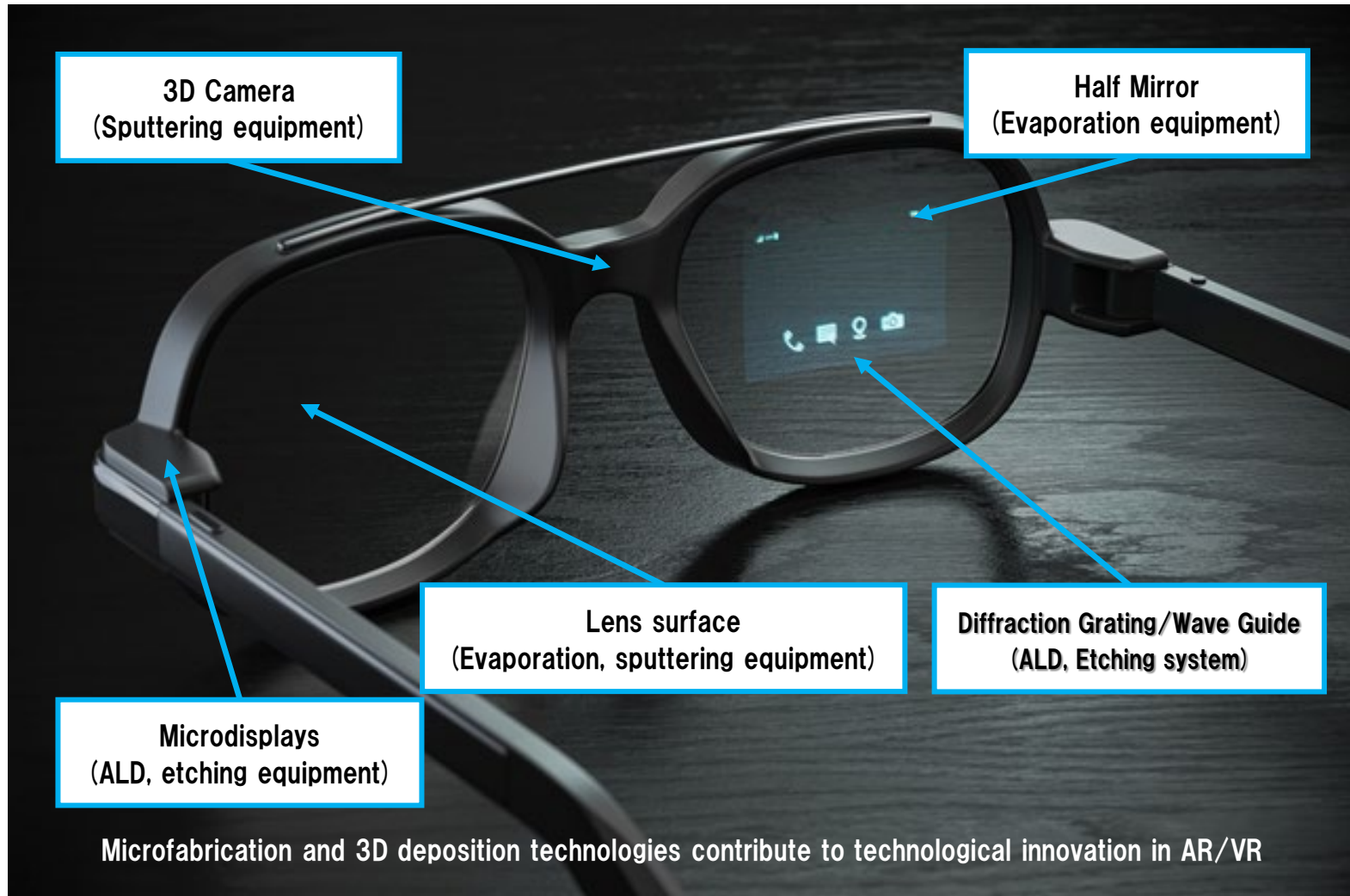
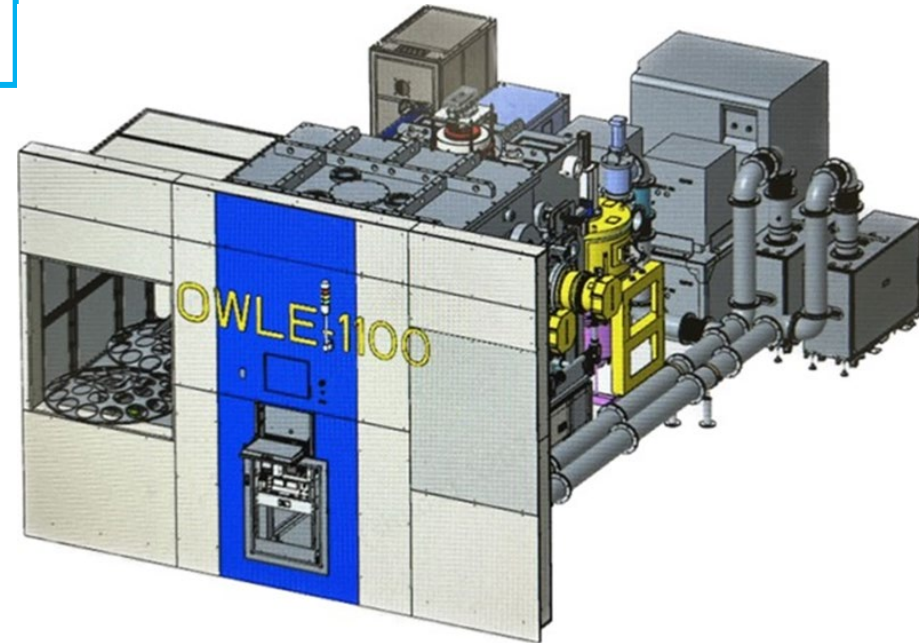
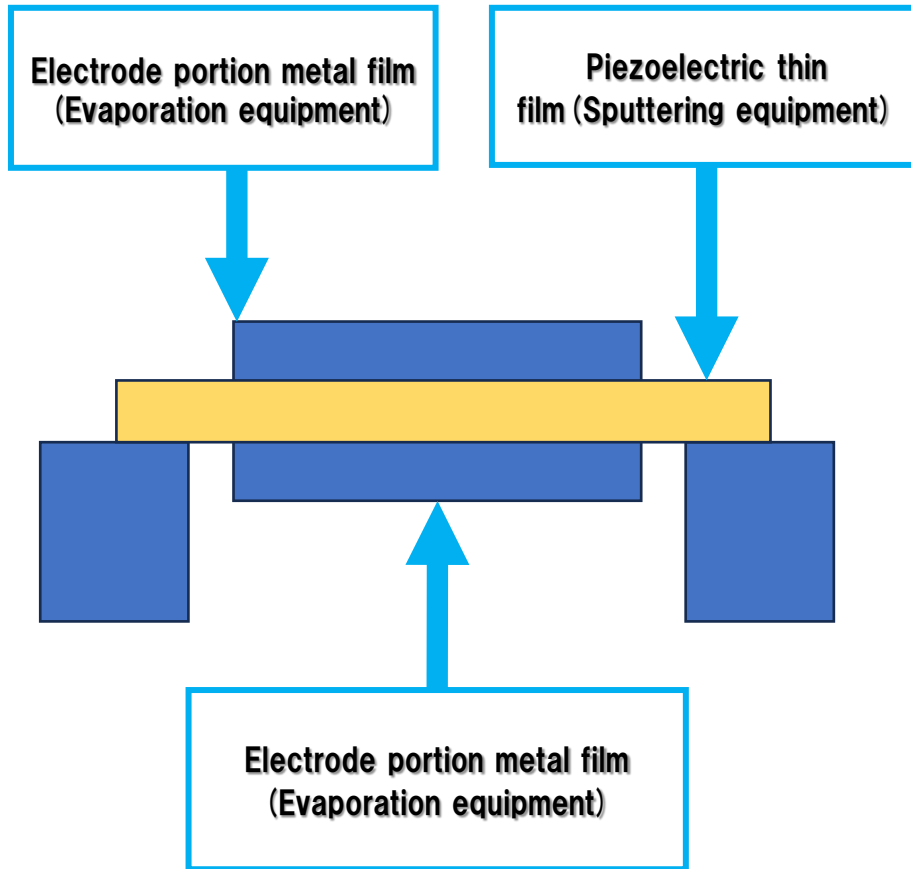


Figure 13: Electronic Device Equipment for BAW filters (bulk surface wave filters)



Note: BAW filter is an abbreviation for Bulk Acoustic Wave Filter, which is essential for mobile communication systems using 2GHz and above, and SAW (Surface Acoustic Wave) filter is used from 800Mhz to 2GHz.

