

# Optorun Co., Ltd.

**~ 2Q orders up 20%, but results stagnate  
due to delivery delays.~**

## Financial Results for Q2 FY12/2024

Aug. 8, 2024

### Optical Thin Film Equipment Segment



Evaporation equipment

### Semiconductor Optical Fusion Equipment Segment



Sputtering equipment for  
semiconductor optical films

### Electronic Device Equipment Segment



ALD (Atomic Layer Deposition)  
mass production equipment

## ❑ Consolidated Orders Received and Business Results for Q2 of FY12/2024

Orders in 2Q were up by 20% year-on-year to JPY 7.3 billion due to the effect of the weaker yen. QoQ, it was down 34%, slowing down due to a leveling off of AI smartphone investment. Sales fell 55% YoY to JPY 5.4 billion due to longer lead times for equipment delivery, while the continued emphasis on R&D resulted in an operating loss.

Recurring profit increased due to a decrease in foreign exchange-related losses, but a net loss was recorded due to an increase in the corporate tax burden rate. The gross profit margin fell by -9.9%pts year-on-year to 40.3%, but the company performed well thanks to the effect of a weaker yen and the support of ALD equipment. Exchange rate: ¥161.07/\$, ¥22.04/Yuan.

## ❑ Consolidated Orders and Forecasts for FY12/2024 and Business Environment

Orders in the second half of the year are expected to recover due to increased investment related to AI smartphones. Full-year sales are expected to increase by 1% year-on-year to JPY 37 billion, maintaining the previous forecast of JPY 37 billion, due to the full-scale acceptance of optical business in the second half of the year. Operating profit is expected to fall 23% from the previous forecast to JPY 7.6 billion, due to cost-cutting efforts in the face of sharp foreign exchange fluctuations and expected intensified price competition.

Recurring profit is forecast to increase by 25% y-o-y to ¥7.6 billion, as the company works to reduce foreign exchange-related losses. Exchange rate assumptions have been changed to ¥145/\$ and ¥21/renminbi for the second half of the year. Operating profit sensitivity is expected 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%. The annual dividend per share for FY24/12 is expected to be JPY 52 (interim dividend: JPY 26).

In its business strategy for the next fiscal year, the company intends to make semiconductor-optics integration and electronic devices businesses the pillars of growth, in addition to the optics business, as shown in the business domain development. As new demand, the market take-off of the AI Foldable Smartphone and Si photonics fields is noteworthy.

# 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				YoY%			
							Q1	Q2	H1	Full Year E	Q1	Q2	H1	Full Year E
Orders received	39,821	36,062	28,606	35,435	43,124	24,080	11,136	7,301	18,437	-	16.4	20.0	17.8	-
Order backlog	39,228	32,468	23,583	28,126	36,947	24,219	24,058	25,979	25,979	-	-35.8	-18.0	-18.0	-
Net sales	44,763	42,822	37,491	30,892	34,304	36,807	11,298	5,380	16,678	37,000	24.7	-54.6	-20.3	0.5
Gross profit	17,436	17,697	14,682	13,390	14,948	18,454	5,917	2,168	8,086	-	31.9	-63.6	-23.2	-
R&D	3,103	3,173	3,151	3,065	3,410	4,329	908	1,029	1,937	3,700	-80.2	1.5	-3.9	-14.5
Operating income	10,690	10,879	8,628	7,025	7,449	9,752	3,965	-23	3,942	7,500	51.7	-	-40.8	-23.1
Ordinary income	10,993	11,031	8,610	7,901	8,763	6,051	4,325	92	4,417	7,600	138.3	-96.2	3.6	25.6
Income before income taxes	10,748	11,488	8,678	8,773	9,405	5,998	4,321	92	4,413	-	138.1	-96.2	3.5	-
Income taxes	3,001	2,386	1,874	2,440	2,512	1,325	1,030	165	1,195	-	148.8	-52.6	56.9	-
Net income	7,746	9,102	6,797	6,330	6,890	4,632	3,284	-110	3,173	5,400	134.1	-	-8.6	16.6
Net income per share	187.6	216.7	159.1	146.8	159.0	106.1	75.0	-2.6	72.3	123.2	132.5	-	-9.2	16.1
Dividend per share	55.0	60.0	50.0	50.0	50.0	50.0	0.0	26.0	26.0	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	1,388.5	1,388.5	-	12.5	9.6	9.6	-
BB ratio, Orders/Sales	0.89	0.84	0.76	1.15	1.26	0.65	0.99	1.36	1.11	-	-	-	-	-
Gross profit margin	39.0	41.3	39.2	43.3	43.6	50.1	52.4	40.3	48.5	-	1.9	-9.9	-1.8	-
R&D as % of Net sales	6.9	7.4	8.4	9.9	9.9	11.8	8.0	19.1	11.6	10.0	-3.0	10.6	2.0	2.0
Operating income margin	23.9	25.4	23.0	22.7	21.7	26.5	35.1	-0.4	23.6	20.3	6.3	-34.6	-8.2	-6.2
Corporate tax rate	27.9	20.8	21.6	27.8	26.7	22.1	23.8	179.3	27.1	-	1.0	165.0	9.2	-
Inventory turnover days	327.1	220.4	178.4	268.1	385.2	357.7	275.0	530.5	492.4	-	-40.5	59.1	0.0	-
Return on equity	30.6	29.0	18.3	14.8	14.0	8.5	23.7	-0.8	10.9	-	12.3	-16.4	-2.2	-

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	12/2024 H1
<b>Assets</b>								
Cash and deposits	15,741	26,970	22,723	32,274	34,923	33,054	33,329	32,193
Notes and accounts receivable-trade	6,417	3,902	9,426	5,627	7,423	4,882	3,206	4,353
Inventories	24,487	15,173	11,147	12,855	20,430	17,989	16,213	18,670
Raw materials and supplies	4,339	4,070	3,850	5,804	10,460	8,790	9,365	8,363
Goods in process	20,148	11,103	7,297	7,051	9,970	9,199	6,848	10,306
Current assets	48,142	47,194	44,572	53,145	65,401	57,632	55,184	57,372
Fixed assets	7,502	9,315	9,755	11,529	17,515	20,859	21,775	24,111
Total assets	55,644	56,509	54,327	64,675	82,916	78,491	76,959	81,482
<b>Liabilities</b>								
Notes and accounts payable-trade	1,653	2,735	1,703	3,246	4,785	1,284	2,326	1,848
Short-term interest-bearing debt	757	510	489	472	414	403	403	402
Contract liabilities	20,109	13,989	8,922	9,831	19,060	14,743	9,441	10,841
Current liabilities	25,923	19,826	13,655	17,057	28,400	19,097	14,812	16,895
Fixed liabilities	1,659	1,864	1,157	1,535	2,357	2,478	2,637	2,777
Net assets	28,063	34,819	39,515	46,084	52,159	56,916	58,881	61,810
<b>Cash flows</b>								
Cash flows from operating activities	9,572	16,233	-535	10,686	8,561	3,180	-	1,353
Cash flows from investing activities	-2,964	-2,432	-1,048	376	-4,396	-3,599	-	-1,618
Free cash flow	6,608	13,801	-1,583	11,061	4,165	-419	-	-265
Financial Cash Flows	-10,054	-2,359	-2,467	-2,735	-2,172	-2,207	-	-609

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.

# Quarterly Orders and Sales

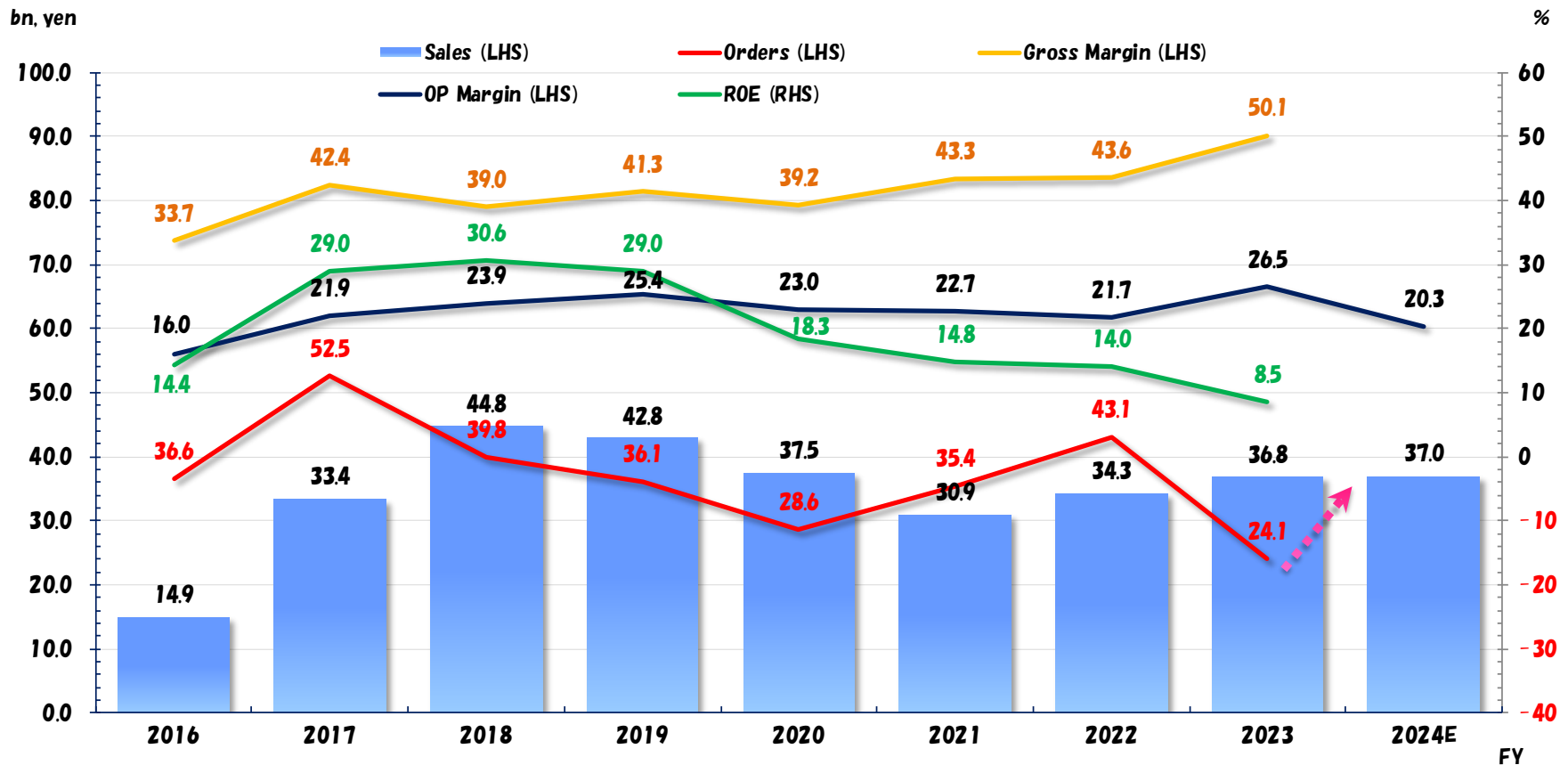
Figure 3: Quarterly orders, sales by business area and BB ratio



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

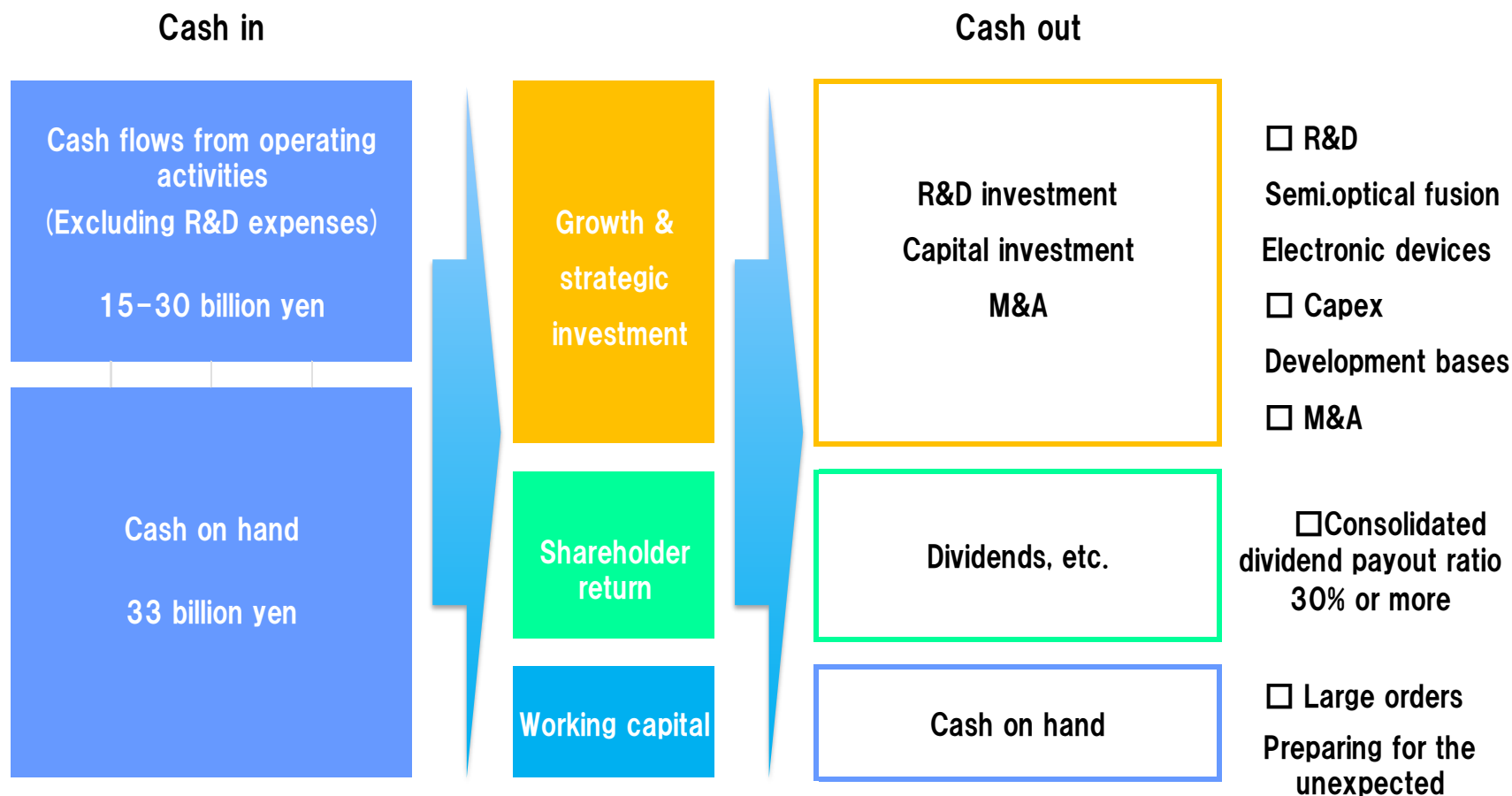
# Orders, Sales and Profitability/Profitability Indicators

Figure 4: Orders Received, Sales and Profitability/Profitability Indicators



Note :The exchange rate assumptions for the second half of FY2012 are \$145/\$ and ¥21.0/renminbi. Operating income sensitivity (annualized) 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.

Figure 5: Cash Allocation (3 years)





# Capital Expenditure and R&D Expenditure Plan

Figure 6: Capital Expenditures, Depreciation and R&D Expenses

## Japan Headquarters Tsurugashima



Research and development center for advanced fields such as optics, semiconductor optics, and electronic devices. Start of operation in April 2024

## Semiconductor Technology, Shanghai

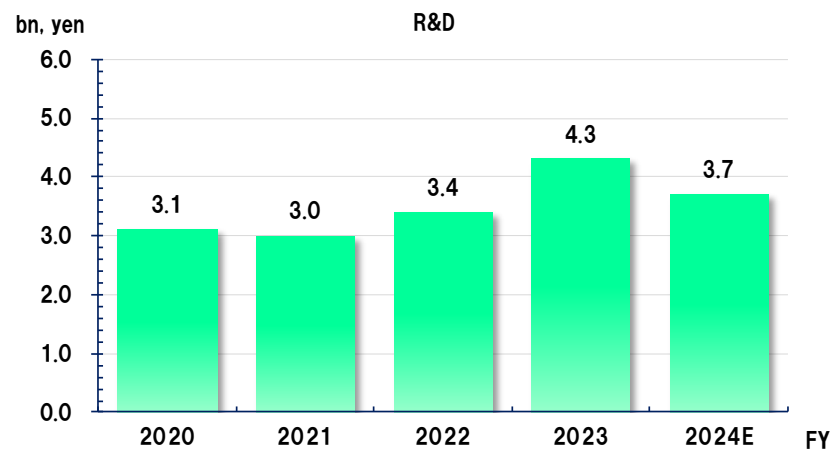
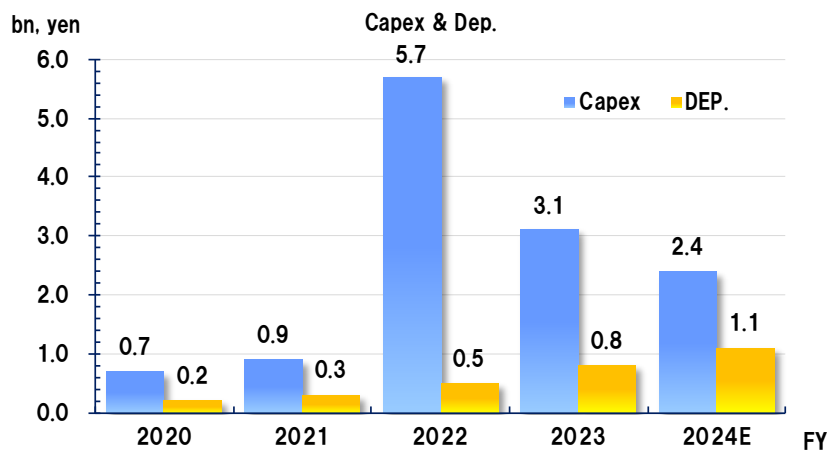


Production and R&D base for new technology equipment, such as ALD equipment, to begin operations in Jan. 2024

## Hanoi, Vietnam



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





# **Medium-Term Management Objectives and Strategic Technology Development**

## □ Medium-Term Management Plan and Next Business Strategy

The company's management targets are an operating margin of over 20% and ROE (return on equity) of over 10%. The company plans to pay an annual dividend of 52 yen per share (interim dividend: 26 yen per share) for FY12/2012. In its next business strategy, the company intends to focus on semiconductor optics integration and electronic devices in addition to optics as pillars of business growth, as shown in its business domain expansion.

Figure 7: Medium-Term Management Targets by Domain and Dividends per Share (Unit: billions of yen)

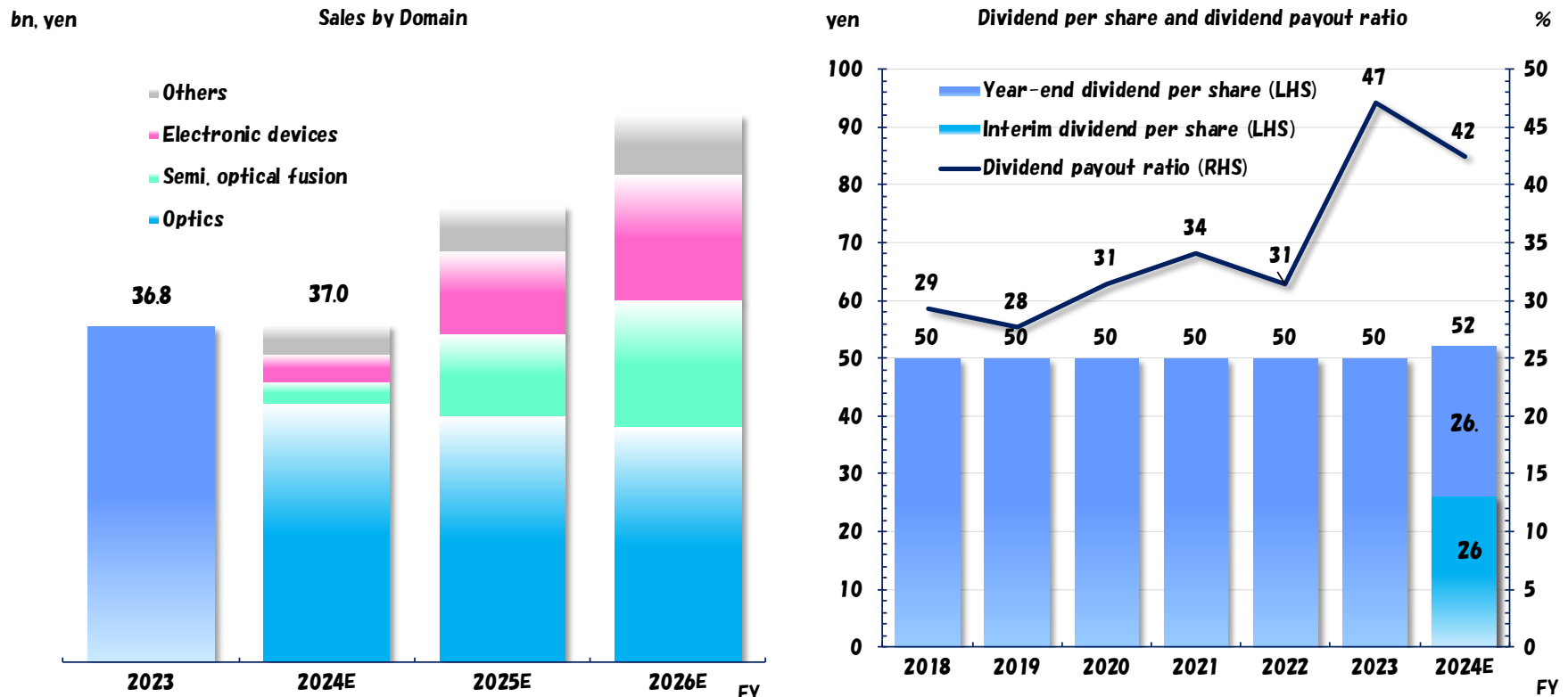
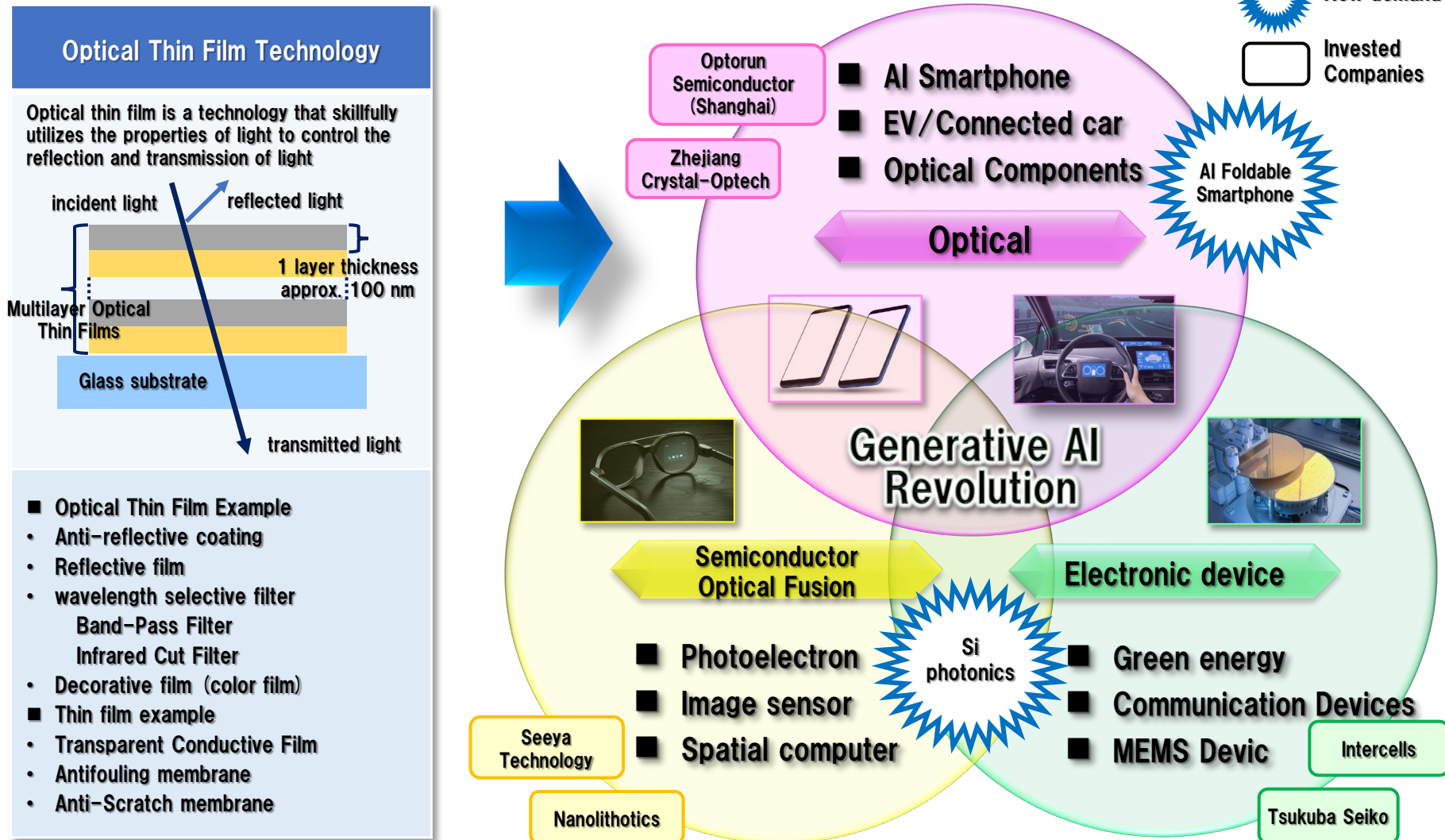
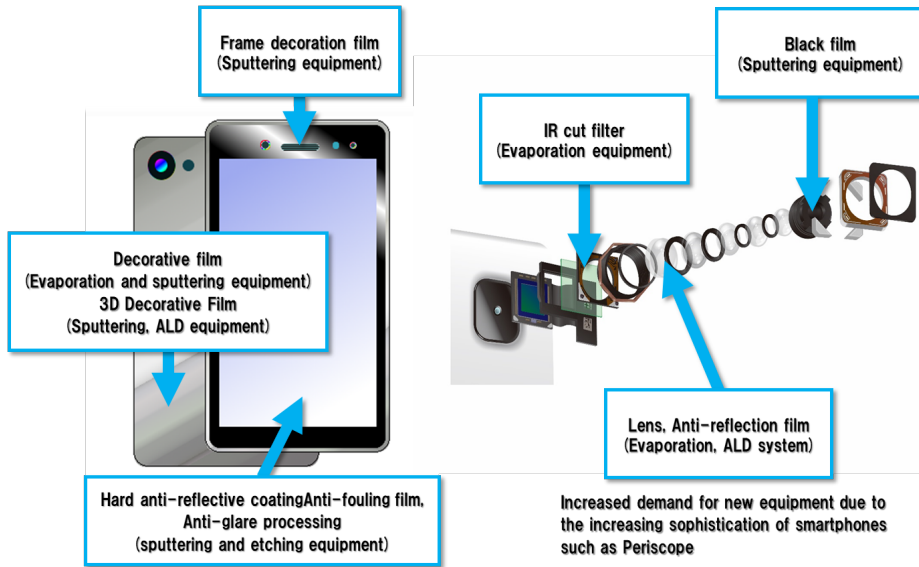


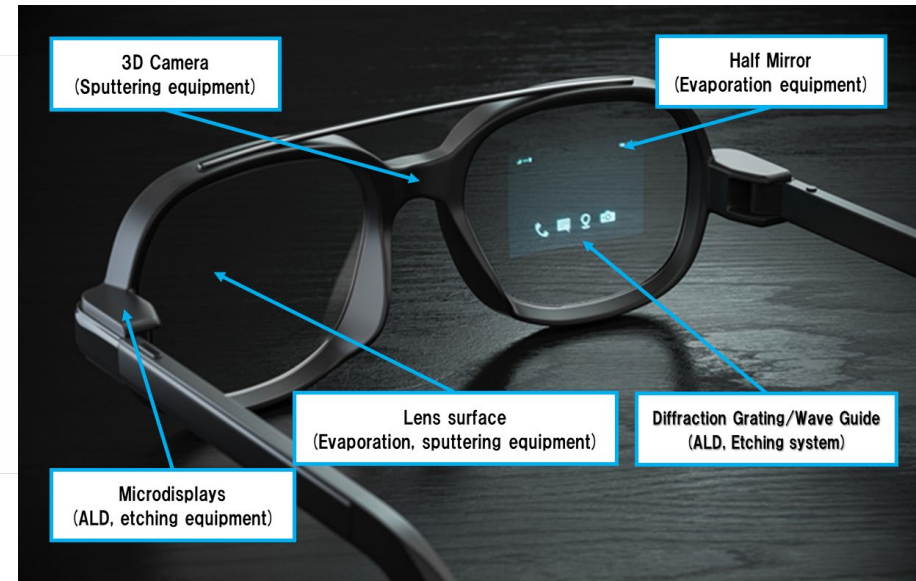
Figure 8: Optorun's optical thin film technology, new business areas and companies invested in



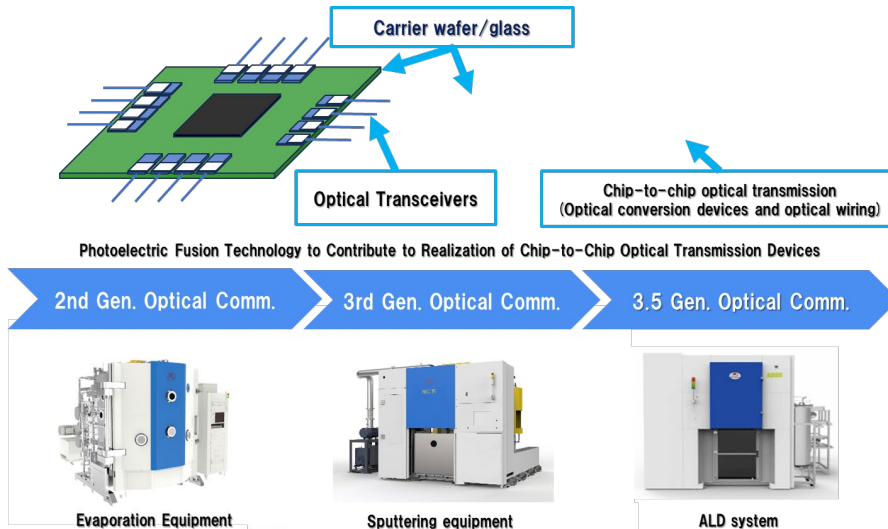
**Figure 9: Optical Thin Film Equipment for AI Smartphones**



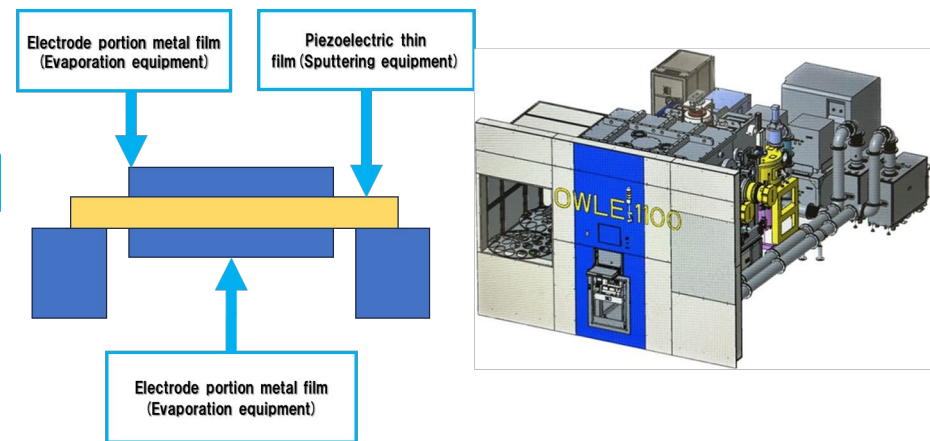
**Semiconductor optical fusion equipment for spatial computers**



**Semiconductor optical fusion equipment for optoelectronic fusion devices**



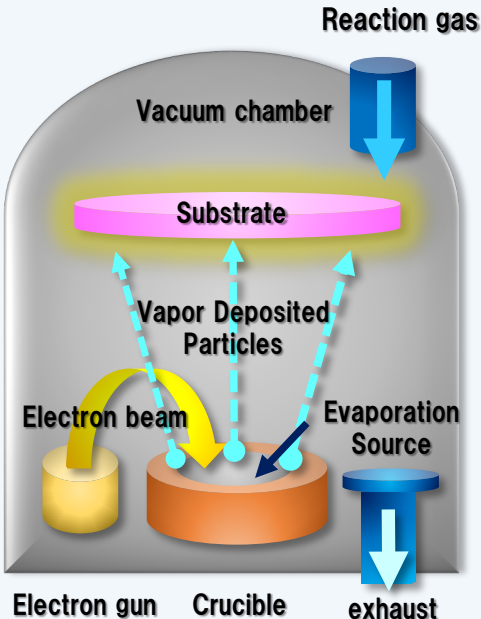
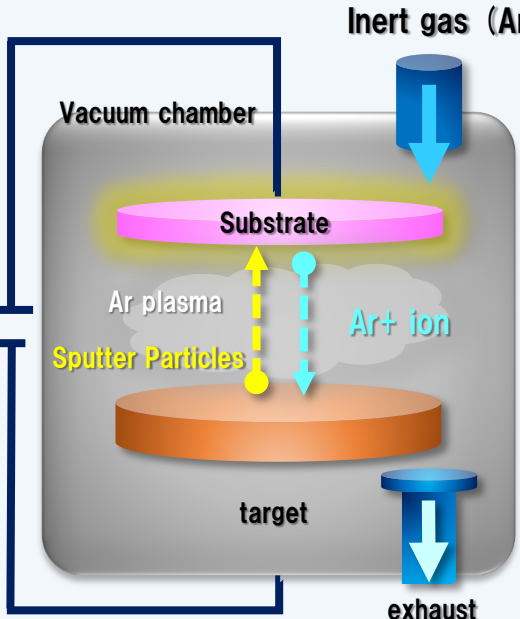
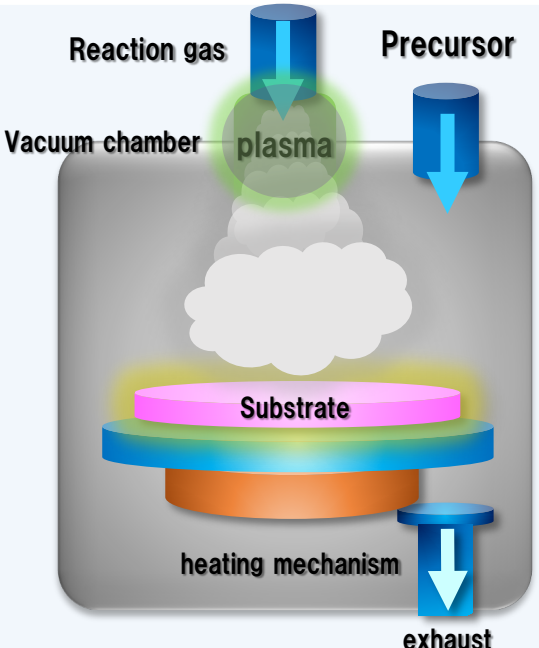
**Electronic Device Equipment for BAW filters**



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.



Figure 10: Optorun optical thin film device and mechanism

Evaporation Equipment	Sputtering equipment	ALD (Atomic Layer Deposition) system
 <p>Reaction gas</p> <p>Vacuum chamber</p> <p>Substrate</p> <p>Vapor Deposited Particles</p> <p>Electron beam</p> <p>Evaporation Source</p> <p>Electron gun</p> <p>Crucible</p> <p>exhaust</p>	 <p>Inert gas (Ar)</p> <p>Vacuum chamber</p> <p>Substrate</p> <p>Ar plasma</p> <p>Sputter Particles</p> <p>Ar+ ion</p> <p>target</p> <p>exhaust</p>	 <p>Reaction gas</p> <p>Precursor</p> <p>Vacuum chamber</p> <p>plasma</p> <p>Substrate</p> <p>heating mechanism</p> <p>exhaust</p>
<p>A device that forms a thin film by heating evaporation materials in a vacuum, causing them to evaporate or sublime and adhere to the substrate surface. It is similar to heating materials in a bathtub by vacuum.</p>	<p>A device that forms a thin film by bombarding the thin film material with gas molecules instead of heat in vacuum evaporation. A familiar example of sputtering is an old fluorescent lamp with black edges.</p>	<p>Equipment for forming flat and dense thin films by controlling film thickness at the atomic layer level. Uniform deposition is possible from flat substrates to three-dimensional structures with high aspect ratio.</p>

# Company history, product development, application demand and performance



Figure 11: Optorun's company history, product development, application demand and performance (sales and operating margin)

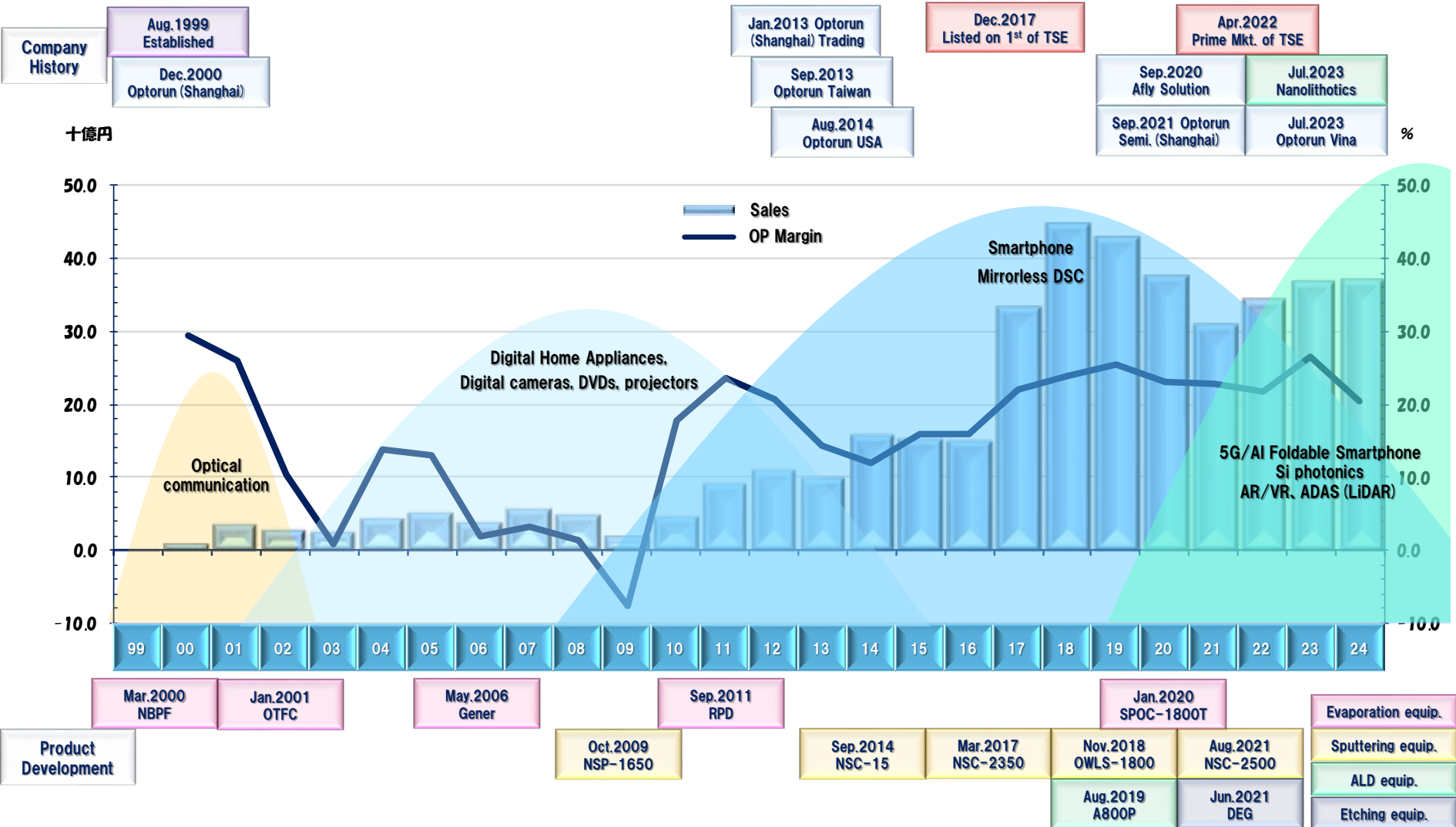
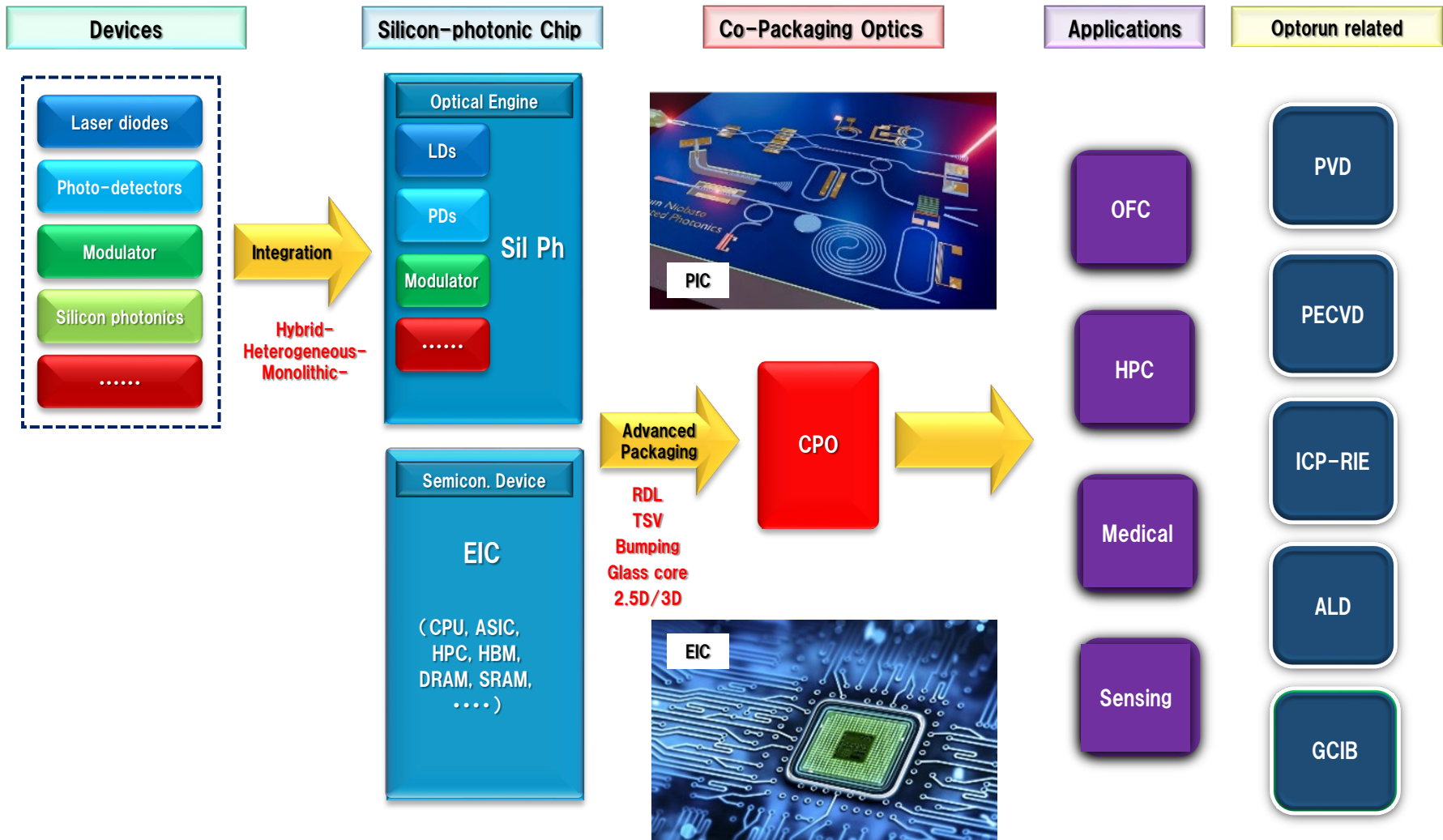


Figure 12: Si photonics technology and related manufacturing equipment for Oporun (1)

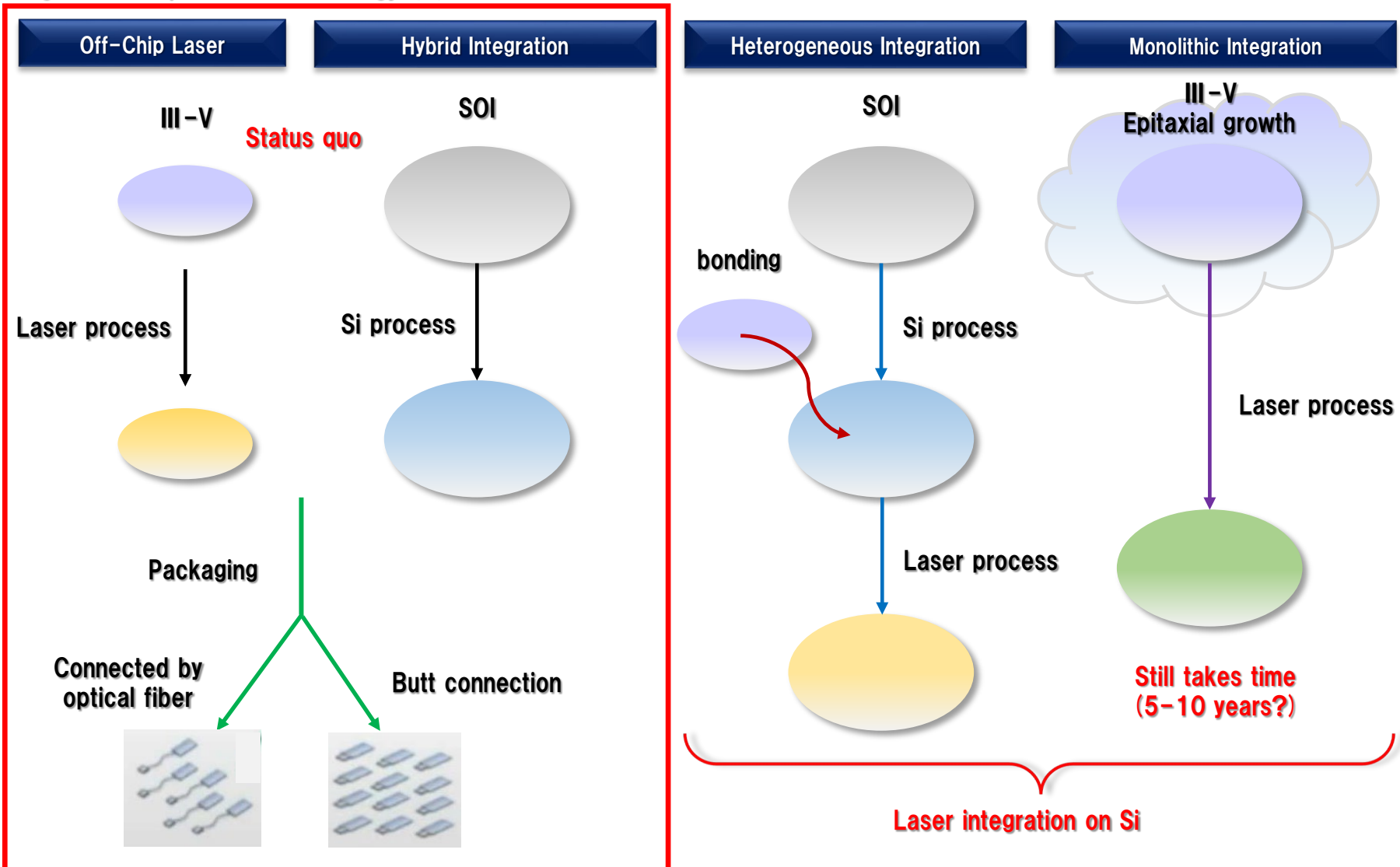




# Si photonics technology (2)

## Laser integrated with modulator, photodetector, and passive elements

Figure 13: Si photonics technology (2)



## □ 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](mailto:ir-info@optorun.co.jp)

