Optorun Co., Ltd

Consolidated financial results for 2Q FY12/2025

Consolidated overview for 2Q FY12/2025 and full-year guidance

Aug 8, 2025

Forward-looking statements

Future Prospects

This document contains "forward-looking statements." These statements include our expected business and market growth and trends, industry outlook, demand factors, investment and growth strategies, and new product and technology development. They also include our current and future business outlook. Due to various internal and external factors, actual results may differ materially from those projected or discussed in these statements. We do not undertake any obligation to update or revise these statements.

Foreign Exchange Risk

Our main product is manufacturing equipment, which is heavily dependent on exports denominated in U.S. dollars. This makes it susceptible to fluctuations in the U.S. dollar exchange rate. Additionally, manufacturing costs are influenced by fluctuations in the Chinese yuan because a significant portion of our production is sourced from China. Our exchange rate assumptions for performance forecasts are based on past performance and aim to mitigate the impact of these fluctuations. While our exports depend heavily on the Chinese market, final demand markets are expanding globally. To prepare for the impact of mutual tariffs, we plan to expand our production and development facilities in Japan, China, Vietnam, India, and other regions.

For the fiscal year ending in December 2025, the exchange rate assumptions are 145 yen per U.S. dollar and 21.0 yen per Chinese yuan. Operating profit sensitivity is -150 million yen for every one-yen appreciation of the yen against the US dollar and +100 million yen for every 0.1-yen appreciation of the yen against the Chinese yuan.

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

As part of our strategic approach to management that considers capital costs and stock prices, we have set the following mid-term targets: "Operating profit margin of 20% or higher," "ROE (return on equity) of 10% or higher," and "Consolidated dividend payout ratio of 30% or higher." Regarding cash allocation, we plan to prioritize stable dividends and flexible share buybacks to enhance shareholder value. Additionally, to promote sustainable growth, we plan to implement strategic initiatives such as research and development, capital investments, and M&A/business alliances.

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Key points

2Q FY2025 actual orders results and full-year guidance

The actual order intake for 2QFY2025 was ¥8.8 billion, up 2% from the previous quarter (up 65% YoY), which was largely in line with expectations. The actual order intake for 3Q is expected to decrease from the previous quarter, but the full-year forecast has been revised upward to a 20% increase year-on-year (previously 10% increase).The breakdown for the second quarter shows that EV/connected car (automotive-related) decreased by 79% QoQ due to a temporary decline, while AI smartphones (smartphone-related) increased by 2.2 times to ¥4.1 billion. Meanwhile, optical components expanded by 50% to ¥2.8 billion due to increased demand from data centers (DC). The contribution of smartphone-related products is expected to increase in the full-year breakdown.

Summary of consolidated results for 2Q FY2025 and revision of full-year forecast

The consolidated results for the second quarter showed an 11% increase in revenue compared to the same period last year, with operating income returning to profitability. However, the operating margin remained low at 5.9% (an increase of 6.3% from last year). Negative factors, such as manufacturing-specific cost variances and inventory valuation reductions amounting to several hundred million yen, are embedded in the results. Considering changes in the industry environment, we are revising our full-year performance forecasts to sales of ¥330 billion and operating profit of ¥38 billion, down from previous forecasts of ¥380 billion in sales and ¥76 billion in operating profit. This revision is due to indirect delays in equipment inspections caused by U.S. mutual tariffs impacting operations, despite increased order intake and continued high factory utilization rates.

Rapid changes in the smartphone, automotive, and data center (DC)

Smartphone companies are launching new products in succession to stimulate alternative demand amid market maturation. With the announcement of foldable devices that allow users to freely switch between smartphone and tablet sizes, business opportunities for our thin-film equipment are emerging. Meanwhile, in the automotive sector, the proportion of new energy vehicles in total vehicle sales is increasing as part of efforts to achieve a carbon-neutral society, while the standardization of advanced driver-assistance systems (ADAS) sensors is driving the adoption of high-value-added features. Additionally, in the DC field, orders for thin-film deposition equipment for multi-layer filters used in optical communication for wavelength division multiplexing (WDM) are on the rise.

SeeYa Technology, a specialist manufacturer of micro-OLEDs and an investee company, has applied for listing.

We have invested in SeeYa Technology a specialized manufacturer of Micro-OLED, with the aim of expanding into the XR-AR device market. The company submitted its initial public offering (IPO) application to the Science and Technology Innovation Board (STAR Market) of the Shanghai Stock Exchange on June 26, 2025, and the Shanghai Stock Exchange accepted the application on June 28, 2025.The future schedule is undecided, but there is a possibility of listing on the STAR Market by the end of the year. As our company holds a 3.89% stake in SeeYa, the related company shares amounting to ¥2.63 billion (as of December 31, 2024) are recorded on the balance sheet.

Industry environment in key areas

AI smartphone-related

We are maintaining our previous forecast that global smartphone sales will increase by 2.4% year-over-year, reaching 1.22 billion units in 2025. Although we expect demand in Europe and the U.S. to decline due to the impact of mutual tariffs, we believe this decline will be offset by strong demand in emerging countries and the effects of China's consumption promotion measures. These measures target devices priced at 6,000 yuan (approximately 130,000 yen) or less and offer a 15% subsidy on the sales price per device. In the medium term, we expect smartphone sales to increase due to higher demand for AI-enabled products and new foldable models.

EV/connected car-related (automotive) with ADAS sensor technology

The new energy vehicle market is expected to become more valuable due to the spread of ADAS sensor technology, which will increase demand for our optical thin film devices. CMOS image sensors are expected to be the fastest-growing segment of the ADAS sensor market, expanding from 6 million units in 2024 to 12 million units in 2025. The average number of units installed per vehicle is expected to remain at 12, but performance is expected to improve from 4 to 8 megapixels, reflecting ongoing advancements in high-resolution technology. While CMOS sensors are installed in multiple units per vehicle, LiDAR is installed in a single unit, making it a key indicator of future adoption rates.

Optical transceivers for AI data centers (including optical components)

The company's core business is the production of optical thin film devices for multi-layer filters used in optical communications. Due to growing needs in data centers, demand for these devices is increasing. This field is classified as either CWDM (coarse wavelength division multiplexing) within centers or DWDM (dense wavelength division multiplexing) between centers. Currently, the demand ratio between the two is 4:1. These filters are optical components that allow specific wavelengths to pass through while blocking all other light. They are used in 800 Gbps optical transceiver products, in which eight units are installed, as well as in new 1.6 Tbps products, in which 16 units are installed. Our order volume was in the hundreds of millions of yen last quarter, exceeding last year's level, and we expect it to double year-on-year by the end of the year.

XR (Cross reality, generic term for VR (virtual reality)/AR (augmented reality)/MR (mixed reality)) related

The XR market, which had been expected to grow rapidly, saw a decline in unit sales in 2024, primarily driven by VR headsets. However, starting in 2025, the market is projected to expand again as lightweight AR glasses equipped with Micro-OLED and waveguide technology integrate AI functionality.Through our joint venture with AI MECHATEC, a company with which we have a capital and business alliance, we are actively supporting new product development in the XR market. XR and AR glasses are now being rebranded as AI glasses, with Chinese and U.S. companies consecutively announcing new products, leading to the emergence of demand for Micro-OLED-related devices.

Figure 1: Performance and per share indicators, stock price valuation

FY	Sales		Operating profits		Ordinary income		Net profits		EPS	PER	DPS	BPS	PBR	Price	OP margin	ROE
	¥mn	YoY%	¥mn	YoY%	¥mn	YoY%	¥mn	YoY%	¥	times	¥	¥	times	¥	%	%
Full-year																
FY' 12/17	33,386	124.0	7,327	207.9	7,095	249.5	4,815	228.3	134.6	21.3	40.00	552.4	5.18	2,860	21.9	29.0
FY' 12/18	44,763	34.1	10,690	45.9	10,993	54.9	7,746	60.9	187.6	9.0	55.00	677.2	2.48	1,680	23.9	30.6
FY' 12/19	42,822	-4.3	10,879	1.8	11,031	0.3	9,102	17.5	216.7	13.9	60.00	821.1	3.67	3,015	25.4	29.0
FY' 12/20	37,491	-12.4	8,628	-20.7	8,610	-21.9	6,797	-25.3	159.1	13.3	50.00	919.0	2.29	2,109	23.0	18.3
FY' 12/21	30,892	-17.6	7,025	-18.6	7,901	-8.2	6,330	-6.9	146.8	16.2	50.00	1,066.0	2.23	2,376	22.7	14.8
FY' 12/22	34,304	11.0	7,449	6.0	8,763	10.9	6,890	8.8	159.0	14.1	50.00	1,199.1	1.87	2,242	21.7	14.0
FY' 12/23	36,807	7.3	9,752	30.9	6,051	-30.9	4,632	-32.8	106.1	15.4	50.00	1,285.3	1.27	1,631	26.5	8.5
FY' 12/24	32,406	-12.0	6,570	-32.6	8,191	35.4	6,351	37.1	145.3	13.0	52.00	1,403.3	1.35	1,888	20.3	11.0
FY' 12/25 CE	33,000	1.8	3,800	-42.2	4,000	-51.2	3,250	-48.8	81.5	19.8	54.00	-	-	1,611	11.5	-
PE	38,000	17.3	7,600	15.7	8,600	5.0	6,400	0.8	153.0	10.5	54.00	-	-	1,611	20.0	-
Half-year																
1H FY' 12/23	20,925	54.9	6,662	102.3	4,264	-4.6	3,471	18.9	79.7	15.2	0.00	1,267.0	1.91	2,423	31.8	13.1
2H FY' 12/23	15,882	-23.6	3,089	-25.7	1,788	-58.4	1,161	-70.8	26.6	30.7	50.00	1,285.3	1.27	1,631	19.5	4.3
1H FY' 12/24	16,678	-20.3	3,942	-40.8	4,417	3.6	3,173	-8.6	72.4	13.9	26.00	1,388.5	1.45	2,020	23.6	10.9
2H FY' 12/24	15,728	-1.0	2,628	-14.9	3,774	111.1	3,178	173.7	72.7	13.0	26.00	1,403.3	1.35	1,888	16.7	11.1
1H FY' 12/25	13,850	-17.0	1,108	-71.9	1,112	-74.8	1,106	-65.2	27.0	30.2	27.00	1,318.8	1.24	1,633	8.0	3.9
2H FY' 12/25 CE	19,150	21.8	2,692	2.4	2,888	-23.5	2,144	-32.5	54.5	14.8	27.00	-	-	1,611	14.1	-
Quarter																
1Q FY' 12/23	9,063	77.1	2,614	253.1	1,815	64.4	1,403	133.0	32.2	17.2	0.00	1,194.4	1.85	2,214	28.8	11.4
2Q FY' 12/23	11,862	41.4	4,049	58.6	2,449	-27.2	2,068	-10.8	47.4	12.8	0.00	1,267.0	1.91	2,423	34.1	15.7
3Q FY' 12/23	8,009	-29.0	1,905	-35.4	1,071	-67.3	628	-78.6	14.4	32.0	0.00	1,302.8	1.41	1,839	23.8	4.6
4Q FY' 12/23	7,874	-17.2	1,184	-1.8	716	-29.5	533	-48.3	12.2	33.5	50.00	1,285.3	1.27	1,631	15.0	3.9
1Q FY' 12/24	11,298	24.7	3,965	51.7	4,325	138.3	3,284	134.1	75.0	6.9	0.00	1,343.9	1.54	2,068	35.1	23.7
2Q FY' 12/24	5,380	-54.6	-23	-	92	-96.2	-110	-	-2.5	-	26.00	1,388.5	1.45	2,020	-0.4	-0.8
3Q FY' 12/24	8,511	6.3	2,377	24.8	2,549	137.9	2,267	261.1	51.5	8.6	0.00	1,347.0	1.32	1,778	27.9	15.6
4Q FY' 12/24	7,217	-8.3	251	-78.8	1,225	71.0	911	70.9	21.2	22.3	26.00	1,403.3	1.35	1,888	3.5	6.3
1Q FY' 12/25	7,905	-30.0	756	-80.9	740	-82.9	809	-75.4	19.3	19.7	0.00	1,345.6	1.13	1,526	9.6	5.6
2Q FY' 12/25	5,945	10.5	352	-	372	303.4	296	-	7.7	53.0	27.00	1,318.8	1.24	1,633	5.9	2.1

Note: Accounting standards are based on Japanese standards, figures are rounded to the nearest million yen, current forecasts are announced at the time of interim settlement, previous forecasts are announced at the time of initial settlement, and stock prices for the 2025/12 period are the closing prices on August 7.

Orders and Performance Results and Guidance

Figure 2: Orders Received, Business Performance (in millions of yen, yen, %)

accounting period	2020/12	2021/12	2022/12	2023/12	2024/12	2025/12		2024/12				2025/12			
item						PE	CE	1Q	2Q	3Q	4Q	1Q	2Q	Q/Q%	YoY%
Orders received	28,606	35,435	43,124	24,080	32,345			11,136	7,301	4,192	9,716	7,700	8,106	5.3	11.0
Orders received (Real)				**20,316**	**28,841**	**+10%**	**+20%**	**9,552**	**5,368**	**6,232**	**7,690**	**8,645**	**8,848**	**2.3**	64.8
Order backlog	23,583	28,126	36,947	24,219	24,159			24,058	25,979	21,659	24,159	23,954	26,114	9.0	0.5
Net sales	**37,491**	**30,892**	**34,304**	**36,807**	**32,406**	**38,000**	**33,000**	**11,298**	**5,380**	**8,511**	**7,217**	**7,905**	**5,945**	**-24.8**	**10.5**
Gross prodit	14,682	13,390	14,948	18,454	14,499			5,917	2,168	4,094	2,319	2,613	1,947	-25.5	-10.2
R&D	3,151	3,065	3,410	4,329	3,397	3,500	3,500	908	1,029	657	803	921	863	-6.3	-16.1
Operating profit	**8,628**	**7,025**	**7,449**	**9,752**	**6,570**	**7,600**	**3,800**	**3,965**	**-23**	**2,377**	**251**	**756**	**352**	**-53.4**	**-**
Non-operating income	261	980	1,339	386	1,996			462	331	633	1,491	366	178	-51.4	-46.2
Non-operating expenses	280	104	25	4,086	376			102	216	462	518	381	158	-58.5	-26.7
Ordinary income	**8,610**	**7,901**	**8,763**	**6,051**	**8,191**	**8,600**	**4,000**	**4,325**	**92**	**2,549**	**1,225**	**740**	**372**	**-49.8**	**303.4**
Income before income taxes	8,678	8,773	9,405	5,998	8,185			4,321	92	2,547	1,225	739	368	-50.2	299.7
Income taxes	1,874	2,440	2,512	1,325	1,807			1,030	165	251	361	-33	108	-	-34.4
Net income	**6,797**	**6,330**	**6,890**	**4,632**	**6,351**	**6,400**	**3,250**	**3,284**	**-110**	**2,267**	**911**	**809**	**296**	**-63.4**	**-**
EPS	**159.1**	**146.8**	**159.0**	**106.1**	**145.3**	**146.7**	**81.5**	**75.0**	**-2.6**	**51.5**	**21.5**	**19.3**	**7.7**	**-60.1**	**-**
DPS	50.0	50.0	50.0	50.0	52.0	54.0	54.0	0.0	26.0	0.0	26.0	0.0	27.0	-	3.8
BPS	**919.0**	**1,066.0**	**1,199.1**	**1,285.3**	**1,403.3**			**1,343.9**	**1,388.5**	**1,347.0**	**1,403.3**	**1,345.6**	**1,318.8**	**-2.0**	**-5.0**
EX rate at end of term, ¥/$	103.5	115.0	132.7	141.83	158.18	145.00	145.00	151.41	161.07	142.73	158.18	149.52	144.81	4.71	16.3
EX rate average, ¥/$	106.8	109.9	131.6	137.97	148.12	145.00	145.00	144.77	147.31	149.45	151.87	152.55	148.40	4.15	-1.1
Gross profit margin	39.2	43.3	43.6	50.1	44.7			52.4	40.3	48.1	32.1	33.1	32.7	-0.3	-7.6
R&D as % of Net sales	8.4	9.9	9.9	11.8	10.5	9.2	10.6	8.0	19.1	7.7	11.1	11.6	14.5	2.9	-4.6
Operating profit margin	**23.0**	**22.7**	**21.7**	**26.5**	**20.3**	**20.0**	**11.5**	**35.1**	**-0.4**	**27.9**	**3.5**	**9.6**	**5.9**	**-3.6**	**6.3**
Ordinary income margin	23.0	25.6	25.5	16.4	25.3	22.6	12.1	38.3	1.7	29.9	17.0	9.4	6.3	-3.1	4.5
Income taxes	21.6	27.8	26.7	22.1	22.1			23.8	179.3	9.9	29.5	-4.4	29.4	33.9	-
Net income margin	18.1	20.5	20.1	12.6	19.6	16.8	9.8	29.1	-2.1	26.6	12.6	10.2	5.0	-5.3	7.0
Return on equity	**18.3**	**14.8**	**14.0**	**8.5**	**11.0**	**10.0**	>	**23.7**	**-0.8**	**15.6**	**6.3**	**5.6**	**2.1**	**-3.5**	**2.8**

Note: Accounting is based on Japanese GAAP, figures are rounded to the nearest million yen, net income is attributable to shareholders of the parent company, and the % column for profit ratio is the change from the previous year.

Balance Sheets and Statements of Cash Flows

Figure 3: Summary of Balance Sheets and Statements of Cash Flows (in millions of yen)

accounting period	2020/12	2021/12	2022/12	2023/12	2024/12	2024/12					2025/12		
item						Exp.	1Q	2Q	3Q	4Q	1Q	2Q	Exp.
Assets													
Cash and deposits	22,723	32,274	34,923	33,054	32,531	39.9	33,329	32,193	30,967	32,531	29,571	27,784	36.0
Notes and accounts receivable-trade	9,426	5,627	7,423	4,882	4,355	5.3	3,206	4,353	4,518	4,355	3,540	4,116	5.3
Inventories	11,147	12,855	20,430	17,989	15,763	19.4	16,213	18,670	16,804	15,763	14,687	15,413	20.0
Current assets	**44,572**	**53,145**	**65,401**	**57,632**	**54,572**	**67.0**	**55,184**	**57,372**	**54,410**	**54,572**	**49,143**	**48,826**	**63.3**
Tangible fixed assets	3,194	4,527	8,835	11,407	14,152	17.4	11,874	13,450	13,300	14,152	13,273	13,127	17.0
Intangible fixed assets	822	677	541	424	210	0.3	381	339	259	210	148	94	0.1
Investments and other assets	5,740	6,326	8,139	9,029	12,505	15.4	9,521	10,322	9,321	12,505	15,113	15,034	19.5
Fixed assets	9,755	11,529	17,515	20,859	26,868	33.0	21,775	24,111	22,879	26,868	28,535	28,255	36.7
Total assets	**54,327**	**64,675**	**82,916**	**78,491**	**81,440**	**100.0**	**76,959**	**81,482**	**77,289**	**81,440**	**77,677**	**77,081**	**100.0**
Liabilities													
Notes and accounts payable-trade	1,703	3,246	4,785	1,284	1,083	1.3	2,326	1,848	1,657	1,083	1,793	2,238	2.9
Short-term interest-bearing debt	489	472	414	406	414	0.5	403	402	402	414	414	413	0.5
Contract liabilities	8,922	9,831	19,060	14,743	9,731	11.9	9,441	10,841	9,308	9,731	9,288	11,981	15.5
Current liabilities	**13,655**	**17,057**	**28,400**	**19,097**	**14,766**	**18.1**	**14,812**	**16,895**	**14,630**	**14,766**	**13,753**	**16,948**	22.0
Deferred tax liabilities	642	1,181	1,929	2,021	2,625	3.2	2,174	2,385	2,239	2,625	2,450	2,544	3.3
Long-term interest-bearing debt	81	16	5	8	4,649	5.7	8	6	5	4,649	4,463	4,414	5.7
Fixed liabilities	1,157	1,535	2,357	2,478	7,672	9.4	2,637	2,777	2,637	7,672	7,338	7,392	9.6
Net assets	39,515	46,084	52,159	56,916	59,002	72.4	59,510	61,810	60,022	59,002	56,586	52,741	68.4
Shareholders' equity	**39,488**	**46,070**	**52,141**	**56,316**	**58,689**	**72.1**	**58,881**	**61,114**	**59,339**	**58,689**	**56,363**	**52,571**	68.2
Cash flows						Sales ratio		1H	Sales ratio	2H	Sales ratio	1H	Sales ratio
Cash flows from operating activities	-535	10,686	8,561	3,180	5,050	15.6	-	1,353	8.1	3,697	23.5	5,336	38.5
Expenditure	-760	-940	-4,380	-3,116	-3,115	-9.6	-	-1,505	-9.0	-1,610	-10.2	-361	-2.6
Cash flows from investing activities	-1,048	376	-4,396	-3,599	-7,701	-23.8	-	-1,618	-9.7	-6,083	-38.7	-2,288	-16.5
Free cash flow	-1,583	11,061	4,165	-419	-2,651	-8.2	-	-265	-1.6	-2,386	-15.2	3,048	22.0
Repurchase of treasury stock	-0.2	-0.2	-0.1	-0.1	-4,794	-14.8	-	0	0.0	-4,794	-30.5	-4,188	-30.2
Dividend payments	-2,543	-2,145	-2,164	-2,174	-3,334	-10.3	-	-2,190	-13.1	-1,144	-7.3	-1,086	-7.8
Financial Cash Flows	-2,467	-2,735	-2,173	-2,207	-3,807	-11.7	-	-2,168	-13.0	-1,638	-10.4	-5,174	-37.4

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

Details of Orders Received and Sales by Business Domain

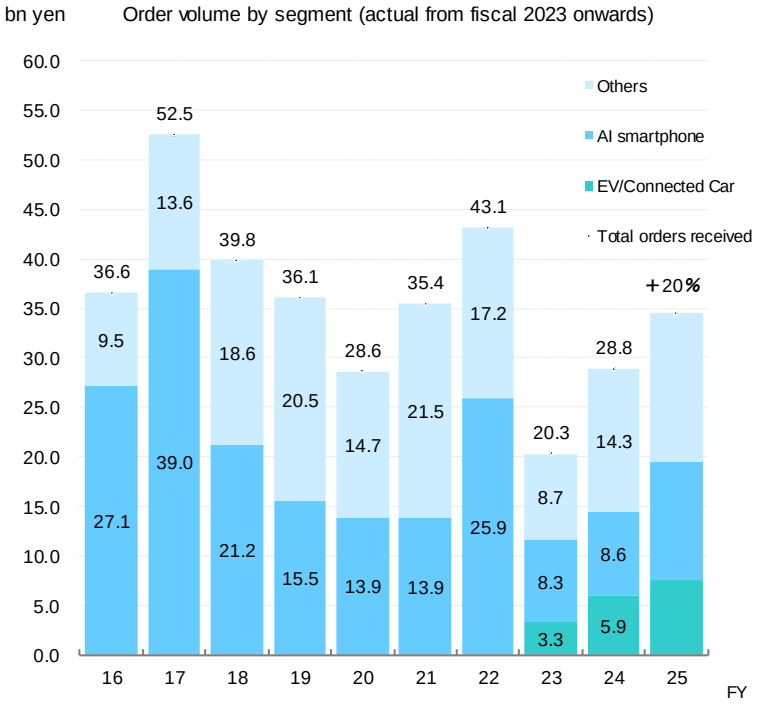
Figure 4: Orders received and sales by business domain (Unit: millions of yen, yen/dollar, %)

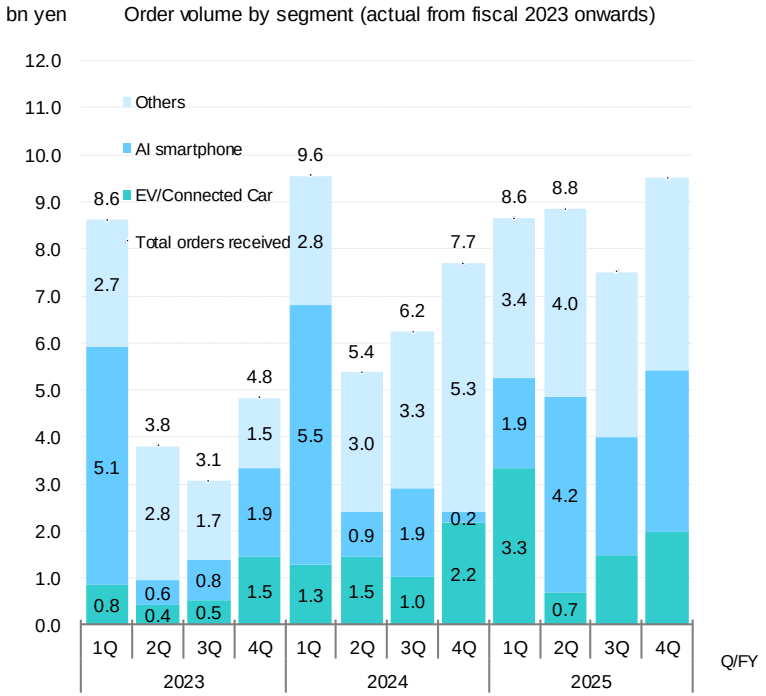
FY/Q	2023	2024	2023				2024				2025			
Items			1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	QoQ%	YoY%
Orders														
Optics	**15,973**	**22,753**	**7,386**	**2,214**	**2,415**	**3,958**	**7,952**	**3,783**	**5,056**	**5,962**	**7,094**	**7,626**	**7.5**	**101.6**
AI smartphones	8,305	8,558	5,053	550	845	1,857	5,487	944	1,896	231	1,906	4,164	118.4	340.8
EV/connected car	3,274	5,939	846	421	544	1,463	1,299	1,452	1,022	2,166	3,337	685	-79.5	-52.9
Optical components	4,393	8,256	1,486	1,243	1,026	638	1,165	1,386	2,139	3,566	1,851	2,778	50.1	100.4
Semi. optical fusion and devices	**1,826**	**2,785**	**455**	**948**	**52**	**371**	**615**	**141**	**950**	**1,079**	**838**	**366**	**-56.3**	**159.8**
Parts and services, others	2,518	3,304	770	641	602	505	985	1,444	225	649	713	855	20.0	-40.8
Sub total orders	**20,316**	**29,234**	**8,610**	**3,802**	**3,069**	**4,835**	**9,552**	**5,368**	**6,232**	**7,690**	**8,645**	**8,848**	**2.3**	**64.8**
Forex Impact	3,764	3,504	953	2,283	1,229	-701	1,584	1,933	-2,040	2,026	-945	-742	-	-
Total orders	**24,080**	**32,345**	**9,563**	**6,085**	**4,298**	**4,134**	**11,136**	**7,301**	**4,192**	**9,716**	**7,700**	**8,106**	**5.3**	**11.0**
ALD equip. ratio(%)	7%	9%	6%	0%	7%	16%	24%	4%	0%	3%	0%	5%	5%	1%
New model ratio(%)	23%	38%	11%	29%	22%	39%	40%	28%	31%	51%	49%	46%	-3%	18%
Orders backlog	**24,219**	**24,159**	**37,447**	**31,670**	**27,960**	**24,219**	**24,058**	**25,979**	**21,659**	**24,159**	**23,954**	**26,114**	**9.0**	**0.5**
Sales														
Optics	**31,116**	**28,523**	**7,148**	**10,694**	**6,056**	**7,218**	**10,243**	**4,272**	**7,781**	**6,227**	**5,455**	**4,741**	**-13.1**	**11.0**
AI smartphones	20,489	18,549	3,690	8,317	3,996	4,486	7,686	1,916	5,289	3,658	1,427	1,445	1.3	-24.6
EV/connected car	3,069	4,917	1,392	391	431	854	1,174	1,582	1,273	889	1,793	1,263	-29.5	-20.2
Optical components	7,558	5,056	2,066	1,986	1,629	1,877	1,383	774	1,219	1,681	2,235	2,033	-9.0	162.8
Semi. optical fusion and devices	**3,300**	**1,261**	**1,260**	**536**	**1,354**	**151**	**233**	**554**	**63**	**411**	**811**	**708**	**-12.7**	**27.8**
Parts and services, others	2,391	2,622	655	632	599	505	822	554	667	578	1,639	484	-70.5	-12.7
Total sales	**36,807**	**32,406**	**9,063**	**11,862**	**8,009**	**7,874**	**11,298**	**5,380**	**8,511**	**7,217**	**7,905**	**5,945**	**-24.8**	**10.5**
ALD equip. ratio(%)	34%	29%	22%	47%	42%	20%	30%	19%	26%	36%	0%	3%	3%	-16%
New model ratio(%)	44%	42%	37%	53%	52%	32%	36%	32%	41%	59%	28%	37%	9%	5%
Gross profit margin(%)	**50.1%**	**44.7%**	**50.5%**	**50.2%**	**53.9%**	**45.8%**	**52.4%**	**40.3%**	**48.1%**	**32.1%**	**33.1%**	**32.7%**	**-0.3%**	**-7.6%**
Operating profit margin(%)	26.5%	20.3%	28.8%	34.1%	23.8%	15.0%	35.1%	-0.4%	27.9%	3.5%	9.6%	5.9%	-3.6%	6.3%
Forex rate														
Yen/USD(Order Adjustment Rate)	141.83	158.18	133.53	144.99	149.58	141.83	151.41	161.07	142.73	158.18	149.52	144.81	4.7	16.26
Yen/USD(Sales Recognition Rate)	137.97	148.12	134.75	134.24	140.93	141.95	144.77	147.31	149.45	151.87	152.55	148.40	4.2	-1.09

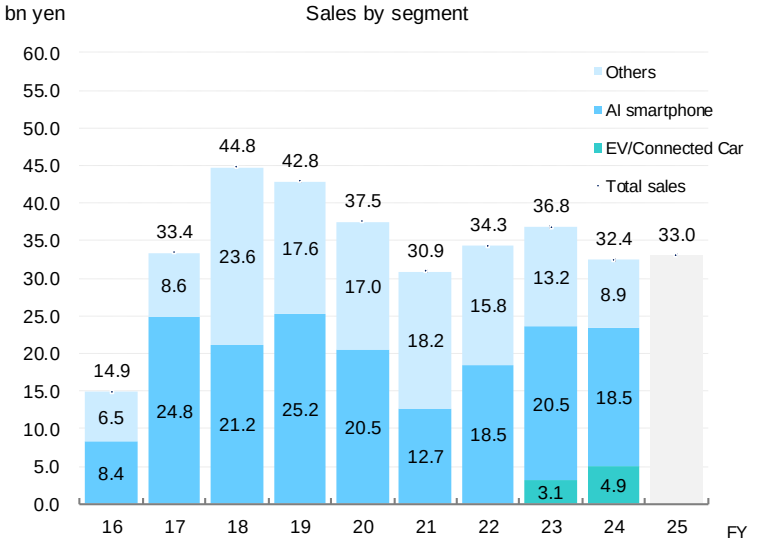
Note: Order backlog composition ratio, ALD ratio, and new product ratio are based on excluding foreign exchange effects. Foreign exchange, profit margin, and ratio columns show quarter-on-quarter and year-on-year changes.

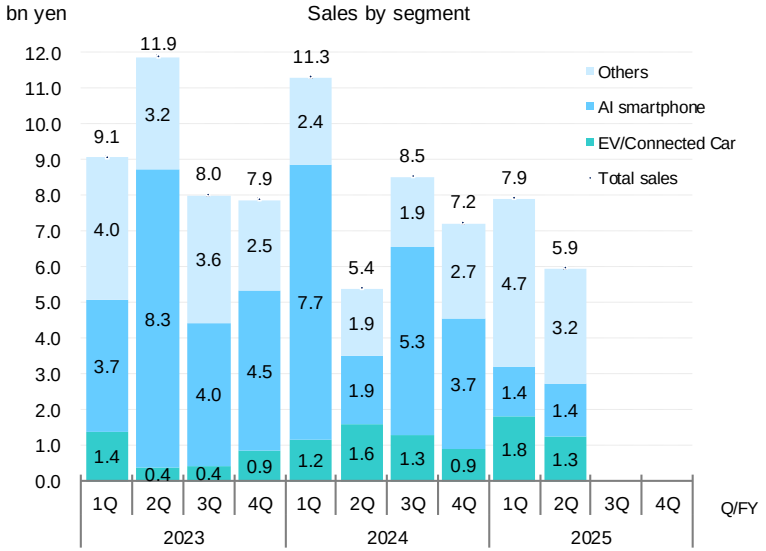
Orders received are expanding in the EV/connected car sector, while AI smartphones have bottomed out.

Figure 5: Orders received and sales by segment



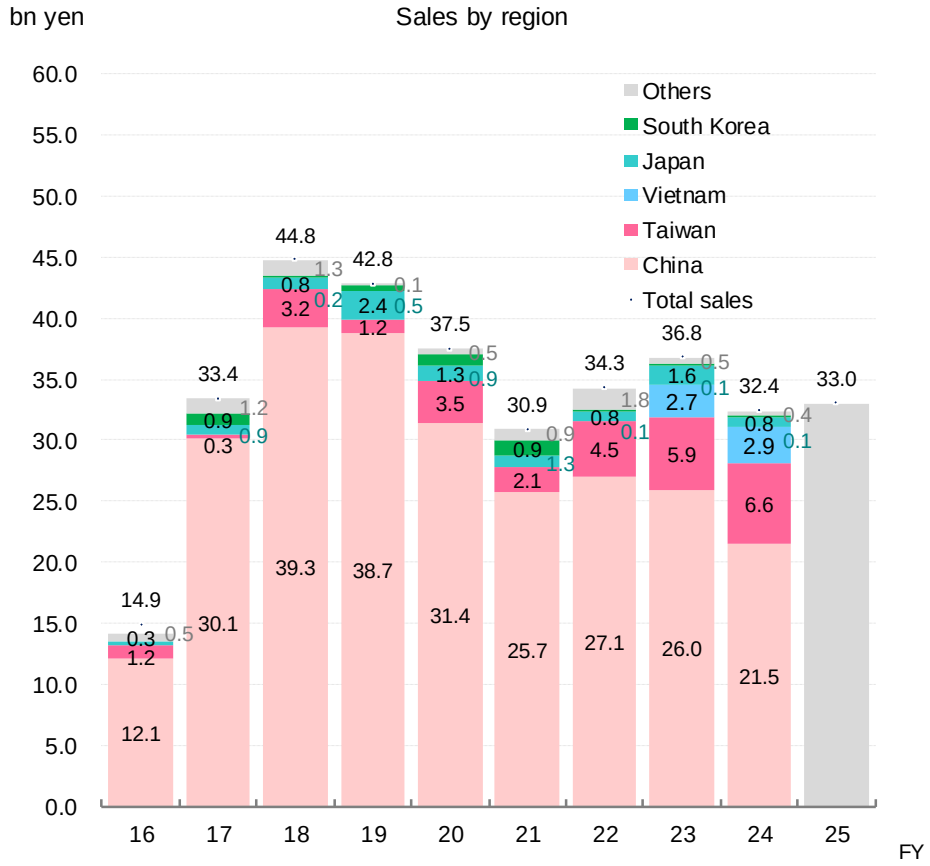


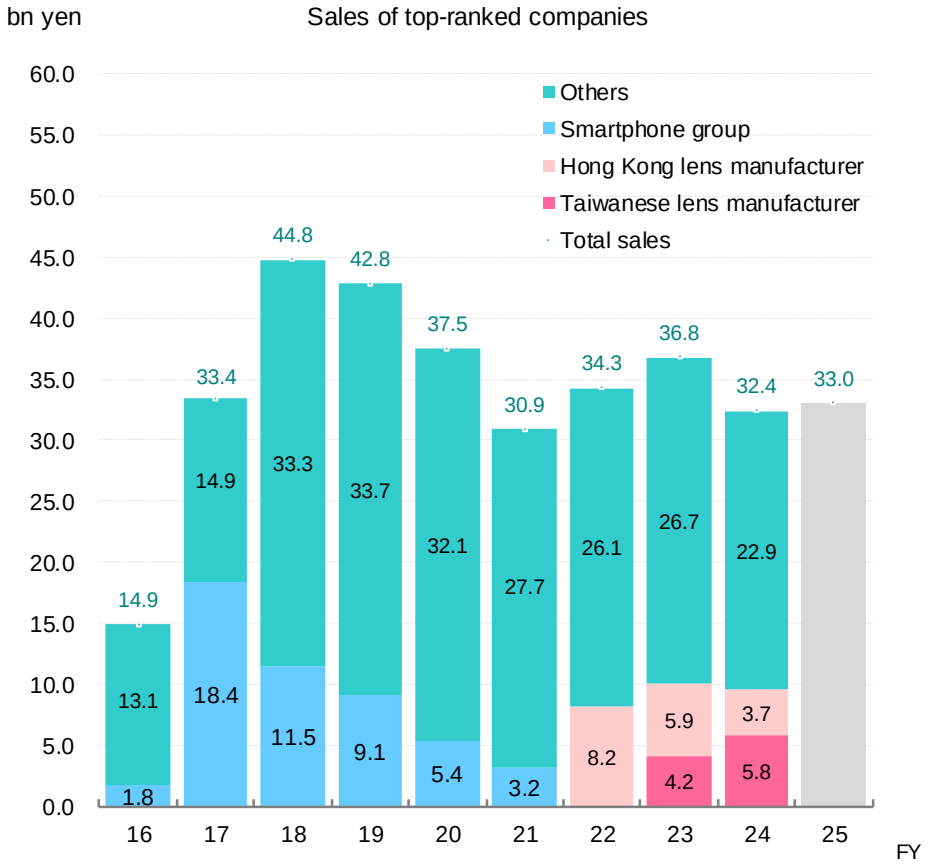




Regional sales are becoming more dispersed, with the possibility of further dispersion due to mutual tariffs.

Figure 6: Sales by region and sales of top-ranked companies





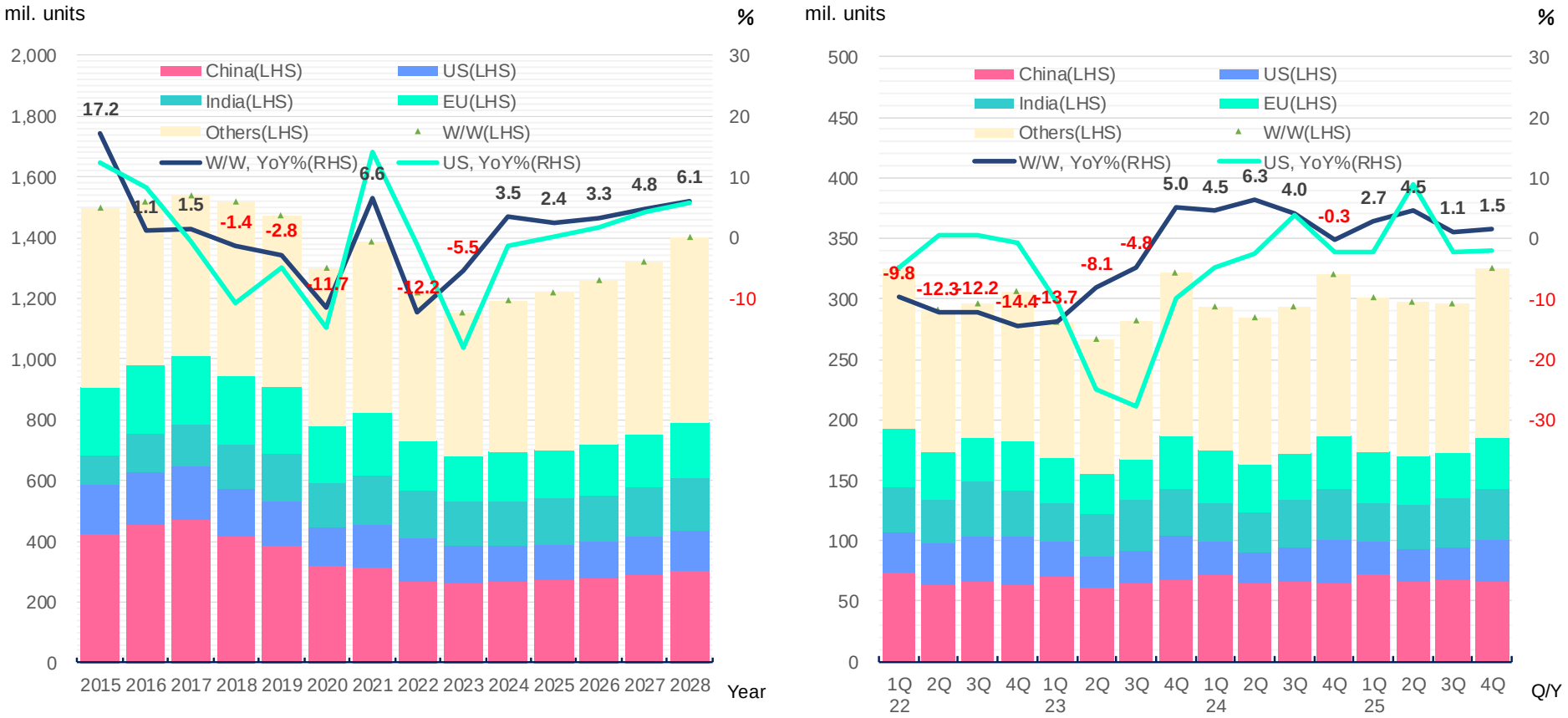
Note: Top sales refers to sales accounting for 10% or more of total sales. The sales figures are classified by business segment. The optical segment includes AI smartphones, EV/connected cars, and optical components (lenses for mirrorless cameras, optical components for optical transceivers). The semiconductor-optical fusion segment includes optoelectronics, image sensors, and spatial computing, while the electronic devices segment includes green energy, communication devices, and MEMS devices. Parts and services, and others primarily include consumables and modifications.

Source: Prepared by the Company based on securities reports; figures for fiscal 2013 are the Company's forecasts.

Due to the impact of mutual tariffs between the US and China, smartphone companies are expanding production in Vietnam, while shifting the production of modification equipment to India. As India is expected to become the world's largest smartphone market due to its growing population, smartphone companies are likely to expand their production capacity in India. India's per capita GDP is projected to exceed $3,000 by 2025, driving continued strong sales of high-value-added smartphone models. We plan to strengthen our sales regions in response to changes in the smartphone supply chain.

The smartphone market is set to stimulate replacement demand with AI-enabled products and new foldable devices.

Figure 7: Global smartphone sales volume and year-on-year comparison



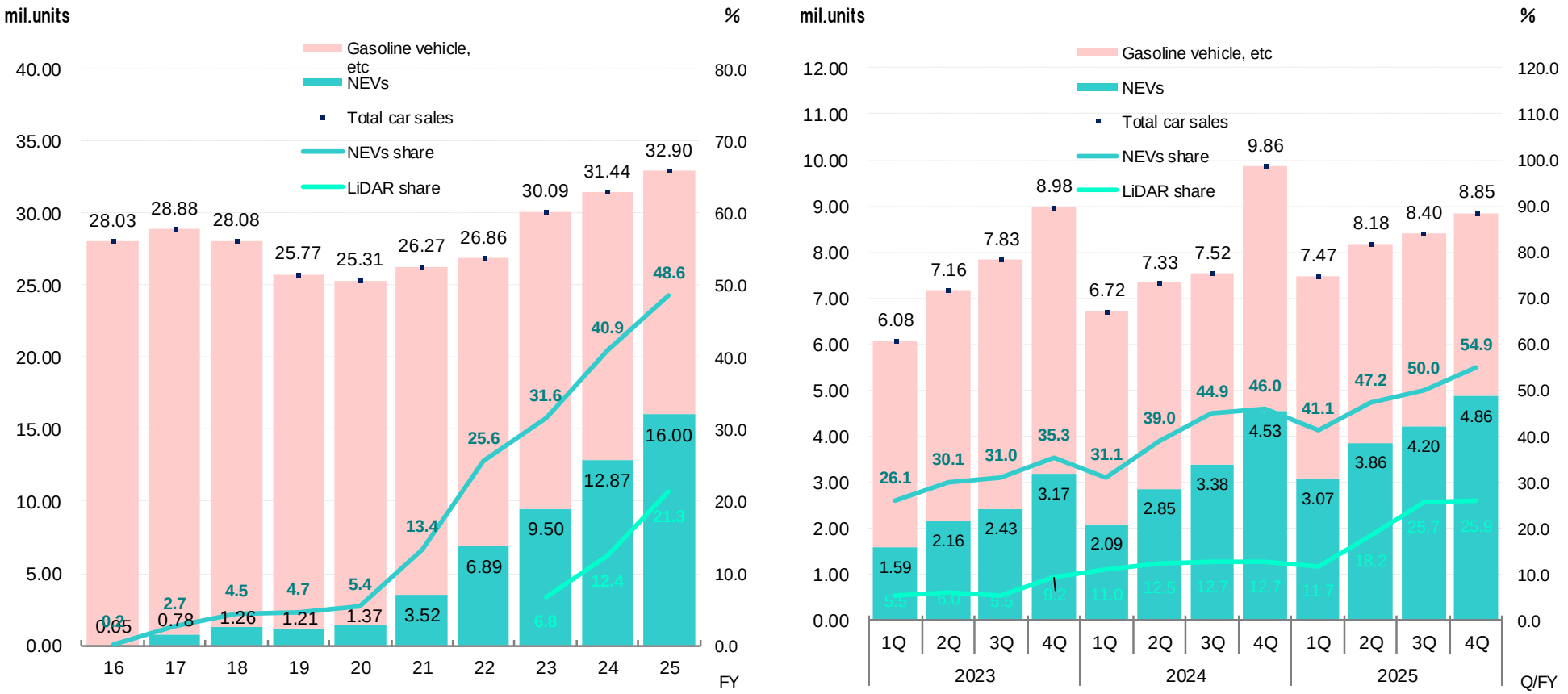
Source: Created from research company data; forecasts are our own. Sales of foldable smartphones are expected to reach 16.2 million units in 2024, but are likely to rapidly gain popularity in the future due to the launch of new products.

Global smartphone sales are expected to increase by 1.7% year-on-year to 119.1 million units in 2024 and by 2.4% to 122.0 million units in 2025, in line with our previous forecast. While temporary surges and subsequent declines in demand in Europe and the US due to mutual tariffs between the US and China are expected, this will be offset by robust demand in emerging markets and the effects of consumption promotion measures in China.In the second quarter of 2025, sales increased by 4.5% year-on-year, up from the 2.7% increase in the first quarter, driven by the temporary surge in demand. However, growth is expected to slow from the third quarter due to the rebound effect. Reflecting this situation, smartphone companies are accelerating the launch of new products.

Smartphone companies are launching new products one after another to stimulate replacement demand amid market maturity.These include foldable devices that can freely switch between smartphone and tablet sizes, flip models with a 3.5-inch form factor that fit in the palm of the hand, models featuring high-capacity batteries with silicon-carbon technology, ultra-thin and lightweight models, models with automatic-switching periscope cameras, and decorative models with a glossy texture (Glazed Texture) and Sunburst Pattern (Sunburst pattern). Business opportunities for our thin-film equipment are now emerging.

The spread of new energy vehicles in China is accelerating, with the addition of sensors necessary for autonomous driving increasing added value.

Figure 8: Sales volume of automobiles and NEVs in China, percentage of NEVs in total sales, and percentage of LiDAR sales in NEVs



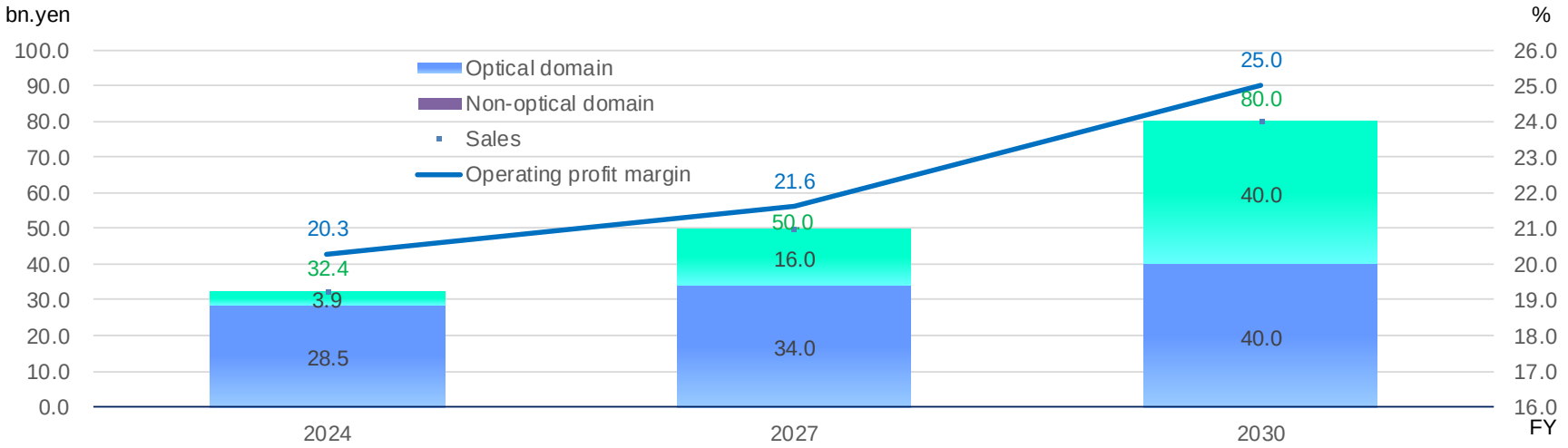
Note: New energy vehicles include battery electric vehicles (EV, BEV), fuel cell electric vehicles (FCEV, FCV), and plug-in hybrid vehicles (PHEV, PHV). LiDAR(Light Detection and Ranging) is a technology that uses laser light to measure the distance to and shape of objects by analyzing the reflected light. It provides essential information for autonomous driving in vehicles. High-end vehicles are equipped with CMOS image sensors, millimeter-wave radars, ultrasonic sensors, and LiDAR as part of their autonomous driving ADAS systems. The LiDAR shipment ratio represents the proportion of LiDAR shipments out of total new energy vehicle sales.

Source: China Association of Automobile Manufacturers, LiDAR companies, etc., compiled by our company based on figures available, with our company's forecasts for Q3 2025 onwards.

New energy vehicles are gaining market share in automobile sales as part of efforts to achieve a de-carbonized society, but intense competition known as “in-house competition” is emerging. As a solution, efforts are underway to enhance value by standardizing advanced driver-assistance systems (ADAS). While the mandatory shift to electric vehicle sales in the United States is gaining attention, the standardization of ADAS is expected to spread globally. ADAS sensors, which are CMOS sensors installed in multiple units per vehicle, contrast with LiDAR, which is installed in a single unit per vehicle. As a result, LiDAR is expected to serve as an indicator of adoption rates.

Medium-Term Management Targets and Long-Term Management Vision

Figure 9: Medium-Term Management Targets and Long-Term Management Vision



Medium-Term Management Targets and Long-Term Management Vision

Mid-term business objectives for the fiscal year ending December 2027 are as follows: revenue of 50 billion yen, operating profit of 10.8 billion yen (operating profit margin of 21.6%), ordinary profit of 11.8 billion yen, net income attributable to parent company shareholders of 8.4 billion yen, and ROE of 12%. The dividend per share is planned to be 30% or more of consolidated dividend payout ratio. The exchange rate assumptions are 145 yen per USD and 21 yen per Chinese yuan. The breakdown of sales is expected to be 340 billion yen in the optical segment (285 billion yen for the fiscal year ending December 2024) and 160 billion yen in the non-optical segment (39 billion yen for the same period). The long-term business vision aims to achieve sales of 800 billion yen, an operating profit margin of 25%, and a non-optical segment sales ratio of approximately 50% by the fiscal year ending December 2030 through the creation of new businesses.

Cash allocation

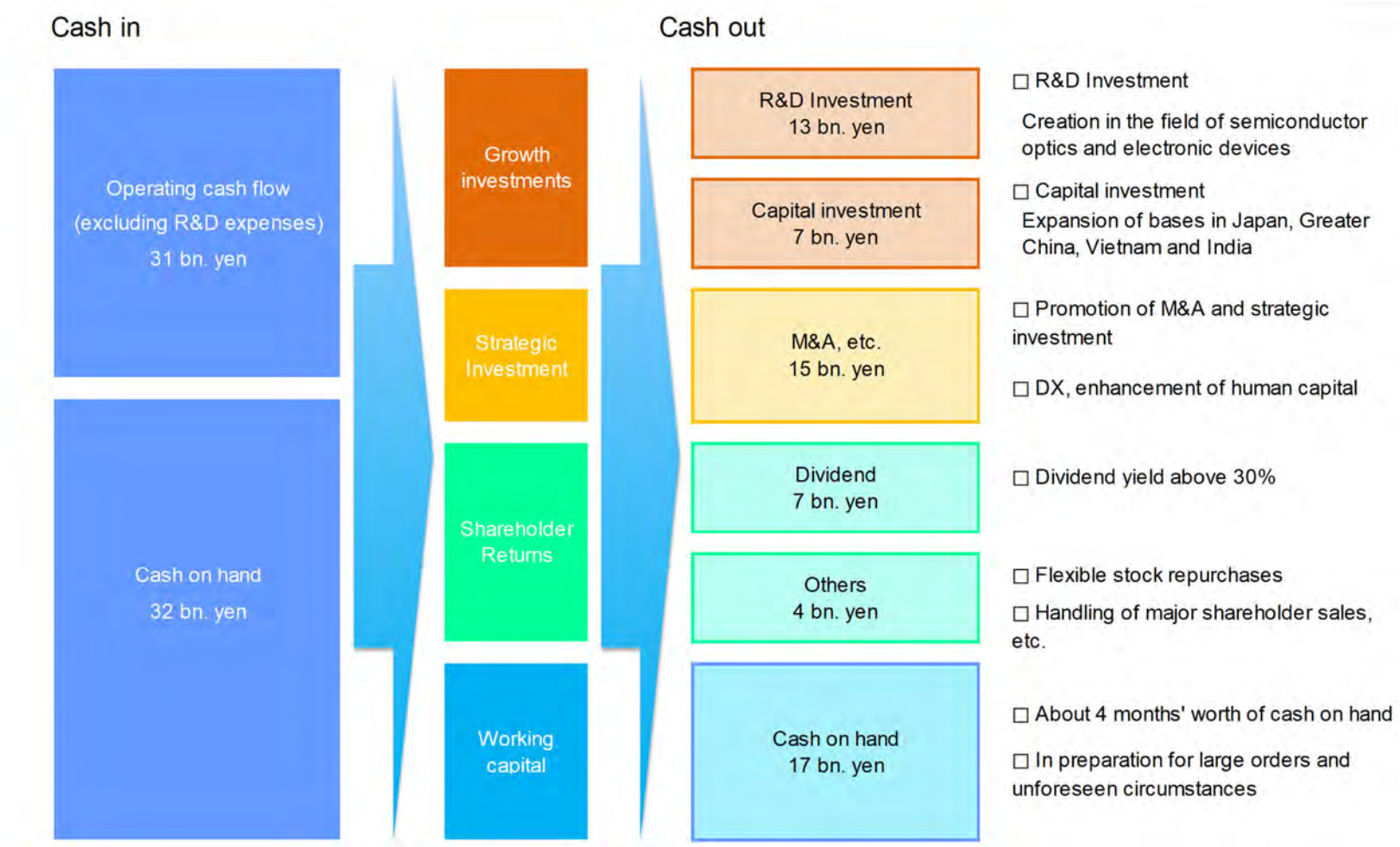
We are considering stable dividends based on a consolidated dividend payout ratio of 30% or more, as well as flexible and strategic share buybacks, with the aim of enhancing shareholder value. Additionally, with a view to sustainable growth, we plan to strategically implement research and development, capital investments, and M&A/business alliances. For new equipment, we anticipate increased orders for AI-equipped smartphones and cameras/sensors for EVs/connected cars. Furthermore, we anticipate a surge in demand for WDM (wavelength division multiplexing devices, including CWDM and DWDM) related to data center optical transceivers, as well as the takeoff of demand for AR/VR-related products for spatial computing.

ESG Investment Index “FTSE Blossom Japan Sector Relative Index” Initial Selection of Constituent Stocks

Our company has been selected for the first time for the “FTSE Blossom Japan Sector Relative Index,” a stock index targeting Japanese companies actively engaged in ESG (environmental, social, and governance) initiatives, to be launched in June 2025.Since our founding, we have aimed to contribute to the realization of an advanced information society by challenging the limits of thin film technology. We have been conducting our business with the goal of contributing to the creation of a society where people can live more abundantly. As a member of society, we have incorporated ESG initiatives into our business operations to maintain the trust of many people. Going forward, we will continue to contribute to the realization of a sustainable society while striving to further enhance our corporate value.

Cash allocation emphasizes R&D, strategic investments, M&A and shareholder returns

Figure 10: Cash Allocation (3-year cumulative total)



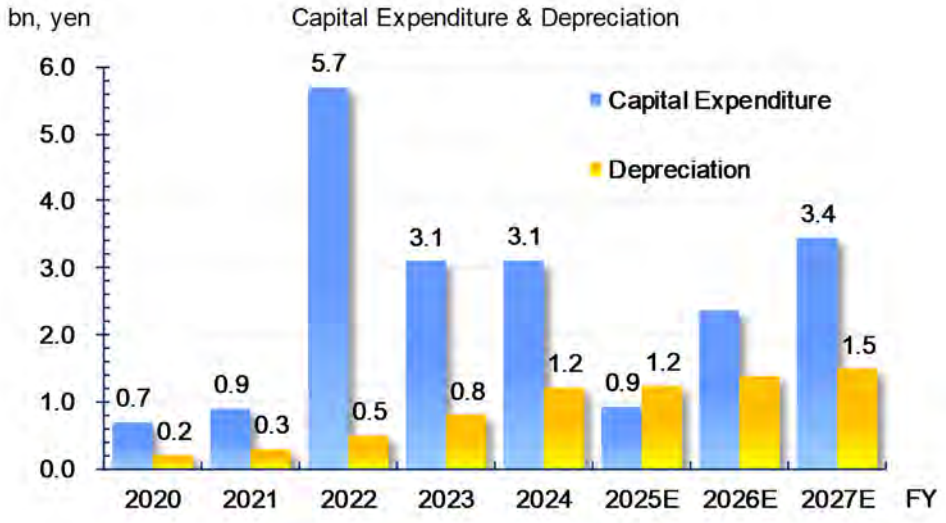
Note: In addition to the enhancement of the Tsurugashima Plant, we expect to rebuild the Kawagoe Plant in Japan, expand the optical semiconductor plant in Greater China, and start operations in India.

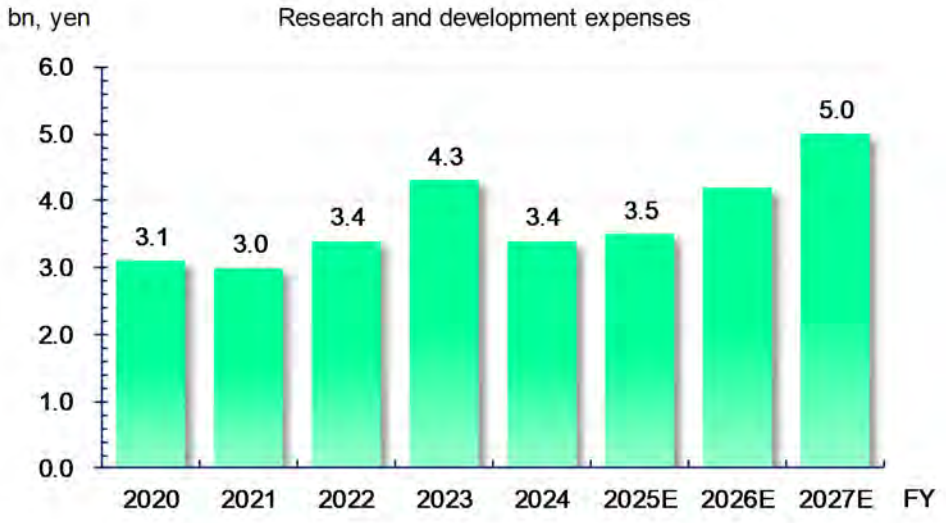
In terms of prioritizing shareholder returns, the company implemented an interim dividend of 26 yen per share for the first half of the fiscal year ending December 2024, representing an effective increase of 1 yen per share. On August 8, 2024, the company announced a share buyback program, and by December 23 of the same year, it completed the repurchase of 2,528,400 shares for a total of 4,779,741,400 yen.Additionally, on February 14, 2025, we announced a public tender offer for the repurchase of 2.5 million shares at a price of 1,658 yen per share, and the repurchase was completed by March 17, 2025, totaling 41.45 billion yen. For the fiscal year ending December 2025, the dividend per share is planned to be 27 yen for the first half, representing an increase of 1 yen, and 54 yen for the full year, representing an increase of 2 yen.

Capital Expenditure and R&D Expenditure Plan

Figure 11: Capital Expenditures, Depreciation and R&D Expenses

Japan Headquarters Tsurugashima	Optorun Semiconductor Technology Shanghai	Near Hanoi, Vietnam
		
R&D base for semiconductor optics, electronic devices, and other advanced fields, to be operational in April 2024. Currently considering restructuring of the adjacent Kawagoe Plant.	Production and R&D base for new technology equip., such as ALD equipment, to begin operations in Jan. 2024. New plant for optical lithium-ion semiconductors to be constructed in the medium term.	Equipment design and sales to customers in Southeast Asia Equipment installation, maintenance and repair, parts processing and sales Operation will start in December 2023. Considering expansion in the future.



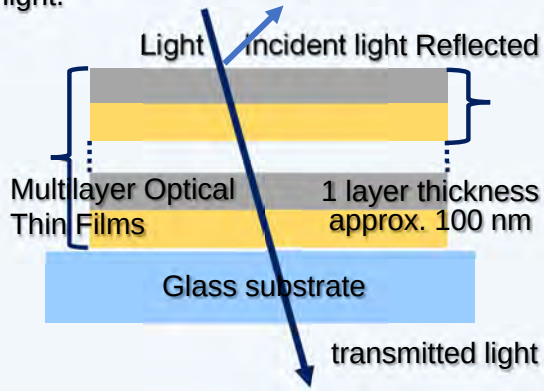


Optical Thin Film Technology, Business Domain and Investment Companies

Figure 12: Optical Thin Film Technology, Business Domains and Investing Companies

Optical Thin Film Technology

Optical thin film is a technology that controls the reflection and transmission of light by skillfully utilizing the properties of light.



- ■ Optical Thin Film Example
- • Anti-reflective coating
- • Reflective film
- • wavelength selective filter
  - Band-Pass Filter
  - Infrared Cut Filter
- • Decorative film (color film)
- ■ Thin film example
- • Transparent Conductive Film
- • Antifouling membrane
- • Anti-Scratch Membrane

Business Domain and Investment Companies

New demand

Invested Companies

Optics

- ■ AI Smartphone
- ■ EV/Connected Car
- ■ Optical Components
- ■ CWDM, DWDM

AI Foldable Smartphone

Guangxue Semiconductor (Shanghai) Co.

Zhejiang Crystal-Optech

Steravision

Generative AI Revolution

Semiconductor Optical Fusion

- ■ Photoelectron
- ■ Image sensor
- ■ Spatial computer
- ■ Optical Fusion Devices

Seeya Technology

Nano-Lithotics Technologies

AIMECHATEC

Si photonics

Electronic device

- ■ Green energy
- ■ Communication Devices
- ■ MEMS Devices
- ■ Advanced Package

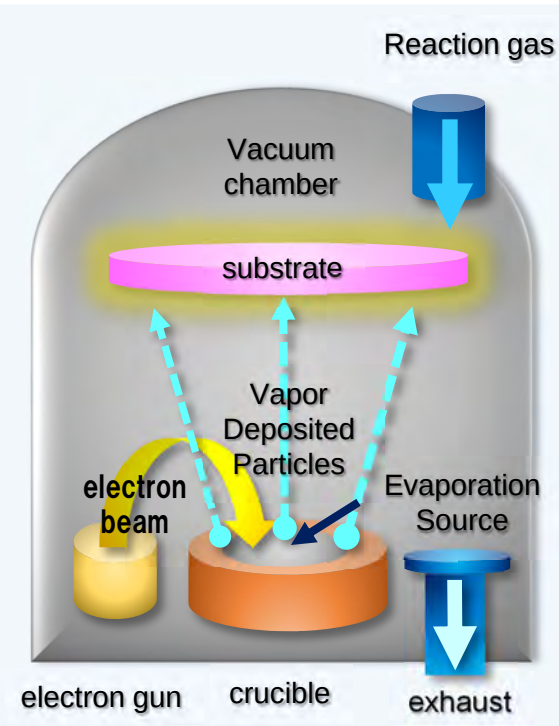
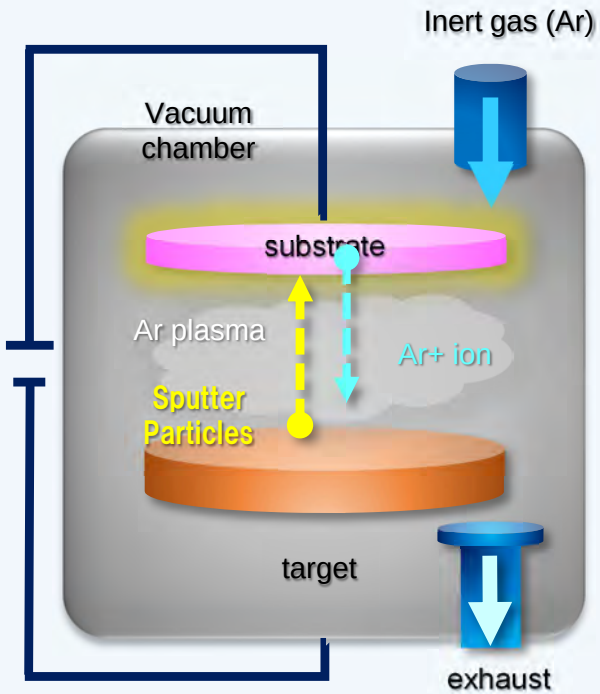
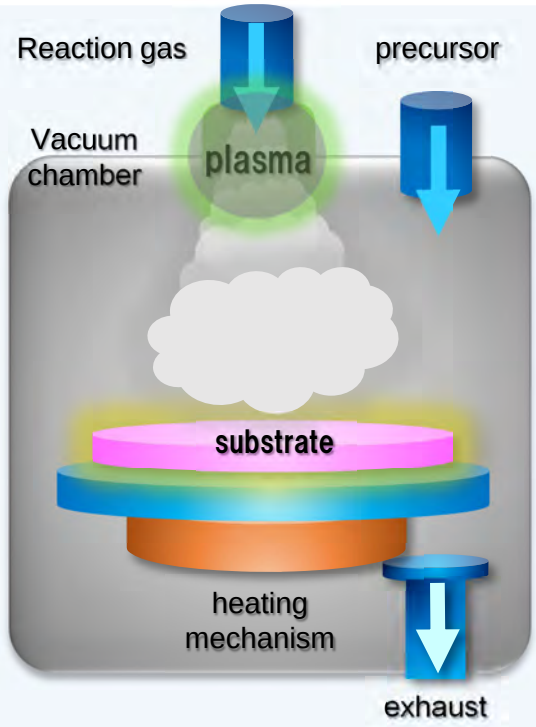
Intecells

Tsukuba Seiko

Fanfeng

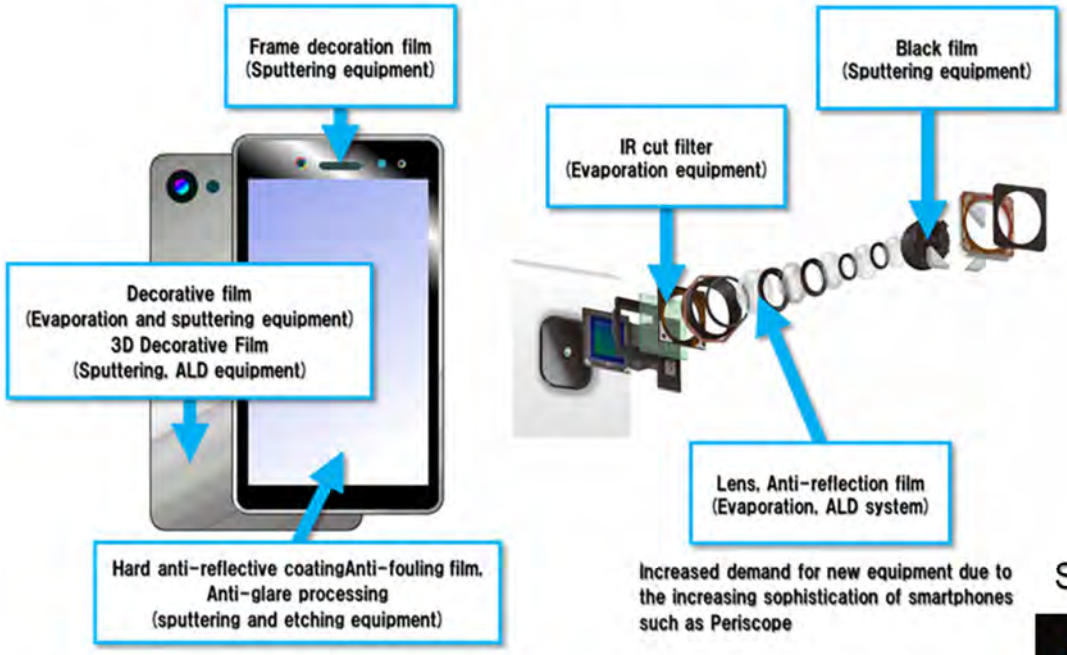
Optical Thin Film Device and Mechanism

Figure 13: Optical Thin Film Device and Mechanism

Evaporation Equipment	Sputtering equipment	ALD (Atomic Layer Deposition) system
		
A device that forms a thin film by heating evaporation materials in a vacuum, causing them to evaporate or sublimate and adhere to the substrate surface. It is similar to heating materials in a bathtub by vacuum.	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.	Equipment for forming flat and dense thin films by controlling film thickness at the atomic layer level. It is capable of uniformly depositing films on everything from flat substrates to three-dimensional structures with high aspect ratios (aspect ratio).

Optical Thin Film Technology and Corresponding Applications

Figure 14: Optical Thin Film Equipment for AI Smartphones



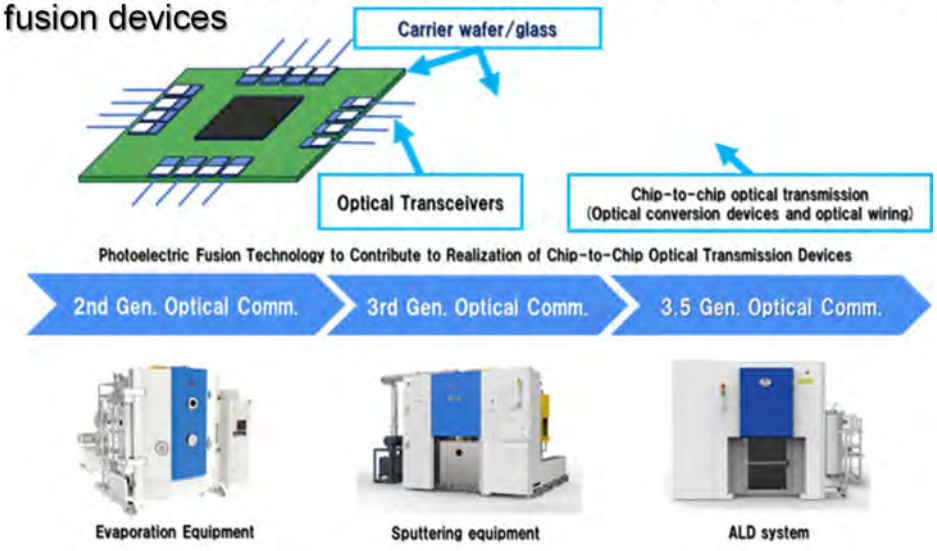
Optical thin film equipment for EV/connected car-related parts

Front and rear-view cameras
Anti-reflective coating
IT cut filter

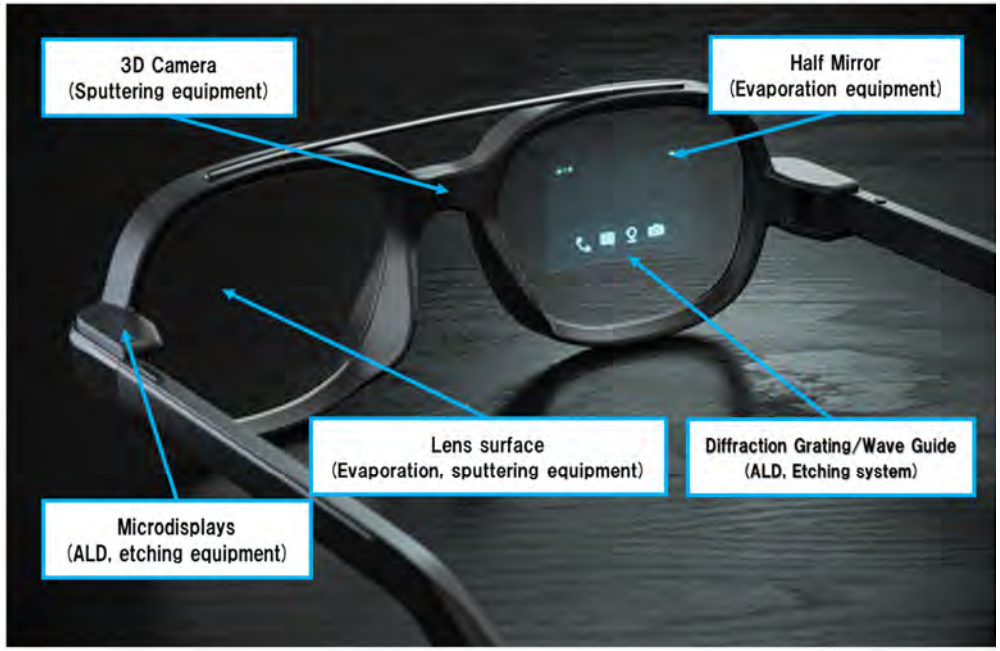
Car navigation system anti-dirt film

Corner sensor
Decorative film

Semiconductor optical fusion equipment for optoelectronic fusion devices

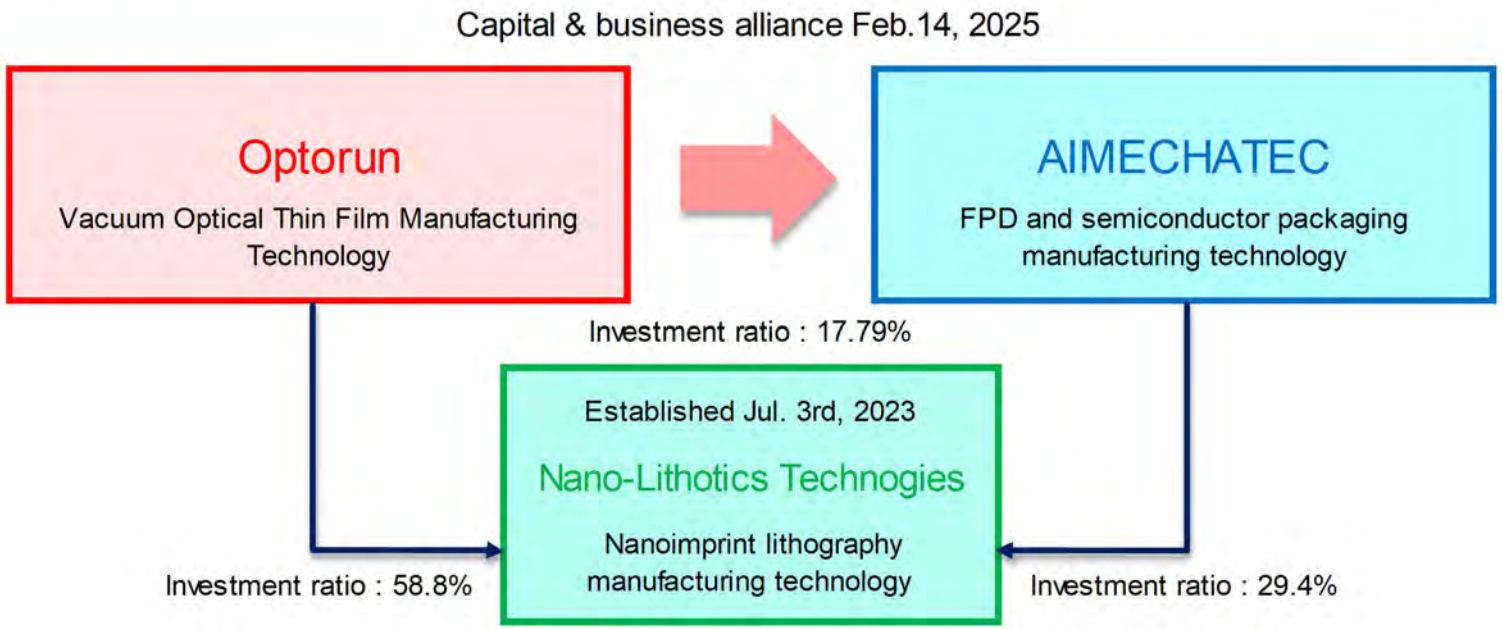


Semiconductor optical fusion equipment for spatial computers



Capital and business alliance with AIMECHTEC

Figure 15: Capital and business alliance with AIMECHATEC



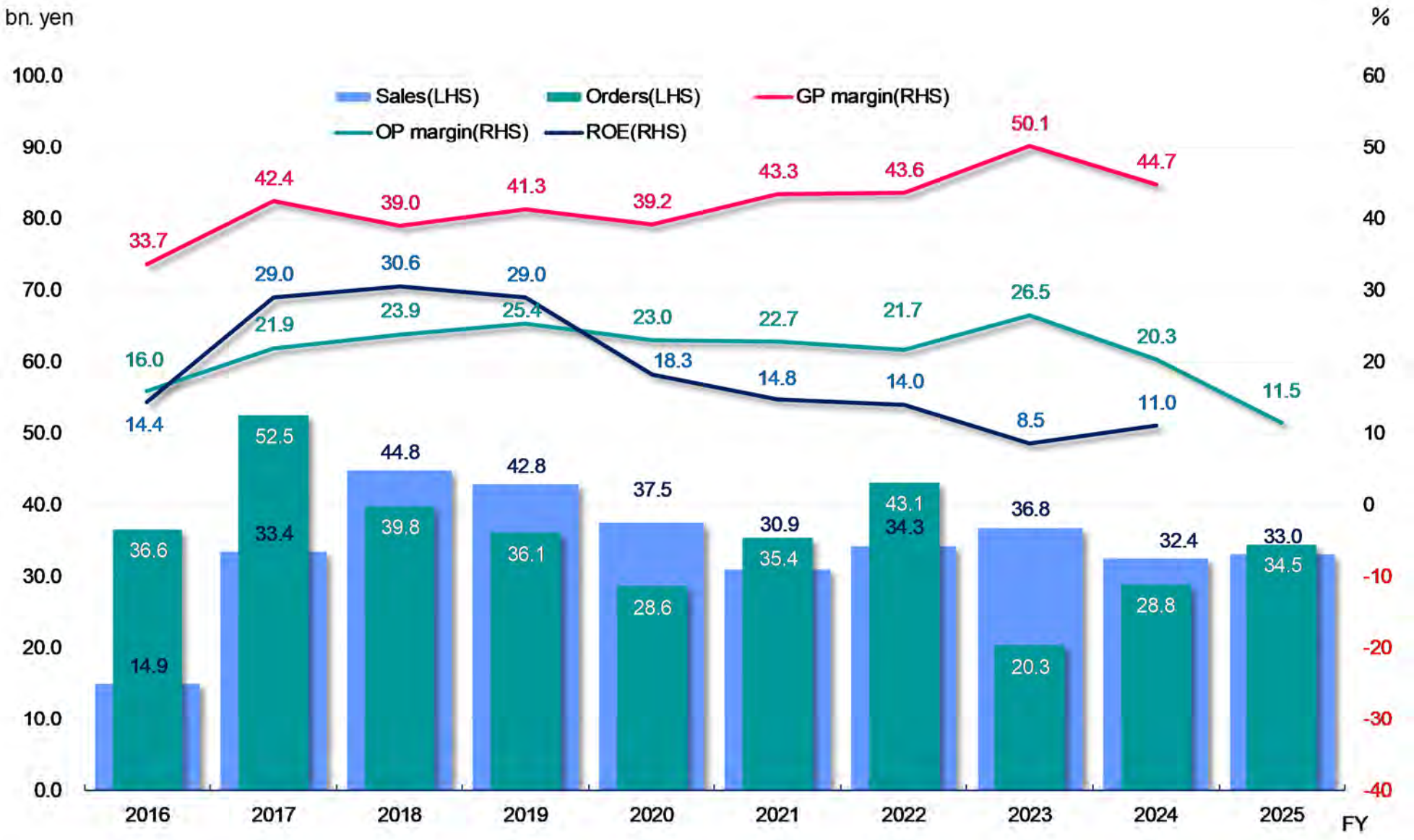
Note: Investment ratio of Nano-Lithotics other than indicated is JSR 11.8%; Optorun's voting rights in AIMECHATEC are 17.82%.

◘ Outline of Capital and Business Alliance

1. Strengthen nanoimprint lithography business
   - Expand joint ventures in nanolithotics by strengthening the sales and development structure through resource sharing, etc.
2. Collaboration through mutual complementation of technical capabilities
   - Strengthening of products and business through mutual support of both companies' technological capabilities
3. Collaboration through synergization of technological capabilities
   - Creation of new business areas through the sharing of technological areas and industry information owned by the two companies
4. Expansion of cooperative functions
   - Expand scope of collaboration to include mutual utilization of sales networks, etc.

Trends in Orders Received, Sales and Profitability/Profitability Indicators

Figure 16: Orders Received, Sales and Profitability/Profitability Indicators



Note: The exchange rate assumptions for FY12/2025 are $145/$ and ¥21.0/ yuan. Operating profit 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.

Company history, product development, application demand and performance

Figure 17: Company History, Product Development, Application Demand and Performance (Sales and Operating Margin)