

# Optorun Co., Ltd.

**Thanks to an increase in sales of optical thin-film equipment for AI smartphones, the company's 3Q results recovered with increased sales and profits.**

## Third Quarter 2024

Nov.12, 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 Business Results for Q3 of FY12/2024

Although orders received in the third quarter (end-of-period exchange rate adjustment) decreased by 2% year-on-year to 4.2 ¥bn due to the impact of the strong yen at the end of the period, there was a turnaround in real terms, with an increase of 114% to 6.2 ¥bn. In real terms, sales were driven by AI smartphones, EV/connected cars, and optical components and optoelectronics (such as Micro LED). In the third quarter, sales increased by 6% year-on-year to 8.5 bn yen due to an increase in sales of AI smartphones, centered on camera modules, and operating income also expanded by 25% year-on-year to 2.4 bn yen. Ordinary income recovered by 138% to 2.5 ¥bn. due to a reduction in foreign exchange losses and derivative valuation losses. Net income attributable to owners of the parent company improved by 261% to 2.3 ¥bn due to a reduction in corporate tax burden.

## ❑ Consolidated orders received and business performance results for the 3Q (cumulative) period of 2024

In the third quarter of 2024 (accumulated total), orders received increased 13% year-on-year to 22.6 ¥bn, and in real terms, they increased 37% to 21.2 ¥bn. Net sales were down 13% year-on-year to 25.2 ¥bn, operating income was down 26% to 6.3 ¥bn, ordinary income was up 31% to 7.0 ¥bn, and net income attributable to owners of the parent company was up 33% to 5.4 ¥bn. The progress rate for the full-year earnings plan is 68% for net sales, 84% for operating income, 92% for ordinary income, and 101% for net income attributable to owners of the parent company, with a high progress rate for profits. The exchange rate at the end of the quarter was 151.41 yen/\$ at the end of the first quarter, 161.07 yen/\$ at the end of the second quarter, and 142.73 yen/\$ at the end of the third quarter. Operating profit sensitivity is -150 million yen for every 1 yen appreciation of the yen against the dollar, and +100 million yen for every 0.1 yen appreciation of the yen against the Chinese yuan.

## ❑ Revision of the earnings forecast for the fiscal 2024 and changes in the business environment

The company has revised its earnings forecast for the fiscal 2024 to net sales of 32 ¥bn, operating income of 7.6 ¥bn, ordinary income of 8.2 ¥bn, and net income attributable to parent company shareholders of 6 ¥bn, based on the results for the Q1-Q3 cumulative. In order to improve shareholder value, the company is considering stable dividends with a consolidated dividend payout ratio of at least 30% and flexible, strategic share buybacks. The company's main product is optical thin-film coating equipment for AI smartphones, but although orders have been somewhat lackluster due to sluggish smartphone demand, inquiries for EV/connected car-related and WDM-related AI generation are increasing.

# 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	Q3	Q1-3	Full Year NE	Full Year PE	Q1	Q2	Q3	Q1-3	Full Year NE	Full Year PE
Orders received	39,821	36,062	28,606	35,435	43,124	24,080	11,136	7,301	4,192	22,629	-	-	16.4	20.0	-2.5	13.4	-	-
Order backlog	39,228	32,468	23,583	28,126	36,947	24,219	24,058	25,979	21,659	21,659	-	-	-35.8	-18.0	-22.5	-22.5	-	-
Net sales	44,763	42,822	37,491	30,892	34,304	36,807	11,298	5,380	8,511	25,189	32,000	37,000	24.7	-54.6	6.3	-12.9	-13.1	0.5
Gross profit	17,436	17,697	14,682	13,390	14,948	18,454	5,917	2,168	4,094	12,180	-	-	31.9	-63.6	-5.2	-18.0	-	-
R&D	3,103	3,173	3,151	3,065	3,410	4,329	908	1,029	657	2,595	3,700	3,700	-80.2	1.5	-41.8	-17.5	-14.5	-14.5
Operating income	10,690	10,879	8,628	7,025	7,449	9,752	3,965	-23	2,377	6,319	7,600	7,500	51.7	-	24.8	-26.2	-22.1	-23.1
Ordinary income	10,993	11,031	8,610	7,901	8,763	6,051	4,325	92	2,549	6,966	8,200	7,600	138.3	-96.2	137.9	30.6	35.5	25.6
Income before income taxes	10,748	11,488	8,678	8,773	9,405	5,998	4,321	92	2,547	6,960	-	-	138.1	-96.2	137.8	30.5	-	-
Income taxes	3,001	2,386	1,874	2,440	2,512	1,325	1,030	165	251	1,446	-	-	148.8	-52.6	-37.1	24.6	-	-
Net income	7,746	9,102	6,797	6,330	6,890	4,632	3,284	-110	2,267	5,441	6,000	5,400	134.1	-	-	32.7	29.5	16.6
Net income per share	187.6	216.7	159.1	146.8	159.0	106.1	75.0	-2.6	51.5	123.8	136.2	123.2	132.5	-	258.3	55.5	28.3	16.1
Dividend per share	55.0	60.0	50.0	50.0	50.0	50.0	0.0	26.0	0.0	26.0	52.0	52.0	-	-	-	-	4.0	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	1,347.0	1,347.0	-	-	12.5	9.6	3.4	6.3	-	-
BB ratio, Orders/Sales	0.89	0.84	0.76	1.15	1.26	0.65	0.99	1.36	0.49	0.90	-	-	-	-	-	-	-	-
Gross profit margin	39.0	41.3	39.2	43.3	43.6	50.1	52.4	40.3	48.1	48.4	-	-	1.9	-9.9	-5.8	-3.0	-	-
R&D as % of Net sales	6.9	7.4	8.4	9.9	9.9	11.8	8.0	19.1	7.7	10.3	11.6	10.0	-3.0	10.6	-6.4	-0.6	-0.2	-1.8
Operating income margin	23.9	25.4	23.0	22.7	21.7	26.5	35.1	-0.4	27.9	25.1	23.8	20.3	6.3	-34.6	4.1	-4.5	-2.7	-6.2
Corporate tax rate	27.9	20.8	21.6	27.8	26.7	22.1	23.8	179.3	9.9	20.8	-	-	1.0	165.0	-27.4	-1.0	-	-
Inventory turnover days	327.1	220.4	178.4	268.1	385.2	357.7	275.0	530.5	347.1	347.1	-	-	-40.5	59.1	0.0	0.0	-	-
Return on equity	30.6	29.0	18.3	14.8	14.0	8.5	23.7	-0.8	15.6	10.9	-	-	12.3	-16.4	11.0	-2.2	-	-

Note: Accounting is based on Japanese GAAP, NE: new forecast, PE: conventional forecast, and figures are rounded to the nearest million yen.

# Balance Sheets and Statements of Cash Flows

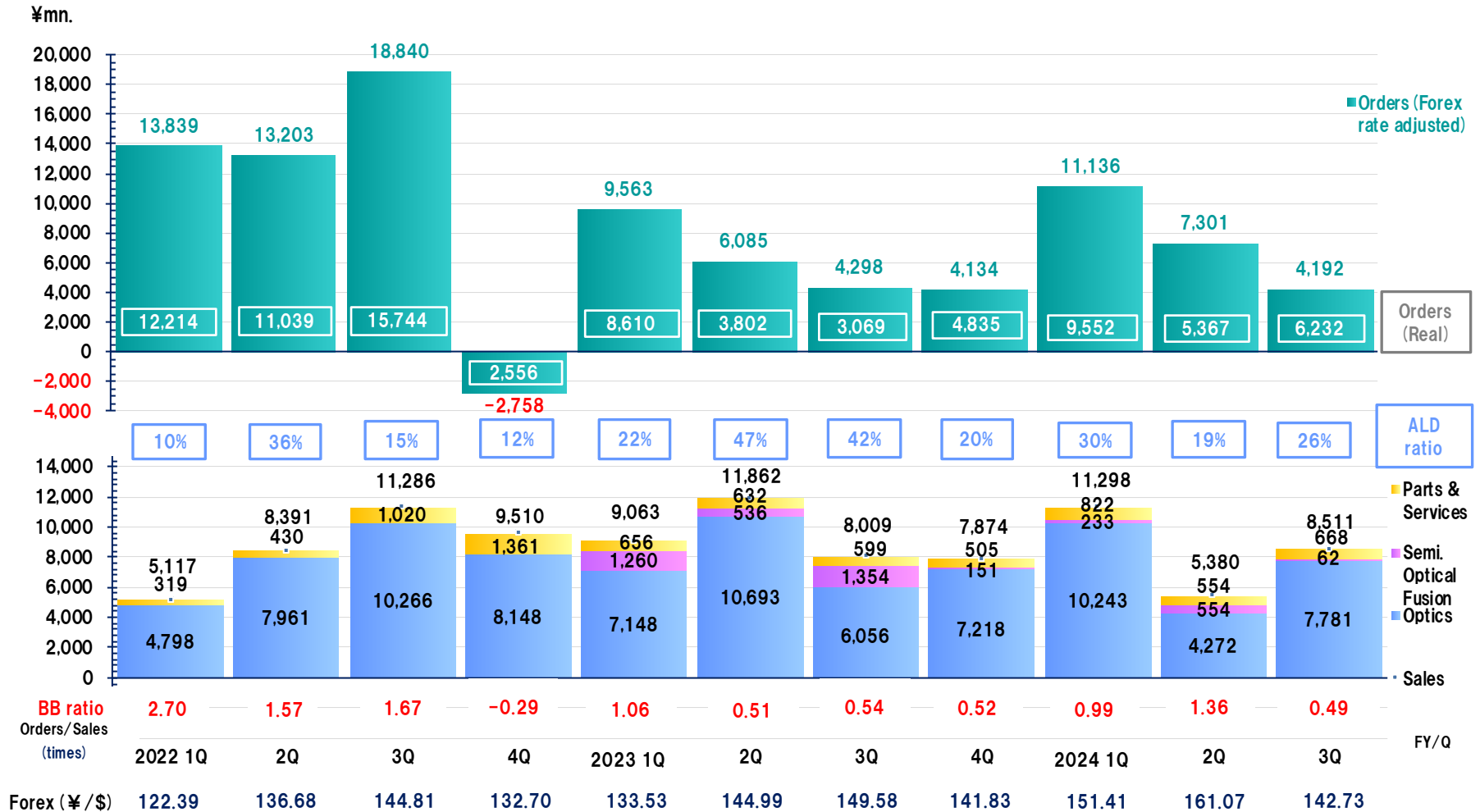
**Figure 2: Summary of main balance sheets and statements of cash flows (in millions of yen)**

accounting period	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024 Q1	12/2024 H1	24/12 3Q
item									
<b>Assets</b>									
Cash and deposits	15,741	26,970	22,723	32,274	34,923	33,054	33,329	32,193	30,967
Notes and accounts receivable-trade	6,417	3,902	9,426	5,627	7,423	4,882	3,206	4,353	4,518
Inventories	24,487	15,173	11,147	12,855	20,430	17,989	16,213	18,670	16,804
Raw materials and supplies	4,339	4,070	3,850	5,804	10,460	8,790	9,365	8,363	7,212
Goods in process	20,148	11,103	7,297	7,051	9,970	9,199	6,848	10,306	9,591
Current assets	48,142	47,194	44,572	53,145	65,401	57,632	55,184	57,372	54,410
Fixed assets	7,502	9,315	9,755	11,529	17,515	20,859	21,775	24,111	22,879
Total assets	55,644	56,509	54,327	64,675	82,916	78,491	76,959	81,482	77,289
<b>Liabilities</b>									
Notes and accounts payable-trade	1,653	2,735	1,703	3,246	4,785	1,284	2,326	1,848	1,657
Short-term interest-bearing debt	757	510	489	472	414	403	403	402	402
Contract liabilities	20,109	13,989	8,922	9,831	19,060	14,743	9,441	10,841	9,308
Current liabilities	25,923	19,826	13,655	17,057	28,400	19,097	14,812	16,895	14,630
Fixed liabilities	1,659	1,864	1,157	1,535	2,357	2,478	2,637	2,777	2,637
Net assets	28,063	34,819	39,515	46,084	52,159	56,916	58,881	61,810	60,022
<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



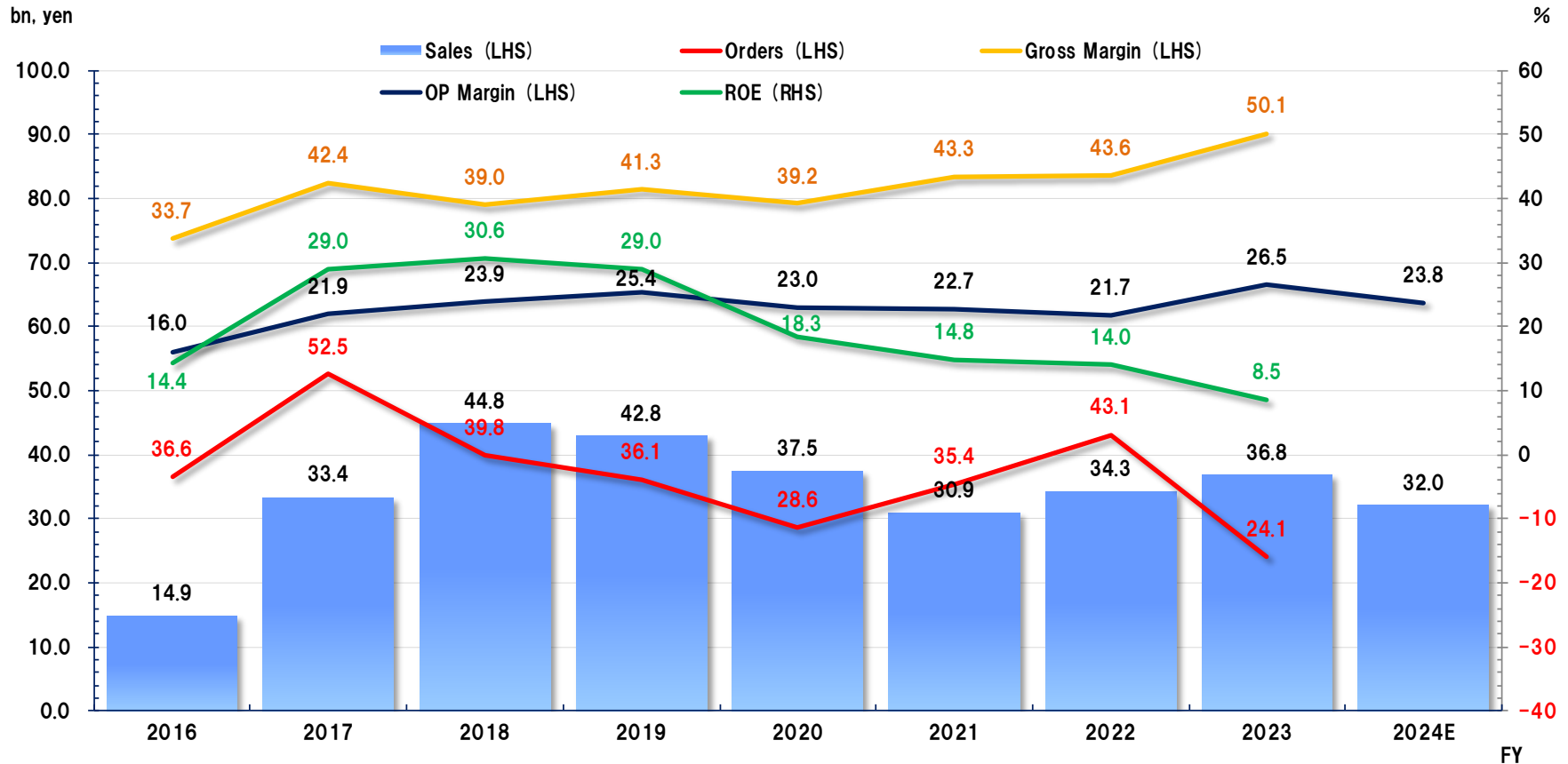
Note: Figures for orders received by business domain are not disclosed from FY12/2022.

**Figure 4: Orders and sales by business domain, ALD ratio, profitability indicators, etc. (Unit: millions of yen, yen/dollar, %)**

	FY/Q	2023	2023			2024					2023	2024		
			1Q	2Q	3Q	4Q	1Q	2Q	3Q	QoQ%	YoY%	1-3Q	1-3Q	YoY%
Orders														
Optics		15,973	7,386	2,214	2,415	3,958	7,952	3,783	5,056	33.7	109.4	12,015	16,791	39.8
AI smartphones		8,305	5,053	550	845	1,857	5,487	944	1,896	100.7	124.3	6,449	8,328	29.1
EV/connected car		3,274	846	421	544	1,463	1,299	1,452	1,022	-29.6	87.8	1,811	3,773	108.3
Optical components		4,393	1,486	1,243	1,026	638	1,165	1,386	2,139	54.3	108.5	3,755	4,690	24.9
Semi. optical fusion and devices		1,826	455	948	52	371	615	141	950	573.9	1,728.0	1,455	1,706	17.3
Parts and services, others		2,518	770	641	602	505	985	1,444	225	-84.4	-62.6	2,013	2,655	31.9
Sub total orders		20,316	8,610	3,802	3,069	4,835	9,552	5,368	6,232	16.1	103.0	15,482	21,152	36.6
Forex Impact		3,764	953	2,283	1,229	-701	1,584	1,933	-2,040	-	-	4,465	1,477	-66.9
Total orders		24,080	9,563	6,085	4,298	4,134	11,136	7,301	4,192	-42.6	-2.5	19,947	22,629	13.4
ALD ratio (%)		7%	6%	0%	7%	16%	24%	4%	0%	-4%	-7%	4%	11%	8%
Orders backlog		24,219	37,447	31,670	27,960	24,219	24,058	25,979	21,659	-16.6	-22.5	27,960	21,659	-22.5
Sales														
Optics		31,116	7,148	10,694	6,056	7,218	10,243	4,272	7,781	82.2	28.5	23,898	22,296	-6.7
AI smartphones		20,489	3,690	8,317	3,996	4,486	7,686	1,916	5,289	176.1	32.4	16,003	14,891	-6.9
EV/connected car		3,069	1,392	391	431	854	1,174	1,582	1,273	-19.5	195.1	2,214	4,029	81.9
Optical components		7,558	2,066	1,986	1,629	1,877	1,383	774	1,219	57.6	-25.1	5,681	3,376	-40.6
Semi. optical fusion and devices		3,300	1,260	536	1,354	151	233	554	63	-88.6	-95.3	3,149	850	-73.0
Parts and services, others		2,391	655	632	599	505	822	554	667	20.2	11.3	1,886	2,043	8.3
Total sales		36,807	9,063	11,862	8,009	7,874	11,298	5,380	8,511	58.2	6.3	28,933	25,189	-12.9
ALD ratio (%)		34%	22%	47%	42%	20%	30%	19%	26%	7%	-16%	38%	26%	-11%
Gross profit margin (%)		50.1%	50.5%	50.2%	53.9%	45.8%	52.4%	40.3%	48.1%	7.8%	-5.8%	51.3%	48.4%	-3.0%
Operating profit margin (%)		26.5%	28.8%	34.1%	23.8%	15.0%	35.1%	-0.4%	27.9%	28.4%	4.1%	29.6%	25.1%	-4.5%
Net profit margin (%)		12.6%	15.5%	17.4%	7.8%	6.8%	29.1%	-2.1%	26.6%	28.7%	18.8%	14.2%	21.6%	7.4%
Forex rate														
Yen/USD (Order Adjustment Rate)		141.83	133.53	144.99	149.58	141.83	151.41	161.07	142.73	18.34	6.85	149.58	142.73	6.85
Yen/USD (Sales Recognition Rate)		137.97	134.75	134.24	140.93	141.95	144.77	147.31	149.45	-2.14	-8.52	136.64	147.17	-10.53

# Orders, Sales and Profitability/Profitability Indicators

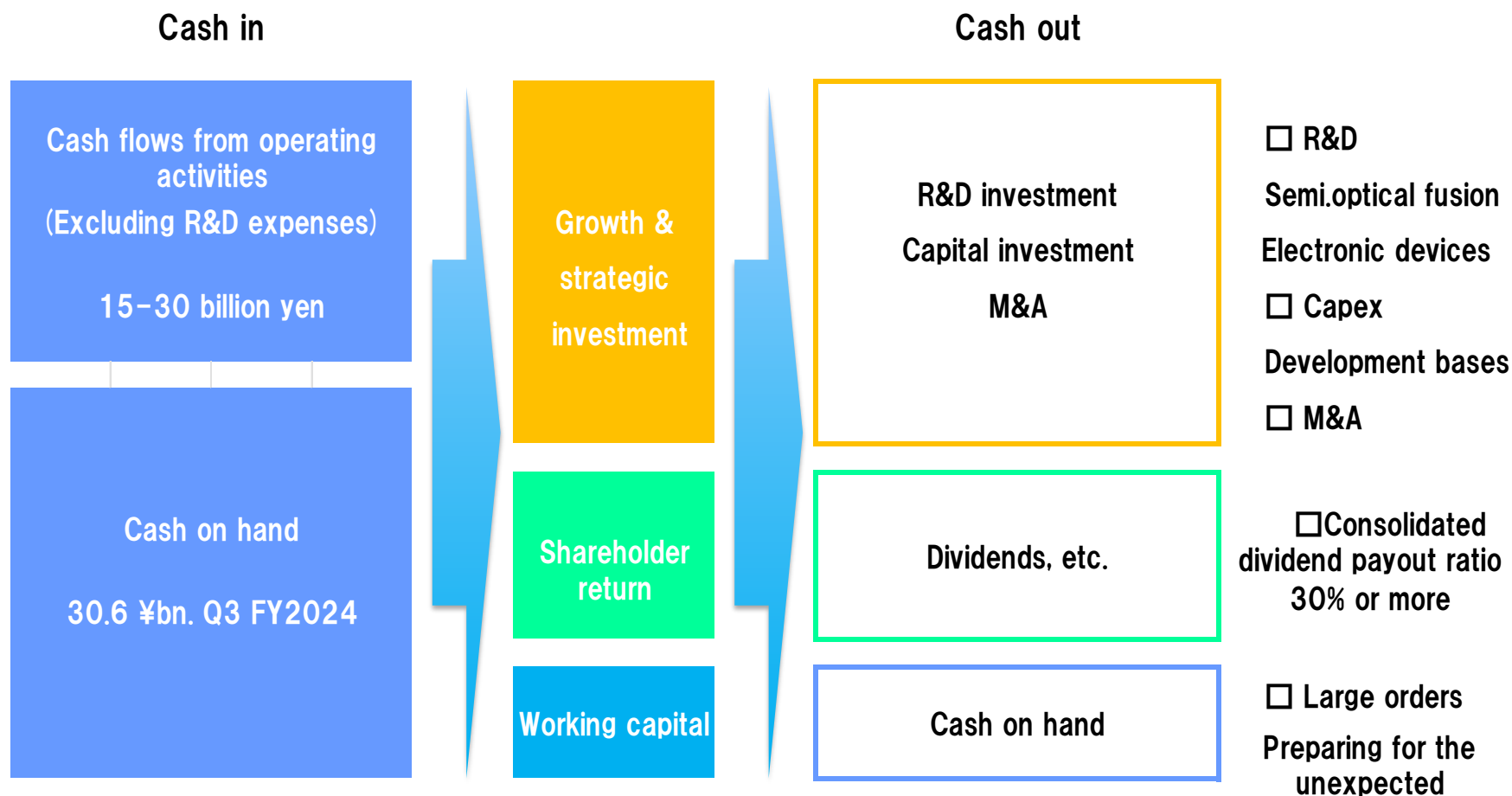
Figure 5: Orders Received, Sales and Profitability/Profitability Indicators



Note :The exchange rate assumptions for the Q4 of FY2024 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.

# Cash allocation is focused on R&D, strategic investments, and M&A, with an emphasis on shareholder returns

Figure 6: Cash Allocation (3 years)





# Capital Expenditure and R&D Expenditure Plan

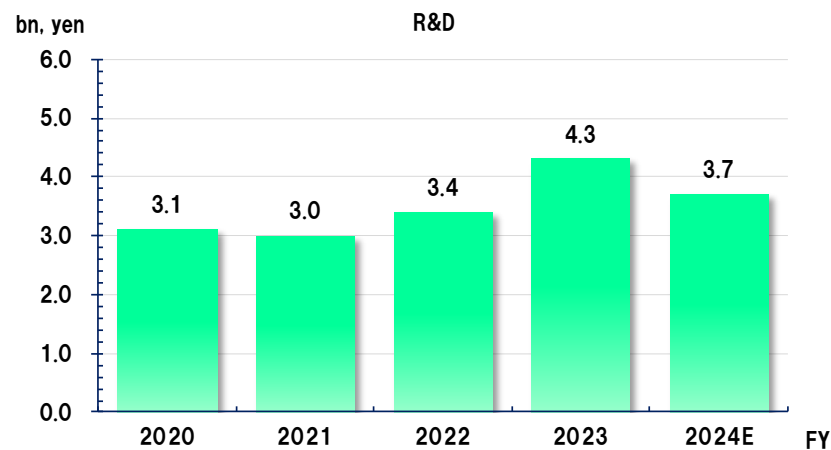
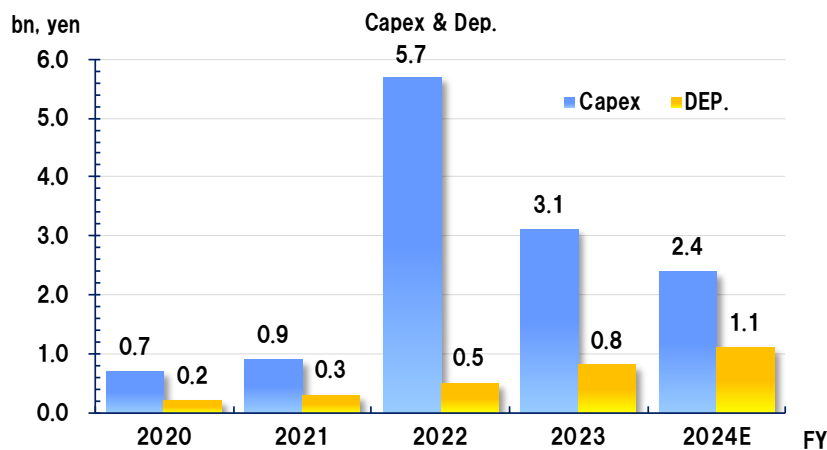
Figure 7: Capital Expenditures, Depreciation and R&D Expenses



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

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



# **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 FY12/2024. 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. The new medium-term management targets will be announced at the financial results presentation for the full fiscal year 2024.

**Figure 8: Medium-Term Management Targets by Domain and Dividends per Share (Unit: billions of yen)**

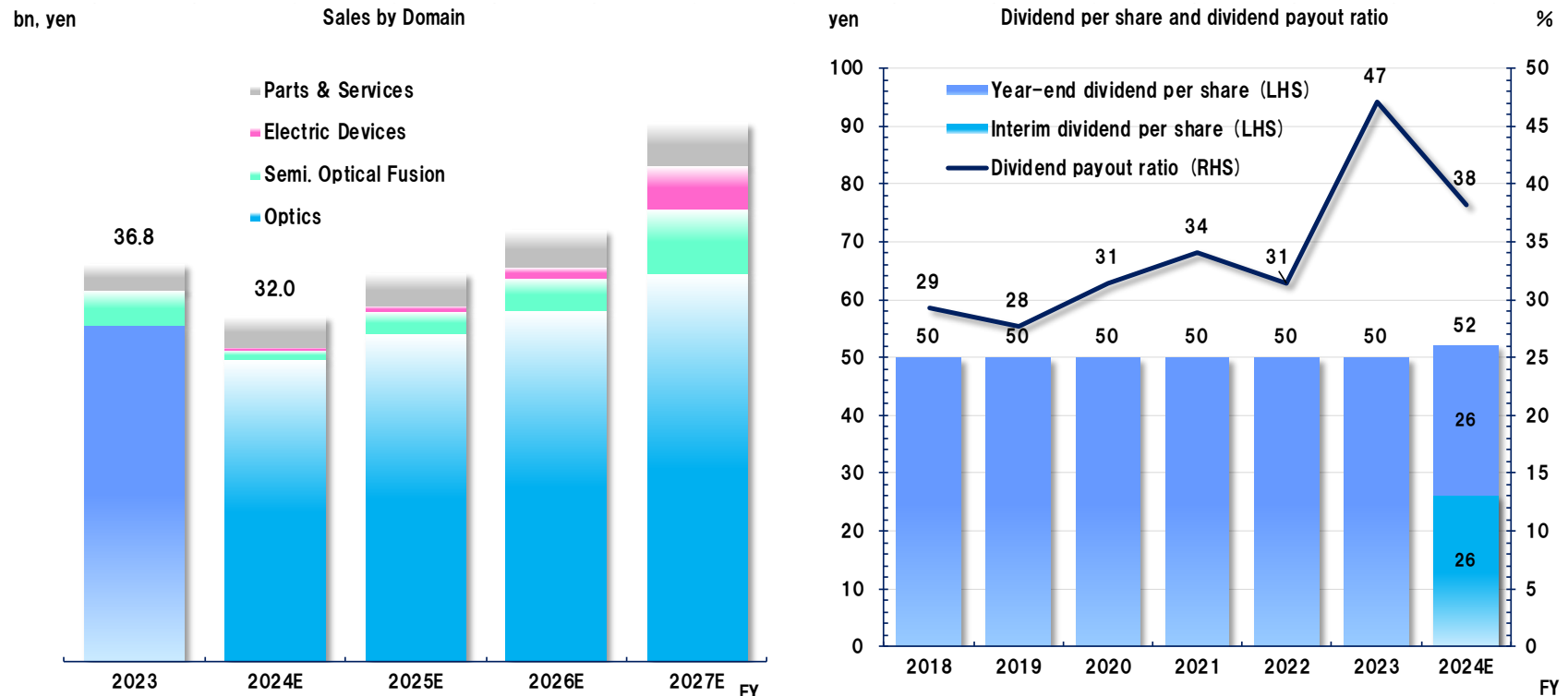
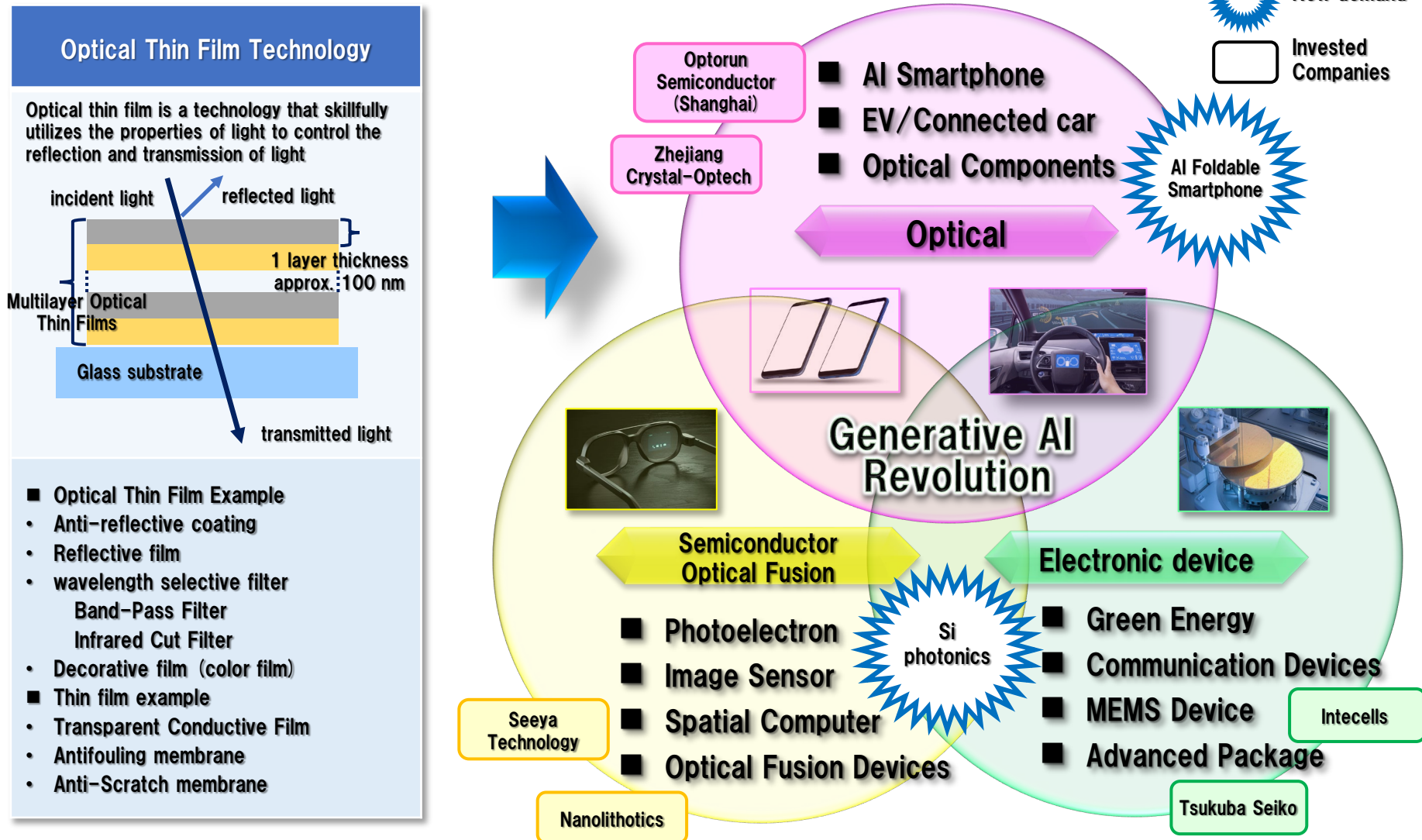
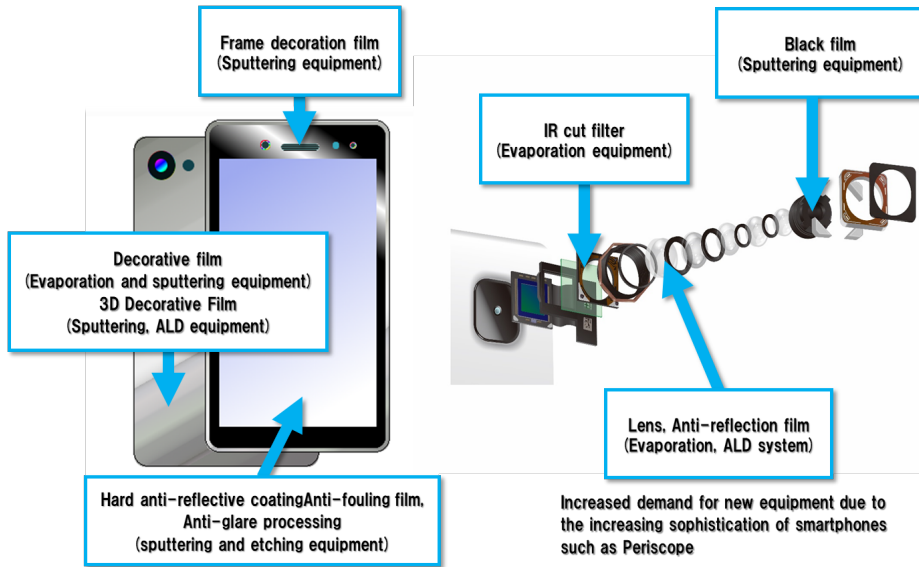


Figure 9: Optorun's optical thin film technology, new business areas and companies invested in

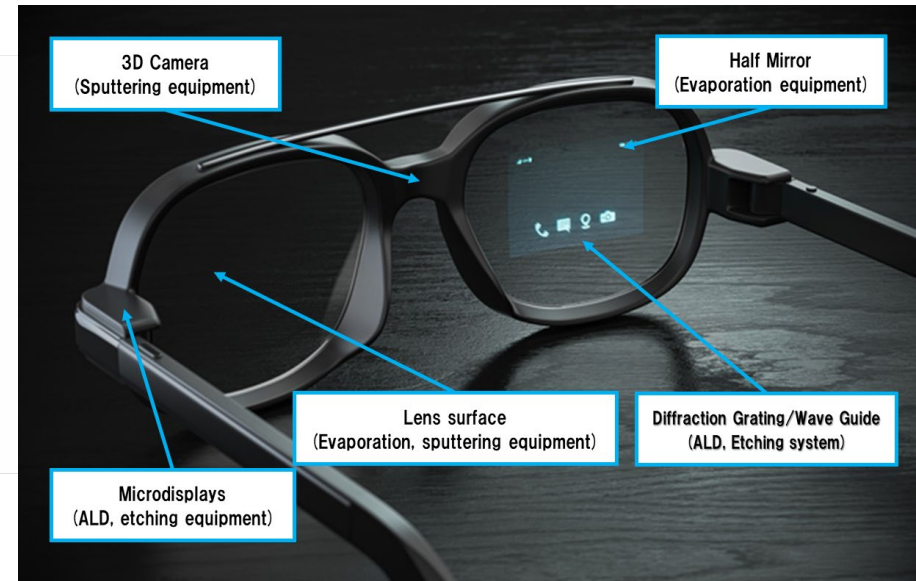




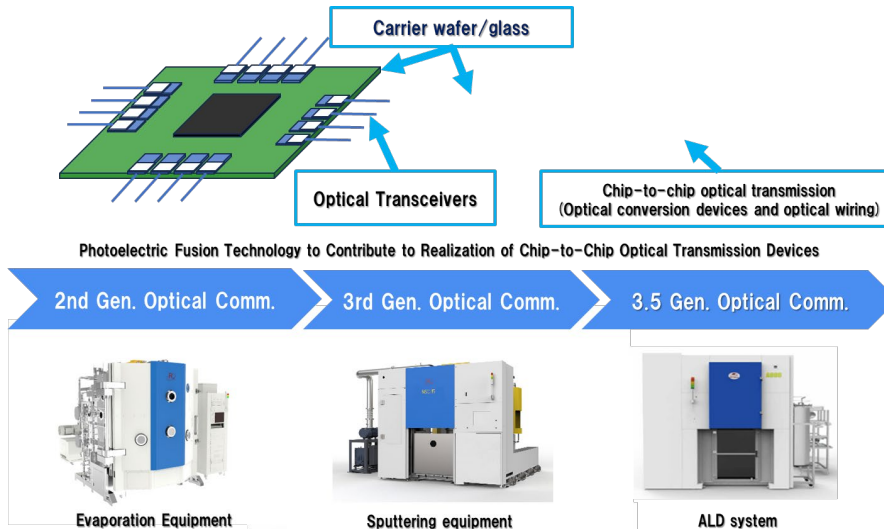
**Figure 10: Optical Thin Film Equipment for AI Smartphones**



**Semiconductor optical fusion equipment for spatial computers**



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



**Electronic Device Equipment for BAW filters**

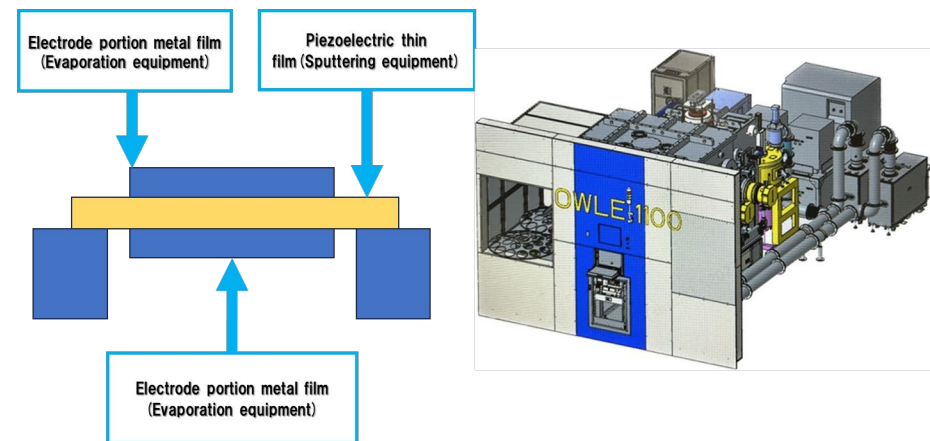
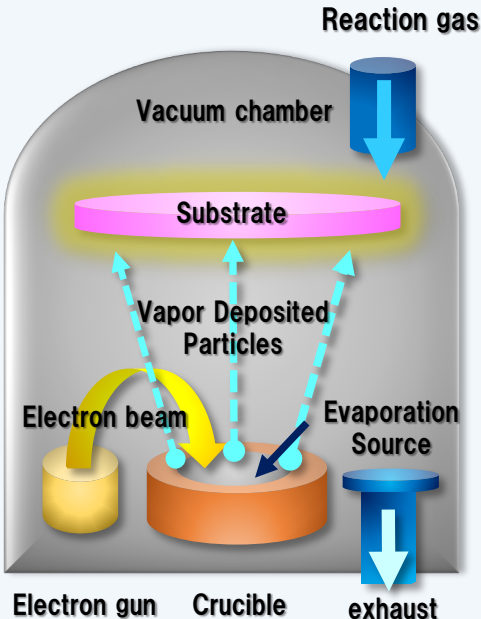
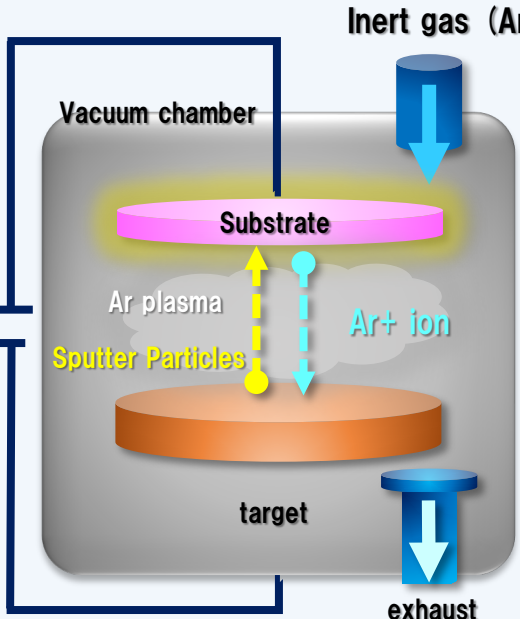
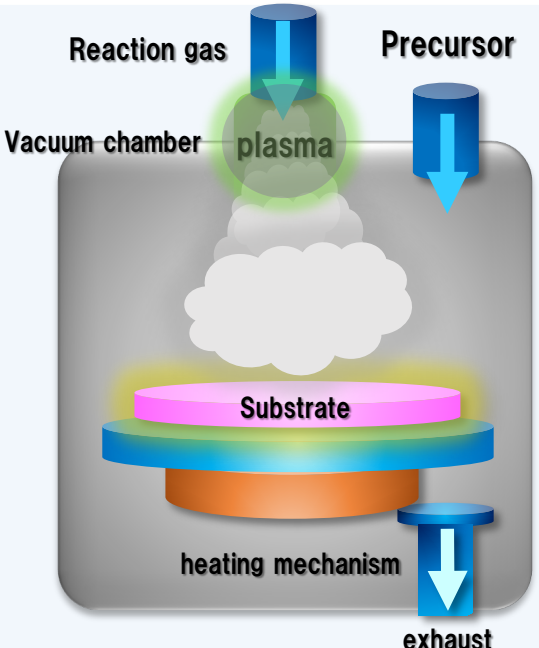


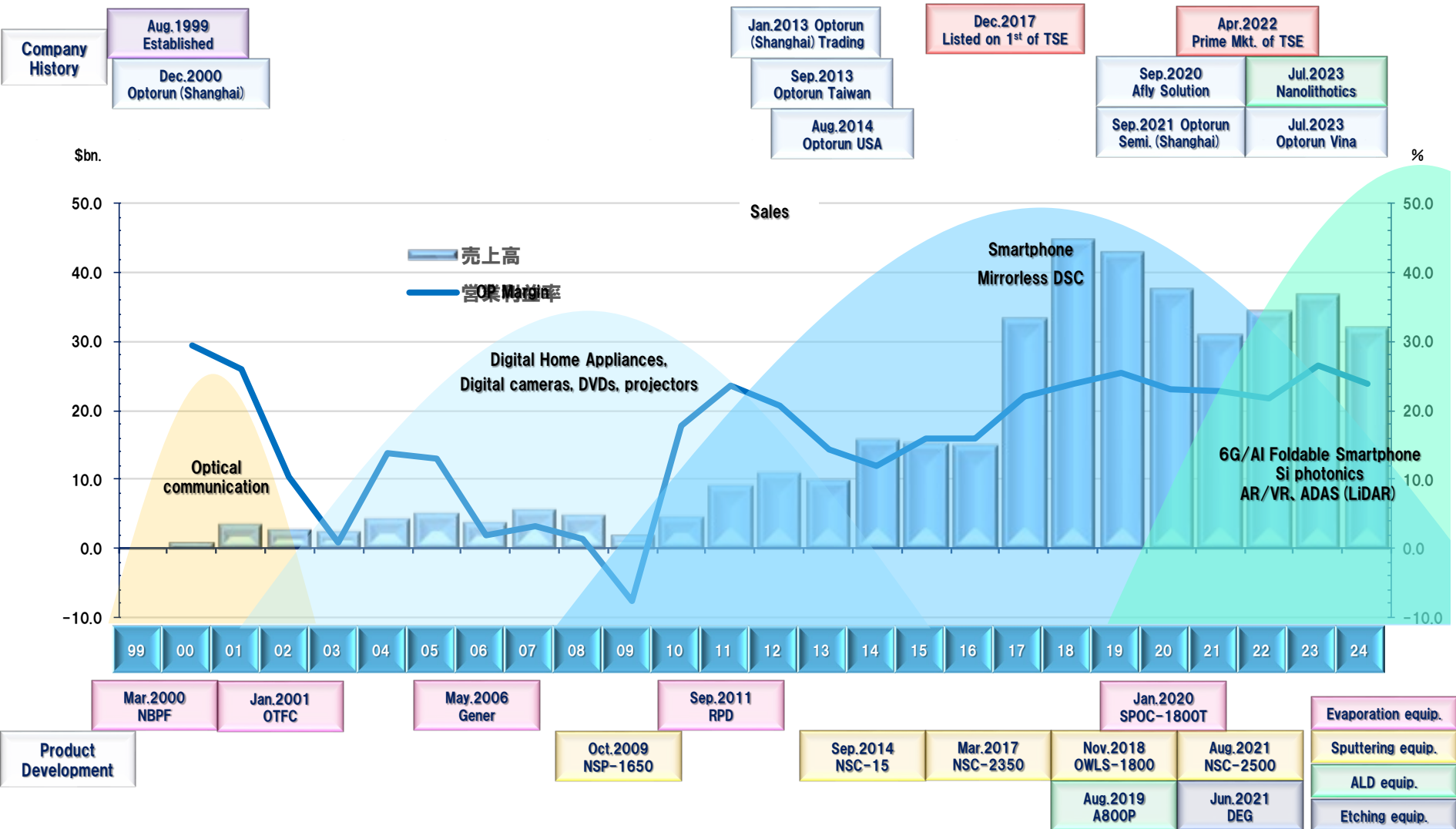
Figure 11 :Optorun optical thin film device and mechanism

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



In October 2024, we carried out a third-party allocation of new shares worth 200 million yuan (approximately 4 billion yen (20.46 yen/yuan)) to Quzhou Lingben Juguang Equity Investment Fund, which is managed by our subsidiary, Optorun Semiconductor Technology (Shanghai) Co., Ltd.

The capital increase is intended to accelerate the development of demand for equipment and the development of new customers in the Chinese market, as well as to be used for capital investment such as strengthening research and development and increasing production capacity.

The impact of this transaction on the Company's consolidated business results for the fiscal year ending December 2024 is expected to be limited.



## □ 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)

