



Optorun Co., Ltd.
Financial Results(December 2019)

Table of Contents



I. Outline of FY2019 Financial Results **P2**

II. Outlook **P13**

I. Outline of FY2019 Financial Results

- Financial Highlights
- Net Sales by Categories/Region
- Orders Received and Order Backlog
- Operating Profit
- Research and Development Expenses
- Net Sales (4Q19)
- Orders Received and Order Backlog(4Q19)
- Operating Profit (4Q19)
- Balance Sheet
- Cash Flows

Financial Highlights (Consolidated)



- Significant increase in earnings despite fall in sales. Full year results show a clear recovery after sales bottomed out in 3Q19.
- CGS ratio reduction project contributed to significant cost cutting for vacuum deposition equipment.
- Accounting Gains for capital investment by technology contributed to profit increase.
- Development of new type coaters is materializing; full-scale marketing activity to secure FY2020 orders is underway.
- Despite significant impact of U.S. - China trade friction throughout 2019, last minute efforts in 4Q19 contributed to sales and orders.

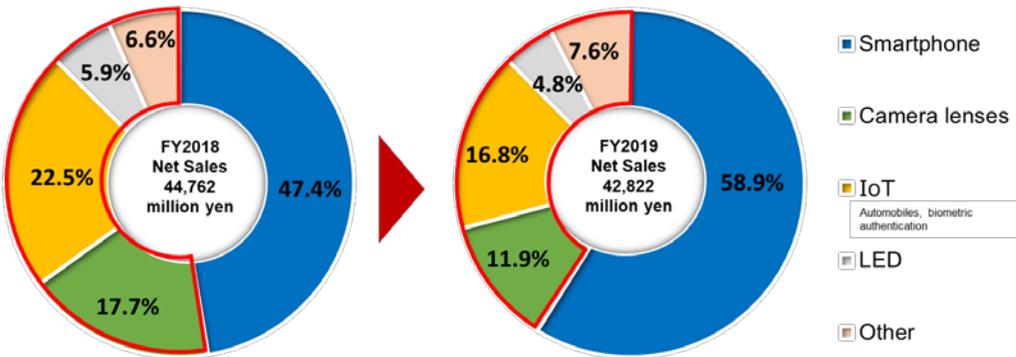
(Million yen)

	FY2018	FY2019	YoY
Net sales	44,763	42,822	(4.3)%
Operating profit	10,690	10,879	+1.8%
Operating margin	23.9%	25.4%	+1.5%
Ordinary Profit	10,992	11,031	+0.3%
After Tax profits	7,745	9,101	+17.5%

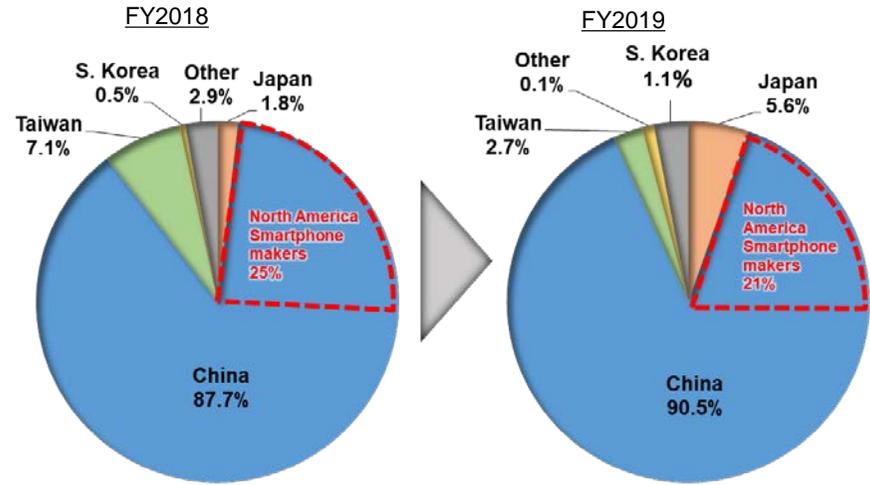
Net Sales by Categories/Region

- Share of smartphones in total sales increased as a result of sales to North American smart phone manufacturer and Chinese and S. Korean.
- Camera lenses, IoT, and LED sales were solid.
- Scheduled delivery to North American smartphone manufacturer has been completed, negotiation for new orders has started.
- Orders seemed to be recovering from 4Q19 and the trend has carried over to 2020.

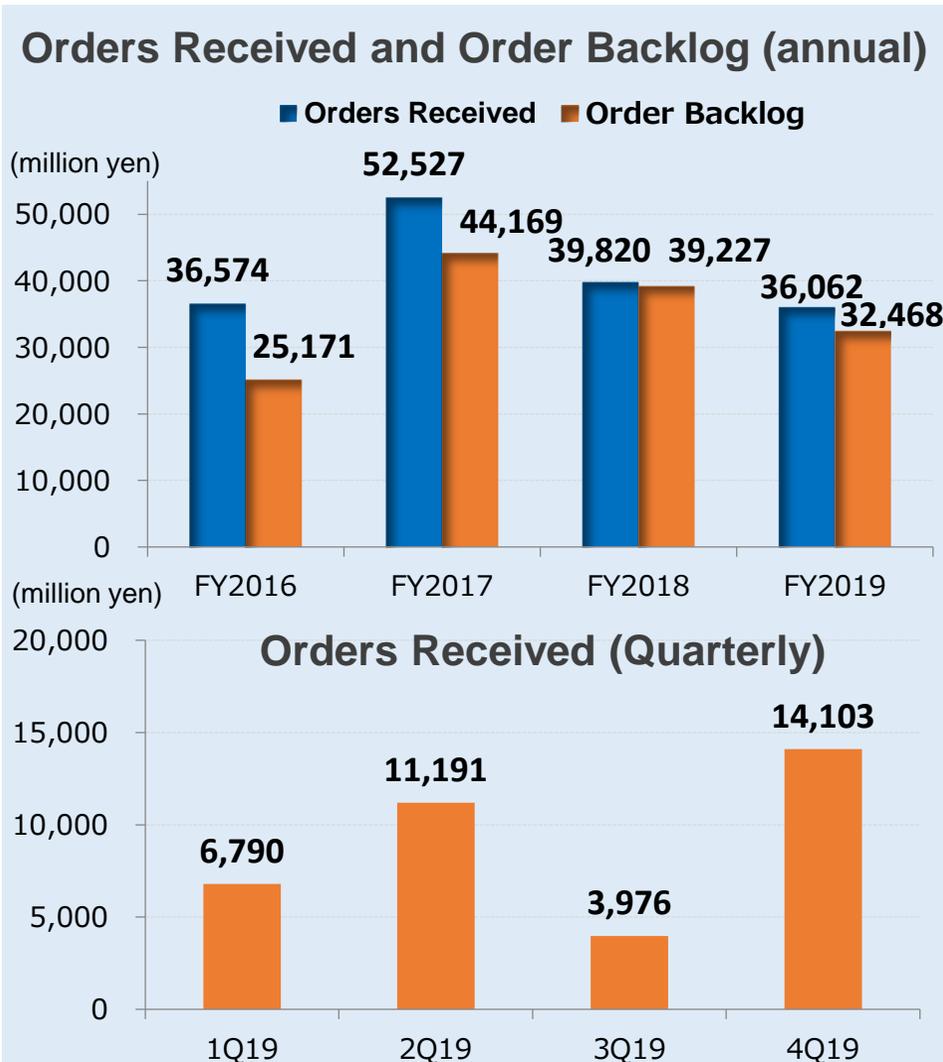
Net Sales by Categories



Net Sales by Region

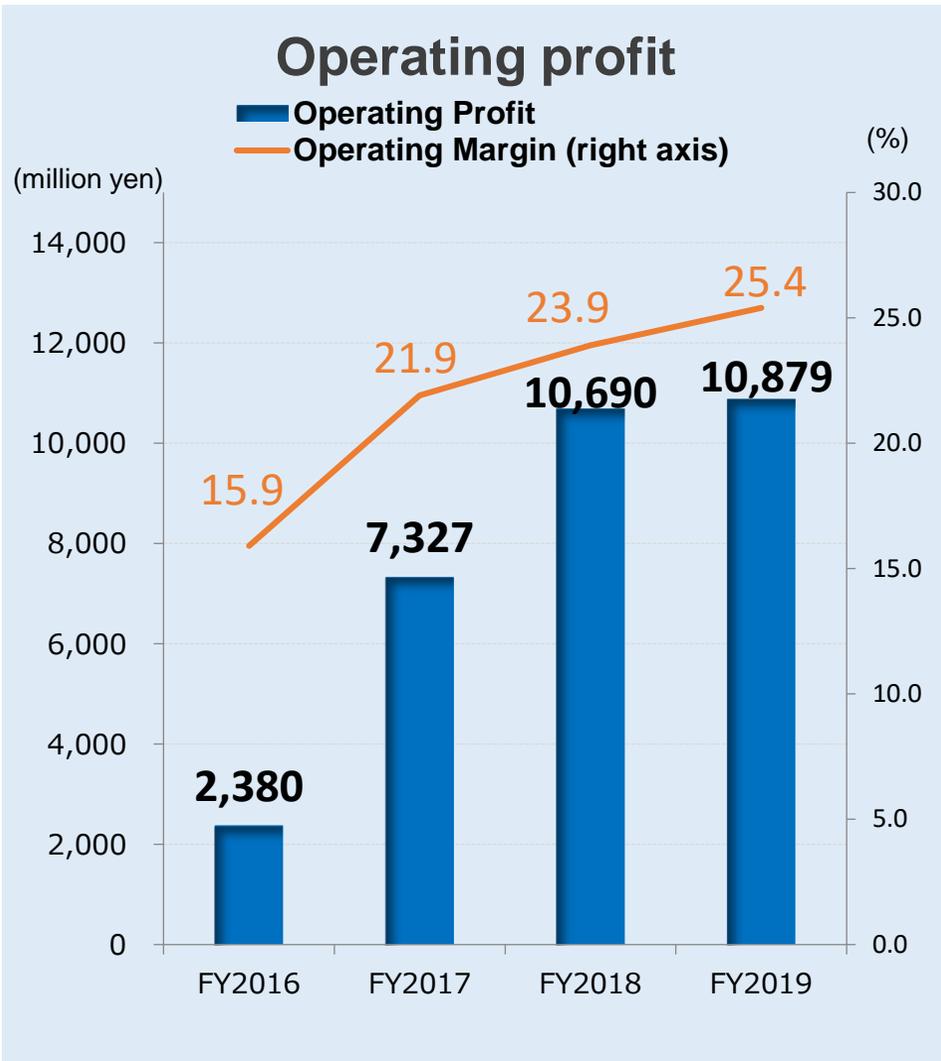


Orders Received and Order Backlog



2019 Orders Received

- Orders were volatile up to 3Q19 due to the impact of U.S. – China trade frictions.
- Political outlook and appetite for capital expenditure improved in 4Q19.
- new orders were received from a North American smartphone manufacturer in 4Q19. New order negotiation is continuing for FY2020.
- Other positive factors include, (i) Chinese and Korean smart phone manufacturers are eager to order for back glass coating, face ID and high-performance camera module,
- (ii) Increased orders from Chinese surveillance camera manufacturers for high end camera lenses.
- Ratio of vacuum coaters Sputtering : Evaporation = 5:4
- Started receiving orders for new technology models. Full-scale marketing started for 2020.

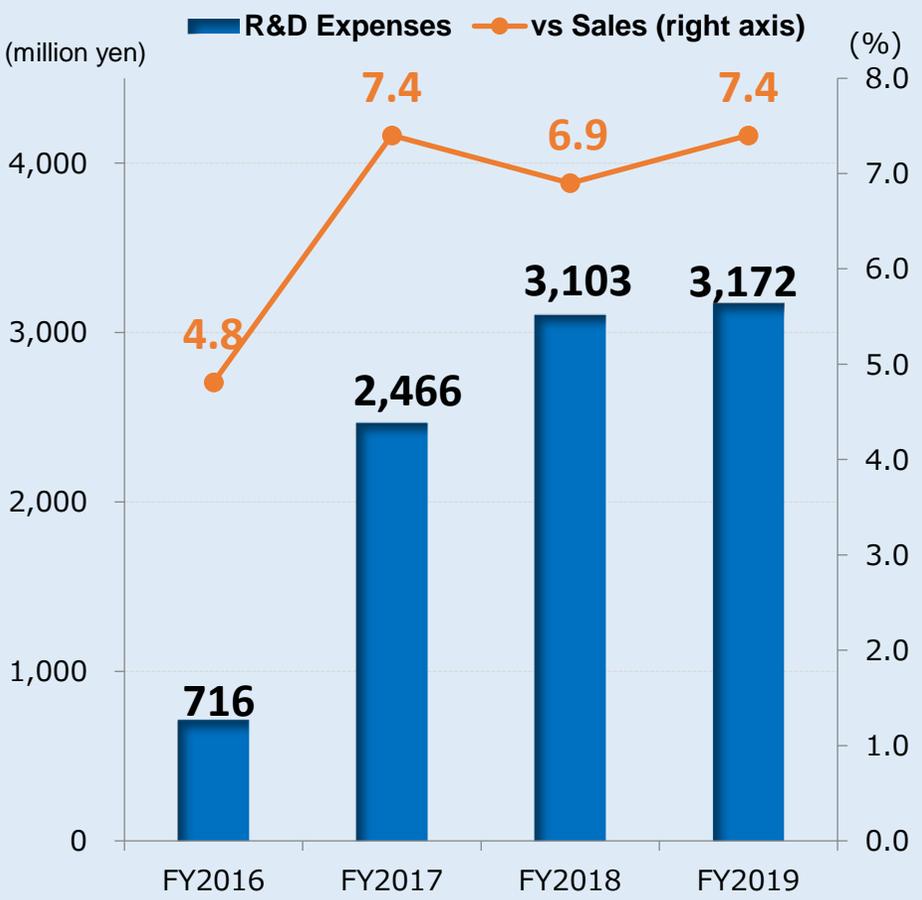


FY2019 Operating profit

- Operating margin improved (+1.5%)
- Contributing factors included lower CGS ratio (-2.3%), slight increase in SG&A (+0.8%) .
- Positive impact from lower CGS ratio for vacuum evaporation coaters thanks to CGS reduction project by Shanghai factory. sputtering coater sales also contributed profitability improvement.

Research and Development Expenses

Research and Development Expenses

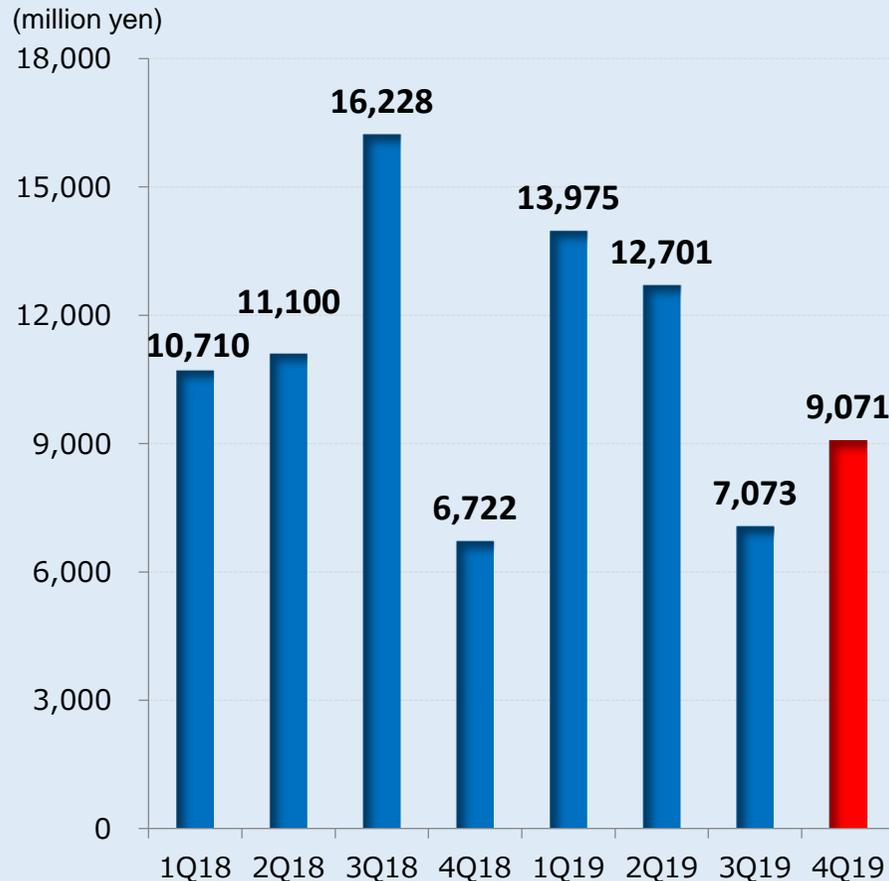


FY2019 R&D Expenses

New coater R&D activities made progress, and adoption of various new technologies is beginning to show results

- Development of double-sided sputtering coater/flat sputtering coater/ALD coater/optical telecommunication coater are in completion.
- Enhanced cross-company R&D activities covering Kawagoe, Shanghai, Taiwan and Finland accelerated. Head office is for basic research and overseas for applied research.
- Various new business areas including mini LED, vehicle mounted 3D parts and displays and optical telecommunication to incur new demands for coaters in 2020.

Net Sales



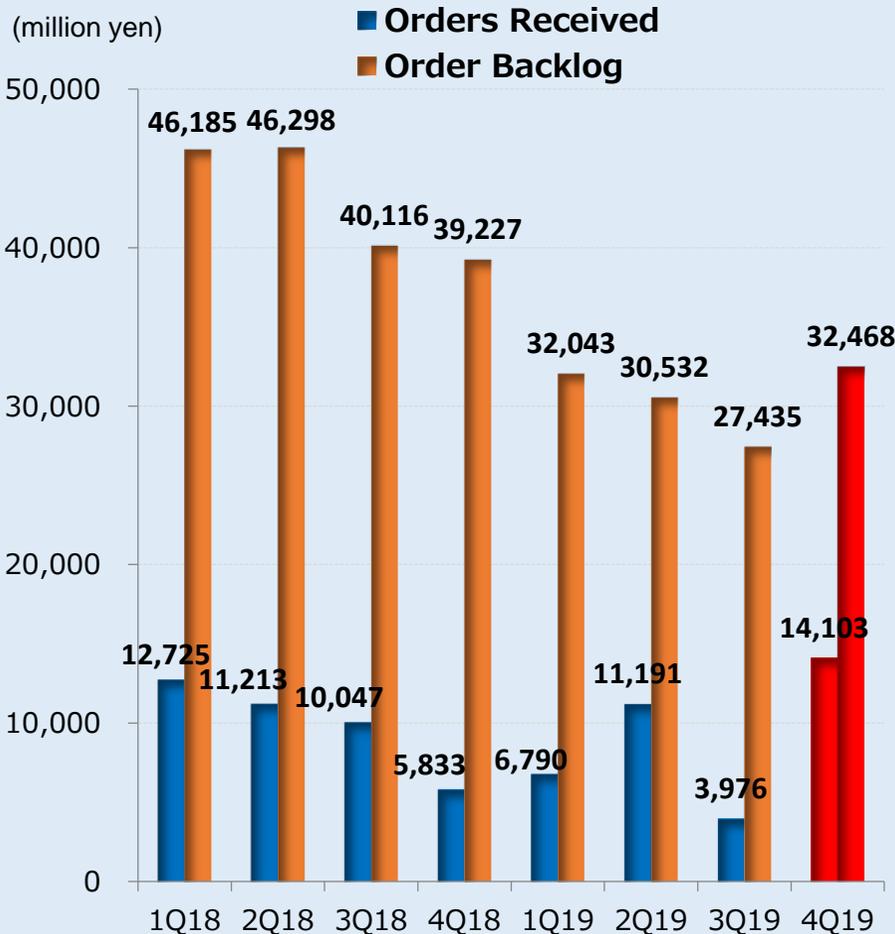
4Q19 Net Sales

- Sharp increase in sales QoQ (+28.2%)
- Vacuum evaporation coaters accounted for 60% of sales. Sputtering coaters accounted for 30%.
- Solid sales of smart phone back glass coating, face ID, high end camera module.
- Responded to demands for high performance surveillance camera.
- Secured sales in automotive, biometric authentication, and optical telecommunication for IoT.

Orders Received and Order Backlog(4Q19)



Orders Received and Order Backlog



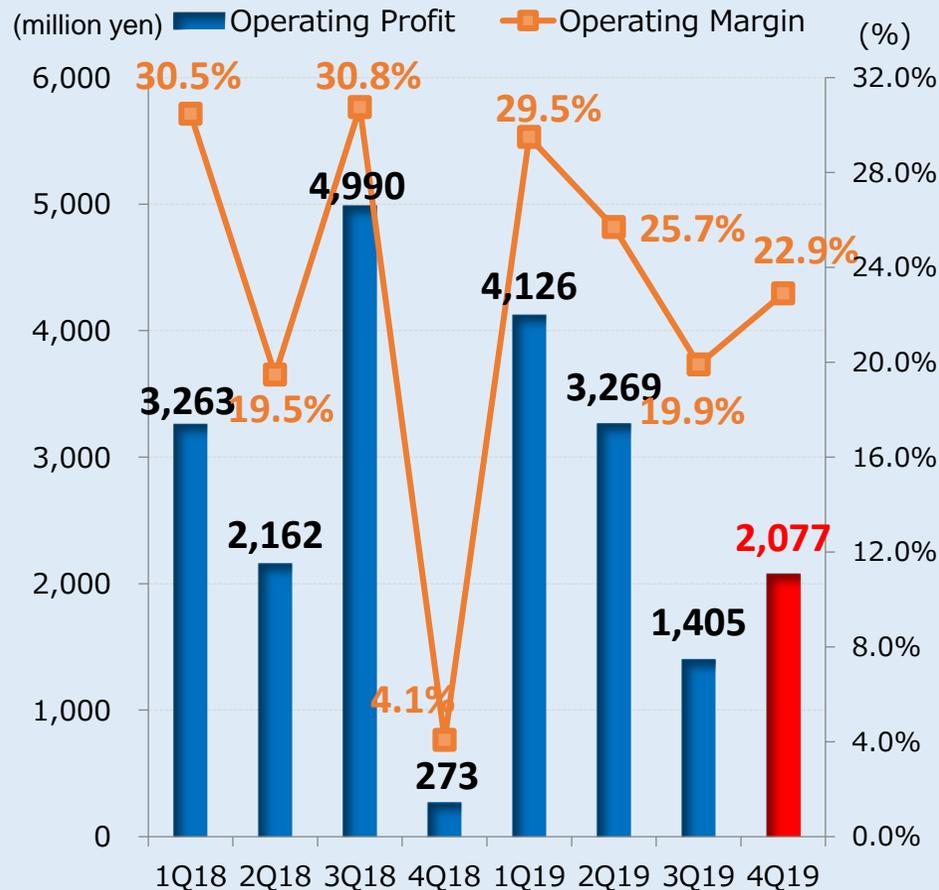
4Q19 Orders Received

- Sharp increase in orders received QoQ (+10 billion yen).
- Orders were sluggish in 3Q19 as customers took wait-and-see approach as a result of the U.S. - China trade friction, but smartphones, camera lenses and IoT performed strongly in 4Q19.
- Among new type coaters, orders were secured for double-sided sputtering coaters, LED TCO film vacuum deposition equipment, and automotive AS/AR coaters.

Operating Profit (4Q19)



Operating profit



4Q19 Operating profit

- **22.9% operating margin (19.9% in 3Q19)**
- **CGS ratio reduced by 1.8%.**
- **SG&A ratio reduced by 1.2%, Due to larger sales volume for stable employee salaries and R&D expenses.**

Balance Sheet



(million yen)

	December 31, 2018		December 31, 2019		
	Amount	Ratio	Amount	Ratio	Changes
Current assets	48,142	86.5%	47,193	83.5%	(948)
Cash and deposits	15,740	28.3%	26,969	47.7%	+11,229
Notes and accounts receivable - trade	6,837	12.3%	4,252	7.5%	(2,584)
Inventories	24,487	44.0%	15,173	26.9%	(9,313)
Allowance for doubtful accounts	(420)	-0.8%	(350)	-0.6%	+69
Other	1,497	2.7%	1,148	2.0%	(349)
Non-current assets	7,501	13.5%	9,315	16.5%	+1,813
Total assets	55,644	100.0%	56,509	100.0%	+865
Current liabilities	25,922	46.6%	19,825	35.1%	(6,096)
Notes and accounts payable - trade	1,652	3.0%	2,735	4.8%	+1,082
Short-term interest-bearing debt	756	1.4%	510	0.9%	(246)
Income taxes payable	1,143	2.1%	545	1.0%	(598)
Advances received	20,108	36.1%	13,988	24.8%	(6,120)
Other	2,261	4.1%	2,046	3.6%	(214)
Non-current liabilities	1,658	3.0%	1,864	3.3%	+205
Long-term interest-bearing debt	233	0.4%	165	0.3%	(68)
Other	1,425	2.6%	1,699	3.0%	+274
Total Liabilities	27,581	49.6%	21,689	38.4%	(5,891)
Total Assets	28,062	50.4%	34,819	61.6%	+6,756
Total liabilities and net assets	55,644	100.0%	56,509	100.0%	+865

- Collection of receivables resulted in increased cash and deposits

- Sales recognition pushed down inventory level.

- Sales recognition reduced advances received

Cash Flows



(million yen)

	FY2018	FY2019		Major factors
	Amount	Amount	Change	
Cash flows from operating activities	9,572	16,232	+6,660	<ul style="list-style-type: none"> • Decrease in accounts receivable • Decrease in inventories
Cash flows from investing activities	(2,964)	(2,431)	533	<ul style="list-style-type: none"> • Equity investment in affiliate companies
Cash flows from financing activities	(10,053)	(2,358)	7,695	<ul style="list-style-type: none"> • Cash dividends payout
Effect of exchange rate change on cash and cash equivalents	(707)	(213)	494	
Change in cash and cash equivalents	(4,153)	11,229	15,382	
Cash and cash equivalents at beginning of period	19,893	15,740	(4,153)	
Cash and cash equivalents at end of period	15,740	26,969	+11,229	



II. Outlook

- Forecast for FY2020
- Strategy
- Shareholder distributions

Forecast for FY2020



- Aim for higher sales and profits.
- Expecting performance recovery in 4Q19 to continue.
- The arising coronavirus issues in addition to the U.S. - China trade friction, is expected to affect orders/sales. While hoping for an early abatement, all efforts are to be made to realize already setting yearly budgets for sales and orders.

(million yen)

	FY2019 Actual	FY2020 Forecast	
			y-o-y
Net Sales	42,822	46,200	+7.9%
Operating Profit	10,879	12,000	+10.3%
Operating margin	25.4%	26.0%	+0.6%
Ordinary profit	11,031	12,000	+8.8%
After Tax Profit	9,101	9,200	+1.1%
Research and development expenses	3,172	3,300	+4.0%

- Development of various new coaters are under way and about to be completed shortly.
- Further strengthen R&D collaboration between head office/Shanghai/Taiwan
- Accelerate diversification of coater applying areas from smartphone to IoT/5G/automobile/semiconductors/optical telecommunication, etc.
- Maintain/improve profitability: Enhance supplies of new technology driven coaters enabling high profitability
- M&A and investment: Enhancement of Group corporate value and acquisition of new technologies.

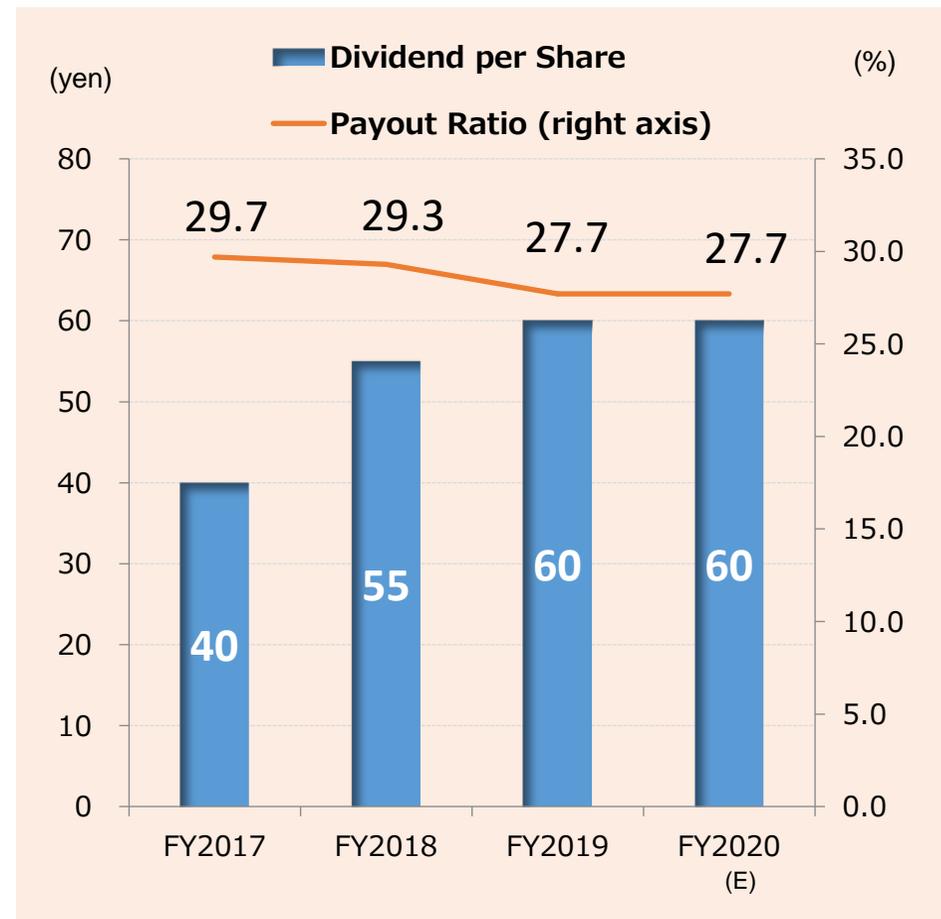
Shareholder distributions

- FY2019 Dividend paid: 60 yen (27.7% payout ratio)
- FY2020 Estimated dividend: 60 yen (27.7% payout ratio)

Dividend policy

The policy is to maintain sufficient funds for R&D, strengthening manufacturing operations, and new business development, and distribute as much of the remaining funds as possible to shareholders.

The goal is to realize consistent dividends with a **consolidated payout ratio of about 30%.**



※ There was a 1-to-1,000 share split on March 18, 2017 and a 1-to-3 share split on October 13, 2017. Earnings per share before FY2017 have been adjusted to reflect these stock splits.

Disclaimer, Precautions and Inquiries



This presentation was prepared by using assumptions based on economic, social and other conditions as of February 13, 2020 and the reasonable judgments of management. The information in this presentation may be revised without prior notice in the event of a change in the business climate or other events.

This presentation contains forward-looking statements. These statements incorporate assumptions that reflect current outlooks, forecasts and risk factors. There are many uncertainties that may cause actual performance to differ from these statements.

These risks and uncertainties include, but are not limited to, general industry and market conditions, changes in interest rates and exchange rates, and other general items associated with the Japanese economy and global economy.

Even if there is new information, a future event or other items that affects the outlook, Optorun has no obligation to update or revise the forward-looking statements in this presentation.

Inquiries:

E-mail : ir-info@optorun.co.jp TEL : 03-6635-9487