

 Toru Kobayashi Chairman and CEO	 Isamu Oguni President and COO	Company	OPTEX GROUP Co., Ltd.	
		Code No.	6914	
		Exchange	TSE 1st Section	
		Industry	Electric equipment (manufacturer)	
		Chairman	Toru Kobayashi	
		President	Isamu Oguni	
		Address	5-8-12, Ogoto, Otsu, Shiga Prefecture	
		Business Description	Holding company centered around OPTEX that manufactures and sells outdoor sensors, automatic door sensors and environment-related products. The company expands FA related business and Machine vision lightning business, too.	
		Year-end	December	
		URL	<a href="http://www.optexgroup.co.jp/en/">http://www.optexgroup.co.jp/en/</a>	

## — Stock Information —

Share Price	Shares Outstanding (Excluding Treasury Shares)		Market Cap.	ROE(actual)	Trading Unit
¥5,720	17,346,960 shares		¥99,224 million	12.6%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (actual)	PBR (actual)
¥30.00	1.0%	¥113.42	25.2x	¥1,680.79	3.4x

\* Stock price as of the close on February 23, 2018. Number of shares at the end of December 2017 excluding treasury shares. ROE and BPS are the results from the last year-end. On April 1, 2018, a 2-for-1 stock split will be implemented. For DPS, the stock split is taken into account. Share exchange will be implemented on July 1, 2018. For EPS, the stock split and issuance of new shares upon share exchange are taken into account.

## — Consolidated Earnings Trends —

(Unit: Million Yen)

Fiscal Year	Net Sales	Operating Profit	Ordinary Profit	Net Profit	EPS (¥)	DPS (¥)
December 2010	17,395	1,705	1,761	981	59.30	30.00
December 2011	18,502	1,677	1,830	1,033	62.45	30.00
December 2012	20,699	1,398	1,680	825	49.88	30.00
December 2013	23,582	2,108	2,628	1,620	97.90	30.00
December 2014	25,678	2,558	3,043	1,897	114.68	35.00
December 2015	27,793	3,161	3,222	2,051	123.96	40.00
December 2016	31,027	3,015	3,086	1,809	109.33	45.00
December 2017	37,504	4,885	5,036	3,386	195.25	55.00
December 2018 (Est.)	40,500	5,300	5,400	3,600	113.42	30.00

\* Estimates are those of the company. From the current fiscal year, the definition for net profit has been changed to net profit attributable to owners of the parent company. The same shall apply hereinafter. On April 1, 2018, a 2-for-1 stock split will be implemented. For DPS, the stock split is taken into account. Share exchange will be implemented on July 1, 2018. For EPS, the stock split and issuance of new shares upon share exchange are taken into account. Both EPS and DPS are not revised retroactively.

This Bridge Report presents OPTEX GROUP's earnings results for fiscal year ended December 2017 and earnings estimates for fiscal year ending December 2018.

1. Company Overview
  2. Fiscal Year ended December 2017 Earnings Results
  3. Fiscal Year ending December 2018 Earnings Estimates
  4. Conclusions
- <Reference: Regarding Corporate Governance>

## Key Points

•Sales for the FY 12/17 were 37,504 million yen, up 20.9% yoy. All major businesses performed well. Especially, the FA business was healthy. The reorganization of CCS into a subsidiary also contributed. Domestic sales were 15,830 million yen, up 27.4% yoy, while overseas sales were 21,674 million yen, up 16.5% yoy. Due to the reorganization of CCS into a consolidated subsidiary, SG&A expenses augmented, but it was offset by sales growth, and operating profit was 4,885 million yen, up 62.0% yoy. Both sales and profit marked record highs. The results were better than the forecasts that were modified for the second time in November 2017.

•The company estimates that both sales and profit will continue to grow due to the favorable external environment in the FY 12/18. Sales are projected to increase in all segments and to be 40.5 billion yen, up 8.0% yoy. Operating profit is estimated to rise by 8.5% to 5.3 billion yen. The dividend is to be 30 yen/share. The estimated payout ratio is 26.5%. In order to further strengthen the Group's capabilities, it is planning to convert CCS Inc. into a wholly owned subsidiary on July 1, 2018. Furthermore, with the aim of improving the liquidity of stocks and expanding the investor base, it is planning to implement a 2-for-1 stock split on April 1, 2018.

•In the fiscal year ended December 2017, the FA and MVL businesses continued to be healthy, and the SS business, which was sluggish until the third quarter, also recovered, resulting in the performance exceeding the forecasts. It is planning to increase both in sales and profit again in the current fiscal year, but the forecasts at the beginning of the fiscal year show that the growth rate is only one digit for both sales and profits. From this term onwards, the simple contribution of converting CCS into a subsidiary will be lost, and therefore, from the viewpoint of the rate change expected by investors, the company's capability concerning "Post-Merger Integration (PMI)" that makes "1 + 1 = more than 2" will be tested. We also want to see how the implementation of the next M&As, which are currently underway, will progress.

## 1. Company Overview

OPTEX GROUP Co., Ltd. is a holding company centered around OPTEX Co., Ltd. that manufactures and sells outdoor sensors (top share of 40% in the global market), automatic door sensors (30% share of the global market and 60% share of the domestic market) and environment-related products.

OPTEX GROUP holds subsidiaries including OPTEX FA CO., LTD., which deals with FA related sensing business; CCS Inc., which holds the global top share in the LED lighting business for image processing; RAYTEC LIMITED (UK), which has attained the largest global share (about 50 %) for supplemental lights for CCTV, and FIBER SENSYS INC. (US), which deals with optical fiber intrusion detection systems.

OPTEX CO., LTD.	Development and sales of products and systems using sensing technologies
OPTEX FA CO., LTD.	Development, manufacturing and sales of photoelectric sensors, image inspection systems, and measuring instruments
CCS Inc.	Development, manufacturing, and sale of LED lighting devices, and systems for image processing
SICK OPTEX CO., LTD.	Development of general-purpose photoelectric sensors. A joint venture of SICK AG (Germany) and OPTEX FA CO., LTD.
GIKEN TRASTEM CO., LTD.	Development, manufacturing and sales of people counting systems, customer traffic counting/management systems
ZENIC INC.	Contracted development of IC and LSI for image processing, and design and sales of FA systems
O'PAL OPTEX CO., LTD.	Management of membership sports clubs and environmental hands-on learning programs
FIBER SENSYS INC. (US)	Development, manufacturing and sales of fiber-optic intrusion detection systems
FARSIGHT SECURITY SERVICES LTD. (UK)	Security company providing remote video surveillance services
RAYTEC LIMITED. (UK)	Development, manufacturing and sales of supplemental lighting for surveillance cameras
GARDASOFT VISION LIMITED (UK)	Development, manufacturing, and sale of LED lighting controllers for machine vision

## 【1-1. Business Description】

The Company’s business is composed of its main Sensing Solution (SS) business (security-related business, automatic door-related business, and EMS-related business), Factory Automation (FA) business (sensor for industrial machine), Machine vision lighting (MVL) business (LED lighting device and system for image processing), and Other business (operation of sport clubs).

Segment		Feature
SS Business	Security-related	Main products include various indoor and outdoor sensors, wireless security systems and LED lighting control systems, etc. For outdoor sensors, the company has the leading share in the global market. Recently, it focuses on development of the automobile detection sensor using microwave technologies.
	Automatic door-related	The company developed the world's first automatic door sensor using infrared rays. Main products are automatic door opening/closing sensors, shutter sensors for factories, wireless touch switches, etc.
	EMS-related	Electronic manufacturing service in Chinese factory
	Others	Manufacturing/marketing of measuring instruments, Transportation safety products, Customer traffic counting/management systems, developing/marketing of image processing-related products
FA Business		Main products include photoelectric sensors used for quality control and automation of production lines, displacement sensors, image sensors, LED lights, etc. In Japan, these products are provided to a wide range of industries such as food or pharmaceutical for quality control of production lines. In Europe, its products are sold broadly through its technological partner SICK AG (Germany) that has the largest share in industrial sensor market. Also, its house-brand products have been launched in Asia and North America.
MVL Business		The company has a significant share in the LED lighting business for image processing. The company offers solutions using the natural light LED developed by the company, which boasts the best color rendering property in the field.
Others		Operating sports clubs

## 【1-2. Advantages :Diversified Technologies/Expertise on Sensing and Unique Sensing Algorithm】

To produce stable and reliable sensors, it is essential to build on a number of elemental technologies and expertise, as well as “algorithms” to control physical changes. The company takes advantage of its technologies/expertise suitable for intended applications and its unique sensing algorithm to secure the largest share in global market.

Noise abatement technology	<ul style="list-style-type: none"> <li>•Hardware design to minimize various noises</li> <li>•Conduct a number of environmental assessments based on its own standard, and launch products that pass the assessments</li> </ul>
Sophisticated optical design	<ul style="list-style-type: none"> <li>•Make use of optical simulation to achieve high-density areas eliminating blind spots</li> <li>•Packaging technologies to enable downsizing</li> </ul>
Compliant to public standards for reliability	<ul style="list-style-type: none"> <li>•Adapted and compliant to any global standards</li> <li>•Adapted and compliant to industry standards and guidelines (CE marking, EN standard [TUV certified], ANSI, JIS, etc.)</li> </ul>
Environment friendly design	<ul style="list-style-type: none"> <li>•By identifying 15 restricted-use materials and 10 self-control materials, the company succeeded in excluding toxic substances in all products</li> <li>•Compliant to RoHS directive, lead-free solder alloy</li> <li>•Design to minimize the effect from CO2 when in use</li> </ul>
Secure & safe control	<ul style="list-style-type: none"> <li>•Adopt self-diagnosis functions in emergency or in failure to prevent system outage, and fail-safe devices for sensors</li> <li>•Propose preventive maintenance measures to maintain functions</li> </ul>
Unique sensing algorithm	<ul style="list-style-type: none"> <li>•Unique algorithm to eliminate the impact of noise ineliminable by hardware, detect, scan and analyze only the intended events</li> <li>•Various automatic correction functions to maintain performance in the field</li> </ul>

**【1-3. History】**

OPTEX was established in 1979 and developed the world's first automatic door sensors using infrared rays in the following year. Back then, most of the automatic doors were using pressure sensitive rubber mats, which contained sensors, and sensors using infrared rays were very innovative. The company also showed unrivaled abilities in product maintenance and implementation, and captured the top share in the automatic door sensors market in only three years since its foundation (currently, about 60% share in the domestic market). The company expanded operations and got listed on the over-the-counter market (equal to listing on JASDAQ) in 1991. Then it got listed on the second section of Tokyo Stock Exchange in 2001 and moved to its first section in 2003.

Recently, it has been working on enhancement of solutions based on image processing technologies and high-end security systems. In 2008, it acquired ZENIC INC., which specialized in contracted development of IC/LSI for image processing systems. Furthermore, it acquired FIBER SENSYS INC. (US) in 2010 and RAYTEC LIMITED (UK) in 2012, respectively. In May 2016, the company reorganized CCS Inc. (6669, JASDAQ), which has the largest share in the global industrial LED lighting field, into a subsidiary. On January 1, 2017, the company shifted to the holding company system, with the aim of advancing to next-generation management and pursuing group synergy. In order to further strengthen the group's capabilities, it is planning to convert CCS Inc. into a wholly owned subsidiary in July 2018.

**【1-4. ROE analysis】**

	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17
<b>ROE (%)</b>	6.0%	4.6%	8.2%	8.6%	8.7%	7.4%	12.6%
Net Profit Margin	5.58%	3.99%	6.87%	7.39%	7.38%	5.83%	9.03%
Total Assets Turnover	0.85times	0.91times	0.92times	0.89times	0.91times	0.91times	0.95times
Leverage	1.27x	1.28x	1.30x	1.31x	1.30x	1.41x	1.48x

ROE in the FY 12/17 achieved “10% or more” as targeted, for net income margin improved significantly owing to favorable performance.

**2. Fiscal Year Ended December 2017 Earnings Results****(1) Earnings Results**

(Unit: Million Yen)

	FY 12/16	Share	FY 12/17	Share	YoY change	Ratio to initial forecast	Ratio to revised forecast
Sales	31,027	100.0%	37,504	100.0%	+20.9%	+5.3%	+1.4%
Gross Profit	16,879	54.4%	20,904	55.7%	+23.8%	-	-
SG&A	13,863	44.7%	16,018	42.7%	+15.5%	-	-
Operating Profit	3,015	9.7%	4,885	13.0%	+62.0%	+32.0%	+6.2%
Ordinary Profit	3,086	9.9%	5,036	13.4%	+63.2%	+32.5%	+7.1%
Net Profit	1,809	5.8%	3,386	9.0%	+87.2%	+35.4%	+9.2%

\*Ratio to revised forecast is based on the revision released in November 2017.

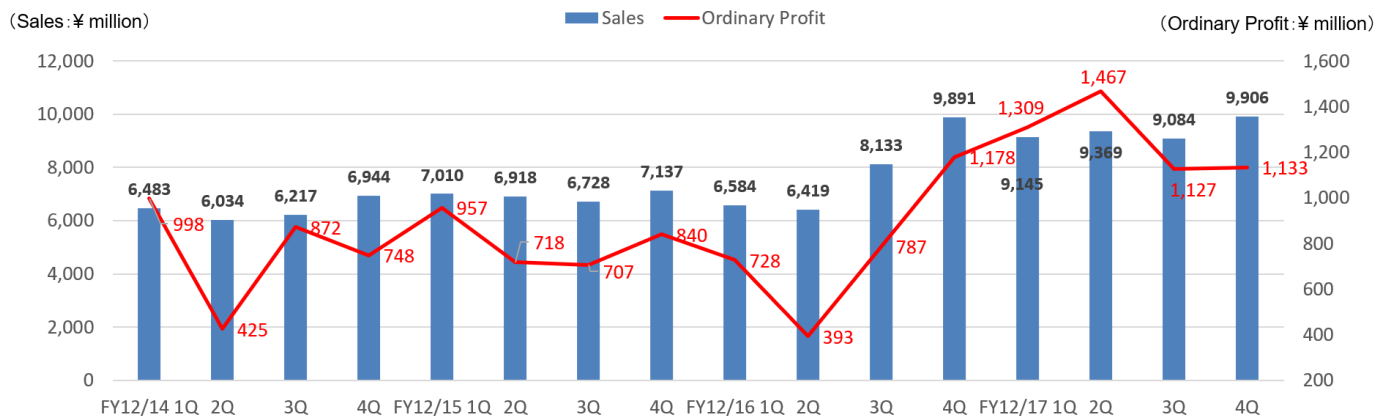
**Significant increase in sales and profit. Both sales and profit marked record highs.**

Sales for the FY 12/17 were 37,504 million yen, up 20.9% yoy. All major businesses performed well. Especially, the FA business was healthy. The reorganization of CCS into a subsidiary also contributed to the sales. Domestic sales were 15,830 million yen, up 27.4% yoy, while overseas sales were 21,674 million yen, up 16.5% yoy. Due to the reorganization of CCS into a consolidated subsidiary, SG&A expenses augmented, but it was offset by sales growth, and operating profit was 4,885 million yen, up 62.0% yoy. Both sales and profit marked record highs. The results were better than the forecasts that were modified for the second time in November 2017.

# Bridge Report



## Quarterly Financial Results



Sales in the fourth quarter (October - December) increased by 0.2% yoy, and ordinary profit decreased by 3.8% yoy. In comparison with the previous term, sales increased by 9.0% and ordinary profit increased by 0.5%.

### ◎Average exchange rate

	FY12/16	FY12/17	Full-year plan
USD	¥108.84	¥112.19	¥111.11
GBP	¥147.72	¥144.51	¥137.62
EURO	¥120.32	¥126.67	¥120.44

## (2) Earnings by Segment

### ①Sales and profit by segment

(Unit: Million Yen)

	FY12/16	Share	FY12/17	Share	YoY change
SS Business	19,777	63.7%	21,091	56.2%	+6.6%
FA Business	6,149	19.8%	7,314	19.5%	+18.9%
MVL Business	5,023	16.2%	9,021	24.1%	+79.6%
Others	77	0.2%	76	0.2%	-1.3%
<b>Sales</b>	<b>31,027</b>	<b>100.0%</b>	<b>37,504</b>	<b>100.0%</b>	<b>+20.9%</b>
SS Business	2,243	11.3%	2,952	14.0%	+31.6%
FA Business	522	8.5%	910	12.4%	+74.3%
MVL Business	242	4.8%	1,111	12.3%	+359.1%
Others	3	3.9%	5	6.6%	+66.7%
Adjustments	3	-	-93	-	-
<b>Operating Profit</b>	<b>3,015</b>	<b>9.7%</b>	<b>4,885</b>	<b>13.0%</b>	<b>+62.0%</b>

\*Shares for operating profits are sales to profit margin.

### ②Trends in each segment and region

(Unit: Million Yen)

	FY12/16	Share	FY12/17	Share	YoY change	Ratio to initial forecast	Ratio to revised forecast
<b>Security</b>							
Japan	2,329	18.4%	2,391	17.1%	+2.7%	-11.8%	-4.1%
AMERICAs	2,434	19.2%	2,531	18.2%	+4.0%	+7.7%	-1.6%
EMEA	6,572	51.9%	7,358	52.8%	+12.0%	+8.2%	+4.8%
Asia	1,340	10.6%	1,662	11.9%	+24.0%	+7.1%	+3.3%
<b>Total</b>	<b>12,675</b>	<b>100.0%</b>	<b>13,942</b>	<b>100.0%</b>	<b>+10.0%</b>	<b>+3.9%</b>	<b>+1.8%</b>



# Bridge Report



<b>Automatic door</b>								
Japan	2,089	50.5%	2,191	51.7%	+4.9%	+1.0%	+1.0%	
AMERICAs	1,082	26.2%	1,167	27.5%	+7.9%	+10.2%	+6.3%	
EMEA	848	20.5%	732	17.3%	-13.7%	-23.4%	-17.4%	
Asia	117	2.8%	147	3.5%	+25.6%	+16.7%	+5.0%	
<b>Total</b>	<b>4,136</b>	<b>100.0%</b>	<b>4,237</b>	<b>100.0%</b>	<b>+2.4%</b>	<b>-1.7%</b>	<b>-1.3%</b>	
<b>FA</b>								
Japan	2,761	44.9%	3,248	44.4%	+17.6%	+11.6%	-1.2%	
AMERICAs	109	1.8%	110	1.5%	+0.9%	-45.5%	-38.2%	
EMEA	2,367	38.5%	2,770	37.9%	+17.0%	+18.9%	+5.3%	
Asia	912	14.8%	1,187	16.2%	+30.2%	+16.8%	+32.5%	
<b>Total</b>	<b>6,149</b>	<b>100.0%</b>	<b>7,315</b>	<b>100.0%</b>	<b>+19.0%</b>	<b>+13.3%</b>	<b>+4.6%</b>	
<b>MVL</b>								
Japan	3,145	62.6%	6,042	67.0%	+92.1%	+10.9%	+7.6%	
AMERICAs	496	9.9%	788	8.7%	+58.9%	-1.5%	-1.5%	
EMEA	550	10.9%	1,068	11.8%	+94.2%	+18.7%	+16.5%	
Asia	832	16.6%	1,124	12.5%	+35.1%	+18.3%	+22.8%	
<b>Total</b>	<b>5,023</b>	<b>100.0%</b>	<b>9,022</b>	<b>100.0%</b>	<b>+79.6%</b>	<b>+11.4%</b>	<b>+9.4%</b>	

\*The sale of MVL business for FY12/16 represents a total sale of eight months. Ratio to revised forecast is based on the revision released in June 2017.

## ◎SS Business

### (Security-related)

Japan: Although sales dropped until the third quarter, they turned to an increase as a result of the healthy sales of outdoor security sensors targeted infrastructure development and large-scale key facilities.

AMERICAs: Although sales dropped until the third quarter, they turned to an increase as a result of high demand for outdoor security sensors targeted infrastructure development and financial institutions in North America.

EMEA: Sales increased thanks to steady growth of the sales of outdoor security sensors targeted at large-scale key facilities in the Middle East.

Asia: Sales increased significantly thanks to the healthy sales of security sensors in South Korea and Australia.

### (Automatic door-related)

Japan: Sales increased as the sales of sensors for automatic doors and factory shutters increased steadily.

AMERICAs: Although sales dropped until the third quarter, they turned to an increase as the sales of sensors for automatic doors targeted at major clients in North America increased steadily.

EMEA: The sales of sensors for automatic doors targeted at major clients in Europe were sluggish.

Outside Japan, the company lost ground to the new products of its competitors.

## ◎ FA business

Japan: Sales grew significantly due to healthy sales of semiconductors, secondary batteries, flat-panel displays, electronic parts, displacement sensors for the food industry, image sensors, and LED lightings for image inspection.

EMEA: Due to the effect of sales promotion toward OEMs, the sales of displacement sensors were steady. Consequently, sales grew significantly.

Asia: As the investment in labor-saving equipment was active in China, the sales of displacement sensors, especially those for the smartphone industry, were steady. Consequently, sales increased significantly.

## ◎ MVL lighting business

Japan: Sales expanded steadily, as solutions were enriched and proposals were strengthened.

AMERICAs: Performance was healthy, as there were large-scale orders for smartphones and continuous transactions in North America.

EMEA: The semiconductor market in Europe was healthy, and sales toward major clients continuously expanded.

Asia: Sales dropped as the joint venture in China was discontinued, but the sales in emerging countries such as Malaysia increased.

### (3) Financial Conditions

#### ◎Major BS

(Unit: Million Yen)

	End of Dec. 2016	End of Dec. 2017		End of Dec. 2016	End of Dec. 2017
Cash Deposits	10,000	12,293	Account Payable	1,630	1,851
Accounts Receivable	7,838	8,290	Short-term Debt	1,833	784
Inventory Assets	5,044	5,963	<b>Current Liabilities</b>	5,704	6,520
<b>Current Assets</b>	24,833	29,004	Long-term Debt	160	59
Property, Plant and Equipment	4,275	4,340	Net Defined Benefit Liability	1,085	1,150
Intangible Assets	4,414	3,970	<b>Fixed Liabilities</b>	3,322	3,042
Investments, Others	4,158	4,253	<b>Liabilities</b>	9,026	9,562
<b>Fixed Assets</b>	12,847	12,564	<b>Net assets</b>	28,654	32,006
<b>Total Assets</b>	37,681	41,569	<b>Total liabilities, net assets</b>	37,681	41,569
			<b>Equity ratio</b>	65.0%	70.1%

Current assets increased by 4,171 million yen, due to the rise in cash and deposits, accounts receivable and inventory assets through sales growth. Because of the decrease in intangible assets, fixed assets dropped 283 million yen, and total assets rose by 3,888 million yen to 41,569 million yen.

Due to an increase in accounts payable, etc., total liabilities rose by 536 million yen to 9,562 million yen.

Net assets grew 3,352 million yen to 32,006 million yen, as capital surplus and retained earnings increased, while non-controlling shareholders' interest decreased.

As a result, the equity ratio rose by 5.1% from 65.0% at the end of the previous term to 70.1%.

#### ◎Cash flow

(Unit: Million Yen)

	FY12/16	FY12/17	YOY change
<b>Operating CF</b>	3,487	4,404	+917
<b>Investing CF</b>	-2,341	-328	+2,013
<b>Free CF</b>	1,146	4,076	+2,930
<b>Financing CF</b>	-565	-2,067	-1,502
<b>Cash and Equivalents</b>	10,000	12,293	+2,293

The surplus of operating CF grew because of an increase in profit.

The deficit of free CF decreased because there was no expenditure to acquire shares of a subsidiary in relation to the change of range of consolidation that happened in the previous term, and the surplus of free CF grew.

The deficit of investing CF augmented as a result of decreasing short-term debt.

The cash position improved.

### (4) Topics

#### ◎ Converting CCS, Inc. into a wholly owned subsidiary

The company decided to convert CCS Inc., which operates the MVL business, into a wholly owned subsidiary on July 1, 2018.

It will try to promote cooperation between OPTEX FA and CCS in the LED lighting business for image processing, and work on concentration and selection of management resources to streamline the management. Furthermore, in order to promote more effective M&A and alliances, the company thought it would be necessary for the OPTEX Group and CCS to cooperate in the whole optimal viewpoint.

The company chose the share exchange for making CCS as a wholly owned subsidiary, because it was aiming to further focus on the image processing-related business in FA as the OPTEX Group. It was also because the company was aiming to further enhance corporate value and maximize shareholder return by seeking continuous support from CSS shareholders as OPTEX Group's shareholders as the

entire OPTEX Group utilizes the LED technology to contribute to the business performance.

Considering the 2-for-1 stock split that the OPTEX Group is planning to implement on April 1, 2018, it will issue 1.4 shares of the OPTEX Group common stock to one share of CCS common stock. Before considering the split, it was 0.70 shares.

The last trading day of CCS Inc. will be June 26, 2018, and their stocks will be delisted on June 27.

### ◎Implementation of stock split

With the aim of improving the liquidity of stocks and expanding the investor base, it is planning to implement a 2-for-1 stock split on April 1, 2018.

The purchase price by the minimum unit is expected to be less than 500,000 yen.

At the same time, the company decided to introduce a system that increases the purchase of odd-lot shares to shareholders who owned less than one unit (100 shares).

## 3. Fiscal Year Ending December 2018 Earnings Estimates

### (1) Full-year earnings forecast

(Unit: Million Yen)

	FY12/17	Composition ratio	FY12/18 (Est.)	Composition ratio	YoY change
Sales	37,504	100.0%	40,500	100.0%	+8.0%
Operating income	4,885	13.0%	5,300	13.1%	+8.5%
Ordinary income	5,036	13.4%	5,400	13.3%	+7.2%
Net income	3,386	9.0%	3,600	8.9%	+6.3%

### Both sales and profit increased.

The company estimates that both sales and profit will continue to grow due to the favorable external environment in the FY 12/18. Sales are projected to increase in all segments and to be 40.5 billion yen, up 8.0% yoy. Operating profit is estimated to rise by 8.5% to 5.3 billion yen. The dividend is to be 30 yen/share. The estimated payout ratio is 26.5%.

### (2) Trends in each segment and region

(Unit: Million Yen)

	FY12/17	Share	FY12/18 (Est.)	Share	YoY change
<b>Security</b>					
Japan	2,391	17.1%	2,713	18.3%	+13.5%
AMERICAs	2,531	18.2%	2,586	17.5%	+2.2%
EMEA	7,358	52.8%	7,670	51.8%	+4.2%
Asia	1,662	11.9%	1,832	12.4%	+10.2%
<b>Total</b>	13,942	100.0%	14,801	100.0%	+6.2%
<b>Automatic door</b>					
Japan	2,191	51.7%	2,308	50.2%	+5.3%
AMERICAs	1,167	27.5%	1,187	25.8%	+1.7%
EMEA	732	17.3%	957	20.8%	+30.7%
Asia	147	3.5%	150	3.3%	+2.0%
<b>Total</b>	4,237	100.0%	4,602	100.0%	+8.6%
<b>FA</b>					
Japan	3,248	44.4%	3,658	45.3%	+12.6%
AMERICAs	110	1.5%	276	3.4%	+150.9%
EMEA	2,770	37.9%	2,793	34.6%	+0.8%
Asia	1,187	16.2%	1,344	16.7%	+13.2%
<b>Total</b>	7,315	100.0%	8,071	100.0%	+10.3%
<b>MVL</b>					
Japan	6,042	67.0%	6,497	66.7%	+7.5%



AMERICAs	788	8.7%	935	9.6%	+18.7%
EMEA	1,068	11.8%	1,438	14.8%	+34.6%
Asia	1,124	12.5%	869	8.9%	-22.7%
<b>Total</b>	9,022	100.0%	9,739	100.0%	+7.9%

**(3) Growth strategies**

① Market environment of each business and growth strategies

◎ Security-related: Incorporation of surveillance cameras and sensors

(Market environment)

Detecting abnormality just by a sensor has various issues in terms of accuracy. To address the issues, in the UK, for example, the police rushes to the site only after the sensor detects abnormality and a camera image is confirmed. In the USA, some states impose a fine on false alarms.

Furthermore, not only for residential use, the need for high-end visual verification is increasing in emerging countries where infrastructure development for key facilities is accelerating amid frequent terrorist attacks in the world.

In response to the expansion of the needs for visual verification, it is expected that the global outdoor surveillance sensor market will grow from about 30 billion yen at the current level to 50 billion yen.

(Strategies to strengthen the business)

As a specific action to take in such demands, the company had a tie-up with a leading security manufacturer in the global residential market in July 2017 and released a new product that is equipped with a “sensor” to detect, a “camera” to shoot images and a “wireless” function to send that signal.

It is also planning to launch a new product of its own in 2018.

As the company is the only one that possesses an outdoor integrated model as a product, starting from this new product, it will promote sales of new solutions for “outdoor advance security,” which they occupy the top share in the global market under the concept of “Internet of Sensing Solution (IoS),” which is promoted by the company, in the high-end market and the residential market.

◎ FA Business

(Market environment)

As a result of labor shortage and soaring labor costs, the labor saving and automation demands of the factories will increase and the “robot-related market” will further expand.

In addition, in the US market, the demand for capital investment is expanding as the manufacturing industry returns to the country along with IT-related demands.

(Strategies to strengthen the business)

The company will further strengthen sales of cameras for robot vision, displacement sensors, LED lighting for image inspection, etc. both in Japan and abroad.

In March 2018, in the US, it will establish a sales subsidiary “OPTEX FA Inc.” Following Europe and China, it will try to increase sales by fully entering the FA market in the US where further growth is expected in the future to expand sales network, developing new markets including automobile industry (acquire new customers), and developing field-oriented sales. The company also plans to switch from its conventional agency sales to direct selling to scoop up detailed needs of customers and to further strengthen the trusting relationship with them.

◎ MVL Business

(Market environment)

Automation of inspection process is accelerating due to a sudden rise in labor cost. The demand from the “semiconductor, electricity, electronic components industry” continues to be strong, and the demand for high-quality and advanced LED lighting for inspection is also increasing.

(Strategies to strengthen the business)

Customers are not asking for devices such as lighting and power supply, but they want the state that the inspection object is “well visible.” Therefore, the company will expand solutions including cameras, lenses and image processing.

It will also increase the number of testing rooms as the facilities to expand solutions and make effective use of the OPTEX Group’s overseas network, which has bases in 15 countries around the world.

## ② Management benchmarks and performance goals

The management benchmarks are “a sales growth rate of over 15%,” “an operating profit margin of over 15%” and “an ROE of over 10%.”

To speed up the sales expansion, the company will work for the overall growth of the group by spinning off companies and setting up new companies. In addition, it will continue to implement the M&A strategy for security-related and factory automation-related businesses under a medium-term policy of “aiming for a corporate group full of venture spirits.”

To raise operating profit margin, it will continuously work on reducing costs and minimize the influence of exchange rates by increasing domestic sales ratio and expanding the overseas manufacturing system.

The goals for 2019 are sales of 50 billion yen and an operating profit of 7.5 billion yen. It is planning to implement M&A worth about 5 to 6 billion yen for 4 to 5 companies for boosting sales.

## 4. Conclusions

In the fiscal year ended December 2017, the FA and MVL businesses continued to be healthy, and the SS business, which was sluggish until the third quarter, also recovered, resulting in the performance exceeding the forecasts. It is planning to increase both in sales and profit again in the current fiscal year, but the forecasts at the beginning of the fiscal year show that the growth rate is only one digit for both sales and profits. From this term onwards, the simple contribution of converting CCS into a subsidiary will be lost, and therefore, from the viewpoint of the rate change expected by investors, the company’s capability concerning “Post-Merger Integration (PMI)” that makes “1 + 1 = more than 2” will be tested. We also want to see how the implementation of the next M&As, which are currently underway, will progress.

### <Reference: Regarding Corporate Governance>

#### ◎ Organization type, and the composition of directors and corporate auditors

Organization type	Company with audit and supervisory committee
Directors	9 directors, including 3 external ones

#### ◎ Corporate Governance Report

The latest revision date: April 10, 2017

#### <Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

Principle	Reason for non-compliance
【Supplementary Principle 1-2-4 Electronic voting right】	We will continue to consider offering electronic voting right after taking into account the future shareholder distribution and cost effectiveness.
【Supplementary Principle 1-2-5 Attendance of the shareholders who hold shares under the name of a trust bank or the like at a general meeting of shareholders】	The company recognizes the shareholders who hold a voting right registered in the list of shareholders as the shareholders who can exercise a voting right, but it does not allow those who have shares under the name of a trust bank or the like to exercise a voting right or the like. However, considering the trend and situation of virtual shareholders, the company will have discussions with trust banks, etc.

## &lt;Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)&gt;

Principle	Items to be disclosed
【Principle 1-4 the so-called strategically held shares】	The company will hold shares after the deliberation and resolution by the board of directors, only when the shareholding is considered to contribute to the cementing of transaction relations and the improvement of corporate value under the business strategies of the company and its corporate group. Every year, the board of directors discusses the meanings of the holding of the shares, and if it is judged that the reasonable value of the shareholding is insufficient, the company will sell the shares while considering the market trend, etc. As for the exercise of the voting rights of shares the company holds, there are no specific standards, but each bill will be discussed, and dealt with based on comprehensive judgment.
【Principle 5-1 Policy for the constructive dialogues with shareholders】	The company has the publicity and IR sections, and makes efforts to explain its managerial policy and situation in an understandable manner, so that it can talk with shareholders proactively and constructively. In addition, IR staff and officers hold briefing sessions for institutional and individual investors as planned, and respond to the request for an interview from institutional investors.  In addition, each annual meeting of shareholders is held on Saturday, so that a broad range of shareholders can attend, and after the meeting, the company holds a briefing session and a convivial party for shareholders, so that they can understand the policy of the company.

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