

 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
¥2,904	34,693,167 shares		¥100,748million	12.6%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (actual)	PBR (actual)
¥30.00	1.0%	¥99.79	29.1x	¥1,680.79	3.5x

\* Stock price as of the close on May 14, 2018. Number of shares at the end of March 2018 excluding treasury shares. ROE and BPS are the results from the last year-end. On April 1, 2018, a 2-for-1 stock split was implemented. For PBR, 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	99.79	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 was 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 the first quarter of fiscal year ended December 2018.

1. Company Overview
2. First Quarter of Fiscal Year Ended December 2018 Earnings Results
3. Fiscal Year Ending December 2018 Earnings Estimates
4. Conclusions

<Reference: Regarding Corporate Governance>

## Key Points

- Sales for the first quarter of FY 12/18 were 9,844 million yen, up 7.6% yoy. All major businesses performed well, particularly the FA and MVL businesses. Domestic sales were 4,207 million yen, up 4.4% yoy, while overseas sales were 5,637 million yen, up 10.2% yoy.

Operating profit was 1,461 million yen, up 9.7% yoy. In addition to increased production costs due to rising prices of raw materials, etc., SG&A expenses also augmented, but profit grew due to the effects of increased sales and the foreign exchange rate.

- There is no change in the forecast for the first half or full year. Sales are projected to increase 8.0% yoy to 40.5 billion yen. The sales of all segments are estimated to grow. Operating profit is estimated to rise 8.5% yoy to 5.3 billion yen. The dividend is to be 30 yen/share. The estimated payout ratio is 30.1%.

- Although they did not reach double digits, both sales and profit increased, and the growth rate for both first half and full year is likely to be good. In particular, there has been a high amount of growth in the FA and MVL businesses, which have performed well since the previous term. In the Company's plan, both sales and profits are higher in the term's second half. We would like to pay attention to how much sales and profits would increase while maintaining the strong performance.

We also look forward to the development of M&As, which are indispensable for achieving "sales of 50 billion yen and an operating profit of 7.5 billion yen in 2019."

## 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
OPAL 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 and automatic door-related business), Factory Automation (FA) business (sensors for industrial machinery), Machine vision lighting (MVL) business (LED lighting device and system for image processing), “EMS business,” which was included in the SS business up until the previous term and provides contract manufacturing services for electronic equipment in China, 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.
	Others	Equipment for measuring water quality. 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.
EMS-related		Contract manufacturing services for electronic equipment, developed at a factory in China
Other		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 the 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. First Quarter of Fiscal Year Ended December 2018 Earnings Results****(1) Earnings Results**

(Unit: Million Yen)

	FY 12/17 1Q	Share	FY 12/18 1Q	Share	YoY change
Sales	9,145	100.0%	9,844	100.0%	+7.6%
Gross Profit	5,138	56.2%	5,520	56.1%	+7.4%
SG&A	3,806	41.6%	4,058	41.2%	+6.6%
Operating Profit	1,332	14.6%	1,461	14.8%	+9.7%
Ordinary Profit	1,309	14.3%	1,312	13.3%	+0.3%
Net Profit	844	9.2%	812	8.2%	-3.8%

**Increase in sales and profit.**

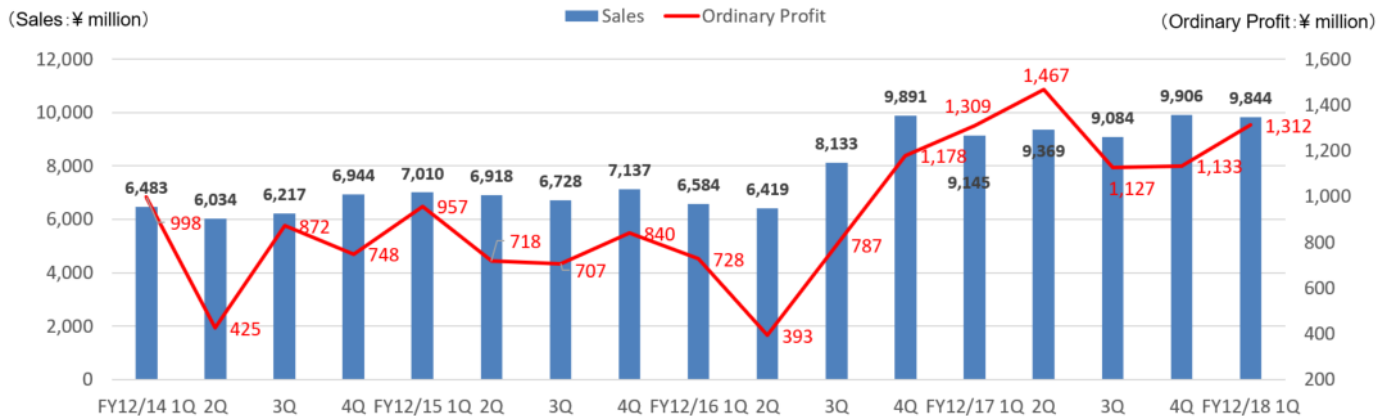
Sales were 9,844 million yen, up 7.6% yoy. All major businesses performed well, particularly the FA and MVL businesses. Domestic sales were 4,207 million yen, up 4.4% yoy, while overseas sales were 5,637 million yen, up 10.2% yoy.

Operating profit was 1,461 million yen, up 9.7% yoy. In addition to increased production costs due to rising prices of raw materials, etc., SG&A expenses also augmented, but profit grew due to the effects of increased sales and the foreign exchange rate.

# Bridge Report



## Quarterly Financial Results



### ◎Average exchange rate

	FY12/17 1Q	FY12/18 1Q	Full-year plan
USD	¥113.64	¥108.30	¥110.00
GBP	¥140.80	¥150.89	¥140.00
EURO	¥121.08	¥133.22	¥125.00

## (2) Earnings by Segment

### ①Sales and profit by segment

(Unit: Million Yen)

	FY12/17 1Q	Share	FY12/18 1Q	Share	YoY change
SS Business	4,952	54.1%	5,060	51.4%	+2.2%
FA Business	1,686	18.4%	2,088	21.2%	+23.8%
MVL Business	2,343	25.6%	2,552	25.9%	+8.9%
EMS Business	158	1.7%	139	1.4%	-12.0%
Others	4	0.0%	4	0.0%	0.0%
<b>Sales</b>	<b>9,145</b>	<b>100.0%</b>	<b>9,844</b>	<b>100.0%</b>	<b>+7.6%</b>
SS Business	665	13.4%	698	13.8%	+5.0%
FA Business	254	15.1%	430	20.6%	+69.3%
MVL Business	356	15.2%	358	14.0%	+0.6%
EMS Business	75	47.5%	15	10.8%	-80.0%
Others	-13	-	-12	-	-
Adjustments	-5	-	-28	-	-
<b>Operating Profit</b>	<b>1,332</b>	<b>14.6%</b>	<b>1,461</b>	<b>14.8%</b>	<b>+9.7%</b>

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

### ②Trends in each segment and region

(Unit: Million Yen)

	FY12/17 1Q	Share	FY12/18 1Q	Share	YoY change
<b>Security</b>	<b>3,356</b>	<b>100.0%</b>	<b>3,365</b>	<b>100.0%</b>	<b>+0.3%</b>
Japan	606	18.1%	466	13.8%	-23.1%
AMERICAs	670	20.0%	678	20.1%	+1.2%
EMEA	1,672	49.8%	1,823	54.2%	+9.0%
Asia	408	12.2%	398	11.8%	-2.5%

# Bridge Report



<b>Automatic door</b>	1,038	100.0%	1,077	100.0%	+3.8%
Japan	548	52.8%	535	49.7%	-2.4%
AMERICAs	229	22.1%	252	23.4%	+10.0%
EMEA	237	22.8%	254	23.6%	+7.2%
Asia	24	2.3%	36	3.3%	+50.0%
<b>Other</b>	559	100.0%	618	100.0%	+10.6%
Japan	483	86.4%	547	88.5%	+13.3%
AMERICAs	1	0.2%	0	0.0%	-
EMA	3	0.5%	0	0.0%	-
Asia	72	12.9%	71	11.5%	-1.4%
<b>FA</b>	1,686	100.0%	2,088	100.0%	+23.8%
Japan	793	47.0%	914	43.8%	+15.3%
AMERICAs	24	1.4%	25	1.2%	+4.2%
EMEA	578	34.3%	745	35.7%	+28.9%
Asia	291	17.3%	404	19.3%	+38.8%
<b>MVL</b>	2,343	100.0%	2,552	100.0%	+8.9%
Japan	1,558	66.5%	1,690	66.2%	+8.5%
AMERICAs	201	8.6%	212	8.3%	+5.5%
EMEA	231	9.9%	334	13.1%	+44.6%
Asia	353	15.1%	316	12.4%	-10.5%
<b>EMS</b>	158	100.0%	140	100.0%	-11.4%
Japan	38	24.1%	51	36.4%	+34.2%
Asia/Oceania	120	75.9%	89	63.6%	-25.8%

## ◎SS Business

### (Security-related)

Japan: Sales of outdoor security sensors targeted at security companies were sluggish, and sales declined.

AMERICAs: Sales grew steadily for outdoor security sensors targeted at key facilities in North America, and sales increased.

EMEA: Sales increased due to the steady performance of manufacturing subsidiaries in the UK.

Asia: Sales of security sensors targeted at Australia and Southeast Asia were sluggish, and sales declined.

### (Automatic door-related)

Japan: Sales of sensors for automatic doors targeted at major domestic clients were sluggish, and sales declined.

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: Sales of sensors for automatic doors targeted at major clients in Europe were sluggish, but sales increased due to the effect of the foreign exchange rate.

## ◎ FA business

Japan: In addition to displacement sensors for semiconductors, secondary batteries, and flat panel displays, sales of displacement sensors for the electronic parts industry were strong, and sales increased.

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: Solutions and sales area were expanded, new products were introduced successfully, and sales increased.

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: Although sales in Southeast Asia were steady, sales declined due to the termination of the joint venture in China.

### (3) Financial Conditions

#### ◎Major BS

(Unit: Million Yen)

	End of Dec. 2017	End of Mar. 2018		End of Dec. 2017	End of Mar. 2018
Cash Deposits	12,293	11,486	Account Payable	1,851	2,389
Accounts Receivable	8,290	8,901	Short-term Debt	784	1,641
Inventory Assets	5,963	6,387	<b>Current Liabilities</b>	6,520	7,002
<b>Current Assets</b>	29,004	28,980	Long-term Debt	59	17
Property, Plant and Equipment	4,340	4,390	Net Defined Benefit Liability	1,150	1,166
Intangible Assets	3,970	3,836	<b>Fixed Liabilities</b>	3,042	2,758
Investments, Others	4,253	4,489	<b>Liabilities</b>	9,562	9,761
<b>Fixed Assets</b>	12,564	12,716	<b>Net assets</b>	32,006	31,934
<b>Total Assets</b>	41,569	41,696	<b>Total liabilities, net assets</b>	41,569	41,696
			<b>Equity ratio</b>	70.1%	69.7%

Current assets remained almost unchanged. Fixed assets increased 152 million yen from the end of the previous term, due to the increase in investments and other assets, and total assets rose 127 million yen to 41,696 million yen.

Total liabilities rose 199 million yen to 9,761 million yen, due to an increase in short-term debts, accounts payable, etc.

Net assets decreased 72 million yen to 31,934 million yen, due to a decrease in foreign currency translation adjustments.

As a result, the equity ratio fell 0.4% from 70.1% at the end of the previous term to 69.7%.

### (4) Topics

#### ◎ OPTEX FA establishes US subsidiary

OPTEX FA CO., LTD. established OPTEX FA INC. (100% ownership), a factory automation-related sales subsidiary in North America, and began operations on April 2, 2018.

OPTEX FA INC. is OPTEX FA's first US subsidiary.

With the establishment of this local subsidiary, following Europe and China, the company will fully enter the US factory automation market, which is expected to grow in the future. It will then increase sales by expanding its sales network, developing local proposal-based sales, and cultivating new markets (acquiring new clients), including the automobile industry.

## 3. Fiscal Year Ending December 2018 Earnings Estimates

### (1) Full-year earnings forecast

(Unit: Million Yen)

	FY12/17	Share	FY12/18 (Est.)	Share	YoY change	Progress rate 1H of FY12/18	Progress rate FY12/18
Sales	37,504	100.0%	40,500	100.0%	+8.0%	50.0%	24.3%
Operating income	4,885	13.0%	5,300	13.1%	+8.5%	57.3%	27.6%
Ordinary income	5,036	13.4%	5,400	13.3%	+7.2%	50.5%	24.3%
Net income	3,386	9.0%	3,600	8.9%	+6.3%	46.4%	22.6%

There is no change in the earnings forecast. Sales and profits are expected to increase.

There is no change in the earnings forecast. 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 30.1%.

## (2) Trends in each segment and region

(Unit: Million Yen)

	FY12/17	Share	FY12/18 (Est.)	Share	YoY change	Progress rate 1H of FY12/18	Progress rate FY12/18
<b>Security</b>	13,942	100.0%	14,801	100.0%	+6.2%	47.2%	22.7%
Japan	2,391	17.1%	2,713	18.3%	+13.5%	38.8%	17.2%
AMERICAs	2,675	19.2%	2,586	17.5%	-3.3%	54.0%	26.2%
EMEA	7,214	51.7%	7,670	51.8%	+6.3%	47.8%	23.8%
Asia	1,662	11.9%	1,832	12.4%	+10.2%	46.1%	21.7%
<b>Automatic door</b>	4,237	100.0%	4,602	100.0%	+8.6%	47.4%	23.4%
Japan	2,191	51.7%	2,308	50.2%	+5.3%	48.5%	23.2%
AMERICAs	1,023	24.1%	1,187	25.8%	+16.0%	43.4%	21.2%
EMEA	876	20.7%	957	20.8%	+9.2%	49.0%	26.5%
Asia	147	3.5%	150	3.3%	+2.0%	51.4%	24.0%
<b>Others</b>	2,173	100.0%	2,443	100.0%	+12.4%	53.3%	25.3%
Japan	1,673	77.0%	1,959	80.2%	+17.1%	57.1%	27.9%
AMERICAs	4	0.2%	4	0.2%	+0.0%	0.0%	0.0%
EMEA	22	1.0%	1	0.0%	-95.5%	0.0%	0.0%
Asia	474	21.8%	479	19.6%	+1.1%	35.9%	14.8%
<b>FA</b>	7,315	100.0%	8,071	100.0%	+10.3%	53.1%	25.9%
Japan	3,248	44.4%	3,658	45.3%	+12.6%	50.7%	25.0%
AMERICAs	110	1.5%	276	3.4%	+150.9%	29.1%	9.1%
EMEA	2,770	37.9%	2,793	34.6%	+0.8%	53.3%	26.7%
Asia	1,187	16.2%	1,344	16.7%	+13.2%	62.6%	30.1%
<b>MVL</b>	9,022	100.0%	9,739	100.0%	+7.9%	53.4%	26.2%
Japan	6,042	67.0%	6,497	66.7%	+7.5%	52.8%	26.0%
AMERICAs	788	8.7%	935	9.6%	+18.7%	46.5%	22.7%
EMEA	1,068	11.8%	1,438	14.8%	+34.6%	46.8%	23.2%
Asia	1,124	12.5%	869	8.9%	-22.7%	77.1%	36.4%
<b>EMS</b>	739	100.0%	760	100.0%	+2.8%	36.8%	18.4%
<b>Japan</b>	209	28.3%	257	33.8%	+23.0%	46.8%	19.8%
<b>Asia/Oceania</b>	530	71.7%	503	66.2%	-5.1%	32.8%	17.7%

## (3) Growth strategies (taken from the previous report)

- ① Market environment of each business and growth strategies
- ② 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

Although they did not reach double digits, both sales and profit increased, and the growth rate for both the first half and full year is likely to be good. In particular, there has been high growth in the FA and MVL businesses, which have performed well since the previous term.

In the Company’s plan, both sales and profits are higher in the term’s second half. We would like to pay attention to how much sales and profits would increase while maintaining the strong performance.

We also look forward to the development of M&As, which are indispensable for achieving “sales of 50 billion yen and an operating profit of 7.5 billion yen in 2019.”

### <Reference: Regarding Corporate Governance>

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

Organization type	Company with audit and supervisory committee
Directors	10 directors, including 3 external ones

#### ◎ Corporate Governance Report

The latest revision date: March 26, 2018

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

It is stated that “Our company enforces all the principles of corporate governance code.”

#### <Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principle	Items to be disclosed
【Principle 1-4 The 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

# Bridge Report



company holds a briefing session and a convivial party for shareholders, so that they can understand the policy of the company. In addition, this year, the venue of the general meeting of shareholders was changed to a hotel located inside the JR Kyoto Station building, in order to make it more convenient for shareholders to participate.

This report is intended solely for information purposes and is not intended as a solicitation for investment. The information and opinions contained within this report are made by our company based on data made publicly available, and the information within this report comes from sources that we judge to be reliable. However, we cannot wholly guarantee the accuracy or completeness of the data. This report is not a guarantee of the accuracy, completeness or validity of said information and opinions, nor do we bear any responsibility for the same. All rights pertaining to this report belong to Investment Bridge Co., Ltd., which may change the contents thereof at any time without prior notice. All investment decisions are the responsibility of the individual and should be made only after proper consideration.

Copyright (C) 2018 Investment Bridge Co., Ltd. All Rights Reserved.

The back number of the bridge report (OPTEx GROUP: 6914) and the contents of the bridge salon (IR seminar) can be found at [www.bridge-salon.jp/](http://www.bridge-salon.jp/).