



Isamu Oguni President and CEO

OPTEX GROUP (6914)



Company Information

Market	TSE 1st Section
Industry	Electric equipment (manufacturer)
President and CEO	Isamu Oguni
HQ Address	4-7-5, Nionohama, Otsu, Shiga Prefecture
Year-end	December
Homepage	https://www.optexgroup.co.jp/en/

Stock Information

Share Price	Shares Outstanding (Term end)	Total market cap	ROE Act.	Trading Unit	
¥1,857	37,735,784 shares	¥70,075 million	4.3%	100shares	
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥30.00	1.6%	¥60.85	30.5x	¥896.02	2.1x

*The share price is the closing price on February 16. The numbers are taken from the brief financial report for the FY December 2020.

Earnings Trend

Fiscal Year	Sales	Operating profit	Ordinary profit	Net profit	EPS	DPS
December 2017	37,504	4,885	5,036	3,386	97.63	27.50
December 2018	40,113	4,989	5,038	3,775	104.85	30.00
December 2019	37,517	2,856	2,876	2,197	60.02	32.50
December 2020	34,846	2,098	2,176	1,395	38.59	30.00
December 2021 Est.	40,000	3,000	3,200	2,200	60.85	30.00

* Net profit is net profit attributed to parent shareholders. On April 1, 2018, a 2-for-1 stock split was implemented. Both EPS and DPS are revised retroactively.

This Bridge Report presents OPTEX GROUP's earnings results for the fiscal year ended December 2020, fiscal year ending December 2021 earnings forecasts and so on.

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Key Points

- The sales in the fiscal year ended December 2020 were 34,846 million yen, down 7.1% year on year. Economic activities were curtailed by the worldwide spread of COVID-19. Sales in the FA business were virtually flat, and sales in the other segments decreased. Domestic sales dropped 8.7% year on year to 15,494 million yen, while overseas sales declined 5.8% year on year to 19,352 million yen. Compared to the second quarter cumulative total, the rate of the decrease in profit increased domestically, while it shrank overseas. Operating profit dropped 26.5% year on year to 2,098 million yen. Although SG&A expenses declined 5.4% year on year, it was not possible to absorb the impact of the decrease in sales. Despite both sales and profits decreased, there were recoveries from the second half of the fiscal year. Therefore, both sales and profits exceeded the forecast announced in July 2020.
- For the fiscal year ending December 2021, sales are estimated to grow 14.8% year on year to 40 billion yen, and operating profit is projected to rise 43.0% year on year to 3 billion yen. The company aims to increase sales in all segments. Sanritz Automation Co., Ltd., which the company made into a subsidiary, will contribute approximately 3 billion yen to sales. By region, Asia, centered on Japan and China, will drive sales. The dividend is scheduled to be the same as the previous fiscal year at 30.00 yen/share. The estimated payout ratio is 49.3%.
- Although sales and profits declined for the full-year, overseas sales headed toward recovery after bottoming out in the second quarter and exceeded expectations in the fourth quarter (Oct. to Dec.). In particular, European business focused on the outdoor warning sensors which was “expected to be sluggish again in the fourth quarter” in the previous report significantly exceeded expectations. Domestic sales were also lower than expected in the fourth quarter (Oct. to Dec.). However, sales increased compared to the third quarter. As a result, company-wide sales headed upward after bottoming out in the second quarter and landed higher than expected.
- This fiscal year will be the first step in once again taking on the challenge of achieving sales of 50 billion yen. Accordingly, investors should pay attention to how the three measures to achieve that — (1) create business synergies through M&A, (2) strengthen sales capabilities in the Europe, and (3) facilitate the shift of the business model from selling products to selling services — progress, and in particular to what extent the image confirmation solution business, which forms the core of the business reform model that has been around for almost two years since its release, will contribute to an increase in sales in Europe and America in this fiscal year.

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 50% 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; Sanritz Automation Co., Ltd., which has a wealth of results in the development, manufacturing and sales of industrial computers and systems, Three Ace Co., Ltd., which specializes in the development of various systems, applications, and digital content; Optex MFG Co., Ltd., which is responsible for manufacturing Group products, 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.

As of December 31, 2020, the company operates in 80 locations worldwide, including 26 overseas companies.

OPTEX CO., LTD.	Develops and sells sensors for various uses, such as security sensors and sensors for automatic doors
OPTEX FA CO., LTD.	Development and sales of photoelectric sensors, image inspection systems, displacement sensors and measuring instruments
CCS Inc.	Development, manufacturing and sales of LED lighting devices, and systems for image processing
Sanritz Automation Co., Ltd.	Development, manufacturing and sales of industrial computers and systems
THREE ACE CO., LTD.	Development of various systems, applications, and digital content
OPTEX MFG CO., LTD.	Manufactures products for the Group and provides contract manufacturing service for electronic equipment
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 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 and development of applications and digital content).

Segment		Business Description
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.
Others		Operating sports clubs and development of applications and digital content.

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

1-3 Corporate 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. Also, CCS Inc. (6669, JASDAQ),

which holds the largest market share in the world for LED lighting for image processing, was reorganized into a subsidiary in May 2016 (and became a wholly owned subsidiary in July 2018). 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. It acquired THREE ACE Co., Ltd. in June 2018, which specializes in the development of various systems, applications, and digital content. On December 2020, the company acquired Sanritz Automation Co., Ltd., which has a wealth of results in the development, manufacturing and sales of industrial computers and systems.

1-4 ROE analysis

	FY 12/11	FY 12/12	FY 12/13	FY 12/14	FY 12/15	FY 12/16	FY 12/17	FY 12/18	FY 12/19	FY 12/20
ROE (%)	6.0	4.6	8.2	8.6	8.7	7.4	12.6	12.3	6.8	4.3
Net profit margin (%)	5.58	3.99	6.87	7.39	7.38	5.83	9.03	9.41	5.86	4.00
Total asset turnover (times)	0.85	0.91	0.92	0.89	0.91	0.91	0.95	0.95	0.86	0.76
Leverage (times)	1.27	1.28	1.30	1.31	1.30	1.41	1.48	1.38	1.35	1.41

The company is aiming for an early recovery to the target of 10% or more.

1-5 Efforts on ESG

The company believes that building a relationship of trust with a wide range of stakeholders is essential for improving corporate value and has posted 「ESG information」 (<https://www.optexgroup.co.jp/en/esg/stakeholder.html>) on its website to further enhance ESG information disclosure. In addition, Published the ESG Bridge Report through Investment Bridge Inc.

The company identify the materiality for sustainable growth for the first time, and mention the challenges and initiatives for the future in the report.

https://www.bridge-salon.jp/report_bridge/archives/eng/6914/20200609.html

2. The Fiscal Year Ended December 2020 Earnings Results

(1) Business Results

	FY 12/19	Ratio to sales	FY 12/20	Ratio to sales	YoY	Ratio to the estimates
Sales	37,517	100.0%	34,846	100.0%	-7.1%	+1.0%
Gross profit	20,232	53.9%	18,543	53.2%	-8.3%	-
SG&A	17,376	46.3%	16,445	47.2%	-5.4%	-
Operating profit	2,856	7.6%	2,098	6.0%	-26.5%	+16.6%
Ordinary profit	2,876	7.7%	2,176	6.2%	-24.3%	+8.8%
Net Profit	2,197	5.9%	1,395	4.0%	-36.5%	+16.3%

*Unit: million yen. The Net profit is the profit attributable to owners of the parent company. The same shall apply hereinafter.

Ratio to the estimates: Compared with the estimates announced in July 2020.

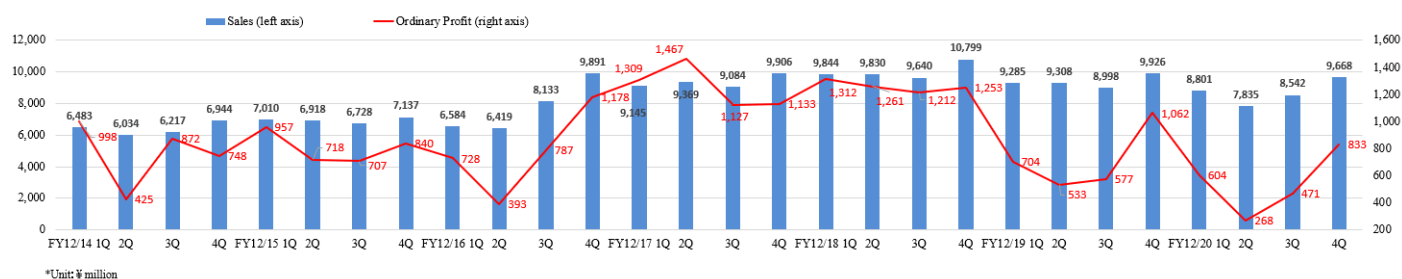
Although Sales and profit declined, both exceeded the forecast

The sales were 34,846 million yen, down 7.1% year on year. Economic activities were curtailed by the worldwide spread of COVID-19. Sales in the FA business were virtually flat, and sales in the other segments decreased. Domestic sales dropped 8.7% year on year to 15,494 million yen, while overseas sales declined 5.8% year on year to 19,352 million yen. Compared to the second quarter cumulative total, the rate of the decrease in profit increased domestically, while it shrank overseas. Operating profit dropped 26.5% year on year to 2,098 million yen. Although SG&A expenses declined 5.4% year on year, it was not possible to absorb the impact of the decrease in sales. Despite both sales and profit decreased, there were recoveries from the second half of the fiscal year. Therefore, both sales and profit exceeded the forecast announced in July 2020.

BRIDGE REPORT



◎Trends in each quarter



On a quarterly basis, in the fourth quarter, sales recovered to a level of 97% and ordinary profit returned to a level of 78%, respectively year on year.

◎Regional trends

	FY 12/19	Ratio to sales	FY 12/20	Ratio to sales	YoY	Ratio to the estimates
Sales	37,517	100.0%	34,846	100.0%	-7.1%	+1.0%
Domestic	16,971	45.2%	15,494	44.5%	-8.7%	-3.2%
Overseas	20,546	54.8%	19,352	55.5%	-5.8%	+4.6%
America	4,766	12.7%	4,402	12.6%	-7.6%	-0.4%
Europe	11,333	30.2%	10,428	29.9%	-8.0%	+7.5%
Asia	4,446	11.9%	4,521	13.0%	+1.7%	+3.1%

*Unit: million yen. Ratio to the estimates: Compared with the estimates announced in July 2020.

Sales increased year on year and exceeded expectations in Asia due to a recovery in the Chinese market. Although sales in Europe fell, they exceeded expectations.

◎Average exchange rate

	FY 12/19	FY 12/20
USD	¥109.05	¥106.82
EURO	¥122.07	¥121.81

(2) Earnings by Segment

①Trends in each segment

	FY 12/19	Ratio to sales	FY 12/20	Ratio to sales	YoY	Ratio to the estimates
SS Business	19,802	52.8%	17,923	51.4%	-9.5%	+2.7%
FA Business	7,140	19.0%	7,307	21.0%	+2.3%	+0.8%
MVL Business	9,449	25.2%	8,656	24.8%	-8.4%	-2.2%
EMS Business	570	1.5%	471	1.4%	-17.4%	+12.4%
Others	553	1.5%	487	1.4%	-11.9%	-7.6%
Sales	37,517	100.0%	34,846	100.0%	-7.1%	+1.0%
SS Business	1,731	8.7%	1,275	7.1%	-26.3%	-
FA Business	596	8.3%	684	9.4%	+14.8%	-
MVL Business	532	5.6%	162	1.9%	-69.5%	-
EMS Business	76	13.3%	47	10.0%	-38.2%	-
Others	5	0.9%	-28	-	-	-
Adjustments	-86	-	-42	-	-	-
Operating profit	2,856	7.6%	2,098	6.0%	-26.5%	-

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*Unit: million yen. Ratio to sales of Operating profit refers to Sales Profit margin. Taken from the brief financial report for the FY December 2020.

MVL business: Sales and profits decreased. Sales and profits were impacted by the decrease in the volume of orders due to business restrictions in Japan. The rate of the decrease in profit was high due to the decrease in sales since the profit margin was originally high. Nevertheless, in addition to SE recruitment and the opening of a testing room to strengthen consulting business, aggressive upfront investment with the establishment of a European supervising company (Jan. 2021) and the manufacturing plant relocation of CCS also contributed to a decline in profits.

②Trends in each segment and region

	FY 12/19	Ratio to sales	FY 12/20	Ratio to sales	YoY	Ratio to the estimates
SS: Security	13,254	100.0%	12,074	100.0%	-8.9%	+5.0%
Japan	2,495	18.8%	2,309	19.1%	-7.5%	-7.9%
AMERICAs	2,648	20.0%	2,322	19.2%	-12.3%	-5.6%
EMEA	6,768	51.1%	6,025	49.9%	-11.0%	+14.4%
Asia	1,343	10.1%	1,418	11.7%	+5.6%	+12.4%
SS: Automatic door	4,439	100.0%	3,938	100.0%	-11.3%	-1.3%
Japan	2,267	51.1%	2,030	51.5%	-10.5%	-4.4%
AMERICAs	1,159	26.1%	999	25.4%	-13.8%	-2.2%
EMEA	878	19.8%	783	19.9%	-10.8%	+10.3%
Asia	135	3.0%	126	3.2%	-6.7%	-7.4%
FA	7,140	100.0%	7,307	100.0%	+2.3%	+0.8%
Japan	3,616	50.6%	3,436	47.0%	-5.0%	-0.3%
AMERICAs	113	1.6%	109	1.5%	-3.5%	-18.7%
EMEA	2,158	30.2%	2,264	31.0%	+4.9%	-2.4%
Asia	1,253	17.5%	1,498	20.5%	+19.6%	+11.0%
MVL	9,449	100.0%	8,656	100.0%	-8.4%	-2.2%
Japan	5,947	62.9%	5,236	60.5%	-12.0%	-4.6%
AMERICAs	844	8.9%	972	11.2%	+15.2%	+20.7%
EMEA	1,529	16.2%	1,356	15.7%	-11.3%	-3.1%
Asia	1,129	11.9%	1,092	12.6%	-3.3%	-5.4%

*Unit: million yen

◎SS Business

Sales and profits decreased. Business activities were restricted for both security related and automatic door related business due to lockdowns.

(Security-related)

Japan: The sales of outdoor security sensors for security companies and large important facilities were sluggish, and sales declined.

AMERICAs: Due to restrictions on operations, sales, and installation activities because of the novel coronavirus crisis, projects at large important facilities were postponed, and sales decreased.

EMEA: Sales of outdoor warning sensors for large important facilities, commercial facilities, and regular households were sluggish and declined in all countries except South Africa. This was due to restrictions on business, sales, and installation activities because of COVID-19.

Asia: Sales were sluggish in China and South Korea due to COVID-19 until the third quarter. However, sales increased in the fourth quarter with receiving orders for projects for large important facilities in China and South Korea.

BRIDGE REPORT

**(Automatic door-related)**

Japan: Sales declined due to continued restraint on store-related investment in major markets.

AMERICAS: Operations, sales, and installation activities for major North American OEM customers were restricted, resulting in a significant drop in sales.

EMEA: Operations, sales, and installation activities for major European OEM customers were restricted, resulting in a significant sales decrease.

◎FA Business

Sales and profits increased. Sales of displacement sensors in China were strong. Sales of displacement sensors for SICK, an OEM, have also recovered.

Japan: Although the sales of image sensors to the food industry were firm, profit declined due to sluggish capital investment demand in the automobile-related industry.

EMEA: Sales for OEM destinations in Germany rapidly recovered and increased.

Asia: Due to an increase in demand for capital investment in China, sales of displacement sensors increased steadily, resulting in a significant rise in sales.

◎MVL lighting business

Sales and profits decreased. Sales and profits were impacted by the decrease in the volume of orders due to business restrictions in Japan. The rate of the decrease in profit was high due to the decrease in sales since the profit margin was originally high. Nevertheless, in addition to SE recruitment and the opening of a testing room to strengthen consulting business, aggressive upfront investment with the establishment of a European supervising company (Jan. 2021) and the manufacturing plant relocation of CCS also contributed to a decline in profits.

Japan: The sales for 5G-related investments were firm, but sales declined due to restrictions on operating activities from the second quarter onward.

AMERICAS: Sales increased due to strong sales to the medical industry in the North American region.

EMEA: Sales decreased due to restrictions on business activities because of lockdowns.

Asia: Sales in China recovered. However, sales decreased due to restrictions on business activities in other regions.

(3) Financial Conditions and Cash Flow**◎Main BS**

	End of Dec.2019	End of Dec.2020		End of Dec.2019	End of Dec.2020
Current Assets	30,027	33,067	Current liabilities	8,066	11,421
Cash	12,396	14,583	Payables	1,754	1,961
Receivables	8,700	8,305	ST Interest Bearing Liabilities	3,368	6,420
Inventories	7,217	8,318	Noncurrent liabilities	3,528	3,343
Noncurrent Assets	13,939	14,323	LT Interest Bearing Liabilities	433	232
Tangible Assets	5,792	6,167	Net defined benefit liabilities	1,248	1,289
Intangible Assets	3,829	3,742	Liabilities	11,595	14,765
Investment, Others	4,317	4,413	Net Assets	32,372	32,625
Total assets	43,967	47,390	Total Liabilities and Net Assets	43,967	47,390

*Unit: million yen

Total assets increased by 3,423 million yen compared to the end of the previous year to 47,390 billion yen, mainly due to Sanritz Automation Co., Ltd acquisition. Total liabilities increased 3,170 million yen to 14,765 million yen. Net assets increased by 253 million yen to 32,625 million yen, due to an increase in retained earnings. The equity ratio was 68.4%, down 4.8 points from the end of the previous fiscal year.

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◎Cash flow

	FY 12/19	FY 12/20	Increase/decrease
Operating CF	3,621	3,894	+273
Investing CF	-992	-3,228	-2,236
Free CF	2,629	666	-1,963
Financing CF	-1,721	1,578	+3,299
Cash and cash equivalents	12,396	14,583	+2,187

*Unit: million yen

The negative investing CF increased due to the acquisition of Sanritz Automation. However, free CF remained positive. The cash position improved.

(4) Topics

◎ Made Sanritz Automation Co., Ltd. into a Subsidiary

The company acquired and made Sanritz Automation Co., Ltd. into a wholly-owned subsidiary from Toyota Motor Corporation and others in December 2020.

(Overview of Sanritz Automation Co., Ltd.)

Established in 1971. Manufactures embedded board products that pursue high-quality and long-term supply for various industrial fields, and builds systems for production lines and social infrastructure. Offers services from providing platforms to building application systems necessary for building embedded computers (e.g., CPU boards, I/O boards, and controller devices). In addition, they support a wide-range of customer needs. For example, they provide the latest sensing and control devices. Sales were 3.7 billion yen and operating profit was 350 million yen in the fiscal year ended August 2020. Total assets are 3 billion yen and net assets are 2.4 billion yen.

(Background to Making Sanritz Automation Co., Ltd. into a Subsidiary)

The company will promote the cultivation of business in fields that are expected to grow in the future (e.g., traffic control and parking lot management, security and safety management of airports and railroads, and the IoT related field) by combining the technologies and customer bases built up by both the OPTEX Group and Sanritz Automation. This will lead to an improvement in corporate value.

Promote sales of services (sales of systems) in social infrastructure projects, a business area in which Sanritz demonstrates its strength.



New business opportunities are expected to be created by combining the strengths of the two companies.

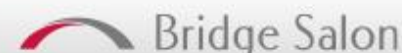
(Taken from the reference material of the company)

3. Fiscal Year Ending December 2021 Earnings Forecasts

(1) Earnings forecast

	FY 12/20	Ratio to sales	FY 12/21 Est.	Ratio to sales	YoY
Sales	34,846	100.0%	40,000	100.0%	+14.8%
Operating profit	2,098	6.0%	3,000	7.5%	+43.0%
Ordinary profit	2,176	6.2%	3,200	8.0%	+47.0%
Net profit	1,395	4.0%	2,200	5.5%	+57.7%

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*Unit: million yen.

Sales and profit are estimated to increase

Sales are estimated to grow 14.8% year on year to 40 billion yen, and operating profit is projected to rise 43.0% year on year to 3 billion yen. The company aims to increase sales in all segments. Sanritz Automation Co., Ltd., which the company made into a subsidiary, will contribute approximately 3 billion yen to sales. By region, Asia, centered on Japan and China, will drive sales. The dividend is scheduled to be the same as the previous fiscal year at 30.00 yen/share. The estimated payout ratio is 49.3%.

Regional trends

	FY 12/20	Ratio to sales	FY 12/21 Est.	Ratio to sales	YoY
Consolidated sales	34,846	100.0%	40,000	100.0%	+14.8%
Domestic	15,494	44.5%	19,217	48.0%	+24.0%
International	19,352	55.5%	20,783	52.0%	+7.4%
AMERICAs	4,402	12.6%	4,619	11.5%	+4.9%
Europe	10,428	29.9%	10,937	27.3%	+4.9%
Asia	4,521	13.0%	5,227	13.1%	+15.6%

*Unit: million yen.

(2) Trends in each segment**① Sales of each segment**

	FY 12/20	Ratio to sales	FY 12/21 Est.	Ratio to sales	YoY
SS Business	17,398	49.9%	18,481	46.2%	+6.2%
FA Business	7,307	21.0%	7,451	18.6%	+2.0%
MVL Business	9,181	26.3%	9,927	24.8%	+8.1%
New operating company	-	-	3,131	7.8%	-
EMS Business / Others	960	2.8%	1,010	2.5%	+5.2%
Consolidated sales	34,846	100.0%	40,000	100.0%	+14.8%

*Unit: million yen. The actual results for FY2020 are given on a rearranged basis due to the reorganization of the second-tier subsidiary, GARDASOFT VISION LIMITED. (UK), into the MVL business from the SS business (security related). The new operating company refers to Sanritz Automation Co., Ltd.

② Trends in each segment and region

	FY 12/20	Ratio to sales	FY 12/21 Est.	Ratio to sales	YoY
SS: Security	11,549	100.0%	12,245	100.0%	+6.0%
Japan	2,312	20.0%	2,498	20.4%	+8.0%
AMERICAs	2,255	19.5%	2,430	19.8%	+7.8%
EMEA	5,752	49.8%	5,984	48.9%	+4.0%
Asia	1,230	10.7%	1,333	10.9%	+8.4%
SS: Automatic door	3,938	100.0%	4,099	100.0%	+4.1%
Japan	2,030	51.5%	2,071	50.5%	+2.0%
AMERICAs	999	25.4%	1,066	26.0%	+6.7%
EMEA	783	19.9%	820	20.0%	+4.7%
Asia	126	3.2%	142	3.5%	+12.7%
FA	7,307	100.0%	7,451	100.0%	+2.0%
Japan	3,436	47.0%	3,210	43.1%	-6.6%
AMERICAs	109	1.5%	159	2.1%	+45.9%
EMEA	2,264	31.0%	2,192	29.4%	-3.2%
Asia	1,498	20.5%	1,890	25.4%	+26.2%

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MVL	9,181	100.0%	9,927	100.0%	+8.1%
Japan	5,233	57.0%	5,588	56.3%	+6.8%
AMERICAs	1,039	11.3%	964	9.7%	-7.2%
EMEA	1,629	17.7%	1,941	19.6%	+19.2%
Asia	1,280	13.9%	1,434	14.4%	+12.0%

*Unit: million yen. The actual results for FY2020 are given on a rearranged basis due to the reorganization of the second-tier subsidiary, GARDASOFT VISION LIMITED. (UK), into the MVL business from the SS business (security related).

4. Medium-term Managerial Goals and Measures

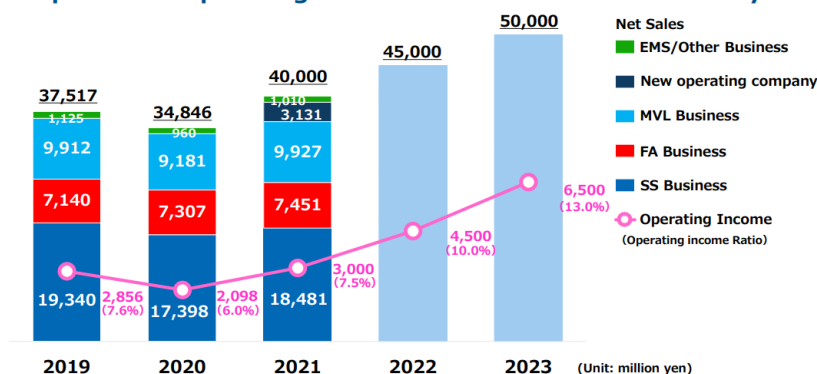
(1) Medium-term Managerial Goals

Under the group philosophy, “We aim to become a corporate group full of Venture Spirit!,” the company will continue to (1) reduce fixed costs aiming for a consolidated sales operating profit margin of 10% or more in the fiscal year ending December 2022, (2) improve profit per person, and (3) achieve sales growth of 10%. In this way, the company will take on the challenge again of achieving sales of 50 billion yen in the fiscal year ending December 2023 as a medium-term managerial goal.

The company will curb the increase in indirect costs over the entire group by strengthening the group’s head office functions.

The company will get back on track for growth by expanding existing business and promoting new business.

Aiming to achieve 10% annual growth in consolidated net sales and improve the operating income ratio over the next three years.



Note) The results of FY2020 were reclassified to reflect the reorganization through which Gardasoft Vision Limited(UK), a consolidated subsidiary, has been included in the MVL Business instead of the SS Business (Security Sensors).

(Taken from the reference material of the company)

The management policy of the group is to curb the increase in indirect costs over the entire group by strengthening the group’s head office functions while getting back on track for growth by expanding existing business and promoting new business.

(2) Main Measures

The measures to achieve this policy are as follows: (1) create business synergies through M&A, (2) strengthen sales capabilities in the Europe, and (3) facilitate the shift of the business model from selling products to selling services.

① Create Business Synergies through M&A

As mentioned above, the company made Sanritz Automation Co., Ltd. into a subsidiary in December 2020. This is a firm specializing in the manufacturing of embedded board products that pursue high-quality and long-term supply in the industrial field and the construction of systems for production lines and social infrastructure.

As a first step, the company believes it is possible to expect synergistic effects with the SS business that is promoting a shift in business from the “sales of materials” to the “sale of things.”

Combining the technological capabilities and customer bases of both the group and Sanritz Automation will create new business

opportunities in fields that are expected to grow in the future (e.g., traffic control and parking lot management and safety management of railways).

As a second step, the company will aim to sell products in the FA business and the MVL business to the manufacturing sites of automobile, semiconductor manufacturing device, machine, and medical equipment manufacturers — the main business partners of Sanritz Automation.

The company will continue to aggressively pursue M&As that can be expected to generate business synergy in the future.

② Strengthen Sales Capabilities in the Europe

In security related operations in SS business, the company has established a subsidiary in Hague in the Netherlands as a part of the reorganization of European bases to accelerate business expansion in the region to deal with market changes caused by the United Kingdom's withdrawal from the European Union (EU). This subsidiary began operating in January 2021.

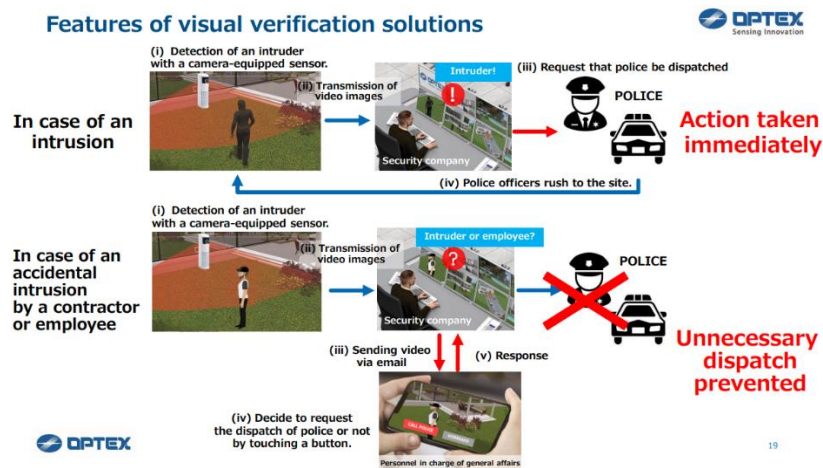
The new subsidiary will aim to cover customers from the Netherlands to the countries of Europe and to promote image confirmation solution business that links sensors and images — one of the growth strategies of security related business.

Customer-orientated business activities and technical support are indispensable in this business. Accordingly, the company is looking to expand and accelerate on the European continent by increasing market contact points with localization and strengthening sales capabilities.

Moreover, this will avoid the turmoil feared to result from the United Kingdom's withdrawal of the EU and to achieve optimization of sustainable logistics over the medium- to long-term.

The following is an overview of the image confirmation solutions business being deployed in Europe and America through an alliance with a U.S. venture company called CHEKT.

- * Install camera-equipped sensors that integrate the outdoor sensors and surveillance cameras that are the specialty of the OPTEX Group outdoors.
- * The camera-equipped sensor catches an intruder and sends video image in real-time to a security company through a gateway called Bridge made by CHEKT.
- * The watchmen in the security company watch the images sent from the site to determine whether to request the dispatch of the police.
- * If it is not possible to determine whether it is a malicious intruder, the watchmen transfer the images to the smartphone of the person in charge of general affairs in the company with the security contract registered in advance to request a determination.
- * The personnel in charge of general affairs confirms the images and then tells the security company whether to request the dispatch of the police or not with a button. If the dispatch is not needed, the security company will not make a request to the police.
- * This system makes it possible to eliminate unnecessary requests for dispatch to the police from the security company. Therefore, the police can improve their arrest rate, the security company can add a monthly security fee due to the improved service, and the end user can avoid fines due to the unnecessary dispatch of the police.
- * The profit of the company will come from the system usage fees that are stock earnings in addition to the flow revenue from the sale of the equipment.



(Taken from the reference material of the company)

The company established CCS Europe Holding B.V., a European supervising company, near Amsterdam in the Netherlands in January 2021 in the MVL business.

The company established CCS Europe N.V., a sales subsidiary, in Belgium in Europe in 2004 in the same business. The company then made Effilux SAS, a machine-vision lighting manufacturer headquartered in France with a base in Germany, into a subsidiary in 2018. These have led to an expansion in market share in the machine-vision industry in Europe.

The company made GARDASOFT VISION LIMITED., a machine-vision controller manufacturer in the United Kingdom, into a subsidiary through a simple absorption-type split from the OPTEX group company in January 2021. There is now a structure of four bases in Belgium, France, Germany, and the United Kingdom in Europe.

The company established CCS Europe Holding B.V. (CCS Netherlands) to supervise and strengthen group cooperation and maximize competitiveness in the European area consisting of these four bases.

In terms of sales, the three companies will improve the quality and speed of product and solution provision by handling each other's products. In addition, smooth collaboration among the companies on the development of products for the European region will make it possible to provide image inspection solutions that meet customer needs more than ever before.

The company is aiming to increase European sales in this business from their current level of approximately 1.5 billion yen to 4 billion yen in 2025.

③ Facilitate the shift of the business model from selling products to selling services

The company started operating OMNICITY in February 2021 as a specific example of the reform to the business model. This is a sharing service that utilizes automatic door sensors equipped with beacon functions in the automobile door related business of SS business.

◎ Overview of OMNICITY

The OPTEX Group holds a 50% share of the domestic market for automatic door sensors. These sensors have been installed in one million automatic doors at the entrances of various commercial facilities and stores in Japan. Tens of millions of people come and go every day around these entrances. The company developed OMNICITY to effectively utilize this perfect position. It is the first sharing service in the industry that effectively utilizes the location information of automatic door sensors.

The company will encourage purchases with the distribution of advertisements and coupons which match the hobbies and preferences of visitors by utilizing the sensors equipped with a beacon function that can distribute information to smartphones owned by passers-by. The company is working to switch the two million automatic door sensors installed across Japan to automatic door sensors equipped with the beacon function.

Moreover, they will increase the spots of OMNICITY by rolling out to the company's sensors installed in various outdoor spaces (e.g., buildings other than stores and parking lots) and by linking up with the sensors of other companies.

First, the company plans to gradually expand automatic door sensors up to one million by 2023.

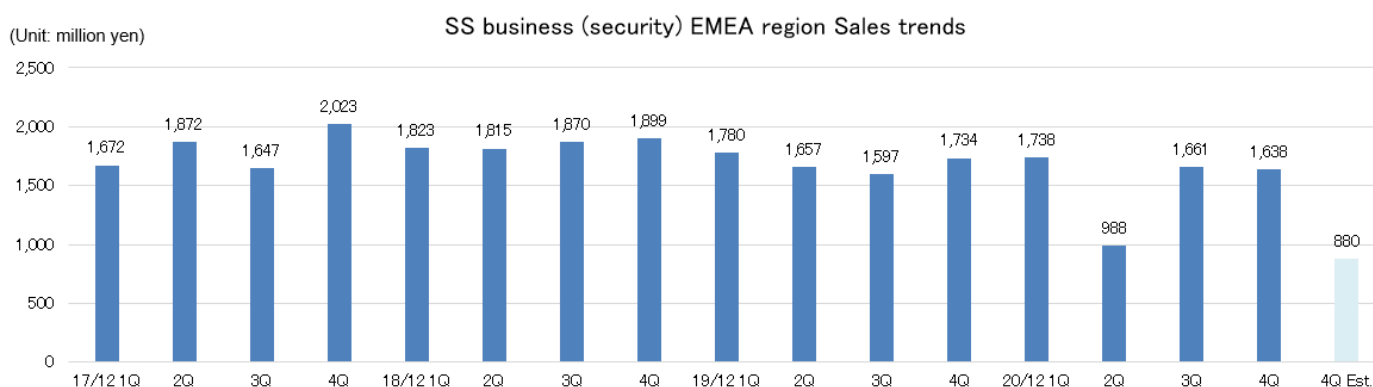
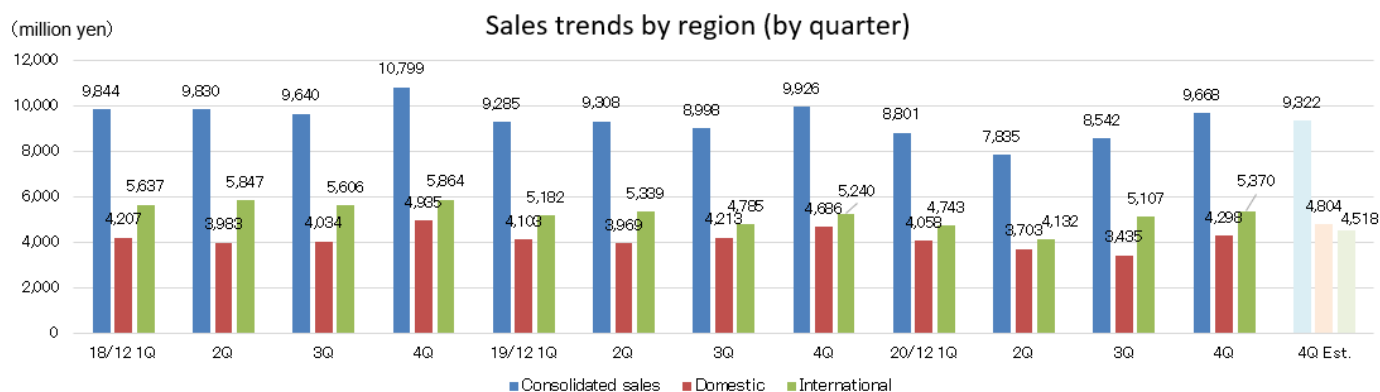
If these sensors spread widely, it will be possible to grasp location information by surfaces. Therefore, the company believes the need for advertising companies to distribute various information using this location information will grow.

The company will match stores and advertising companies with a business model in which income will be obtained monthly on a continued basis if matching is established. It is possible to expect extremely high profitability.

5. Conclusions

Although sales and profits declined for the full-year, overseas sales headed toward recovery after bottoming out in the second quarter and exceeded expectations in the fourth quarter (Oct. to Dec.). In particular, European business focused on the outdoor warning sensors which was “expected to be sluggish again in the fourth quarter” in the previous report significantly exceeded expectations. Domestic sales were also lower than expected in the fourth quarter (Oct. to Dec.). However, sales increased compared to the third quarter. As a result, company-wide sales headed upward after bottoming out in the second quarter and landed higher than expected.

This fiscal year will be the first step in once again taking on the challenge of achieving sales of 50 billion yen. Accordingly, investors should pay attention to how the three measures to achieve that — (1) create business synergies through M&A, (2) strengthen sales capabilities in the Europe, and (3) facilitate the shift of the business model from selling products to selling services — progress, and in particular to what extent the image confirmation solution business, which forms the core of the business reform model that has been around for almost two years since its release, will contribute to an increase in sales in Europe and America in this fiscal year.



<Reference: Regarding Corporate Governance>

◎Organization type, and the composition of directors and auditors

Organization type	Company with audit and supervisory committee
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Directors	11 directors, including 4 outside ones
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◎Corporate Governance Report

The latest revision date: March 27, 2020

<Fundamental concept>

As the Group, we recognize that it is our greatest mission to continuously improve corporate value while earning the trust of our shareholders, investors, customers and society. To practice it, we consider enhancement of the corporate governance as one of important management tasks and aim to improve the transparency of management, maintain management systems accompanying fair and prompt decision making and strengthen management monitoring function.

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

The company has implemented all of the principles of the Governance Code.

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

Principle	Items to be disclosed
Principle 1-4 Cross-Shareholdings	<p>Only if the Company deems it to be strategically conducive to the enhancement of business relationships and increased corporate value for the Group will it acquire shares for cross-shareholding upon discussions and resolutions of the Board of Directors. In addition, the Company examines the significance of cross-shareholdings at a meeting of the Board of Directors every year. If the Company determines it to be rationally pointless to hold certain shares in light of the intended objectives of cross-shareholding, it will sell them in consideration of market trends, etc., thereby endeavoring to reduce such holdings.</p> <p>Listed shares currently held by the Company: One stock amounting to 48 million yen (amount recorded on the balance sheet)</p> <p>With regard to exercising the voting rights it holds, the Company approves or disapproves shareholder proposals based on comprehensive judgment by examining each agenda item individually according to its criteria for exercising voting rights and by taking into consideration whether or not the proposed motion will contribute to the sustained growth of the subject company and the enhancement of corporate value thereof and whether or not the proposed motion will cause significant damage to shareholder value.</p>
Principle 5-1 Policy for the constructive dialogues with shareholders	<p>To facilitate proactive and constructive dialogue with shareholders, the Company has established an IR section and endeavors to provide clear explanations of the Company's management policy and management situation.</p> <p>In addition, IR personnel and officers systematically hold briefings for institutional investors and briefings for individual investors and field requests for interviews from institutional investors.</p> <p>Moreover, the ordinary general meetings of shareholders are held on</p>

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Saturdays to ensure the attendance of a wide range of shareholders, and these meetings are followed by briefings for shareholders and social gatherings for shareholders to ensure that they understand the Company's policies for the future.

Note: At the 41st Ordinary General Meeting of Shareholders, the Company cancelled the social gathering for shareholders to prevent the spread of COVID-19.

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