

BRIDGE REPORT



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
¥1,732	37,735,784 shares		¥65,358 million	4.3%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥30.00	1.7%	¥60.83	28.5x	¥896.02	1.9x

*The share price is the closing price on May 10. Shares outstanding, DPS, and EPS are taken from the brief financial report for the first quarter of FY December 2021. ROE and BPS are the results in the previous term.

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	60.83	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 first quarter of fiscal year ending December 2021 and so on.

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Key Points

- The sales for the first quarter of the fiscal year ending December 2021 were 10,974 million yen, up 24.7% year on year. In addition to the growth of existing businesses, mainly the FA segment, IA business, and Sanritz Automation Co., Ltd. which became a subsidiary in the previous term, contributed to the sales growth. Both Japan and overseas showed a double-digit increase in sales, with Asia including China showing large growth. Operating profit was 1,326 million yen, up 139.0% year on year. Gross profit margin decreased, but due to an increase in sales, gross profit increased, offsetting the increase in SG&A expenses. Even on the quarterly base, sales and profit greatly increased from the previous quarter and from the same period of the previous year, exceeding the pre-pandemic level.
- There is no change in the financial forecast. 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%.
- The central policy for accomplishing the medium-term management plan of achieving “50 Billion Yen in Sales by the Fiscal Year ending December 2023” is to transform the business model from “Mono Uri (Selling Products)” to “Koto Uri (Selling Solutions and Services).” The transformation from “Mono Uri” to “Koto Uri” is being pursued in every business.
- A double-digit increase in sales and a large increase in profits were recorded, mainly due to the growth of FA business in the Chinese market. Security sensor segment which had been sluggish during the previous term have also been steadily growing in every region, obtaining a favorable start for the fiscal year ending December 2021. All the profits have exceeded the estimates for the first half of the fiscal year and an upward adjustment is very likely as long as there are no major changes in the business environment.
- Meanwhile, this term will be the first step towards the reattempt to achieve 50 billion yen in sales. The company believes the transformation of the business model from “Mono Uri” to “Koto Uri” will be the key to achieving this, but we would like to pay attention to how cases including the “Visual Verification Solution Business” will progress and contribute to revenues, as the company exerts its competitive advantage while the external business environment is favorable.

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, 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 84 locations worldwide, including 28 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
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. Corporate History】

In May 1979, Mr. Toru Kobayashi (currently serving as a director and senior corporate adviser), who was developing security sensors in a manufacturer of anti-crime devices in Kyoto, established OPTEX Co., Ltd. with the spirit of the endeavor to “make their products recognized in the world as much as possible.”

In November 1979, the company developed “the world’s first far-infrared sensor for automatic doors.” Around that time, pressure-sensitive rubber mats were used for automatic doors, and an automatic door sensor that utilizes far-infrared light was epoch-making. OPTEX was unrivaled in maintenance and installation services, and seized the largest share in the market of automatic door sensors in the third year after inauguration (currently occupying about 50% of the Japanese market).

Since then, the company has developed a wide array of products for security, automatic doors, and industrial equipment with its unique ideas and technologies that embodies them.

In the 1980s, the company entered overseas markets. While it had been considered impossible to set a far-infrared sensor outdoors because external factors, such as light, would cause errors, the company developed the outdoor far-infrared sensor “VX-40” with its original technology, and that sensor was highly evaluated mainly in the European market, and occupied the largest share in the global market of outdoor intrusion detection sensors.

Through business expansion, the company became an over-the-counter company (equivalent to being listed in the JASDAQ market) in 1991. Then, it was listed in the second section of Tokyo Stock Exchange (TSE) in 2001, and in the first section of TSE in 2003.

Recently, the company has been strengthening solutions based on image processing technologies and high-end security systems. In 2008, it reorganized ZENIC INC., which undertakes the development of ICs and LSI for image processing, etc., into a subsidiary. In 2010, it acquired FIBER SENSYS INC. (US), which has plenty of experience handling high-end security systems (optical fiber intrusion detection systems) for important facilities in Europe and the U.S., as a subsidiary. In 2012, it acquired RAYTEC LIMITED (UK), which handles supplemental lighting for cameras of high-end security systems for important large-scale facilities, as a subsidiary.

In May 2016, it acquired CCS Inc., which has the world’s largest share in the market of LED lighting for image processing, as a subsidiary, and transformed it into a 100% subsidiary in July 2018.

With the aim of adopting next-generation business administration and pursuing group synergy, it shifted to the holding company system on January 1, 2017.

Mr. Isamu Oguni was appointed as President and CEO in March 2019.

In December 2020, the company acquired Sanritz Automation Co., Ltd., which has an abundance of experience in developing, manufacturing, and selling industrial computer systems, as a subsidiary. In February 2021, it announced a three-year medium-term management plan ending fiscal 2023. To achieve this plan, the company aims for further growth as the global niche No. 1 company by promoting business model reforms and strengthening solution proposal capabilities.

1-2 Business Description

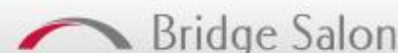
The Company's business is composed of its main SS business (security sensor segment and automatic door sensor segment), sensors for industrial machinery, LED lighting device and system for image processing, the "IA Business" which works towards the automation, labor saving, and optimization of the production line using industrial computers, "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).

The above segmentation will be put into practice from the first quarter of the fiscal year ending December 2021.

Segment		Business Description
SS Business	Security Sensor segment	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 Sensor segment	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.
	Other	Equipment for measuring water quality. Transportation safety products, Customer traffic counting/management systems, developing/marketing of image processing-related products.
IA Business	FA segment	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 on an OEM basis 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 segment	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.
	IPC segment	Has shown great results in the development, manufacturing, and sale of industrial computers. Specializes in the development of devices and systems that require both "hardware" and "software" of industrial built-in computers.
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.

* SS: Sensing Solution、IA: Industrial Automation、FA: Factory Automation、MVL: Machine Vision Lighting、IPC: Industrial PC、EMS: Electronics Manufacturing Service

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1-3 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

1-4 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/6914/20210525.html

2. The First Quarter of Fiscal Year Ending December 2021 Earnings Results

(1) Business Results

	1Q of FY 12/20	Ratio to sales	1Q of FY 12/21	Ratio to sales	YoY
Sales	8,801	100.0%	10,974	100.0%	+24.7%
Gross profit	4,767	54.2%	5,808	52.9%	+21.8%
SG&A	4,212	47.9%	4,482	40.8%	+6.4%
Operating profit	555	6.3%	1,326	12.1%	+139.0%
Ordinary profit	604	6.9%	1,582	14.4%	+161.8%
Quarterly Net Profit	356	4.0%	1,057	9.6%	+197.0%

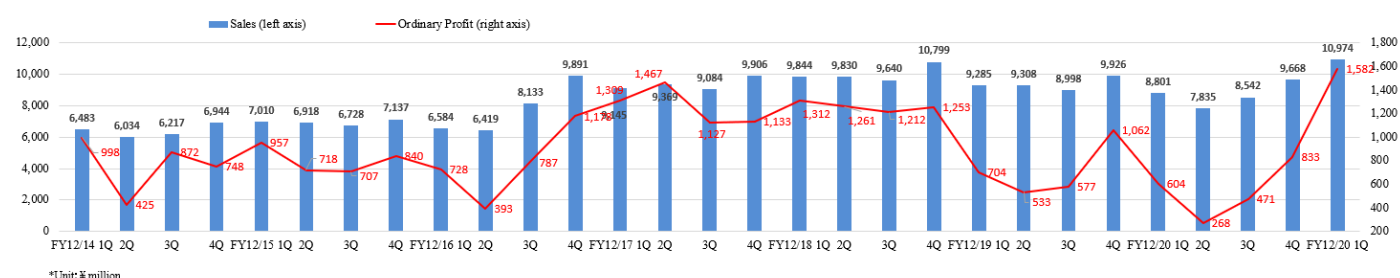
*Unit: million yen. The Quarterly Net profit is the quarterly profit attributable to owners of the parent company. The same shall apply hereinafter.

Substantial increase in sales and profit

The sales for the first quarter of the fiscal year ending December 2021 were 10,974 million yen, up 24.7% year on year. In addition to the growth of existing businesses, mainly the FA segment, IA business, and Sanritz Automation Co., Ltd. which became a subsidiary in the previous term, contributed to the sales growth.

Operating profit was 1,326 million yen, up 138.9% year on year. Gross profit margin decreased, but due to an increase in sales, gross profit increased, offsetting the increase in SG&A expenses.

©Trends in each quarter



Even on the quarterly base, sales and profit greatly increased from the previous quarter and from the same period of the previous year, exceeding the pre-pandemic level.

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◎Regional trends

	1Q of FY 12/20	Ratio to sales	1Q of FY 12/21	Ratio to sales	YoY
Consolidated Sales	8,801	100.0%	10,974	100.0%	+24.7%
Domestic	4,058	46.1%	5,298	48.3%	+30.6%
Overseas	4,743	53.9%	5,676	51.7%	+19.7%
America	1,093	12.4%	1,140	10.4%	+4.3%
Europe	2,674	30.4%	3,036	27.7%	+13.5%
Asia	976	11.1%	1,500	13.7%	+53.7%

*Unit: million yen.

Both Japan and overseas showed a double-digit increase in sales. Although sales in America increased only slightly, Asia, especially China showed large growth.

◎Average exchange rate

	1Q of FY 12/20	1Q of FY 12/21
USD	¥108.92	¥105.90
EURO	¥120.11	¥127.69

(2) Earnings by Segment

①Trends in each segment

	1Q of FY 12/20	Ratio to sales	1Q of FY 12/21	Ratio to sales	YoY
SS Business	4,537	51.6%	4,898	44.6%	+8.0%
IA Business	4,046	46.0%	5,806	52.9%	+43.5%
EMS Business	98	1.1%	156	1.4%	+59.4%
Others	119	1.4%	113	1.0%	-5.0%
Sales	8,801	100.0%	10,974	100.0%	+24.7%
SS Business	370	8.2%	696	14.2%	+87.9%
IA Business	337	8.3%	735	12.7%	+118.3%
EMS Business	-57	-	22	14.1%	-
Others	-5	-	-18	-	-
Adjustments	-89	-	-109	-	-
Operating profit	555	6.3%	1,326	12.1%	+139.0%

*Unit: million yen. Ratio to sales of Operating profit refers to Sales Profit margin.

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②Trends in each segment and region

	1Q of FY 12/20	Ratio to sales	1Q of FY 12/21	Ratio to sales	YoY
SS: Security	3,062	100.0%	3,274	100.0%	+6.9%
Japan	589	19.2%	649	19.8%	+10.2%
AMERICAs	567	18.5%	578	17.7%	+1.9%
EMEA	1,653	54.0%	1,778	54.3%	+7.6%
Asia	253	8.3%	269	8.2%	+6.3%
SS: Automatic door	1,042	100.0%	1,089	100.0%	+4.5%
Japan	510	48.9%	560	51.4%	+9.8%
AMERICAs	282	27.1%	261	24.0%	-7.4%
EMEA	227	21.8%	241	22.1%	+6.2%
Asia	23	2.2%	27	2.5%	+17.4%
IA: FA	1,562	100.0%	2,106	100.0%	+34.8%
Japan	900	57.6%	912	43.3%	+1.3%
AMERICAs	23	1.5%	39	1.9%	+69.6%
EMEA	366	23.4%	523	24.8%	+42.9%
Asia	273	17.5%	632	30.0%	+131.5%
IA: MVL	2,485	100.0%	2,723	100.0%	+9.6%
Japan	1,490	60.0%	1,496	54.9%	+0.4%
AMERICAs	221	8.9%	256	9.4%	+15.8%
EMEA	428	17.2%	494	18.1%	+15.4%
Asia	346	13.9%	477	17.5%	+37.9%
IA: IPC	-	-	977	100.0%	-
Japan	-	-	971	99.4%	-
AMERICAs	-	-	6	0.6%	-
EMS	98	100.0%	157	100.0%	+60.2%
Japan	67	68.4%	103	65.6%	+53.7%
Asia	31	31.6%	54	34.4%	+74.2%

*Unit: million yen

◎SS Business

Sales and profits increased.

(Security sensor segment)

Sales increased.

* Japan: The sale of outdoor intrusion detectors for security companies and large-scale critical facilities were healthy, resulting in an increase in sales.

* AMERICAs: While the sale of outdoor intrusion detectors for general housing and business offices was sluggish, the sale of products for large-scale critical facilities was favorable, resulting in an increase in sales.

* EMEA: The sale of detectors for large-scale critical facilities through the sales subsidiary in Europe and the sale of outdoor intrusion detectors for general housing in the Southern European region were healthy, resulting in an increase in sales.

* Asia: The sale of intrusion detectors in India and Southeast Asia was favorable, resulting in an increase in sales.

BRIDGE REPORT**(Automatic door sensor segment)**

Sales increased.

* Japan: Due to the steady demand from stores that sell daily necessities, the sale to automatic door dealers has increased steadily, resulting in an increase in sales.

* AMERICAS: The sale of products for major automatic door manufacturers in North America was sluggish due to disruption in the physical distribution and a shortage of parts, resulting in a decrease in sales.

* EMEA: The sale of products for major automatic door manufacturers in Europe was healthy, resulting in an increase in sales.

◎IA Business

Sales and profits increased.

(FA segment)

Sales increased.

* Japan: The sale for the food industry was sluggish, but the sale for electric devices, electronics and semiconductor related investments was healthy, resulting in the same level of sales year on year.

* EMEA: The sale of displacement sensors for electronic parts was healthy, resulting in a large increase in sales.

* Asia: The vigorous capital investment demand in China caused a steady growth in the sale of displacement sensors, resulting in a large increase in sales.

(MVL segment)

Sales increased.

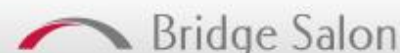
* Japan: The sale for the automotive industry was sluggish, but the sale for electric devices, electronics and semiconductor related investments was healthy, resulting in the same level of sales year on year.

* AMERICAS: The continued projects for the medical industry in the North American region and the orders received for semiconductor related investments resulted in an increase in sales.

* EMEA: The sales for the French subsidiary expanded due to the recovery of economic activities in Europe and product distribution to the United States of America, resulting in an increase in sales.

* Asia: The sale for semiconductor related investments in China expanded, resulting in a large increase in sales.

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

	End of Dec.2020	End of Mar.2021		End of Dec.2020	End of Mar.2021
Current Assets	33,067	35,095	Current liabilities	11,421	12,595
Cash	14,583	14,948	Payables	1,961	2,682
Receivables	8,305	9,451	ST Interest Bearing Liabilities	6,420	6,391
Inventories	8,318	8,672	Noncurrent liabilities	3,343	3,373
Noncurrent Assets	14,323	14,665	LT Interest Bearing Liabilities	232	168
Tangible Assets	6,167	6,576	Net defined benefit liabilities	1,289	1,281
Intangible Assets	3,742	3,608	Liabilities	14,765	15,968
Investment, Others	4,413	4,481	Net Assets	32,625	33,792
Total assets	47,390	49,761	Total Liabilities and Net Assets	47,390	49,761

*Unit: million yen

Total assets were 49,761 million yen, up 2,370 million yen from the end of the previous term, due to an increase in receivables, etc.
 Total liabilities were 15,968 million yen, up 1,203 million yen from the end of the previous term, due to an increase in payables, etc.
 Net assets were 33,792 million yen, up 1,167 million yen from the end of the previous term, due to an increase in retained earnings, etc.
 The equity ratio was 67.4%, down 1.0 point from the end of the previous fiscal year.

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	Progress rate against the first half	Progress rate against the full year
Sales	34,846	100.0%	40,000	100.0%	+14.8%	57.8%	27.4%
Operating Profit	2,098	6.0%	3,000	7.5%	+43.0%	132.6%	44.2%
Ordinary Profit	2,176	6.2%	3,200	8.0%	+47.1%	137.6%	49.4%
Net Profit	1,395	4.0%	2,200	5.5%	+57.7%	151.0%	48.0%

*Unit: million yen.

No change in earnings forecast. Forecast increase in sales and profit

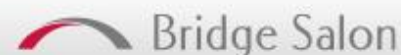
There is no change in the financial forecast. For the fiscal year ending December 2021, sales are estimated to grow 14.8% year on year to 40 billion yen, and operating profit is projected to rise 43.0% year on year to 3 billion yen.

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%.

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◎Regional trends

	FY 12/20	Ratio to sales	FY 12/21 Est.	Ratio to sales	YoY	Progress rate against the first half	Progress rate against the full year
Consolidated sales	34,846	100.0%	40,000	100.0%	+14.8%	57.8%	27.4%
Domestic	15,494	44.5%	19,217	48.0%	+24.0%	57.5%	27.6%
International	19,352	55.5%	20,783	52.0%	+7.4%	58.0%	27.3%
AMERICAs	4,402	12.6%	4,619	11.6%	+4.9%	52.1%	24.7%
Europe	10,428	29.9%	10,937	27.3%	+4.9%	56.0%	27.8%
Asia	4,522	13.0%	5,227	13.1%	+15.6%	68.9%	28.7%

*Unit: million yen.

(2) Trends in each segment

①Sales of each segment

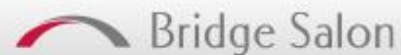
	FY 12/20	Ratio to sales	FY 12/21 Est.	Ratio to sales	YoY	Progress rate against the first half	Progress rate against the full year
SS Business	17,398	49.9%	18,481	46.2%	+6.2%	55.7%	26.5%
IA Business	16,488	47.3%	20,509	51.3%	+24.4%	59.8%	28.3%
EMS Business	472	1.4%	442	1.1%	-6.4%	71.6%	35.3%
Others	488	1.4%	568	1.4%	+16.4%	41.1%	19.9%
Consolidated sales	34,846	100.0%	40,000	100.0%	+14.8%	57.8%	27.4%

*Unit: million yen.

②Trends in each segment and region

	FY 12/20	Ratio to sales	FY 12/21 Est.	Ratio to sales	YoY	Progress rate against the first half	Progress rate against the full year
SS: Security	11,549	100.0%	12,245	100.0%	+6.0%	55.6%	26.7%
Japan	2,312	20.0%	2,498	20.4%	+8.0%	56.4%	26.0%
AMERICAs	2,255	19.5%	2,430	19.8%	+7.8%	49.9%	23.8%
EMEA	5,752	49.8%	5,984	48.9%	+4.0%	60.5%	29.7%
Asia	1,230	10.7%	1,333	10.9%	+8.4%	42.2%	20.2%
SS: Automatic door	3,938	100.0%	4,099	100.0%	+4.1%	55.7%	26.6%
Japan	2,030	51.5%	2,071	50.5%	+2.0%	57.1%	27.0%
AMERICAs	999	25.4%	1,066	26.0%	+6.7%	52.6%	24.5%
EMEA	783	19.9%	820	20.0%	+4.7%	58.6%	29.4%
Asia	126	3.2%	142	3.5%	+12.7%	40.3%	19.0%
IA: FA	7,307	100.0%	7,451	100.0%	+2.0%	59.8%	28.3%
Japan	3,436	47.0%	3,210	43.1%	-6.6%	50.8%	28.4%
AMERICAs	109	1.5%	159	2.1%	+45.9%	56.5%	24.5%
EMEA	2,264	31.0%	2,192	29.4%	-3.2%	48.3%	23.9%
Asia	1,498	20.5%	1,890	25.4%	+26.2%	110.3%	33.4%

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IA:MVL	9,181	100.0%	9,927	100.0%	+8.1%	57.9%	27.4%
Japan	5,233	57.0%	5,588	56.3%	+6.8%	58.9%	26.8%
AMERICAs	1,039	11.3%	964	9.7%	-7.2%	55.2%	26.6%
EMEA	1,629	17.7%	1,941	19.6%	+19.2%	49.9%	25.5%
Asia	1,280	13.9%	1,434	14.4%	+12.0%	67.4%	33.3%
IA:IPC	0	-	3,131	100.0%	-	65.5%	31.2%
Japan	0	-	3,131	100.0%	-	65.1%	31.0%
AMERICAs	0	-	0	0.0%	-	-	-
EMS	472	100.0%	442	100.0%	-6.4%	72.0%	35.5%
Japan	338	71.6%	313	70.8%	-7.4%	69.6%	32.9%
Asia	134	28.4%	129	29.2%	-3.7%	77.1%	41.9%

*Unit: million yen.

4. Central Policy for the Medium-Term Management Goals: Shift from “Mono Uri (Selling Products)” to “Koto Uri (Selling Solutions and Services)”

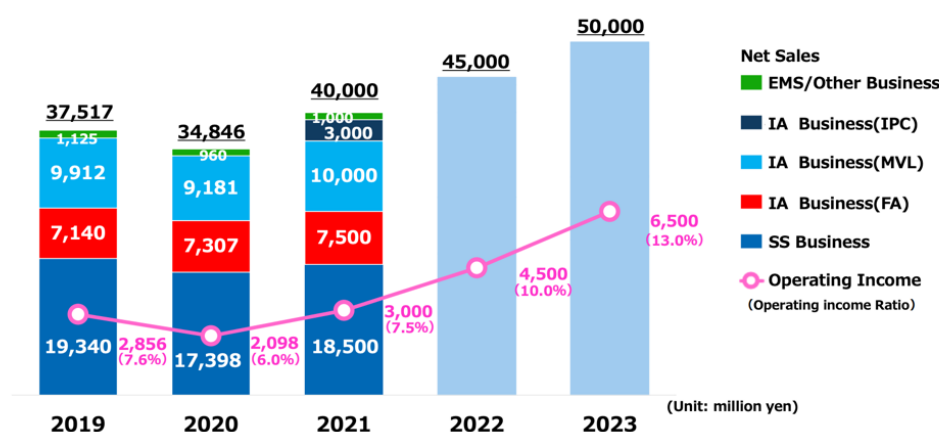
(1) Medium-term Managerial Goals

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.

To curb the indirect cost increase for the entire company by enhancing the functions of the headquarters through the installation of CMS (Cash Management System).

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

Medium-term Management Plan(Announced Feb. 2021)



(2) Main Measures: Shift from “Mono Uri (Selling Products)” to “Koto Uri (Selling Solutions and Services)”

The central policy for accomplishing the medium-term management plan is to transform the business model from “Mono Uri (Selling Products)” to “Koto Uri (Selling Solutions and Services).”

The shift from “Mono Uri” to “Koto Uri” in each business is as follows.

①SS Business: Security Sensor segment

The company is developing its "visual verification solution business" with the aim of expanding its market share in the US and Europe through an alliance with the US venture company CHeKT.

(Outline)

- * A new solution through which the outdoor sensors in which OPTEX GROUP CO., LTD. specializes can be linked with existing camera systems.
- * The camera-equipped sensor catches an intruder and sends that 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.

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- * 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)

② SS Business: Automatic Door Sensor Segment

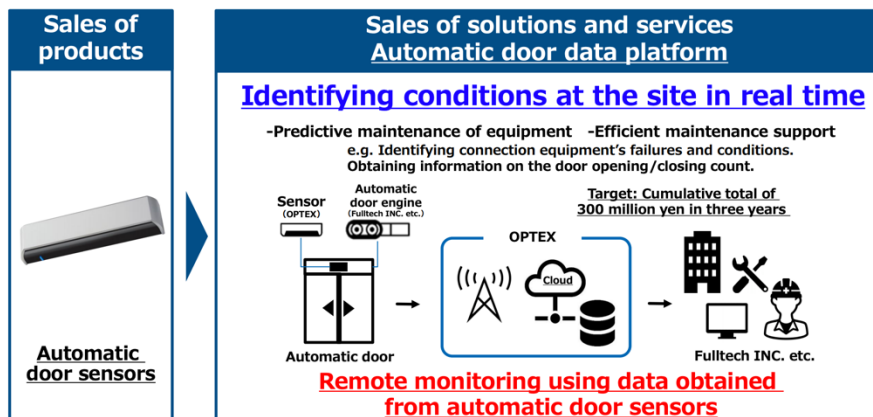
The company will expand its Data Service Business using its advantage of occupying 50% of the domestic market.

◎ Offer the First Domestic Automatic Door Data Platform

The company is offering an “Automatic Door Data Platform” which provides data obtained from automatic doors (operational information, set values like speed, etc., and error information).

(Outline)

- * An automatic door data platform made by combining the automatic door system with IoT technology, and composed of a gateway to transmit data, a setting application and data storage servers.
- * By utilizing the data collected, it is possible to visualize the usage condition of automatic doors from different locations as well as optimize the preventive maintenance and maintenance support of devices and equipment. It is the first domestic data service that can monitor any abnormalities and breakdowns of automatic doors in real-time by obtaining data on the operating conditions of connected equipment such as the automatic door itself and its sensors, as well as the number of times the door opened and closed.
- * Using OPTEX servers as an intermediary, the data obtained from automatic door systems will be sent to the servers of Fulltech INC. (1st section of Tokyo Stock Exchange, 6546), which handles the sale, construction, and maintenance of automatic door devices, and the data will be utilized for maintenance and respond to malfunctions and other signs of breakdown.
- * Presently, engineers have to periodically visit the location of each automatic door for confirmation and inspection because automatic doors require constant maintenance, but by installing the above system, one can grasp the condition of any automatic door in real-time from any distance, making efficient maintenance possible.
- * The company is aiming for a cumulative total of 300 million yen in sales over the next 3 years.



(Taken from the reference material of the company)

◎ Sharing Service “OMNICITY” Utilizing Automatic Door Sensors

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.

(Outline)

- * The company has installed sensors in 1 million automatic doors at stores and other commercial facilities in Japan.
- * Tens of millions of people enter and exit these entrance areas every day, and by using sensors with a built-in beacon function which can transmit information to the smartphones of people passing through these doors, the company can display advertisements and coupons that match their interests and preferences, encouraging their purchase.
- * The company will work on replacing 2 million automatic door sensors installed throughout the country with automatic door sensors with the built-in beacon functionality. Further, the company will expand the range of OMNICITY by expanding it to the company's various sensors installed in outdoor environments such as parking spots and buildings other than stores, as well as by linking them with sensors made by other companies.
- * The company plans to install sensors at 1 million locations by 2023.
- * The company will match stores with advertising companies etc., and earn a continuous income through a monthly payment if the matching is agreed to. Extremely high profitability can be expected.



(Taken from the reference material of the company)

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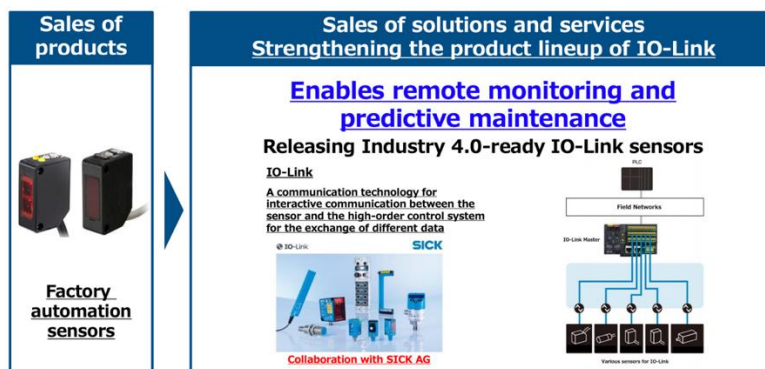


③IA Business: FA segment

The company will further promote cooperation with SICK AG, the world's leading sensor manufacturer.

(Outline)

- * The company released "IO-Link Sensors" and "IO-Link Gateways" which uniformly manages sensors and is compatible with Industry 4.0.
- * Through IO-Link, which is a communication technology capable of performing a variety of data exchange between sensors and a superior control system in both directions, the company can grasp the condition of devices from any distance, predict the duration of its endurance and repair them in the shortest possible time in the case of a breakdown.
- * The company will utilize its cooperation with SICK AG, the world's leading sensor manufacturer, to promote the spread of this technology.



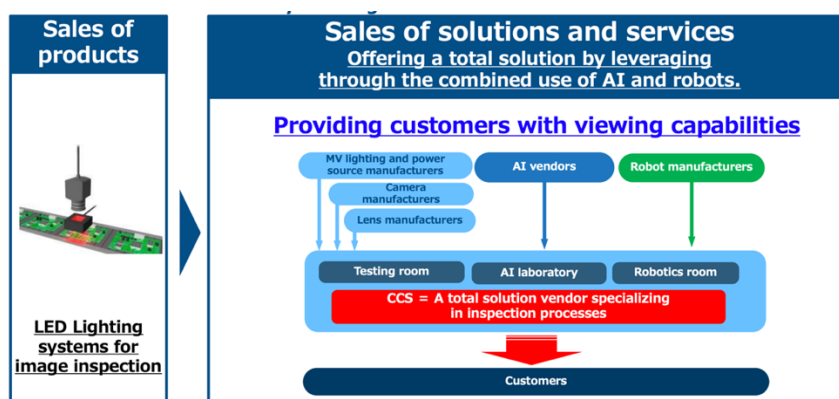
(Taken from the reference material of the company)

④ IA Business: MVL Segment

Offering a comprehensive solution using AI and robots.

(Outline)

- * Under the basic concept that users demand "Visible!" and "Possible!" rather than power sources for lighting, in addition to offering a solution consisting of cameras and lenses along with lights and a power source, the company is aiming to create a further expanded solution combined with boards, image processing software, AI and robots, as well as to raise the proposal stage.
- * To that aim, the company is pursuing alliances with multiple power supply unit manufacturers, camera manufacturers, lens manufacturers, AI companies and robot manufacturers.
- * The company is installing testing rooms to recreate inspection environments for the customers, AI laboratories, and robotics rooms inside and outside Japan and aiming to become a comprehensive solution company in the inspection process. The company is also cultivating a visual inspection market, which is said to be worth 250 billion yen.



(Taken from the reference material of the company)

5. Conclusions

A double-digit increase in sales and a large increase in profits were recorded, mainly due to the growth of FA segment in the Chinese market. Security sensor segment which had been sluggish during the previous term have also been steadily growing in every region, obtaining a favorable start for the fiscal year ending December 2021. All the profits have exceeded the estimates for the first half of the fiscal year and an upward adjustment is very likely as long as there are no major changes in the business environment.

Meanwhile, this term will be the first step towards the reattempt to achieve 50 billion yen in sales. The company believes the transformation of the business model from “Mono Uri” to “Koto Uri” will be the key to achieving this, but we would like to pay attention to how cases including the “Visual Verification Solution Business” will progress and contribute to revenues, as the company exerts its competitive advantage while the external business environment is favorable.

<Reference: Regarding Corporate Governance>

◎Organization type, and the composition of directors and auditors

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

◎Corporate Governance Report

The latest revision date: March 26, 2021

<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 55 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</p>

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	<p>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 a public relations/ IR section and endeavors to provide clear explanations of the Company's management policy and management situation.</p> <p>In addition, the representative director, president, officer in charge, and public relations/IR personnel 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 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.</p> <p>Note: At the 42nd Ordinary General Meeting of Shareholders, the Company cancelled the social gathering for shareholders to prevent the spread of COVID-19.</p>

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