



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	
¥1,514	37,735,784 shares	¥57,131 million	4.3%	100 shares	
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥30.00	2.0%	¥92.64	16.3x	¥896.02	1.7x

*The share price is the closing price on November 15. Shares outstanding, DPS and EPS are taken from the brief financial report for the third 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.	45,000	4,500	4,800	3,350	92.64	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 third quarter of fiscal year ending December 2021 and so on.

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Key Points

- In the third quarter of the fiscal year ending December 2021, sales grew 35.2% year on year to 34,049 million yen. In addition to the growth of the existing businesses, mainly the FA segment, IA business, Sanritz Automation contributed, which became a subsidiary in the previous term. Exchange rates increased sales by about 800 million yen. Operating profit was 3,816 million yen, up 201.3% year on year. Through the acquisition of Sanritz Automation as a subsidiary, gross profit margin declined, but gross profit rose thanks to the sales growth. The augmentation of SG&A, including the costs for acquiring Sanritz Automation as a subsidiary, was offset, and exchange rates increased profit by about 400 million yen. Consequently, profit grew considerably, and both sales and profit hit a record high.
- There is no revision to the full-year earnings forecasts. For the fiscal year ending December 2021, sales are projected to rise 29.1% year on year to 45 billion yen and operating profit is forecast to grow 114.4% year on year to 4.5 billion yen. Double-digit sales growth is expected in all major segments and all regions. Sanritz Automation acquired as a subsidiary is expected to increase sales by about 3.5 billion yen. The company plans to pay a dividend of 30.00 yen/share, unchanged from the previous term. The expected payout ratio is 32.4%.
- The company announced that MITSUTEC CO., LTD. which plans, develops, manufactures, and sells image processing and inspection equipment, would become a 100% subsidiary. Mitsutec plans, develops, manufactures, and sells image processing and inspection equipment in various industries, contributing to the improvement in quality of manufacturing with its advanced technologies. It also handles secondary battery manufacturing equipment, and as a system integrator for factory automation, it utilizes advanced mechatronics and image processing technologies for battery manufacturing equipment that is indispensable for a decarbonized society, etc., connects equipment with the Internet for IoT, enriches the traceability management function, and enhances measures for utilizing artificial intelligence (AI). By fusing the technologies and production capacities the two companies have nurtured, they will provide clients with comprehensive solutions, including the provision of innovative control and measurement devices, the installation of equipment, and the development of manufacturing lines, in the factory automation market.
- The company announced that it would acquire treasury shares, to improve the return to shareholders and capital efficiency. The company will acquire up to 650,000 shares by paying up to 1 billion yen.
- The progress rate in the third quarter was as high as 75.7% for sales and 84.8% for operating profit, but the earnings forecasts revised in July is unchanged. Bottoming out in the second quarter (Apr. to Jun.) of the previous term, business performance has been recovering thanks to the good performance in Japan and other Asian countries and in the IA Business. In the third quarter (Jul. to Sep.) of this term, sales grew from the same period of the previous year, but sales in all segments except the SS Business (automatic door-related) declined from the previous term. While there remain uncertainties due to the shortage of components, mainly semiconductors, the skyrocketing of material prices, etc., we would like to pay attention to the trend in the fourth quarter (Oct. to Dec.).
- Regarding M&A, which is a priority measure, the company acquired Mitsutec this term, following the acquisition of Sanritz Automation in the previous term. It is noteworthy whether they can exert synergy in the IA Business(FA segment)

speedily after changing its business model from the sale of tangible products to the sale of intangible things.

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, Mitsutec Corp., which plans, develops, manufactures, and sells image processing and inspection equipment, contributing to the improvement in quality of manufacturing with its advanced technologies (included in the scope of consolidation from the fiscal year ending December 2022), 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
MITSUTEC CO., LTD. (included in the scope of consolidation from the fiscal year ending December 2022)	Development, manufacturing, and sale of image processing inspection system and automation system
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 outdoor activities 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”, which operates programs for outdoor activities and experiencing and learning of the environment and develops apps 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 outdoor activities and environmental hands-on learning programs 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.

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

	FY12/ 11	FY12/ 12	FY12/ 13	FY12/ 14	FY12/ 15	FY12/ 16	FY12/ 17	F 12/ 18	FY12/ 19	FY12/ 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

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Leverage (times)	1.27	1.28	1.30	1.31	1.30	1.41	1.48	1.38	1.35	1.41
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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 Third Quarter of Fiscal Year Ending December 2021 Earnings Results

(1) Business Results

	3Q of FY 12/20	Ratio to sales	3Q of FY 12/21	Ratio to sales	YoY
Sales	25,178	100.0%	34,049	100.0%	+35.2%
Gross profit	13,495	53.6%	17,845	52.4%	+32.2%
SG&A	12,228	48.6%	14,029	41.2%	+14.7%
Operating profit	1,266	5.0%	3,816	11.2%	+201.3%
Ordinary profit	1,343	5.3%	4,191	12.3%	+212.1%
Quarterly Net Profit	713	2.8%	2,952	8.7%	+313.8%

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

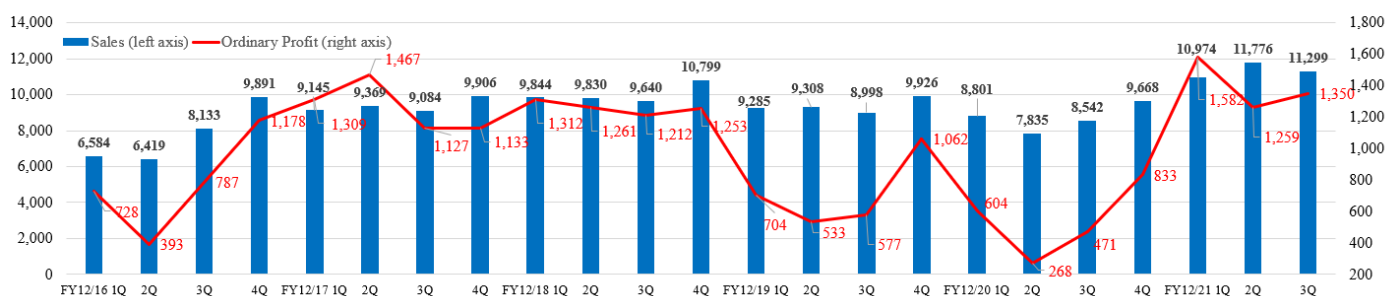
Substantial increase in sales and profit, the initial forecasts were exceeded considerably

Sales grew 35.2% year on year to 34,049 million yen. The acquisition of Sanritz Automation Co., Ltd. as a subsidiary in the previous term as well as strong growth of the existing businesses such as the FA segment, IA business, contributed to the sales increase. Foreign exchange also made a positive contribution of about 800 million yen. Operating profit was 3,816 million yen, up 201.3% year on year. Although the acquisition of Sanritz Automation as a subsidiary reduced gross profit margin, the rise in sales increased gross profit. The company achieved significant profit growth by offsetting an increase in SG&A, the foreign exchange also made a positive contribution of approximately 400 million yen. Profit increased substantially.

Both sales and profits reached record highs.

©Trends in each quarter

Trends of Sales and Ordinary Profit (unit : million yen)



Quarterly sales and profit increased considerably from the same period of the previous year, but declined 4.1% and 7%, respectively, from the previous quarter (the second quarter).

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◎Regional trends

	3Q of FY 12/20	Ratio to sales	3Q of FY 12/21	Ratio to sales	YoY
Consolidated Sales	25,178	100.0%	34,049	100.0%	+35.2%
Domestic	11,196	44.5%	15,395	45.2%	+37.5%
Overseas	13,982	55.5%	18,654	54.8%	+33.4%
America	3,205	12.7%	4,043	11.9%	+26.1%
Europe	7,600	30.2%	9,838	28.9%	+29.4%
Asia	3,177	12.6%	4,773	14.0%	+50.2%

*Unit: million yen. The cells with year-on-year sales growth rates exceeding 35.2% (company-wide sales growth rate) are colored.

Sales grew considerably inside and outside Japan. In particular, the sales in Asia, mainly China, increased about 50%.

◎Average exchange rate

	3Q of FY 12/20	3Q of FY 12/21
USD	¥107.59	¥108.50
EURO	¥120.90	¥129.83

(2) Earnings by Segment

①Trends in each segment

	3Q of FY 12/20	Ratio to sales	3Q of FY 12/21	Ratio to sales	YoY
SS Business	12,435	49.4%	15,023	44.1%	+20.8%
IA Business	12,093	48.0%	18,183	53.4%	+50.4%
EMS Business	299	1.2%	477	1.4%	+59.7%
Others	349	1.4%	364	1.1%	+4.3%
Sales	25,178	100.0%	34,049	100.0%	+35.2%
SS Business	833	6.7%	1,809	12.0%	+117.0%
IA Business	793	6.6%	2,174	12.0%	+174.0%
EMS Business	59	19.7%	254	53.2%	+330.5%
Others	-35	-	-12	-	-
Adjustments	-385	-	-409	-	-
Operating profit	1,266	5.0%	3,816	11.2%	+201.3%

*Unit: million yen. Ratio to sales of Operating profit refers to Sales Profit margin. The cells with year-on-year sales growth rates exceeding 35.2% (company-wide sales growth rate) are colored.

②Trends in each segment and region

	3Q of FY 12/20	Ratio to sales	3Q of FY 12/21	Ratio to sales	YoY
SS: Security	8,263	100.0%	10,334	100.0%	+25.1%
Japan	1,615	19.5%	1,820	17.6%	+12.7%
AMERICAS	1,679	20.3%	2,105	20.4%	+25.4%
EMEA	4,170	50.5%	5,465	52.9%	+31.1%
Asia	799	9.7%	944	9.1%	+18.1%
SS: Automatic door	2,886	100.0%	3,265	100.0%	+13.1%
Japan	1,492	51.7%	1,593	48.8%	+6.8%

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AMERICAs	749	26.0%	859	26.3%	+14.7%
EMEA	558	19.3%	720	22.1%	+29.0%
Asia	87	3.0%	93	2.8%	+6.9%
IA:FA	5,294	100.0%	7,245	100.0%	+36.9%
Japan	2,462	46.5%	3,205	44.2%	+30.2%
AMERICAs	77	1.5%	99	1.4%	+28.6%
EMEA	1,691	31.9%	1,946	26.9%	+15.1%
Asia	1,064	20.1%	1,995	27.5%	+87.5%
IA:MVL	6,799	100.0%	8,430	100.0%	+24.0%
Japan	3,939	57.9%	4,336	51.4%	+10.1%
AMERICAs	700	10.3%	953	11.3%	+36.1%
EMEA	1,181	17.4%	1,707	20.2%	+44.5%
Asia	979	14.4%	1,434	17.0%	+46.5%
IA:IPC	-	-	2,508	100.0%	-
Japan	-	-	2,482	99.0%	-
AMERICAs	-	-	26	1.0%	-
EMS	299	100.0%	477	100.0%	+59.5%
Japan	207	69.2%	312	65.4%	+50.7%
AMERICAs	-	-	1	0.2%	-
Asia	92	30.8%	164	34.4%	+78.3%

*Unit: million yen. The cells with year-on-year sales growth rates exceeding 35.2% (company-wide sales growth rate) are colored.

◎SS Business

Sales and profits increased.

(Security sensor segment)

Sales increased.

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

* AMERICAs: The sales of products for general housing, business offices and large-scale critical facilities were favorable, resulting in a large increase in sales.

* EMEA: The sales of products for general housing, business offices and large-scale critical facilities were favorable, resulting in a significant increase in sales.

* Asia: The sale of products for critical facilities was favorable, resulting in a large increase in sales.

(Automatic door sensor segment)

Sales increased.

* Japan: Due to the steady demand from stores that sell daily necessities and the demand for the sensor for the use of non-contact, 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 favorable, resulting in a large increase in sales.

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

◎IA Business

Sales and profits increased.

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**(FA segment)**

Sales increased.

* Japan: The sales for the food industry and electric devices, electronics and semiconductor related investments were favorable, resulting in a significant increase in sales.

* 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 a slight increase in sales.

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

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

(3) Financial Conditions**◎Main BS**

	End of Dec.2020	End of Sep.2021	Increase/ decrease		End of Dec.2020	End of Sep..2021	Increase/ decrease
Current Assets	33,067	37,498	+4,431	Current liabilities	11,421	13,275	+1,854
Cash	14,583	15,848	+1,265	Payables	1,961	2,744	+783
Receivables	8,305	9,817	+1,512	ST Interest Bearing Liabilities	6,420	6,103	-317
Inventories	8,318	9,994	+1,676	Noncurrent liabilities	3,343	16,480	+13,137
Noncurrent Assets	14,323	14,236	-87	LT Interest Bearing Liabilities	232	81	-151
Tangible Assets	6,167	6,387	+220	Net defined benefit liabilities	1,289	1,286	-3
Intangible Assets	3,742	3,319	-423	Liabilities	14,765	16,480	+1,715
Investment, Others	4,413	4,529	+116	Net Assets	32,625	35,253	+2,628
Total assets	47,390	51,734	+4,344	Total Liabilities and Net Assets	47,390	51,734	+4,344

*Unit: million yen

Total assets increased 4,344 million yen from the end of the previous term to 51,734 million yen, due to the growth of cash, receivables, inventories, etc.

Total liabilities went up 1,715 million yen from the end of the previous term to 16,480 million yen because, in part, the amount of payables increased while the amount of borrowings dropped.

Net assets were 35,253 million yen, up 2,628 million yen from the end of the previous term, due to an increase in retained earnings, etc. The equity ratio was 67.6%, down 0.8 point from the end of the previous fiscal year.

(4) Topics**① Acquisition of Mitsutec Co., Ltd. which plans, develops, manufactures, and sells image inspection system and automation system, as a 100% subsidiary**

In November 2021, the company announced the acquisition of Mitsutec (Hyogo Prefecture), which plans, develops, manufactures, and

sells image inspection system and automation system, as a 100% subsidiary

(Outline of Mitsutec Co., Ltd.)

Mitsutec Co., Ltd. was established in 1987. It plans, develops, manufactures, and sells image processing and inspection equipment for various industries, and contributes to the improvement in quality of manufacturing with advanced technologies. Since it was established, it has been handling secondary battery manufacturing equipment, and as a system integrator for factory automation, it utilizes advanced mechatronics and image processing technologies for battery manufacturing equipment required for a decarbonized society, etc.

In recent years, it has made equipment compatible with IoT, enriched the traceability management function, and enhanced measures for adopting artificial intelligence (AI).

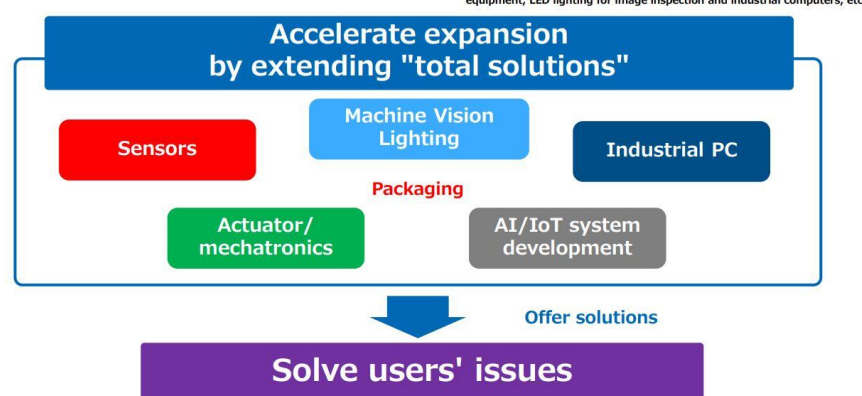
In the fiscal year ended March 2021, Mitsutec posted sales of 2,112 million yen, an operating loss of 241 million yen, total assets of 3,888 million yen, and net assets of 3,391 million yen.

(Purpose of the acquisition as a subsidiary)

By fusing the technologies and production capacities the Optex Group and Mitsutec have nurtured, they will provide clients with comprehensive solutions, including the provision of innovative control and measurement devices, the installation of equipment, and the development of manufacturing lines, in the factory automation market, cultivate business domains in promising fields, and improve the corporate value of the entire group.

Future Direction of the *IA Business

*IA=Industrial Automation
Business aimed at automation, labor saving and efficiency improvement in production and inspection processes by using sensors for industrial equipment, LED lighting for image inspection and industrial computers, etc.



(Taken from the reference material of the company)

(Overview of the acquisition as a subsidiary and the future outlook)

Optex Group will acquire 600 shares (100% of voting rights) from the representative director and president Hisanao Mitsu of Mitsutec. The acquisition price is undisclosed. The scheduled date of acquisition is November 30, 2021.

Mr. Noboru Higashi, who is currently a director in charge of strategies of Optex Group, will be appointed as representative director and president of Mitsutec.

Its impact on the business performance in the current term is minor. The impact on the business performance in the fiscal year ending December 2022 is being examined. If there emerge any items that should be disclosed, they will disclose them immediately.

② Announcement of acquisition of treasury shares

In November 2021, the company announced that it would acquire treasury shares to improve the return to shareholders and capital efficiency.

Total number of shares to be acquired	Up to 650,000 Ratio to the total number of outstanding shares excluding treasury shares: 1.80%
Total acquisition price	Up to 1 billion yen
Acquisition period	November 16, 2021 to December 23, 2021

Acquisition method	Buying via Tokyo Stock Exchange
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③ Application for listing on the new market Prime Market

In July 2021, Tokyo Stock Exchange, Inc. notified the company that it satisfies the criteria for remaining listed on the Prime Market as the results of the first screening for the new market classification, which will become effective in April 2022.

In response, in September 2021, the company decided to apply for listing on the new market Prime Market.

From now on, the company will proceed with the specified procedure for choosing a new market in accordance with the application schedule specified by Tokyo Stock Exchange.

④ GVS-OCR Series, an image sensor for print inspection, received the machinery award at the 24th Excellent Food Award of Japan Food Journal

In September 2021, GVS-OCR Series, an image sensor for print inspection of Optex FA Co., Ltd., received the machinery award at the 24th Excellent Food Award of Japan Food Journal.

This award was established by The Japan Food Journal Co., Ltd. with the aim of commending excellent products among all kinds of machines, materials, and ingredients that support the food industry.

This sensor was highly evaluated, because it is the highest-quality model with significantly improved on-site usability and text reading capacity and compatible with DX.

As other highly evaluated points, the company has made efforts to distribute print inspection equipment with excellent operability, installability, and cost-effectiveness in the food industry for over 15 years, and since it is possible to prevent recall or voluntary collection, it can contribute to society from the viewpoints of fulfilling “responsibilities to produce and use” in SDGs and reducing food loss.

The company received this award for the second time, after receiving it with the image sensor CVS1 series in 2004.

⑤ CCS Inc. participated in SoftBank 5G Consortium

In July 2021, CCS Inc. participated in SoftBank 5G Consortium, which was organized by SoftBank Corp.

In SoftBank 5G Consortium, SoftBank Corp. cooperates with business companies, related partners, external intellectuals, and others in various fields, in conducting demonstration experiments for 5G solutions to problems in each field and development for commercialization, for the purpose of accelerating the spread of 5G.

CCS proposes AI-based inspection automation solutions, because by combining cameras, lenses, and lighting suited for inspection targets in AI-based image recognition, it is possible to improve recognition precision and stabilize judgment.

If it becomes possible to transmit heavy data rapidly through the spread of 5G, it will be possible to judge whether each product is good or bad with AI software in the cloud, and it will be unnecessary to set an AI-installed PC at each production site, making it easier to adopt AI, so the company will pursue the utilization of AI-based inspection.

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 full year
Sales	34,846	100.0%	45,000	100.0%	+29.1%	75.7%
Operating Profit	2,098	6.0%	4,500	10.0%	+114.4%	84.8%
Ordinary Profit	2,176	6.2%	4,800	10.7%	+120.5%	87.3%
Net Profit	1,395	4.0%	3,350	7.4%	+140.1%	88.1%

*Unit: million yen.

No revision to the earnings forecasts. Sales and profit expected to grow considerably.

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There is no change in the financial forecast. Sales are expected to increase by 29.1% YoY to 45 billion yen and operating profit by 114.4% YoY to 4.5 billion yen. Sales are expected to increase by double digits in all major segments and all regions. SanritzAutomation, Inc., which became a subsidiary, will contribute approximately 3.5 billion yen to sales.

We plan to pay a dividend of 30.00 yen per share, the same as the previous fiscal year. The forecast payout ratio is 32.4%.

◎Regional trends

	FY 12/20	Ratio to sales	FY 12/21 Est.	Ratio to sales	YoY	Progress rate against the full year
Consolidated sales	34,846	100.0%	45,000	100.0%	+29.1%	75.7%
Domestic	15,494	44.5%	21,299	47.3%	+37.5%	72.3%
International	19,352	55.5%	23,701	52.7%	+22.5%	78.7%
AMERICAs	4,402	12.6%	5,109	11.4%	+16.1%	79.1%
Europe	10,428	29.9%	12,599	28.0%	+20.8%	78.1%
Asia	4,522	13.0%	5,993	13.3%	+32.5%	79.6%

*Unit: million yen. The cells with year-on-year sales growth rates exceeding 29.1% (company-wide sales growth rate) are colored.

(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 full year
SS Business	17,398	49.9%	20,388	45.3%	+17.2%	73.7%
IA Business	16,488	47.3%	23,490	52.2%	+42.5%	77.4%
EMS Business	472	1.4%	570	1.3%	+20.8%	83.7%
Others	488	1.4%	552	1.2%	+13.1%	65.9%
Consolidated sales	34,846	100.0%	45,000	100.0%	+29.1%	75.7%

*Unit: million yen. The cells with year-on-year sales growth rates exceeding 29.1% (company-wide sales growth rate) are colored.

②Trends in each segment and region

	FY 12/20	Ratio to sales	FY 12/21 Est.	Ratio to sales	YoY	Progress rate against the full year
SS: Security	11,549	100.0%	13,724	100.0%	+18.8%	75.3%
Japan	2,312	20.0%	2,708	19.7%	+17.1%	67.2%
AMERICAs	2,255	19.5%	2,639	19.2%	+17.0%	79.8%
EMEA	5,752	49.8%	7,035	51.3%	+22.3%	77.7%
Asia	1,230	10.7%	1,342	9.8%	+9.1%	70.3%
SS: Automatic door	3,938	100.0%	4,477	100.0%	+13.7%	72.9%
Japan	2,030	51.5%	2,228	49.8%	+9.8%	71.5%
AMERICAs	999	25.4%	1,180	26.4%	+18.1%	72.8%

BRIDGE REPORT



EMEA	783	19.9%	914	20.4%	+16.7%	78.8%
Asia	126	3.2%	155	3.5%	+23.0%	60.0%
IA:FA	7,307	100.0%	9,115	100.0%	+24.7%	79.5%
Japan	3,436	47.0%	4,183	45.9%	+21.7%	76.6%
AMERICAs	109	1.5%	159	1.7%	+45.9%	62.3%
EMEA	2,264	31.0%	2,424	26.6%	+7.1%	80.3%
Asia	1,498	20.5%	2,349	25.8%	+56.8%	84.9%
IA:MVL	9,181	100.0%	10,805	100.0%	+17.7%	78.0%
Japan	5,233	57.0%	5,741	53.1%	+9.7%	75.5%
AMERICAs	1,039	11.3%	1,114	10.3%	+7.2%	85.5%
EMEA	1,629	17.7%	2,226	20.6%	+36.6%	76.7%
Asia	1,280	13.9%	1,724	16.0%	+34.7%	83.2%
IA:IPC	-	-	3,570	100.0%	-	70.3%
Japan	-	-	3,554	99.6%	-	69.8%
AMERICAs	-	-	16	0.4%	-	162.5%
EMS	472	100.0%	570	100.0%	+20.8%	83.7%
Japan	338	71.6%	369	64.7%	+9.2%	84.6%
AMERICAs	-	-	1	0.2%	-	100%
Asia	134	28.4%	200	35.1%	+49.3%	82.0%

*Unit: million yen. The cells with year-on-year sales growth rates exceeding 29.1% (company-wide sales growth rate) are colored.

4. Future Points of Interest

The progress rate for the third quarter is high at 75.7% for sales and 84.8% for operating income, but the company has left the revised forecast unchanged in July.

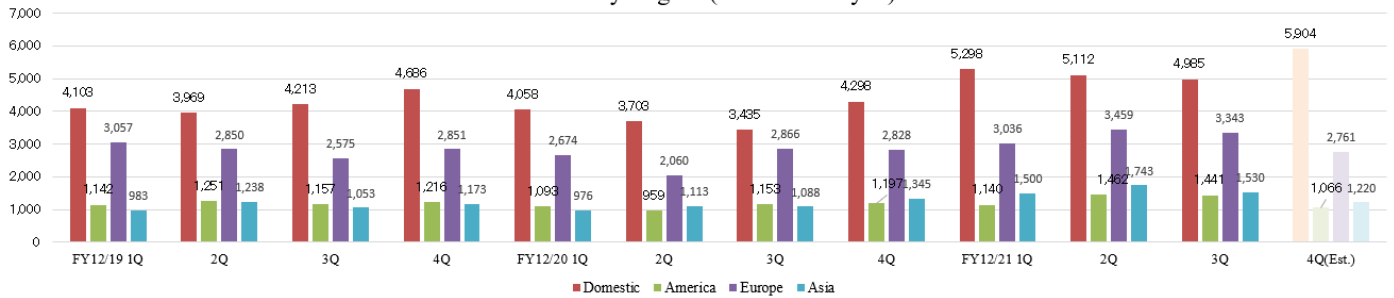
After bottoming out in the second quarter (April-June) of the previous fiscal year, the company has been recovering in Japan and Asia by region, and in IA business by segment, but in the third quarter (July-September) of the current fiscal year, sales increased year on year but declined year on year except for the SS business (automatic door related). However, in the third quarter (July-September) of this fiscal year, sales increased year on year, but decreased year on year except for the SS business (automatic door related). Amidst the continuing uncertainties such as shortage of parts and materials, especially semiconductors, and soaring raw material prices, we will be keeping a close eye on the trends in the fourth quarter (October-December).

On the other hand, in the area of M&A, which is one of the company's core strategies, following the acquisition of SanritzAutomation in the previous fiscal year, the company acquired Mitsu Tec as a group this fiscal year. As the company works to change its business model from "mono-selling to multi-selling," it will be interesting to see if it can quickly generate synergies in the IA business (FA and MVL related).

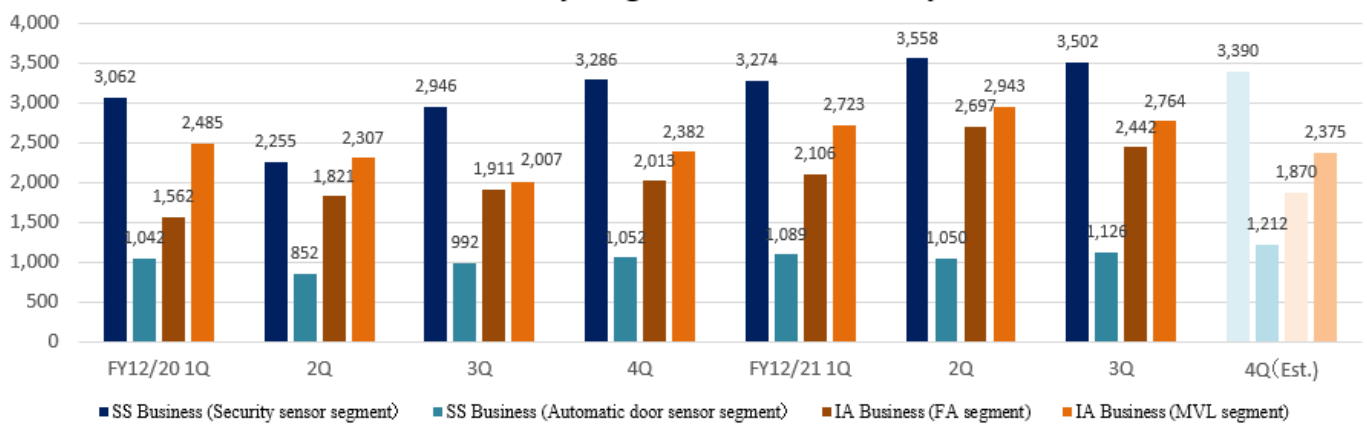
BRIDGE REPORT



Sales by Region (unit: million yen)



Sales by Segment (unit: million yen)

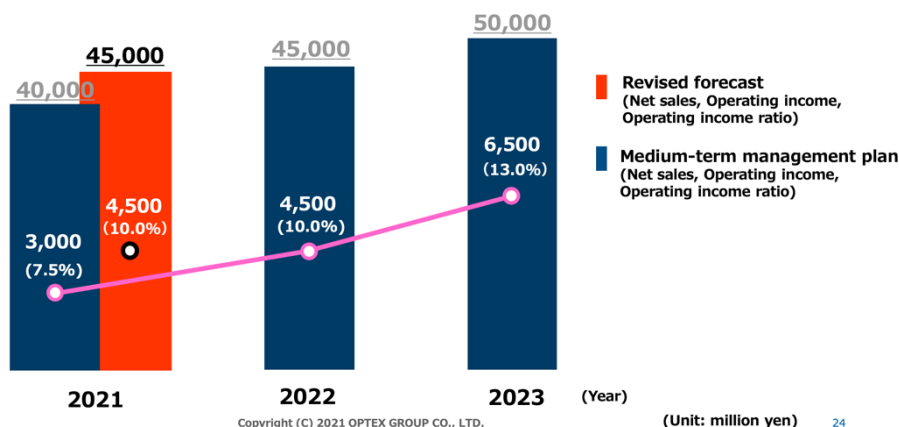


<Reference1: Medium-Term Business Plan>

1 Medium-term Managerial Goals

Under its business philosophy, “We aim to become a corporate group full of Venture Spirit!” OPTEX GROUP is taking on another challenge to generate sales of 50 billion yen in the fiscal year ending December 2023.

It revised the full-year business forecast for the fiscal year ending December 2021 upward, delivering a business performance stronger than the initial forecast. The company strives to achieve sales of 50 billion yen, a goal set for the final fiscal year, ahead of schedule.



2 Three Pillars of Management Strategy

In order to achieve the goals of the medium-term management plan, it is necessary to further strengthen the group management, and the company has positioned "Business Growth," "Strengthening Manufacturing Systems," and "Strengthening the Management System" as

the three pillars of management strategy.

① **Business Growth -Evolution of business model, M&A strategy-**

We will pursue sales and profit growth through a three-tiered structure: further growth of existing businesses (SS and IA businesses), growth through evolution of the business model from the sale of products to the sale of solutions and services, and acceleration of growth through M&A, etc. In the "Growth through evolution of business model from mono-selling to multi-selling", the following initiatives will be promoted in the SS and IA businesses.

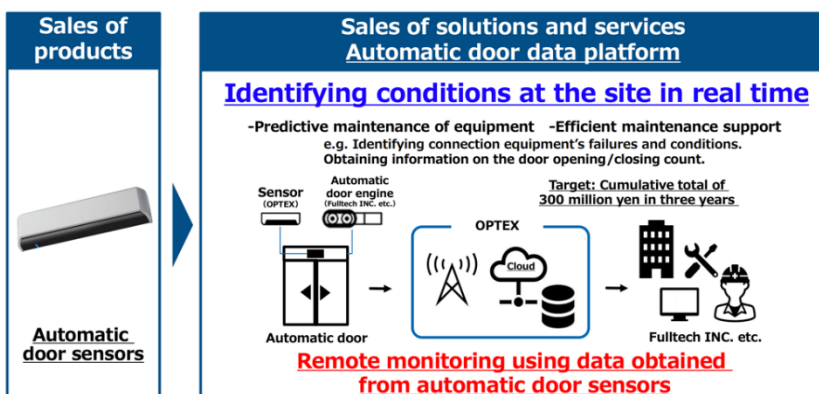
*** SS Business: Security Sensor segment**

The company will expand sales of its image verification solutions in the United States and Europe. It will provide not only sensors but systems as well.



*** SS Business: Automatic Door Sensor Segment**

The company will expand its Data Service Business using its advantage of occupying 50% of the domestic market. The company launched a sharing service, OMNICITY, in February of this year.



(Taken from the reference material of the company)

Sales of products



Automatic door sensors

Sales of solutions and services
Sharing service OMNICITY

Improve the efficiency of store operations and sales promotion 1,000,000 entrances at commercial facilities and stores in Japan

Information is transmitted to passersby's smartphones from an automatic door sensor equipped with a beacon.

(Example: Supermarket)



automatic door sensor equipped with a beacon

A customer comes to the store. >>> Receives transmitted coupons. >>> Takes advantage of discounts and makes purchases.


Expanding business by effectively utilizing information on the location of automatic door sensors.

(Taken from the reference material of the company)

*** IA Business: FA segment**

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

Sales of products



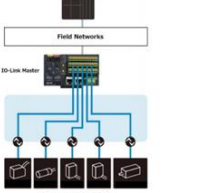
Factory automation sensors

Sales of solutions and services
Strengthening the product lineup of IO-Link

Enables remote monitoring and predictive maintenance

Releasing Industry 4.0-ready IO-Link sensors

IO-Link
A communication technology for interactive communication between the sensor and the high-order control system for the exchange of different data.



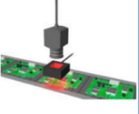
Collaboration with SICK AG

(Taken from the reference material of the company)

***IA Business (Machine Vision Lighting (MVL) segment)**

The company proposes comprehensive solutions by using AI and robots to cultivate data in the field of visual inspection that is currently performed with the human eye.

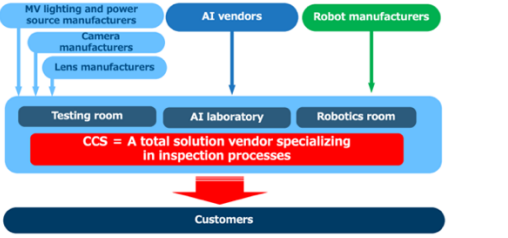
Sales of products



LED Lighting systems for image inspection

Sales of solutions and services
Offering a total solution by leveraging through the combined use of AI and robots.

Providing customers with viewing capabilities



Customers

(Taken from the reference material of the company)

② Strengthening Manufacturing System — Cost reduction through group synergy

In June 2021, the company placed the engineering department, the research and development department, the production department, and the quality assurance department of OPTEX MFG CO., LTD., and CCS Inc. in the same location.

While OPTEX MFG engages primarily in providing mass-produced products by manufacturing sensors for security, automatic doors, and factory automation, CCS mainly offers custom-made products by manufacturing LED lights for image inspection.

Taking advantage of the difference in the product characteristics between the two companies, OPTEX GROUP shares their know-how

and implements measures for improving quality, cost, delivery (QCD), such as reduction of the cost of parts and processing costs.

③ Strengthening the Management System — Improvement of the unifying power as the holding company

The holding company OPTEX GROUP will serve as a control tower to conduct business operations that will further raise the corporate value when they are carried out from a group-wide viewpoint among the operations conventionally run by each of the group companies. Starting off with adopting a cash management system (CMS), the company aims to cut down on cost by integrating indirect operations through adoption of shared services.

It will also enhance its group management structure by focusing on understanding the group-wide business conditions, strengthening the strategic planning functions and management power, and minimizing risks.

OPTEX GROUP aims to continuously achieve management indexes such as a sales growth rate of over 10%, a rate of operating profit on sales of over 15%, and a return on equity (ROE) of over 10%, which it has considered to be important, by enhancing management capabilities.

Giving a particular focus to one of the indexes, a rate of operating profit on sales of over 15%, the company projects that the cost of goods sold and the SG&A ratio will account for 45% and 40%, respectively, of the total cost.

<Reference2: 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</p>

	<p>(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>
<p>Principle 5-1 Policy for the constructive dialogues with shareholders</p>	<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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