



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	
¥1,606	37,735,784 shares	¥60,603 million	11.2%	100 shares	
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥36.00	2.2%	¥127.37	12.6x	¥987.36	1.6x

*The share price is the closing price on February 21. Each number was taken from the brief report in FY 12/21.

Earnings Trend

Fiscal Year	Sales	Operating profit	Ordinary profit	Net profit	EPS	DPS
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	45,866	4,630	5,130	3,762	104.18	30.00
December 2022 Est.	53,000	6,000	6,100	4,600	127.37	36.00

* 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 2021 and so on.

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Key Points

- In the fiscal year ended December 2021, sales grew 31.6% year on year to 45,866 million yen. In addition to the growth of the existing businesses, mainly the FA segment in IA business, Sanritz Automation contributed 3.3 billion yen, which became a subsidiary in the previous term. Exchange rates increased sales by about 1.2 billion yen. Operating profit was 4,630 million yen, up 120.7% 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 900 million yen. Consequently, profit grew considerably, and both sales and ordinary profit exceeded the revised forecast and hit a record high.
- Results recovered after bottoming out in the second quarter of the fiscal year ended December 2020 on a quarterly basis. However, sales and profits were sluggish from the third quarter of the fiscal year ended December 2021 onward. This was the result of the impact of supply delays due to parts shortages and logistics disruptions.
- The forecasts for the fiscal year ending December 2022 are for sales to be up 15.6% year-on-year to 53 billion yen and operating profit to be up 29.6% year-on-year to 6 billion yen. Sales are expected to increase in all segments and all regions. The impact of parts shortages and other uncertainties remains. Nevertheless, the company will reliably capture demand in each business. It will also revise its prices while obtaining the understanding of its customers. The company plans to increase its dividend payment year-on-year by 6 yen per share to 36.00 yen per share. Its expected dividend payout ratio is 28.3%.
- The fiscal year ended December 2021 as a whole saw a significant increase in sales and profits. Nevertheless, sales and profits were sluggish in the second half of the fiscal year. These were caused by the impact of supply delays due to parts shortages and logistics disruptions. Looking at the results by segment, each segment saw a recovery after bottoming out in the second quarter or the third quarter of the fiscal year ended December 2020. However, the second quarter of the fiscal year ended December 2021 has been the peak for the time being in businesses other than the SS business (automatic door-related). Parts shortages are expected to continue in the current fiscal year ending December 2022. Against this background, the company has positioned the supply of products as its top priority to maintain the relationship of trust it has with its customers. Accordingly, it seems that an increase in costs of a certain level is unavoidable. We await the situation in the first quarter (January to March).
- On the other hand, it is possible to see progress in each of the three prongs that serve as the company's growth measures in its Mid-term Management Plan 2024. The company has been able to acquire thousands of contracts from the previous term in image confirmation solutions (SS business / security-related) in which it has its highest expectations in terms of "growth of existing businesses." Moreover, in terms of "synergy with companies acquired" the joint sale of CCS and OPTEx FA has started contributing to sales and profits in concrete terms. Sales of the company's French subsidiary in CCS also increased greatly in terms of "growth of companies acquired". We would like to pay attention to whether the company can speedily demonstrate the growth and synergistic effects of Sanritz Automation and Mitsutec.

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 Co., Ltd., which plans, develops, manufactures, and sells image processing, inspection, and measuring equipment and automated machinery and 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, and measuring equipment and automated machinery and equipment
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. Furthermore, the company made Mitsutec Co., Ltd. into a subsidiary in November 2021. Mitsutec Co., Ltd. is a company that plans, develops, manufactures, and sells image processing inspection / measuring equipment and automated machinery and equipment. In February 2022, it announced its three-year mid-term management plan with the final year being the fiscal year ending December 2024. 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.

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
High market share	<p>The company has a high share in unique products with their motto, “global niche No. 1.”</p> <p>Outdoor intrusion detection sensors: 40%</p> <p>Sensors for automatic doors: 30%</p> <p>LED lighting for image inspections: 30%</p>

1-4 ROE analysis

	FY12/ 12	FY12/ 13	FY12/ 14	FY12/ 15	FY12/ 16	FY12/ 17	F 12/ 18	FY12/ 19	FY12/ 20	FY12/ 21
ROE (%)	4.6	8.2	8.6	8.7	7.4	12.6	12.3	6.8	4.3	11.2
Net profit margin (%)	3.99	6.87	7.39	7.38	5.83	9.03	9.41	5.86	4.00	8.20
Total asset turnover (times)	0.91	0.92	0.89	0.91	0.91	0.95	0.95	0.86	0.76	0.87
Leverage (times)	1.28	1.30	1.31	1.30	1.41	1.48	1.38	1.35	1.41	1.56

The ROE of the company recovered to its target of 10% or more for the first time in three terms in the fiscal year ended December 2021. It is aiming for an operating profit margin of 15% or more in its Mid-term Management Plan 2024. Under this aim, it will promote cost efficiencies and a transformation from selling goods to selling things with the aim of reliably improving its ROE and maintaining it to at least 10%.

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. Fiscal Year Ended December 2021 Earnings Results

(1) Business Results

	FY 12/20	Ratio to sales	FY 12/21	Ratio to sales	YoY	Compared to revised forecast
Sales	34,846	100.0%	45,866	100.0%	+31.6%	+1.9%
Gross profit	18,543	53.2%	23,884	52.1%	+28.8%	-
SG&A	16,445	47.2%	19,253	42.0%	+17.1%	-
Operating profit	2,098	6.0%	4,630	10.1%	+120.7%	+2.9%
Ordinary profit	2,176	6.2%	5,130	11.2%	+135.8%	+6.9%
Net Profit	1,395	4.0%	3,762	8.2%	+169.7%	+12.3%

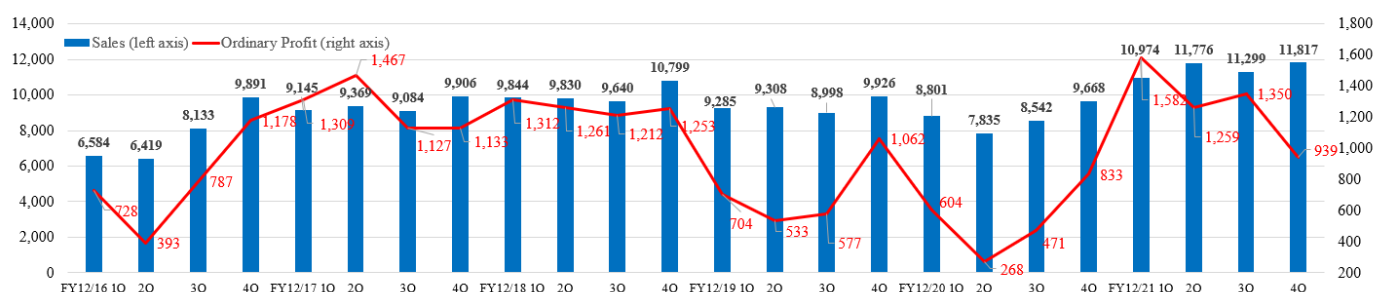
*Unit: million yen. The Net profit is the profit attributable to owners of the parent company. The same shall apply hereinafter.

Sales and profit increased significantly. Both sales and profit hit a record high.

In the fiscal year ended December 2021, sales grew 31.6% year on year to 45,866 million yen. In addition to the growth of the existing businesses, mainly the FA segment in IA business, Sanritz Automation contributed 3.3 billion yen, which became a subsidiary in the previous term. Exchange rates increased sales by about 1.2 billion yen. Operating profit was 4,630 million yen, up 120.7% 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 900 million yen. Consequently, profit grew considerably, and both sales and ordinary profit exceeded the revised forecast and hit a record high.

©Trends in each quarter

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



Sales and profits increased year-on-year in the fourth quarter. Sales increased and profits fell compared to the previous term (compared to the third quarter).

Results recovered after bottoming out in the second quarter of the fiscal year ended December 2020. However, sales and profits have been sluggish since the third quarter of the fiscal year ended December 2021. That is because of the impact of supply delays due to parts shortages and logistics disruptions in the SS business (security-related) and IA business (FA business).

©Regional trends

	FY 12/20	Ratio to sales	FY 12/21	Ratio to sales	YoY	Compared to revised forecast
Consolidated Sales	34,846	100.0%	45,866	100.0%	+31.6%	+1.9%
Domestic	15,494	44.5%	21,157	46.1%	+36.5%	-0.7%
Overseas	19,352	55.5%	24,709	53.9%	+27.7%	+4.3%
America	4,402	12.6%	5,381	11.7%	+22.2%	+5.3%
Europe	10,428	29.9%	12,965	28.3%	+24.3%	+2.9%
Asia	4,522	13.0%	6,363	13.9%	+40.7%	+6.2%

*Unit: million yen.

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Sales grew considerably inside and outside Japan. In particular, the sales in Asia, mainly China, increased about 40%.

◎Average exchange rate

	FY 12/20	FY 12/21
USD	¥106.82	¥109.80
EURO	¥121.81	¥129.89

(2) Earnings by Segment

①Trends in each segment

	FY 12/20	Ratio to sales	FY 12/21	Ratio to sales	YoY	Compared to revised forecast
SS Business	17,398	49.9%	20,164	44.0%	+15.9%	-1.1%
IA Business	16,488	47.3%	24,409	53.2%	+48.0%	+3.9%
EMS Business	471	1.4%	756	1.6%	+60.5%	+32.6%
Others	487	1.4%	534	1.2%	+9.7%	-3.3%
Sales	34,846	100.0%	45,866	100.0%	+31.6%	+1.9%
SS Business	1,430	8.2%	2,201	10.9%	+53.9%	-
IA Business	1,086	6.6%	2,700	11.1%	+148.6%	-
EMS Business	66	14.0%	310	41.0%	+369.7%	-
Others	-28	-	15	2.8%	-	-
Adjustments	-456	-	-596	-	-	-
Operating profit	2,098	6.0%	4,630	10.1%	+120.7%	-

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

②Trends in each segment and region

	FY 12/20	Ratio to sales	FY 12/21	Ratio to sales	YoY	Compared to revised forecast
SS: Security	11,549	100.0%	13,653	100.0%	+18.2%	-0.5%
Japan	2,312	20.0%	2,465	18.1%	+6.6%	-9.0%
AMERICAs	2,255	19.5%	2,811	20.6%	+24.7%	+6.5%
EMEA	5,752	49.8%	7,044	51.6%	+22.5%	+0.1%
Asia	1,230	10.7%	1,333	9.8%	+8.4%	-0.7%
SS: Automatic door	3,938	100.0%	4,443	100.0%	+12.8%	-0.8%
Japan	2,030	51.5%	2,186	49.2%	+7.7%	-1.9%
AMERICAs	999	25.4%	1,152	25.9%	+15.3%	-2.4%
EMEA	783	19.9%	975	21.9%	+24.5%	+6.7%
Asia	126	3.2%	130	2.9%	+3.2%	-16.1%
IA: FA	7,307	100.0%	9,711	100.0%	+32.9%	+6.5%
Japan	3,436	47.0%	4,389	45.2%	+27.7%	+4.9%
AMERICAs	109	1.5%	143	1.5%	+31.2%	-10.1%
EMEA	2,264	31.0%	2,621	27.0%	+15.8%	+8.1%
Asia	1,498	20.5%	2,558	26.3%	+70.8%	+8.9%
IA: MVL	9,181	100.0%	11,364	100.0%	+23.8%	+5.2%
Japan	5,233	57.0%	5,881	51.8%	+12.4%	+2.4%

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AMERICAs	1,039	11.3%	1,233	10.9%	+18.7%	+10.7%
EMEA	1,629	17.7%	2,325	20.5%	+42.7%	+4.4%
Asia	1,280	13.9%	1,925	16.9%	+50.4%	+11.7%
IA:IPC	0	-	3,334	100.0%	-	-6.6%
Japan	0	-	3,294	98.8%	-	-7.3%
AMERICAs	0	-	40	1.2%	-	+150.0%
EMS	472	100.0%	757	100.0%	+60.4%	+32.8%
Japan	338	71.6%	529	69.9%	+56.5%	+43.4%
AMERICAs	0	-	2	0.3%	-	+100.0%
Asia	134	28.4%	226	29.9%	+68.7%	+13.0%

*Unit: million yen.

◎SS Business

Sales and profits increased.

(Security sensor segment)

Sales increased. The effects of direct marketing, which has been deployed since several years ago in America and Europe, are beginning to appear.

* 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: Sales were sluggish in the fourth quarter due to parts shortages and logistics disruptions. Nevertheless, sales increased significantly due to the sales effect of direct marketing for business establishments and large important facilities and the effect of new products (e.g., laser sensors).

*EMEA: Sales were sluggish from the third quarter onward due to parts shortages and logistics disruptions. Nevertheless, sales increased significantly due to the recovery of market conditions for general housing and business establishments and the sales effect of direct marketing for large important facilities.

* Asia: Sales for important facilities were strong amid differences in the recovery of market conditions by country, showing an increase.

(Automatic door sensor segment)

Sales increased. Although easily affected by economic trends, results are recovering.

* Japan: Sales were steady and showed an increase due to a steady recovery in the market conditions and demand for non-contract application sensors.

*AMERICAs: Sales were sluggish from the third quarter onward due to parts shortages and logistics disruptions. Nevertheless, sales increased due to a recovery in market conditions and strong sales for major automatic door manufacturers in North America.

*EMEA: Product supplies were delayed due to parts shortages and logistics disruptions. Nevertheless, sales increased significantly due to strong sales for major automatic door manufacturers in Europe.

◎IA Business

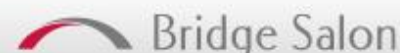
Sales and profits increased.

(FA segment)

Sales increased. Sales increased greatly in the first half of the fiscal year due to an increase in capital investment in China. However, sales in the second half of the fiscal year were affected by parts shortages. Sales for electronic and semiconductor related customers are expanding due to synergies with CCS. The company's market share of displacement sensors with high price competitiveness is increasing.

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

BRIDGE REPORT



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

* Asia: The sales of displacement sensors and other products were favorable due to strong capital investment demand for semiconductors, electronic parts, rechargeable batteries, and other products in China. These led to a significant increase in sales.

(MVL segment)

Sales increased. The overseas sales ratio rose due to the contribution of a French subsidiary and other factors. Customer proposals in the testing room that are their strength were affected by the novel coronavirus.

* 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 and Cash flow**◎Main BS**

	End of Dec.2020	End of Dec.2021	Increase/ decrease		End of Dec.2020	End of Dec.2021	Increase/ decrease
Current Assets	33,067	42,544	+9,477	Current liabilities	11,421	18,562	+7,141
Cash	14,583	17,120	+2,537	Payables	1,961	2,589	+628
Receivables	8,305	10,444	+2,139	ST Interest Bearing Liabilities	6,420	10,684	+4,264
Inventories	8,318	11,635	+3,317	Noncurrent liabilities	3,343	3,846	+503
Noncurrent Assets	14,323	15,224	+901	LT Interest Bearing Liabilities	232	210	-22
Tangible Assets	6,167	6,993	+826	Net defined benefit liabilities	1,289	1,366	+77
Intangible Assets	3,742	3,204	-538	Liabilities	14,765	22,408	+7,643
Investment, Others	4,413	5,026	+613	Net Assets	32,625	35,360	+2,735
Total assets	47,390	57,769	+10,379	Total Liabilities and Net Assets	47,390	57,769	+10,379

*Unit: million yen

Total assets increased 10,379 million yen from the end of the previous term to 57,769 million yen, due to the growth of cash, receivables, inventories, etc.

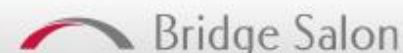
Total liabilities went up 7,643 million yen from the end of the previous term to 22,408 million yen, due to an increase in interest bearing liabilities, etc.

Net assets were 35,360 million yen, up 2,735 million yen from the end of the previous term, due to an increase in retained earnings, etc. The equity ratio was 60.7%, down 7.7 point from the end of the previous fiscal year.

◎CF

	FY12/20	FY12/21	Increase/ decrease
Operating CF	3,894	3,102	-792
Investing CF	-3,228	-2,845	+383
Free CF	666	257	-409
Financial CF	1,578	1,793	+215

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Cash and equivalent	14,583	17,120	+2,537
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*Unit: million yen

Net profit before income taxes increased. On the other hand, operating cash flow turned negative due to an increase in receivables and inventories and other factors. The surplus of the free cash flow shrank.

The cash position rose.

(4) Topics

① CCS Inc. has established CCS KOREA Inc.

CCS Inc. upgraded its representative office in Anyang, Gyeonggi-do in South Korea to a subsidiary of CCS. It started operation as CCS KOREA Inc. from February 2022.

CCS established a testing room (laboratory) in 2016 in South Korea. In 2019, as a representative office in South Korea, it then provided solutions for image processing inspections to the manufacturing industry in Asia where business is developing rapidly.

There are many cases of electronic parts and display manufacturing devices and other products being manufactured domestically and then being exported to neighboring countries in South Korea. The company has responded to local customer needs such as the desire to select lighting to be incorporated into devices. Nevertheless, it has now turned its representative office in South Korea into a local subsidiary to respond to those needs even more promptly and to strengthen support capabilities.

This will also enable transactions in local currency with customers in South Korea. It will also eliminate the burden in import procedures.

② Application for listing on the new market Prime Market

The company will transition to the Prime Market from April 4, 2022 as announced by the Tokyo Stock Exchange, Inc. in January 2022.

3. Fiscal Year Ending December 2022 Earnings Forecasts

(1) Earnings forecast

	FY 12/21	Ratio to sales	FY 12/22 Est.	Ratio to sales	YoY
Sales	45,866	100.0%	53,000	100.0%	+15.6%
Operating Profit	4,630	10.1%	6,000	11.3%	+29.6%
Ordinary Profit	5,130	11.2%	6,100	11.5%	+18.9%
Net Profit	3,762	8.2%	4,600	8.7%	+22.3%

*Unit: million yen.

Sales and profit expected to increase

The forecasts for the fiscal year ending December 2022 are for sales to be up 15.6% year-on-year to 53 billion yen and operating profit to be up 29.6% year-on-year to 6 billion yen. Sales are expected to increase in all segments and all regions. The impact of parts shortages and other uncertainties remains. Nevertheless, the company will reliably capture demand in each business. It will also revise its prices while obtaining the understanding of its customers. The company plans to increase its dividend payment year-on-year by 6 yen per share to 36.00 yen per share. Its expected dividend payout ratio is 28.3%.

Regional trends

	FY 12/21	Ratio to sales	FY 12/22 Est.	Ratio to sales	YoY
Consolidated sales	45,866	100.0%	53,000	100.0%	+15.6%
Domestic	21,157	46.1%	25,568	48.2%	+20.8%
International	24,709	53.9%	27,432	51.8%	+11.0%
AMERICAs	5,381	11.7%	5,933	11.2%	+10.3%
Europe	12,965	28.3%	14,461	27.3%	+11.5%
Asia	6,363	13.9%	7,038	13.3%	+10.6%

*Unit: million yen. The cells with year-on-year sales growth rates exceeding 15.6% (company-wide sales growth rate) are colored.

(2) Trends in each segment

① Sales of each segment

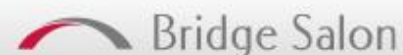
	FY 12/21	Ratio to sales	FY 12/22 Est.	Ratio to sales	YoY
SS Business	20,164	44.0%	21,984	41.5%	+9.0%
IA Business	24,409	53.2%	29,489	55.6%	+20.8%
EMS Business	756	1.6%	873	1.6%	+15.5%
Others	534	1.2%	654	1.2%	+22.5%
Consolidated sales	45,866	100.0%	53,000	100.0%	+15.6%

*Unit: million yen. The cells with year-on-year sales growth rates exceeding 15.6% (company-wide sales growth rate) are colored.

② Trends in each segment and region

	FY 12/21	Ratio to sales	FY 12/22 Est.	Ratio to sales	YoY
SS: Security	13,653	100.0%	14,947	100.0%	+9.5%
Japan	2,465	18.1%	2,779	18.6%	+12.7%
AMERICAs	2,811	20.6%	3,062	20.5%	+8.9%
EMEA	7,044	51.6%	7,678	51.4%	+9.0%
Asia	1,333	9.8%	1,428	9.6%	+7.1%
SS: Automatic door	4,443	100.0%	4,818	100.0%	+8.4%
Japan	2,186	49.2%	2,395	49.7%	+9.6%
AMERICAs	1,152	25.9%	1,215	25.2%	+5.5%
EMEA	975	21.9%	1,052	21.8%	+7.9%

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Asia	130	2.9%	156	3.2%	+20.0%
IA:FA	9,711	100.0%	10,364	100.0%	+6.7%
Japan	4,389	49.2%	4,363	49.7%	-0.6%
AMERICAs	143	25.9%	189	25.2%	+32.2%
EMEA	2,621	21.9%	3,034	21.8%	+15.8%
Asia	2,558	2.9%	2,778	3.2%	+8.6%
IA:MVL	11,364	100.0%	12,717	100.0%	+11.9%
Japan	5,881	51.8%	6,405	50.4%	+8.9%
AMERICAs	1,233	10.9%	1,452	11.4%	+17.8%
EMEA	2,325	20.5%	2,697	21.2%	+16.0%
Asia	1,925	16.9%	2,163	17.0%	+12.4%
IA:IPC	3,334	100.0%	3,781	100.0%	+13.4%
Japan	3,294	98.8%	3,766	99.6%	+14.3%
AMERICAs	40	1.2%	15	0.4%	-62.5%
IA:MT	0	-	2,627	100.0%	-
	0	-	2,627	100.0%	-
EMS	757	100.0%	873	100.0%	+15.3%
Japan	529	69.9%	623	71.4%	+17.8%
AMERICAs	2	0.3%	0	0.0%	-
Asia	226	29.9%	250	28.6%	+10.6%

*Unit: million yen. The cells with year-on-year sales growth rates exceeding 15.6% (company-wide sales growth rate) are colored.

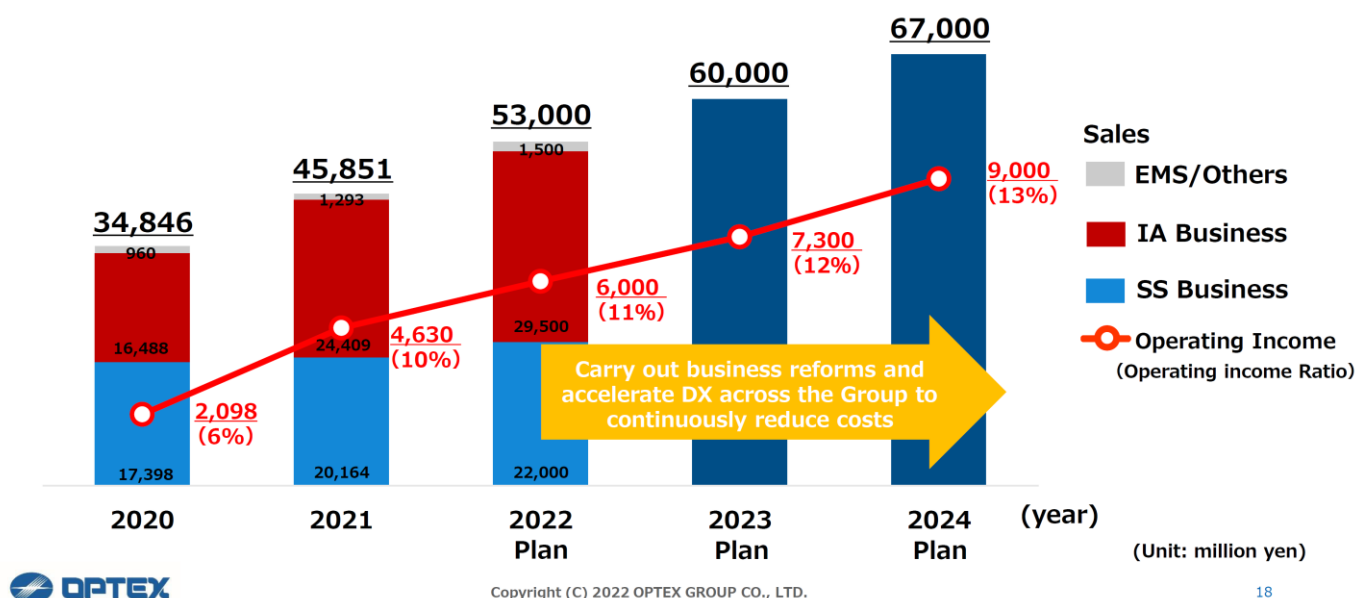
4. Mid-term Management Plan 2024

(1) Overview of the Mid-term Management Plan 2024

The company is aiming for operating profit of at least 10 billion yen and an operating profit margin of 15% in 2025 under its group corporate philosophy of “aim to be a corporate group brimming with a venture spirit.”

It believes that promoting the optimization of costs is an important issue.

Numerical Targets in Medium-Term Management Plan 2024



(taken from the company’s material)

(2) Strategy for target achievement

The three prongs of its strategy are “growth of existing businesses,” “growth of companies acquired,” and “synergy with companies acquired.”

① Growth of existing businesses: Provide system solutions

*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, 2021.

*IA Business: FA segment

The company will further promote collaboration with SICK AG, which is the world top sensor manufacturer, to provide systems that enable remote monitoring and predictive maintenance. It will contribute to converting factories to the IoT.

*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.

② Growth of companies acquired: Main businesses of companies acquired through M&As expand with favorable conditions in the market environment

*IA Business: Sanritz Automation

Embedded boards that control semiconductor manufacturing devices, medical equipments, and other products are indispensable parts. Sanritz Automation has been highly praised for its environmental resistance, noise resistance, and long-term supply capabilities (long-term ongoing support and maintenance). It will now aim to further expand sales in the future.

*IA Business: Mitsutec

Mitsutec has been involved in rechargeable battery manufacturing devices since its establishment. As a system integrator of factory automation, it utilizes advanced mechatronic technologies and image processing technologies in battery manufacturing devices and other products that are indispensable for a decarbonized society.

It aims to expand sales of rechargeable battery manufacturing devices that are expected to grow significantly in electric vehicles and other fields using its high-speed and high-precision filling technologies, high-speed transportation technologies, and other advanced mechatronic technologies.

③ Synergy with companies acquired

*Sanritz Automation

Sanritz Automation handles parking lot management, important facility surveillance cameras, and more in addition to traffic control (ETC).

The company believes it will be able to create great synergies by promoting system sales that utilize the strengths of each party together with the SS business (security-related) of the OPTEX Group (e.g., automobile license plate management and surveillance cameras).

*Mitsutec

Mitsutec is active as a system integrator in factory automation for various industrial fields. It has many customers. However, it does not manufacture or sell sensors or cameras on its own.

Accordingly, the company believes it will be able to generate synergies by partnering it with its IA business to provide cameras, LED lighting, various measuring instruments, and other products according to the issues of customers and then building and providing image processing inspection systems that combine those.

*CCS

CCS promotes business accompanying OPTEX FA. It has excellent customers in the electronic and semiconductor industries. It has been efficiently expanding sales channels that could not be cultivated by OPTEX FA alone before now.

(3) Management indicators

The company has stated that its management indicators are a sales growth rate of 10%, an operating profit margin of at least 15%, and an ROE of at least 10%.

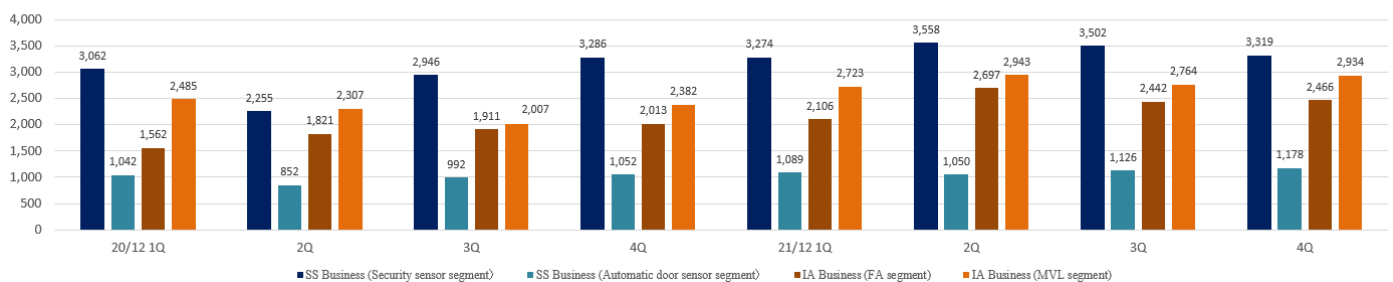
The profit margins of Sanritz Automation and Mitsutec are not as high as that of the OPTEX Group. Therefore, the company expects its operating profit margin for the fiscal year ending December 2024 – the final fiscal year of its mid-term management plan – to remain at 13%. It will work to expand systems solutions in its existing businesses and to improve profitability over the entire group by promoting cost optimization.

5. Conclusions

The fiscal year ended December 2021 as a whole saw a significant increase in sales and profits. Nevertheless, sales and profits were sluggish in the second half of the fiscal year. These were caused by the impact of supply delays due to parts shortages and logistics disruptions. Looking at the results by segment, each segment saw a recovery after bottoming out in the second quarter or the third quarter of the fiscal year ended December 2020. However, the second quarter of the fiscal year ended December 2021 has been the peak for the time being in businesses other than the SS business (automatic door-related). Parts shortages are expected to continue in the current fiscal year ending December 2022. Against this background, the company has positioned the supply of products as its top priority to maintain the relationship of trust it has with its customers. Accordingly, it seems that an increase in costs of a certain level is unavoidable. We await the situation in the first quarter (January to March).

On the other hand, it is possible to see progress in each of the three prongs that serve as the company's growth measures in its Mid-term Management Plan 2024. The company has been able to acquire thousands of contracts from the previous term in image confirmation solutions (SS business / security-related) in which it has its highest expectations in terms of "growth of existing businesses." Moreover, in terms of "synergy with companies acquired," the joint sale of CCS and OPTEx FA has started contributing to sales and profits in concrete terms. Sales of the company's French subsidiary in CCS also increased greatly in terms of "growth of companies acquired." We would like to pay attention to whether the company can speedily demonstrate the growth and synergistic effects of Sanritz Automation and Mitsutec.

Sales by Segment (unit: million yen)



<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: December 16, 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)>

We state this based on the code revised in June 2021. (This includes content for the Prime Market that will apply from April 4, 2022 onward).

[Supplementary Principle 2-4-1. Ensuring Diversity in the Promotion of Core Personnel]

The concept of the Group since our foundation has been “a desire to be a company in which self-actualization is possible for employees with the company serving as the stage for that.” Under this desire, we have focused on creating an environment so that employees themselves can make the stages of their lives full of changes and inspiration without discriminating between men and women, nationality, and new graduate hires and mid-career hires.

Nevertheless, we have not yet set voluntary and measurable targets for that at the current point. We will consider it in the future.

[Supplementary Principle 3-1-3. Sustainability Initiatives]

The Group’s initiatives are posted in “3. Issues, Materialities, and Initiatives” in the ESG Report on our website (<https://www.optexgroup.co.jp/shareholder/library/index.html#esgreport>).

Nevertheless, we will continue to consider disclosure methods established internationally and the enhancement of the quality and quantity of disclosures equivalent to those in the future.

[Supplementary Principle 4-2-2. Basic Policy for the Sustainability of Our Company]

The Group’s initiatives are posted in “3. Issues, Materialities, and Initiatives” in the ESG Report on our website (<https://www.optexgroup.co.jp/shareholder/library/index.html#esgreport>).

Nevertheless, we will continue to consider the formulation of a structure and basic policy for sustainability from the perspective of improving corporate value in the mid- to long-term.

<Disclosures Based on the Principles in the Corporate Governance Code (Excerpt)>

[Principle 1-4. Cross-shareholdings]

The Company acquires and possesses cross-shareholdings upon deliberations and a resolution by the Board of Directors only when it is determined that it will contribute to strengthening business relationships and increasing corporate value in the Group’s business strategy. In addition, the Board of Directors verifies the significance of the shares we held every year. If it determines that the reasonable value sought is poor, we will strive to sell and reduce that holding in consideration of market trends and other factors.

Cross-shareholdings held by the Company at present: 55 million yen in one company (Amount on the balance sheet for December 31, 2020)

The Company makes a comprehensive judgement to determine the advisability of exercising the voting rights for the shares we hold. We individually examine this based on whether doing so will contribute to the sustainable growth and improvement of mid- to long-term corporate value improvement of that company and whether doing so will significantly harm shareholder value.

[Principle 5-1. Policy on Constructive Dialogue with Shareholders]

The Company has established an IR Department. The IR Department strives to provide easy-to-understand explanations about our management policies and business conditions to engage in positive and constructive dialogue with our shareholders. In addition, the President, the responsible officer, and IR personnel give briefings for institutional investors and briefings for private investors on a planned basis. We respond to requests for meetings with institutional investors as the occasion calls.

We establish a venue to allow the attendance of diverse shareholders at our ordinary general meeting of shareholders. We then hold a shareholder briefing and a shareholder social gathering to obtain understanding for our future policies after the end of that meeting.

*We canceled the shareholder social gathering at the 42nd Ordinary General Meeting of Shareholders from the perspective of preventing the spread of the novel coronavirus.

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