
 Isamu Oguni President and CEO	OPTEX GROUP CO., LTD (6914)
	

Company Information

Market	TSE Prime Market
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	
1,897	37,735,784 shares	71,584 million	11.2%	100 shares	
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
36.00	1.9%	129.49	14.6x	987.36	1.9x

*The share price is the closing price on November 14. Shares Outstanding, DPS and EPS was taken from the brief report in 3Q of FY 12/22. ROE and BPS are the results of the previous year.

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	129.49	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 third quarter of the fiscal year ending December 2022 and so on.

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Key Point

- In the third quarter of the fiscal year ending December 2022, sales increased 18.9% year on year to 40,400 million yen. In addition to the sales expansion of existing businesses, mainly the SS Business and IA Business, Mitsutec, which became a subsidiary in the previous term, also contributed to the sales growth. The exchange rate also had a positive effect of about 2,400 million yen. Operating profit increased 38.8% year on year to 5,200 million yen. While gross profit margin declined 0.8 points due to procuring substitute parts as a result of parts shortage, turning Mitsutec into a subsidiary, etc., gross profit grew 17.1% year on year, offsetting the rise in SG&A expenses. Operating profit margin rose 1.9 points year on year. The changes in foreign exchange rates increased it by about 1,000 million yen. In terms of quarterly performance, sales in the third quarter (July to September) grew year on year for the seventh consecutive term, but decreased from the previous quarter due to parts shortage for the second consecutive quarter.
- There are no revisions to the earnings forecast. The supply-demand balance for parts continues to be tight, and the procurement side of the business remains extremely uncertain. For the fiscal year ending December 2022, sales are expected to increase 15.6% year on year to 53 billion yen, and operating profit is expected to rise 29.6% year on year to 6 billion yen. Sales are expected to increase in all segments and all regions. All businesses will surely meet demand. The company will also proceed with price revisions with the understanding of the customers. The company plans to pay a dividend of 36.00 yen/share, up 6 yen/share from the previous term. The expected payout ratio is 27.8%.
- The progress rates of sales and operating profit in the third quarter are 76.4% and 88.3%, respectively, both exceeding those in the past several terms. While it is difficult to make assumptions as the extent of the impact of parts shortage is unclear, we can keep expecting that the forecast for the whole term will be exceeded with a high probability.
- Alongside this kind of recent situation, we would like to keep paying attention to the expansion of sales of core products and services in each segment, such as “Visual Verification Solution,” “OMNICITY” and “IO-Link Master.”

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, 2021, 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.

In April 2022, the company was listed on the Prime Market following the restructuring of the Tokyo Stock Exchange.

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 focused 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	The company 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.
	MECT segment	The company possesses advanced mechatronics technologies, such as high-speed and high-precision filling and high-speed conveyance technologies and provides high-quality automation equipment that meets strict requirements. Regarding image processing inspection and measurement equipment, the company has built an image processing inspection system for dealing with customers' issues.
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 MECT: Mechatronics, 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	The company has a high share in unique products with their motto, “global niche No. 1.” Outdoor intrusion detection sensors: 40% Sensors for automatic doors: 30% LED lighting for image inspections: 30%

1-4 ROE analysis

	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	F12/18	FY12/19	FY12/20	FY12/21
ROE (%)	4.7	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. Posted on April 26, 2022.

https://www.bridge-salon.jp/report_bridge/archives/eng/6914/20220531.html

2. Third quarter of Fiscal Year Ending December 2022 Earnings Results

(1) Business Results

	3Q of FY 12/21	Ratio to sales	3Q of FY 12/22	Ratio to sales	YoY
Sales	34,049	100.0%	40,468	100.0%	+18.9%
Gross profit	17,845	52.4%	20,892	51.6%	+17.1%
SG&A	14,029	41.2%	15,596	38.5%	+11.2%
Operating profit	3,816	11.2%	5,295	13.1%	+38.8%
Ordinary profit	4,191	12.3%	6,239	15.4%	+48.8%
Quarterly Net Profit	2,952	8.7%	4,520	11.2%	+53.1%

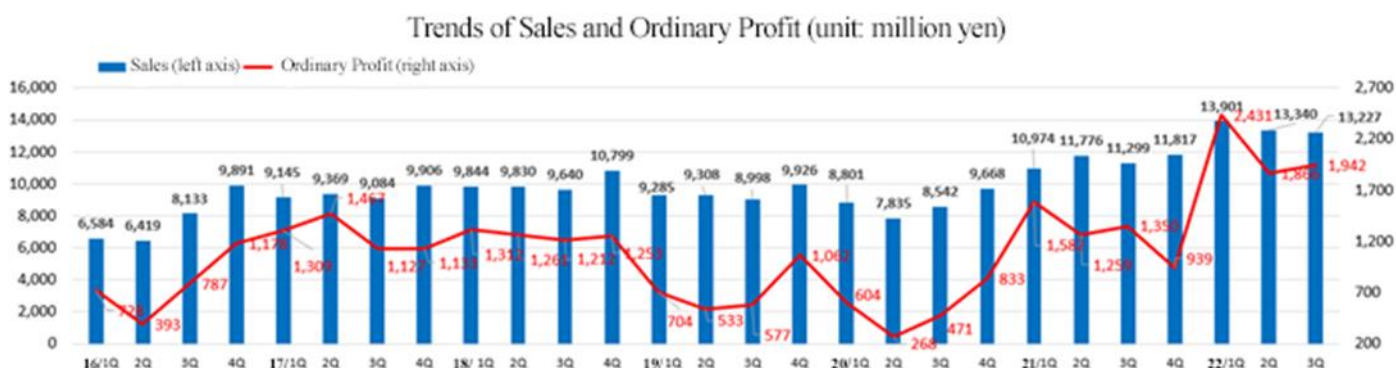
*Unit: million yen. The Quarterly Net profit is the quarterly profit attributable to owners of the parent company. The same shall apply hereinafter.

Sales and income increase year on year

In the third quarter of the fiscal year ending December 2022, sales increased 18.9% year on year to 40,400 million yen. In addition to the sales expansion of existing businesses, mainly the SS Business and IA Business, Mitsutec, which became a subsidiary in the previous term, also contributed to the sales growth. The exchange rate also had a positive effect of about 2,400 million yen. Operating profit increased 38.8% year on year to 5,200 million yen. While gross profit margin declined 0.8 points due to procuring substitute parts as a result of parts shortage, turning Mitsutec into a subsidiary, etc., gross profit grew 17.1% year on year, offsetting the rise in SG&A expenses. Operating profit margin rose 1.9 points year on year. The changes in foreign exchange rates increased it by about 1,000 million yen.

Sales and profit considerably grew year on year despite the continuing shortage of semiconductors and mechanical parts.

◎Trends in each quarter



On a quarterly basis, sales in the third quarter (July-September) increased for the seventh consecutive quarter year-on-year but declined for the second consecutive quarter year-on-year due to parts shortages.

◎Regional trends

	3Q of FY 12/21	Ratio to sales	3Q of FY 12/22	Ratio to sales	YoY
Consolidated Sales	34,049	100.0%	40,468	100.0%	+18.9%
Domestic	15,395	45.2%	17,692	43.7%	+14.9%
Overseas	18,654	54.8%	22,776	56.3%	+22.1%
America	4,043	11.9%	5,340	13.2%	+32.1%

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Europe	9,838	28.9%	11,762	29.1%	+19.6%
Asia	4,773	14.0%	5,674	14.0%	+18.9%

*Unit: million yen.

Sales increased by double digits in all areas.

◎Average exchange rate

	3Q of FY 12/21	3Q of FY 12/22
USD	108.50 円	128.05 円
EURO	129.83 円	135.95 円

(2) Earnings by Segment

① Trends in each segment

	3Q of FY 12/21	Ratio to sales	3Q of FY 12/22	Ratio to sales	YoY
SS Business	15,023	44.1%	17,339	42.8%	+15.4%
IA Business	18,183	53.4%	22,034	54.4%	+21.2%
EMS Business	477	1.4%	656	1.6%	+37.5%
Others	364	1.1%	437	1.1%	+20.1%
Sales	34,049	100.0%	40,468	100.0%	+18.9%
SS Business	1,809	12.0%	2,293	13.2%	+26.8%
IA Business	2,174	12.0%	3,062	13.9%	+40.8%
EMS Business	254	53.2%	318	48.5%	+25.2%
Others	-12	-	25	5.7%	-
Adjustments	-409	-	-404	-	-
Operating profit	3,816	11.2%	5,295	13.1%	+38.8%

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

Profit margin has risen in both SS Business and IA Business despite the impact of parts shortage.

② Trends in each segment and region

	3Q of FY 12/21	Ratio to sales	3Q of FY 12/22	Ratio to sales	YoY
SS: Security	10,334	100.0%	11,957	100.0%	+15.7%
Japan	1,820	17.6%	1,676	14.0%	-7.9%
AMERICAs	2,105	20.4%	2,789	23.3%	+32.5%
EMEA	5,465	52.9%	6,567	54.9%	+20.2%
Asia*Oceania	944	9.1%	925	7.7%	-2.0%
SS: Automatic door	3,265	100.0%	3,891	100.0%	+19.2%
Japan	1,593	48.8%	1,739	44.7%	+9.2%
AMERICAs	859	26.3%	1,191	30.6%	+38.6%
EMEA	720	22.1%	842	21.6%	+16.9%
Asia*Oceania	93	2.8%	119	3.1%	+28.0%
IA: FA	7,245	100.0%	8,364	100.0%	+15.4%
Japan	3,205	49.2%	3,370	49.7%	+5.1%
AMERICAs	99	25.9%	151	25.2%	+52.5%
EMEA	1,946	21.9%	2,294	21.8%	+17.9%
Asia*Oceania	1,995	2.9%	2,549	3.2%	+27.8%

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IA:MVL	8,430	100.0%	9,886	100.0%	+17.3%
Japan	4,336	51.4%	5,012	50.7%	+15.6%
AMERICAs	953	11.3%	1,197	12.1%	+25.6%
EMEA	1,707	20.2%	2,058	20.8%	+20.6%
Asia*Oceania	1,434	17.0%	1,619	16.4%	+12.9%
IA:IPC	2,508	100.0%	2,972	100.0%	+18.5%
Japan	2,482	99.0%	2,961	99.6%	+19.3%
AMERICAs	26	1.0%	11	0.4%	-57.7%
IA:MECT	0	-	812	100.0%	-
Japan	0	-	784	96.6%	-
Asia*Oceania	0	-	28	3.4%	-
EMS	477	100.0%	656	100.0%	+37.5%
Japan	312	65.4%	375	57.2%	+20.2%
AMERICAs	1	0.2%	1	0.2%	0.0%
Asia*Oceania	164	34.4%	280	42.7%	+70.7%

*Unit: million yen.

◎SS Business

Sales and profit grew year on year, while sales decreased, and profit increased from the previous quarter.

(Security sensor segment)

Sales increased year on year, but decreased from the previous quarter, due to parts shortage and a decline in private consumption demand caused by the inflation in Europe.

*Japan

Sales decreased. While sales of products for large-scale critical facilities were strong, sales of outdoor intrusion detectors were sluggish due to delays in product supply because of the shortage of parts.

*AMERICAs

Sales increased. Despite the delay in product supply, performance remained favorable owing to healthy demand from large important facilities such as data centers stemming from effective direct marketing.

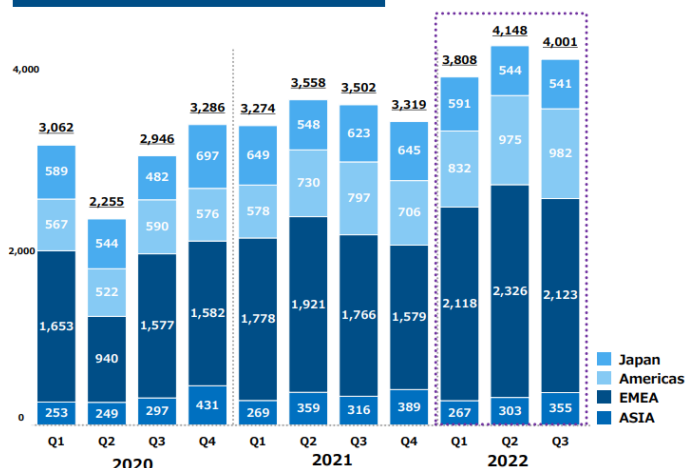
*EMEA

Sales grew. While there was a delay in product supply due to parts shortage like in the Americas and the sale of products for homes was stagnant due to inflation, etc., performance remained steady owing to stable demand for large important facilities such as infrastructure facilities.

* Asia*Oceania

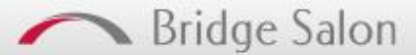
Sales declined. Sales of outdoor intrusion detectors were strong in India, but sales in China and Southeast Asia were sluggish due to activity restrictions and delays in product supply due to parts shortages.

Quarterly Sales by Region(Unit: million yen)



(From the company release)

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(Automatic door sensor segment)

Sales increased year on year and quarter on quarter.

*Japan

Sales grew. The capability of supplying products was acknowledged and the number of business inquiries from large automatic door manufacturers remained steady.

*AMERICAs

Sales increased. Despite a delay in product supply caused by parts shortage, the capability of supplying products was acknowledged, meeting healthy demand for construction from large automatic door manufacturers in North America.

*EMEA

Sales rose. Despite a delay in product supply caused by parts shortage, the capability of supplying products was acknowledged and the number of business inquiries from large automatic door manufacturers in Europe was steady.



(From the company release)

◎IA Business

Sales and profit increased year on year, while sales decreased, and profit increased from the previous quarter.

(FA segment)

Sales grew year on year and decreased from the previous quarter. Displacement sensors sold well, accounting for over 25% of sales.

*Japan

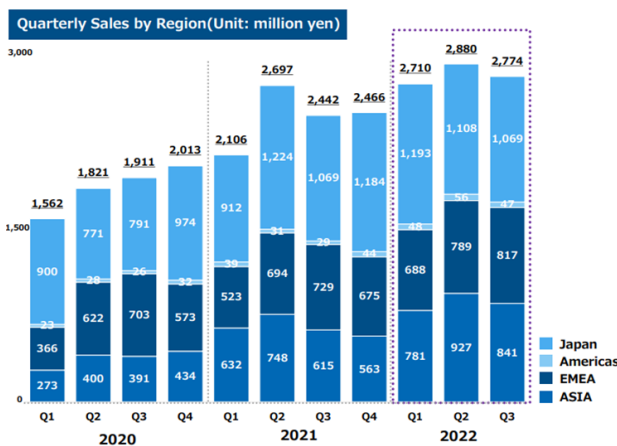
Sales increased. Sales for investments related to electricity, electronics, and semiconductors were strong.

*EMEA

Sales increased. Sales of displacement sensors for electronic components were strong.

*Asia·Oceania

Sales increased. Sales of displacement sensors were strong in China due to capital investment demand for semiconductors, electronic components, and rechargeable batteries.



(From the company release)

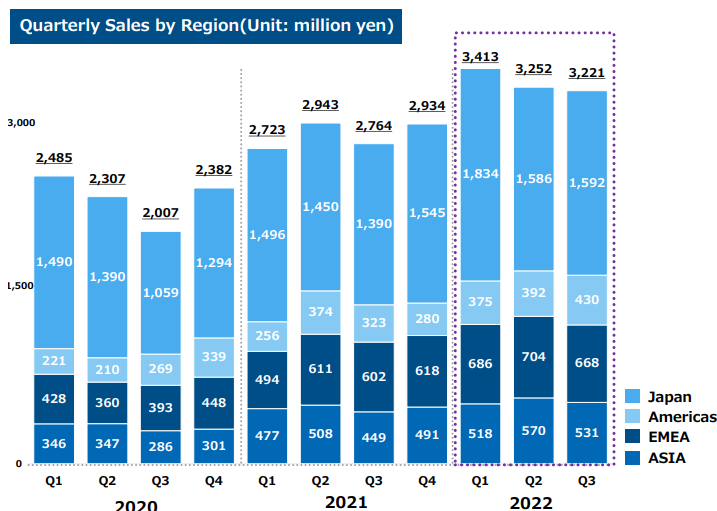
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(MVL segment)

Sales grew year on year and decreased from the previous quarter, due to the shortage of semiconductors.

- *Japan Sales increased. They receive many business inquiries about products for electric devices, electronics, and semiconductors.
- *AMERICAs Sales increased. The market share in the logistics industry increased due to the products of the French subsidiary.
- *EMEA Sales increased. The market share in the logistics industry in Europe increased due to the products of the French subsidiary.
- *Asia・Oceania Sales increased. Sales for semiconductor-related investments were strong in China.

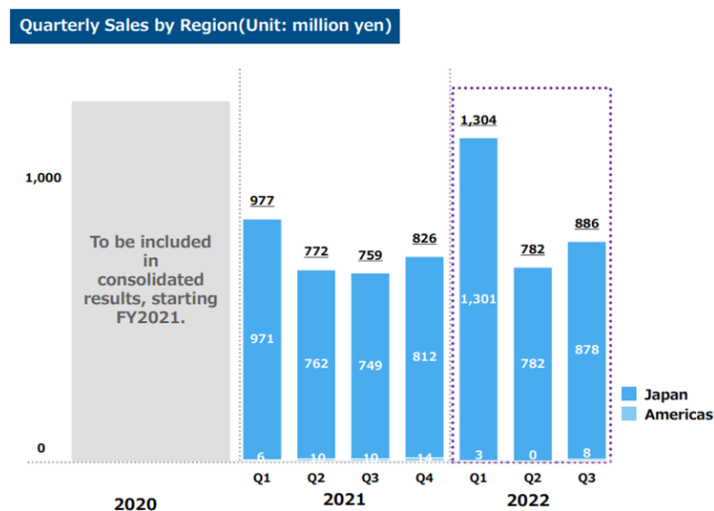


(From the company release)

(IPC segment)

Sales increased year on year and quarter on quarter.

- *Japan Sales increased. Incoming order of industrial PCs for semiconductor manufacturing equipment were strong.



(From the company release)

(3) Financial Conditions and Cash Flow

◎Main BS

	End of Dec.2021	End of Sep.2022	Increase/ decrease		End of Dec.2021	End of Sep.2022	Increase/ decrease
Current Assets	42,544	47,349	+4,805	Current liabilities	18,562	17,584	-978
Cash	17,120	16,747	-373	Payables	2,589	3,374	+785
Receivables	10,444	11,500	+1,056	ST Interest Bearing Liabilities	10,684	9,146	-1,538
Inventories	11,635	15,302	+3,667	Noncurrent liabilities	3,846	5,019	+1,173
Noncurrent Assets	15,224	15,426	+202	LT Interest Bearing Liabilities	210	1,481	+1,271
Tangible Assets	6,993	7,190	+197	Net defined benefit liabilities	1,366	1,398	+32
Intangible Assets	3,204	2,963	-241	Liabilities	22,408	22,604	+196
Investment, Others	5,026	5,272	+246	Net Assets	35,360	40,171	+4,811
Total assets	57,769	62,775	+5,006	Total Liabilities and Net Assets	57,769	62,775	+5,006

*Unit: million yen

Total assets increased 5,000 million yen from the end of the previous term to 62,700 million yen, due to the growth of inventories, etc.

Total liabilities remained almost unchanged at 22,600 million yen.

Net assets were 40,100 million yen, up 4,800 million yen from the end of the previous term, due to an increase in retained earnings, etc.

The equity ratio was 63.5%, up 2.8 point from the end of the previous fiscal year.

(4) Topics**(1) OPTEX Co., Ltd. releases “FlipX,” a security sensor that blends in with home décor.**

In September 2022, OPTEX Co., Ltd. launched “FlipX STANDARD,” an indoor passive security sensor.

(Product description)

OPTEX’s indoor passive security sensor is a security device that transmits information to alert and alarm devices when a person enters a room or corridor. It works by detecting the infrared radiation emitted by human bodies. It was newly developed as a core product to replace existing models. The sensor is characterized by its natural design that blends in with home décor and its easily adjustable detection area, and it will be launched on a full scale in North America and Europe first, where wall indoor security sensors are popular.

Launched FlipX, a Security Sensor that Blends in with Room Decor



Design that blends in modern interiors



(From the company release)

The product characteristics lie in “reliable detection performance cultivated over 40 years,” “a discreet design that blends in with home décor,” “flexible area setting,” etc.

“Reliable detection performance cultivated over 40 years”

While conforming to standards of various countries, OPTEX has been conducting their own reliability tests. The sensor has been equipped with a function for cancelling the detection of small animals, etc., leading to reduction of false detections.

“Discreet design that blends in with home décor”

Importance has been placed on designs, viewing the security sensor as part of home décor. The company aimed for a modern design which will be unobtrusive in both stores and homes. A green indicator light was used for the first time in an OPTEX product, considering both appearance and visibility.

“Flexible area setting”

The detection range may be flexibly adjusted according to place. Especially the “Flip Lens,” from which the product name originates, allows for adaption to both a wide area and a long area just by flipping the lens orientation.

(Background of the development)

Developing indoor security sensors since the 1970s, OPTEX has thoroughly focused on noise prevention technologies and optical designs as well as conforming to public standards in various countries, and has sold many products in both Japan and overseas.

Passive sensors of the RX series, etc., which are the current long-time best sellers, have been significantly updated to further elevate their competitiveness, and this product will be launched in various countries as the core model. This sensor is the first in a series and the company will forge ahead with expanding the line-up at the same time.

(Future outlook)

The product will be launched on a full scale in North America and Europe first, where the demand for wall security sensors is high in comparison with Japan where ceiling indoor security sensors are dominant due to building characteristics. Moreover, the company will go on to gradually expand sales to the Middle East, Africa, Asian regions, etc. based on requests from respective countries.

(2) Mitsutec Co., Ltd. officially releases Arm n’Eye, an omni-directional visual inspector

In October 2022, Mitsutec Co., Ltd. released Arm n’Eye, an omni-directional visual inspector using a visual inspection platform as the first in the industry.

(Product description)

Arm n’Eye is the first automatic visual inspector in the industry, specialized in the inspection of assembly parts for multiple models, three-dimensional objects, and multiple sides. Its effects will be demonstrated in the automatization and traceability reinforcement of visual inspection in the inspection process of assembly parts for multiple models, sides, and items, such as electronic device, medical device and industrial device units, which used to depend on visual inspection.

By using R2T2 (“Raku-Raku (Easy) Teaching Tool”) they have developed, the company succeeded in releasing workers from the stressful work of registering and setting multiple models and sides. They realized striking optimization in achieving the reduction of working time required for setting the inspection position by more than 95% in comparison with their past data.

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	Rate of progress
Sales	45,866	100.0%	53,000	100.0%	+15.6%	76.4%
Operating Profit	4,630	10.1%	6,000	11.3%	+29.6%	88.3%
Ordinary Profit	5,130	11.2%	6,100	11.5%	+18.9%	102.3%
Net Profit	3,762	8.2%	4,600	8.7%	+22.3%	98.3%

*Unit: million yen. Rate of progress is the progress against the full-year forecast.

No change in earnings forecast, Sales and profit expected to increase

There are no revisions to the earnings forecast. While the number of inquiries has been favorable, they have considered the unclear situation, including trends in exchange rates in addition to continuous strain on demand and supply of parts.

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 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 27.8%.

The supply-demand balance for parts is expected to remain tight, and we will take the following actions to strengthen cooperation with suppliers to ensure a stable supply of products.

(*Reposted from the previous report)

- ☆ Pre-arrangement of parts for a long term of 6 months to 1 year
- ☆ To enhance information coordination with suppliers and business partners
- ☆ To diversify and speed up procurement routes
- ☆ To speed up design changes to match the alternative parts
- ☆ Review of selling prices in response to soaring material prices

◎Regional trends

	FY 12/21	Ratio to sales	FY 12/22 Est.	Ratio to sales	YoY	Rate of progress
Consolidated sales	45,866	100.0%	53,000	100.0%	+15.6%	76.4%
Domestic	21,157	46.1%	25,568	48.2%	+20.8%	69.2%
International	24,709	53.9%	27,432	51.8%	+11.0%	83.0%
AMERICAs	5,381	11.7%	5,933	11.2%	+10.3%	90.0%
Europe	12,965	28.3%	14,461	27.3%	+11.5%	81.3%
Asia	6,363	13.9%	7,038	13.3%	+10.6%	80.6%

*Unit: million yen. The cells with year-on-year sales growth rates exceeding 15.6% (company-wide sales growth rate) and company-wide sales progress rate of more than 76.4% are colored.

(2) Trends in each segment

①Sales of each segment

	FY 12/21	Ratio to sales	FY 12/22 Est.	Ratio to sales	YoY	Rate of progress
SS Business	20,164	44.0%	21,984	41.5%	+9.0%	78.9%
IA Business	24,409	53.2%	29,489	55.6%	+20.8%	74.7%
EMS Business	756	1.6%	873	1.6%	+15.5%	75.1%
Others	534	1.2%	654	1.2%	+22.5%	66.8%
Consolidated sales	45,866	100.0%	53,000	100.0%	+15.6%	76.4%

*Unit: million yen. The cells with year-on-year sales growth rates exceeding 15.6% (company-wide sales growth rate) and company-wide sales progress rate of more than 76.4% are colored.

②Trends in each segment and region

	FY 12/21	Ratio to sales	FY 12/22 Est.	Ratio to sales	YoY	Rate of progress
SS: Security	13,653	100.0%	14,947	100.0%	+9.5%	80.0%

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Japan	2,465	18.1%	2,779	18.6%	+12.7%	60.3%
AMERICAs	2,811	20.6%	3,062	20.5%	+8.9%	91.1%
EMEA	7,044	51.6%	7,678	51.4%	+9.0%	85.5%
Asia, Oceania	1,333	9.8%	1,428	9.6%	+7.1%	64.8%
SS: Automatic door	4,443	100.0%	4,818	100.0%	+8.4%	80.8%
Japan	2,186	49.2%	2,395	49.7%	+9.6%	72.6%
AMERICAs	1,152	25.9%	1,215	25.2%	+5.5%	98.0%
EMEA	975	21.9%	1,052	21.8%	+7.9%	80.0%
Asia, Oceania	130	2.9%	156	3.2%	+20.0%	76.3%
IA: FA	9,711	100.0%	10,364	100.0%	+6.7%	80.7%
Japan	4,389	45.2%	4,363	42.1%	-0.6%	77.2%
AMERICAs	143	1.5%	189	1.8%	+32.2%	79.9%
EMEA	2,621	27.0%	3,034	29.3%	+15.8%	75.6%
Asia, Oceania	2,558	26.3%	2,778	26.8%	+8.6%	91.8%
IA: MVL	11,364	100.0%	12,717	100.0%	+11.9%	77.7%
Japan	5,881	51.8%	6,405	50.4%	+8.9%	78.3%
AMERICAs	1,233	10.9%	1,452	11.4%	+17.8%	82.4%
EMEA	2,325	20.5%	2,697	21.2%	+16.0%	76.3%
Asia, Oceania	1,925	16.9%	2,163	17.0%	+12.4%	74.8%
IA: IPC	3,334	100.0%	3,781	100.0%	+13.4%	78.6%
Japan	3,294	98.8%	3,766	99.6%	+14.3%	78.6%
AMERICAs	40	1.2%	15	0.4%	-62.5%	73.3%
IA: MECT	0	-	2,627	100.0%	-	30.9%
Japan	0	-	2,627	100.0%	-	29.8%
Asia, Oceania	0	-	0	-	-	-
EMS	757	100.0%	873	100.0%	+15.3%	75.1%
Japan	529	69.9%	623	71.4%	+17.8%	60.2%
AMERICAs	2	0.3%	0	0.0%	-	-
Asia, Oceania	226	29.9%	250	28.6%	+10.6%	112.0%

*Unit: million yen. The cells with year-on-year sales growth rates exceeding 15.6% (company-wide sales growth rate) and company-wide sales progress rate of more than 76.4% are colored.

(3) Main initiatives

①SS: Security-related

The company is promoting a "direct marketing strategy" mainly in the U.S. market for large-scale critical facilities such as infrastructure facilities and data centers.

In addition to expanding its product lineup for these facilities, including outdoor and indoor sensors and laser scan sensors, the company is also focusing on developing new sales channels by organizing a dedicated sales team.

②IA: FA-related

The company will expand its lineup of IO-Link Master, a system that enables "remote monitoring, predictive maintenance, and reduced maintenance time" by making sensor conditions "visible" and promoting IoT in factories, thereby promoting DX at production sites.

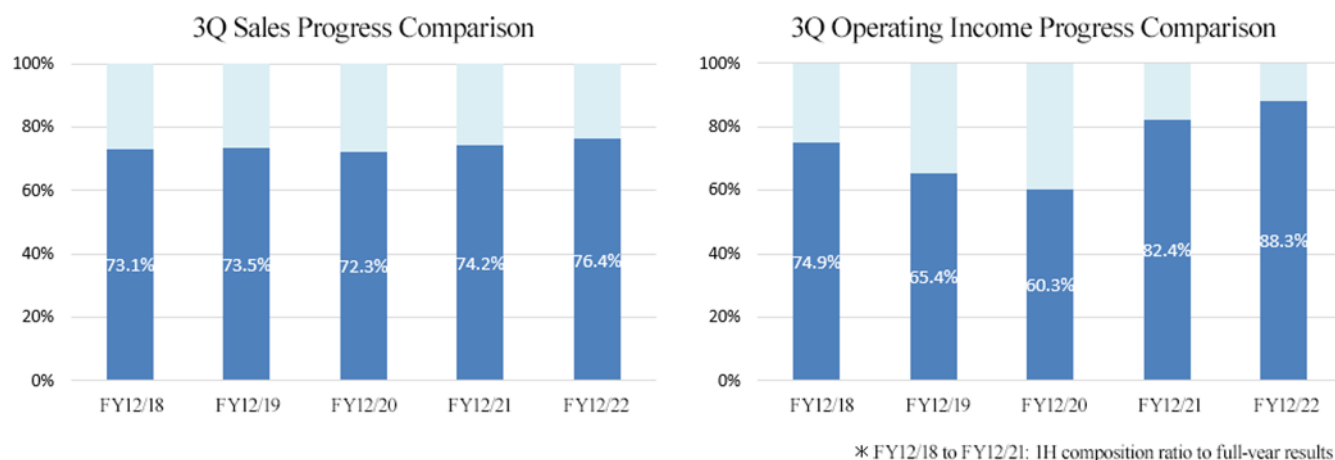
③IA: MVL-related

Utilizing the expertise of an image processing lighting manufacturer, the company will sell Solution Ai (AI), which supports the use of AI in visual inspections at production sites.

4. Conclusion

The progress rates of sales and operating profit in the third quarter are 76.4% and 88.3%, respectively, both exceeding those in the past several terms. While it is difficult to make assumptions as the extent of the impact of parts shortage is unclear, we can keep expecting that the forecast for the whole term will be exceeded with a high probability.

Alongside this kind of recent situation, we would like to keep paying attention to the expansion of sales of core products and services in each segment, such as “Visual Verification Solution” “OMNICITY” and “IO-Link Master.”



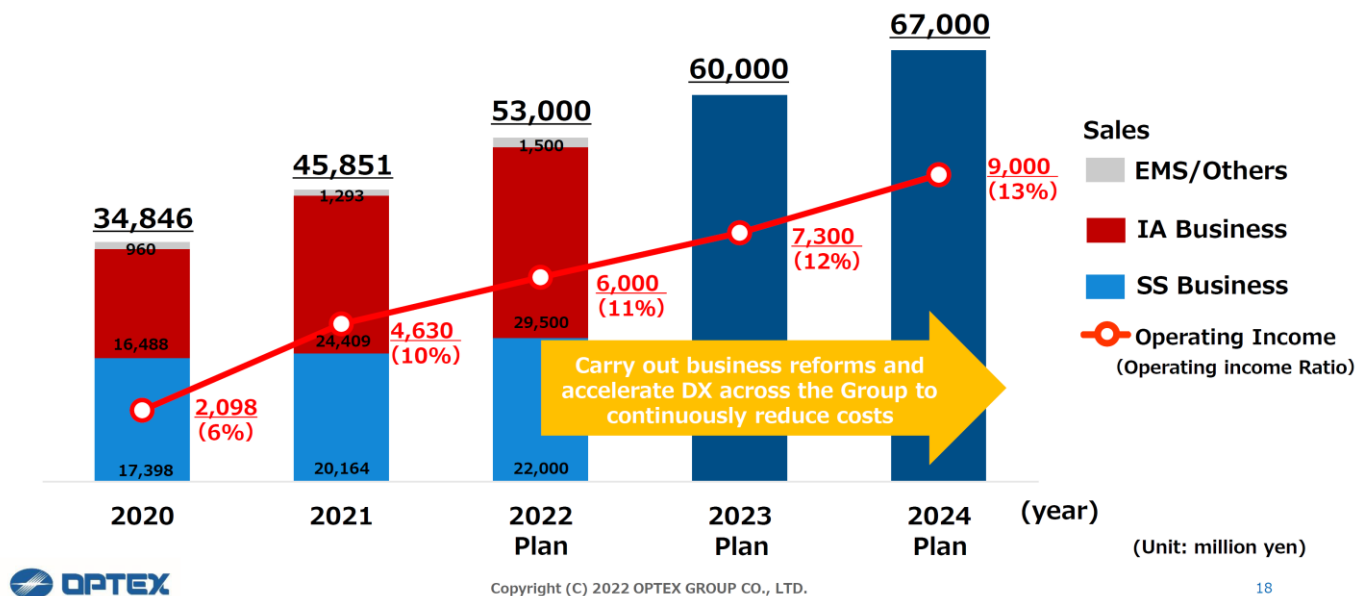
<Reference 1: Mid-term Management Plan 2024>

(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 visual verification solution 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 equipment, 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 electricity, electronics, 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.

<Reference 2: 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 28, 2022

<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 >

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 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>).

However, the company is currently forming a project team to start studying the quality and quantity of internationally established disclosure methods and equivalent disclosures.

[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>).

However, the company is currently forming a project team to start studying the formulation of a system and the basic policy regarding sustainability from the perspective of improving corporate value over the medium 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: 54 million yen in one company (Amount on the balance sheet for December 31, 2021)

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.

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

The concept of our corporate group since the business start-up 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, nationalities, and between new employees fresh out of college and mid-career hires.

The status of employees of our domestic group companies (12 companies including our company) is as follows.

- Male / female ratio: Male : Female = 77% : 23%
- Ratio of mid-career hires: 62%
- Ratio of foreign employees: 2%
- Male-female ratio of managers: Male : Female = 97% : 3%
- Ratio of mid-career hires among managers: 64%

As mentioned above, due to the characteristics of the Group's business areas and business content, there are potentially few female and foreign employees, and their percentage among managers is not high at present.

On the other hand, more than 60% of mid-career hires have been promoted to managerial positions showing that we recognize that diverse human resources with various experiences and skills shall occupy the core of management.

In addition, our corporate group has consolidated subsidiaries worldwide. Thus, we believe that we have sufficiently ensured the diversity of our corporate group as a whole, including these subsidiaries.

We will consider the features of each operating company in each business area and continue to actively promote and review the environment to fully demonstrate the capabilities of each employee to secure more diversity of employees.

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

The Company has established a public relations・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

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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 43rd Ordinary General Meeting of Shareholders from the perspective of preventing the spread of the novel coronavirus.

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