

## BRIDGE REPORT



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	<a href="https://www.optexgroup.co.jp/en/">https://www.optexgroup.co.jp/en/</a>

## Stock Information

Share Price	Shares Outstanding (Term end)		Total market cap	ROE Act.	Trading Unit
2,013 yen	37,735,784 shares		75,962 million	12.8%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
40.00 yen	2.0%	149.19 yen	13.5x	1,108.52 yen	1.8x

\*The share price is the closing price in February 24. Each number was taken from the brief report in FY 12/22.

## Earnings Trend

Fiscal Year	Sales	Operating profit	Ordinary profit	Net profit	EPS	DPS
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	54,811	6,303	7,042	4,752	133.79	36.00
December 2023 Est.	60,000	7,500	7,600	5,300	149.19	40.00

\* Net profit is net profit attributed to parent shareholders. The same applies hereafter.

This Bridge Report presents OPTEX GROUP's earnings results for the fiscal year ended December 2022 and so on.

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## Key Point

- In the fiscal year ended December 2022, sales increased 19.5% year on year to 54.8 billion 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 3.6 billion yen. Operating profit increased 36.1% year on year to 6.3 billion yen. While gross profit margin declined 1.0 points due to procuring substitute parts as a result of parts shortage, turning Mitsutec into a subsidiary, etc., gross profit grew 17.2% year on year, offsetting the rise in SG&A expenses. Operating profit margin rose 1.4 points year on year. The changes in foreign exchange rates increased it by about 1.5 billion yen. Sales grew year on year for eight consecutive quarters from the first quarter of the fiscal year ended December 2021 to the fourth quarter of the fiscal year ended December 2022. Ordinary profit decreased year on year and quarter on quarter due to factors such as the shortage of parts.
- For the fiscal year ending December 2023, sales are expected to increase 9.5% year on year to 60 billion yen, and operating profit is projected to rise 19.0% year on year to 7.5 billion yen. Sales are forecasted to grow in all segments and regions. The company is expected to receive a healthy number of business inquiries for the foreseeable future. The company will implement growth strategies in the main businesses and strive to strengthen the sale of highly profitable products. The company plans to pay a 40.00 yen/share dividend, up 4 yen/share from the previous term. The expected dividend payout ratio is 26.8%.
- Under the corporate group's philosophy of "aiming to be a corporate group brimming with a venture spirit," the company aims to achieve a sales growth rate of 10%, an operating profit margin of 15% or higher, and an ROE of 10% or higher.
- In the fiscal year ended December 2022, both sales and operating profit exceeded the forecast thanks to the outcomes of the growth strategy. Thus, in the fiscal year ending December 2023, the company will continue strengthening the sale of highly profitable products and aim to expand operating profit. The company will continue to develop each business further and accelerate the shift to the sale of solutions, aiming for sales of 74 billion yen and an operating profit of 10 billion yen in the fiscal year ending December 2025.
- The fact that sales and profit increased significantly in the previous fiscal year despite the harsh environment due to factors, such as soaring raw material and energy prices and the shortage of parts, is highly evaluated. In particular, customers have highly regarded the stable product supply, which the company has been focusing on since the beginning of the term. This will be a big advantage for future business promotion.
- The growth rates of both sales and profit will decline this term due to factors, such as the unlikelihood that the exchange rates will contribute to the sales and profit to the level they did in the previous term. Still, the company plans to increase sales and profit for the third consecutive term. However, there are some concerns about the fact that the sales in the SS business (automatic door-related) increased from the previous term for six successive quarters, while the sales in the SS business (security-related) and IA business (MVL-related) remained flat, and sales in the IA business (FA-related) decreased for the second consecutive term.
- While the environment remains uncertain, including the prolonged situation in Ukraine, we would like to pay attention to how the company accumulates earnings quarter by quarter to achieve the three-year plan.

## 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, 2022, the company operates in 90 locations worldwide, including 29 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 ended 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.

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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.

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. The company is promoting a three-year medium-term management plan, and part of the measures to achieve this plan is business model transformation and strengthening its ability to propose solutions to achieve further growth as a leading company in the global niche market.

## 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. 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.

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

	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	F12/18	FY12/19	FY12/20	FY12/21	FY12/22
ROE (%)	8.2	8.6	8.7	7.4	12.6	12.3	6.8	4.3	11.2	12.8
Net Income Margin (%)	6.87	7.39	7.38	5.83	9.03	9.41	5.86	4.00	8.20	8.67
Asset turnover (times)	0.92	0.89	0.91	0.91	0.95	0.95	0.86	0.76	0.87	0.91
Leverage (times)	1.30	1.31	1.30	1.41	1.48	1.38	1.35	1.41	1.56	1.63

The company recorded a double-digit ROE in the fiscal year ended December 2022, like in the previous fiscal year. 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.



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Posted on April 26, 2022.

[https://www.bridge-salon.jp/report\\_bridge/archives/eng/6914/20220531.html](https://www.bridge-salon.jp/report_bridge/archives/eng/6914/20220531.html)

## 2. Fiscal Year Ended December 2022 Earnings Results

### 2-1 Business Results

	FY 12/21	Ratio to sales	FY 12/22	Ratio to sales	YoY	Ratio to initial forecast
Sales	45,866	100.0%	54,811	100.0%	+19.5%	+3.4%
Gross profit	23,884	52.1%	28,000	51.1%	+17.2%	-
SG&A	19,253	42.0%	21,696	39.6%	+12.7%	-
Operating profit	4,630	10.1%	6,303	11.5%	+36.1%	+5.1%
Ordinary profit	5,130	11.2%	7,042	12.8%	+37.3%	+15.4%
Net Profit	3,762	8.2%	4,752	8.7%	+26.3%	+3.3%

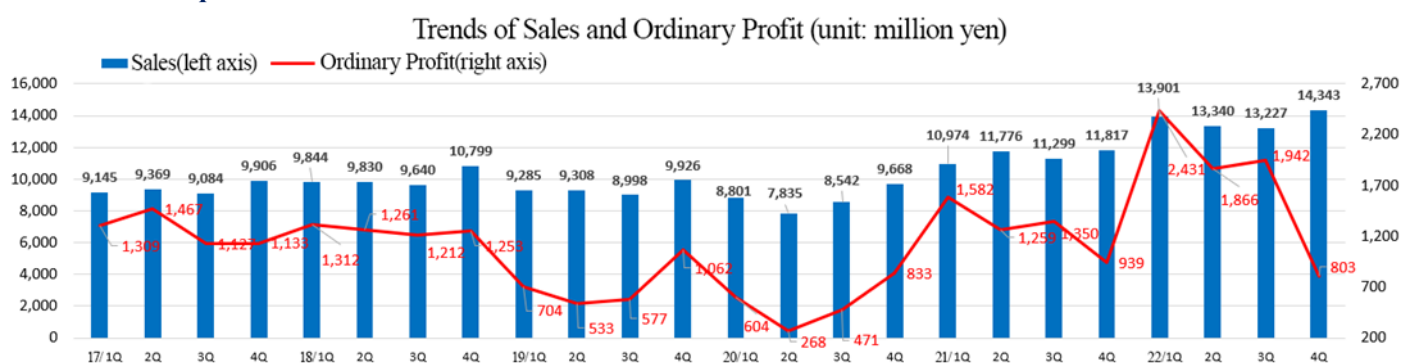
\*Unit: million yen. The Net profit is the profit attributable to owners of the parent company. The same shall apply hereinafter.

### Sales and income increase year on year

In the fiscal year ended December 2022, sales increased 19.5% year on year to 54.8 billion 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 3.6 billion yen.

Operating profit increased 36.1% year on year to 6.3 billion yen. While gross profit margin declined 1.0 points due to procuring substitute parts as a result of parts shortage, turning Mitsutec into a subsidiary, etc., gross profit grew 17.2% year on year, offsetting the rise in SG&A expenses. Operating profit margin rose 1.4 points year on year. The changes in foreign exchange rates increased it by about 1.5 billion yen.

### ◎Trends in each quarter



Sales grew year on year for eight consecutive quarters from the first quarter of the fiscal year ended December 2021 to the fourth quarter of the fiscal year ended December 2022. Ordinary profit decreased year on year and quarter on quarter due to factors such as the shortage of parts.

### ◎Regional trends

	FY 12/21	Ratio to sales	FY 12/22	Ratio to sales	YoY	Ratio to initial forecast
<b>Consolidated Sales</b>	45,866	100.0%	54,811	100.0%	+19.5%	+3.4%
Domestic	21,156	46.1%	24,549	44.8%	+16.0%	-4.0%
Overseas	24,709	53.9%	30,262	55.2%	+22.5%	+10.3%
America	5,381	11.7%	7,305	13.3%	+35.8%	+23.1%
Europe	12,965	28.3%	15,316	27.9%	+18.1%	+5.9%
Asia	6,363	13.9%	7,641	13.9%	+20.1%	+8.6%

\*Unit: million yen.

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Sales increased by double digits in all areas. Domestic sales fell short of the initial forecast.

◎Average exchange rate

	FY 12/21	FY 12/22
USD	109.80 yen	131.43 yen
EURO	129.89 yen	138.04 yen

2-2 Earnings by Segment

①Trends in each segment

	FY 12/21	Ratio to sales	FY 12/22	Ratio to sales	YoY	Ratio to initial forecast
SS Business	20,164	44.0%	23,465	42.8%	+16.4%	+6.7%
IA Business	24,409	53.2%	29,738	54.3%	+21.8%	+0.8%
EMS Business	756	1.6%	1,006	1.8%	+33.1%	+15.2%
Others	534	1.2%	600	1.1%	+12.4%	-8.3%
<b>Sales</b>	<b>45,866</b>	<b>100.0%</b>	<b>54,811</b>	<b>100.0%</b>	<b>+19.5%</b>	<b>+3.4%</b>
SS Business	2,201	10.9%	2,869	12.2%	+30.3%	-
IA Business	2,700	11.1%	3,583	12.0%	+32.7%	-
EMS Business	310	41.0%	400	39.8%	+29.0%	-
Others	15	2.8%	36	6.0%	+140.0%	-
Adjustments	-596	-	-586	-	-	-
<b>Operating profit</b>	<b>4,630</b>	<b>10.1%</b>	<b>6,303</b>	<b>11.5%</b>	<b>+36.1%</b>	<b>+5.1%</b>

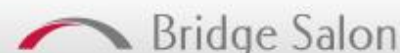
\*Unit: million yen. Ratio to sales of Operating profit refers to Sales Profit margin.

Sales and profit increased in all segments. Profit margin has risen in both SS Business and IA Business despite the impact of parts shortage.

②Trends in each segment and region

	FY 12/21	Ratio to sales	FY 12/22	Ratio to sales	YoY	Ratio to initial forecast
<b>SS: Security</b>	13,653	100.0%	16,067	100.0%	+17.7%	+7.5%
Japan	2,465	18.1%	2,545	15.8%	+3.2%	-8.4%
AMERICAs	2,811	20.6%	3,708	23.1%	+31.9%	+21.1%
EMEA	7,044	51.6%	8,419	52.4%	+19.5%	+9.7%
Asia•Oceania	1,333	9.8%	1,395	8.7%	+4.7%	-2.3%
<b>SS: Automatic door</b>	4,443	100.0%	5,311	100.0%	+19.5%	+10.2%
Japan	2,186	49.2%	2,405	45.3%	+10.0%	+0.4%
AMERICAs	1,152	25.9%	1,624	30.6%	+41.0%	+33.7%
EMEA	975	21.9%	1,112	20.9%	+14.1%	+5.7%
Asia•Oceania	130	2.9%	170	3.2%	+30.8%	+9.0%
<b>IA: FA</b>	9,711	100.0%	10,995	100.0%	+13.2%	+6.1%
Japan	4,389	49.2%	4,543	49.7%	+3.5%	+4.1%
AMERICAs	143	25.9%	201	25.2%	+40.6%	+6.3%
EMEA	2,621	21.9%	2,960	21.8%	+12.9%	-2.4%
Asia•Oceania	2,558	2.9%	3,291	3.2%	+28.7%	+18.5%
<b>IA: MVL</b>	11,364	100.0%	13,311	100.0%	+17.1%	+4.7%
Japan	5,881	51.8%	6,628	49.8%	+12.7%	+3.5%
AMERICAs	1,233	10.9%	1,750	13.1%	+41.9%	+20.5%
EMEA	2,325	20.5%	2,824	21.2%	+21.5%	+4.7%
Asia•Oceania	1,925	16.9%	2,109	15.8%	+9.6%	-2.5%

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<b>IA:IPC</b>	3,334	100.0%	4,122	100.0%	+23.6%	+9.0%
Japan	3,294	98.8%	4,101	99.5%	+24.5%	+8.9%
AMERICAs	40	1.2%	21	0.5%	-47.5%	+40.0%
<b>IA:IPC</b>	0	-	1,311	100.0%	-	-50.1%
Japan	0	-	1,267	96.6%	-	-51.8%
AMERICAs	0	-	44	3.4%	-	-
<b>EMS</b>	757	100.0%	1,006	100.0%	+32.9%	+15.2%
Japan	529	69.9%	588	58.4%	+11.2%	-5.6%
AMERICAs	2	0.3%	1	0.1%	-50.0%	-
Asia•Oceania	226	29.9%	417	41.5%	+84.5%	+66.8%

\*Unit: million yen.

## ◎SS Business

## (Security sensor segment)

Sales increased year on year but, were unchanged quarter on quarter.

\*Japan

Sales grew. The number of orders received for large important facilities increased. The sales of outdoor security sensors for security companies were strong.

\*AMERICAs

Sales grew. The direct marketing strategy led to an increase in the number of projects for data centers. The sales of laser scan sensors were favorable.

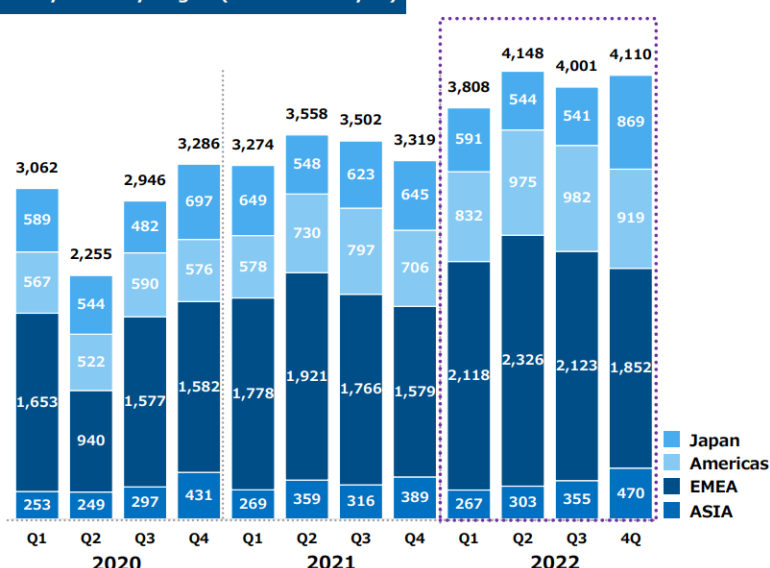
\*EMEA

Sales grew. The sales of new products to new partners were strong. The direct marketing strategy led to an increase in the number of projects acquired for infrastructure.

\* Asia•Oceania

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

Quarterly Sales by Region(Unit: million yen)



(From the company release)

## (Automatic door sensor segment)

Sales grew. Sales increased year on year for the sixth consecutive quarter.

\*Japan

Sales grew. Major domestic automatic door manufacturers highly evaluated the company's stable product supply capability. Thus, the company continued to receive many business inquiries.



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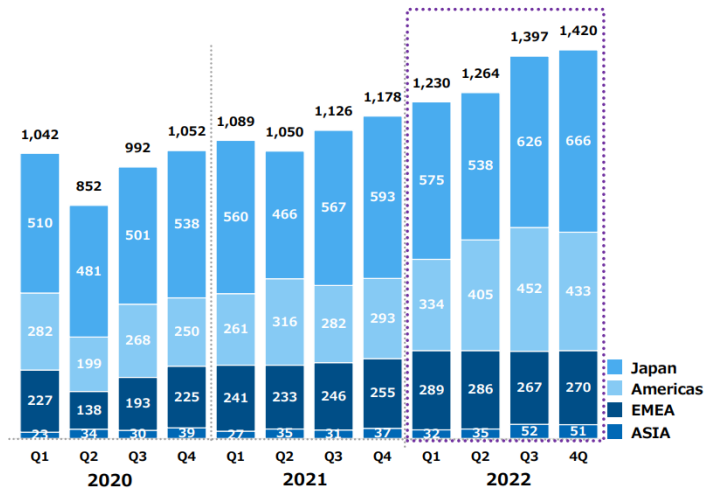
\*AMERICAs

Sales increased. Stable capability of supplying products was acknowledged, meeting healthy demand for construction from large automatic door manufacturers in North America.

\*EMEA

Sales rose. Stable capability of supplying products was acknowledged and the number of business inquiries from large automatic door manufacturers in Europe was going strong.

Quarterly Sales by Region(Unit: million yen)



(From the company release)

## ◎IA Business

## (FA segment)

Sales grew. On a quarterly basis, sales decreased for the second consecutive quarter.

\*Japan

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

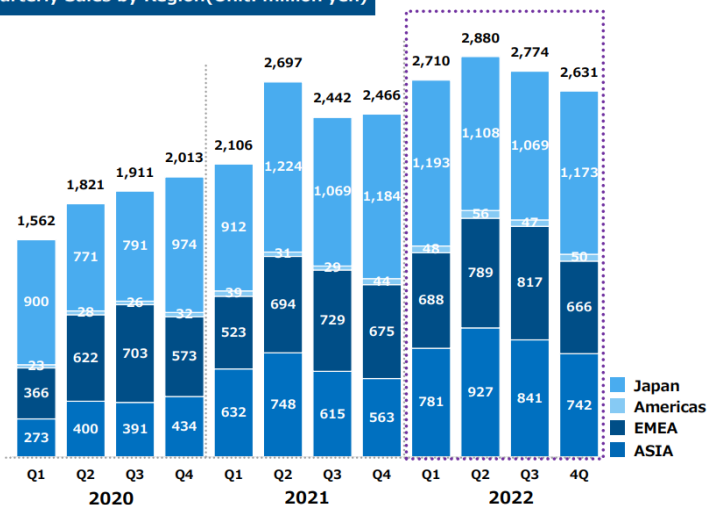
\*EMEA

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.

Quarterly Sales by Region(Unit: million yen)



(From the company release)

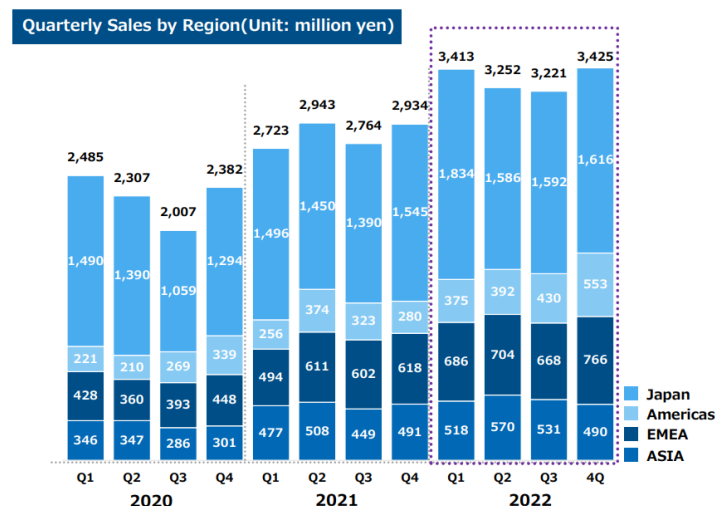
## (MVL segment)

Sales grew. Sales remained unchanged on a quarterly basis.

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- \*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.

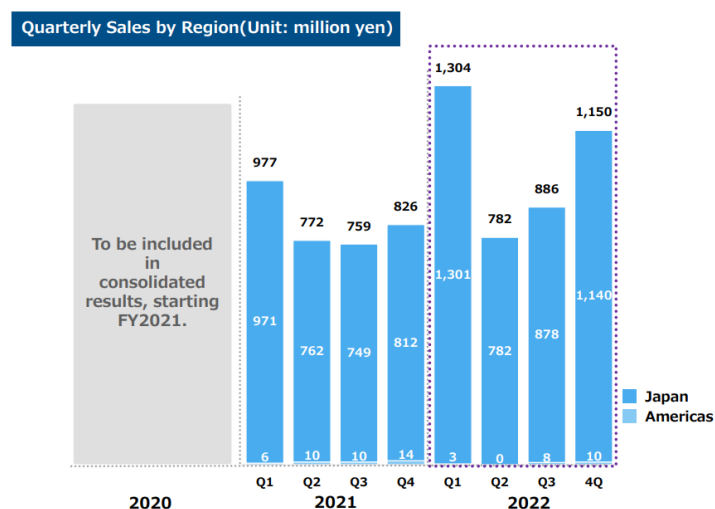


(From the company release)

### (IPC segment)

Sales grew.

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



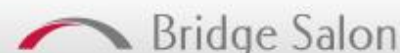
(From the company release)

## 2-3 Financial Conditions and Cash Flow

### ◎Main BS

	End of Dec.2021	End of Dec.2022	Increase/ decrease		End of Dec.2021	End of Dec.2022	Increase/ decrease
<b>Current Assets</b>	42,544	47,932	+5,388	<b>Current liabilities</b>	18,562	18,752	+190

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Cash	17,120	17,287	+167	Payables	2,589	3,165	+576
Receivables	10,444	12,221	+1,777	ST Interest Bearing Liabilities	10,684	9,634	-1,050
Inventories	11,635	16,247	+4,612	Noncurrent liabilities	3,846	4,814	+968
Noncurrent Assets	15,224	15,370	+146	LT Interest Bearing Liabilities	210	1,247	+1,037
Tangible Assets	6,993	7,621	+628	Net defined benefit liabilities	1,366	1,436	+70
Intangible Assets	3,204	2,815	-389	Liabilities	22,408	23,567	+1,159
Investment, Others	5,026	4,932	-94	Net Assets	35,360	39,735	+4,375
Total assets	57,769	63,302	+5,533	Total Liabilities and Net Assets	57,769	63,302	+5,533

\*Unit: million yen

Total assets increased 5,500 million yen from the end of the previous term to 63,300 million yen, due to the growth of inventories, etc.

Total liabilities increased 1,100 million yen from the end of the previous term to 23,500 million yen, due to the increase of accounts payable.

Net assets were 39,700 million yen, up 4,300 million yen from the end of the previous term, due to an increase in retained earnings, etc.

The equity ratio was 62.2%, up 1.5 point from the end of the previous fiscal year.

## ◎Cash Flow

	FY 12/21	FY 12/22	Increase/ decrease
Operating CF	3,102	1,669	-1,433
Investing CF	-2,845	-310	+2,535
Free CF	257	1,359	+1,102
Financing CF	1,793	-1,627	-3,420
Cash and Equivalent	17,120	17,287	+167

\*Unit: million yen

The cash inflow from operating activities declined due to an increase in inventories, etc. The cash outflow from investing activities shrank as there was no expenditure like the one that occurred in the previous term due to the acquisition of shares of a subsidiary, and the surplus of free CF expanded. The cash position remained almost unchanged.

## 2-4 Topics

## ◎ Change of the Representative Director

On March 24, 2023, it was announced that Mr. Tatsuya Nakajima, a director of Optex Group Co., Ltd. and the president of Optex FA Co., Ltd., will become the president of Optex Group Co., Ltd. Mr. Nakajima will continue to serve concurrently as President and Representative Director of Optex FA Co., Ltd.

Isamu Oguni, the current President and CEO of Optex Group Co., Ltd., will become the Chairman of the Board of Optex Group Co., Ltd., and will also serve as a new director of CCS Inc.

Mr. Nakajima was born on October 11, 1966, and is 56 years old. He joined OPTEX FA Co., Ltd. in April 2016. After serving as General Manager of the Sensor Sales Headquarters, Director, and Managing Director, he was appointed as President and Representative Director of OPTEX FA Co., Ltd. in March 2018.

Under the new management system, the company aims for sustainable development of the group and further improvement of corporate value.

## BRIDGE REPORT



### 3. Fiscal Year Ending December 2023 Earnings Forecasts

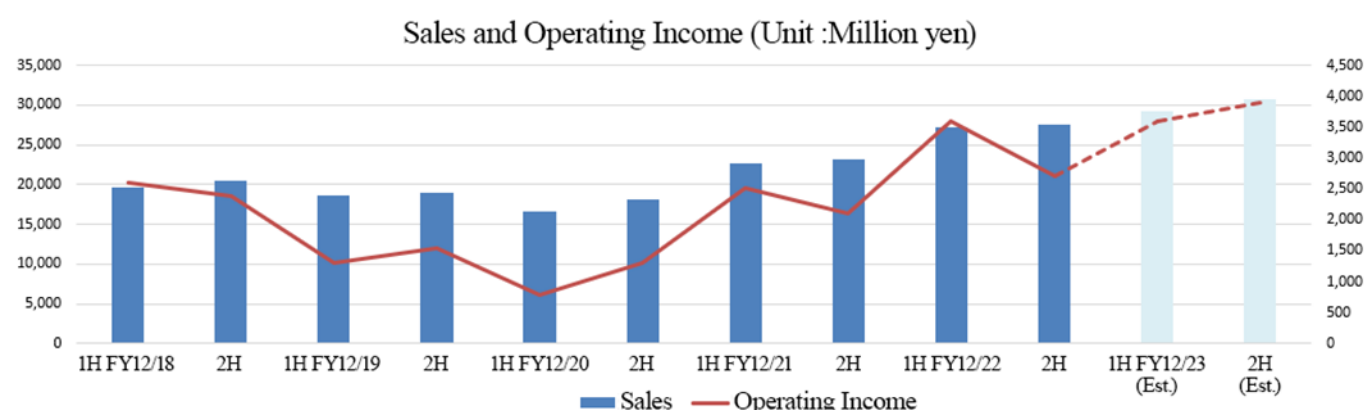
#### 3-1 Earnings forecast

	FY 12/22	Ratio to sales	FY 12/23 Est.	Ratio to sales	YoY
Sales	54,811	100.0%	60,000	100.0%	+9.5%
Operating Profit	6,303	11.5%	7,500	12.5%	+19.0%
Ordinary Profit	7,042	12.8%	7,600	12.7%	+7.9%
Net Profit	4,752	8.7%	5,300	8.8%	+11.5%

\*Unit: million yen

#### Forecasting sales and profit growth for three consecutive fiscal years

For the fiscal year ending December 2023, sales are expected to increase 9.5% year on year to 60 billion yen, and operating profit is projected to rise 19.0% year on year to 7.5 billion yen. Sales are forecasted to grow in all segments and regions. The company is expected to receive a healthy number of business inquiries for the foreseeable future. The company will implement growth strategies in the main businesses and strive to strengthen the sale of highly profitable products. The company plans to pay a 40.00 yen/share dividend, up 4 yen/share from the previous term. The expected dividend payout ratio is 26.8%.



#### ◎Regional trends

	FY 12/22	Ratio to sales	FY 12/23 Est.	Ratio to sales	YoY
<b>Consolidated sales</b>	<b>54,811</b>	<b>100.0%</b>	<b>60,000</b>	<b>100.0%</b>	<b>+9.5%</b>
Domestic	24,549	44.8%	26,496	44.2%	+7.9%
International	30,262	55.2%	33,504	55.8%	+10.7%
AMERICAs	7,305	13.3%	8,613	14.4%	+17.9%
Europe	15,316	27.9%	16,397	27.3%	+7.1%
Asia	7,641	13.9%	8,494	14.2%	+11.2%

\*Unit: million yen

#### 3-2 Trends in each segment

##### ①Sales of each segment

	FY 12/22	Ratio to sales	FY 12/23 Est.	Ratio to sales	YoY
SS Business	23,465	42.8%	25,254	42.1%	+7.6%
IA Business	29,738	54.3%	33,088	55.1%	+11.3%
EMS Business	1,006	1.8%	1,036	1.7%	+3.0%
Others	600	1.1%	622	1.0%	+3.7%
<b>Consolidated sales</b>	<b>54,811</b>	<b>100.0%</b>	<b>60,000</b>	<b>100.0%</b>	<b>+9.5%</b>

\*Unit: million yen

##### ②Trends in each segment and region

	FY 12/22	Ratio to	FY 12/23 Est.	Ratio to	YoY
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## BRIDGE REPORT



		sales		sales	
<b>SS: Security</b>	16,067	100.0%	17,120	100.0%	+6.6%
Japan	2,545	15.8%	2,805	16.4%	+10.2%
AMERICAs	3,708	23.1%	4,002	23.4%	+7.9%
EMEA	8,419	52.4%	8,667	50.6%	+2.9%
Asia, Oceania	1,395	8.7%	1,646	9.6%	+18.0%
<b>SS: Automatic door</b>	5,311	100.0%	5,796	100.0%	+9.1%
Japan	2,405	45.3%	2,485	42.9%	+3.3%
AMERICAs	1,624	30.6%	1,802	31.1%	+11.0%
EMEA	1,112	20.9%	1,330	22.9%	+19.6%
Asia, Oceania	170	3.2%	179	3.1%	+5.3%
<b>IA:FA</b>	10,995	100.0%	11,692	100.0%	+6.3%
Japan	4,543	49.2%	4,914	49.7%	+8.2%
AMERICAs	201	25.9%	239	25.2%	+18.9%
EMEA	2,960	21.9%	3,093	21.8%	+4.5%
Asia, Oceania	3,291	2.9%	3,446	3.2%	+4.7%
<b>IA:MVL</b>	13,311	100.0%	14,459	100.0%	+8.6%
Japan	6,628	49.8%	6,993	48.4%	+5.5%
AMERICAs	1,750	13.1%	1,649	11.4%	-5.8%
EMEA	2,824	21.2%	3,306	22.9%	+17.1%
Asia, Oceania	2,109	15.8%	2,511	17.4%	+19.1%
<b>IA:IPC</b>	4,122	100.0%	4,527	100.0%	+9.8%
Japan	4,101	99.5%	4,521	99.9%	+10.2%
AMERICAs	21	0.5%	6	0.1%	-71.4%
<b>IA:MECT</b>	1,311	100.0%	2,410	100.0%	+83.8%
Japan	1,267	96.6%	1,495	62.0%	+18.0%
AMERICAs	0	-	915	38.0%	-
Asia, Oceania	44	3.4%	0	0.0%	-
<b>EMS</b>	1,006	100.0%	1,036	100.0%	+3.0%
Japan	588	58.4%	577	55.7%	-1.9%
AMERICAs	1	0.1%	0	-	-
Asia, Oceania	417	41.5%	459	44.3%	+10.1%

\*Unit: million yen

## 4. Three-Year Management Plan (2023-2025)

### 4-1 Outline

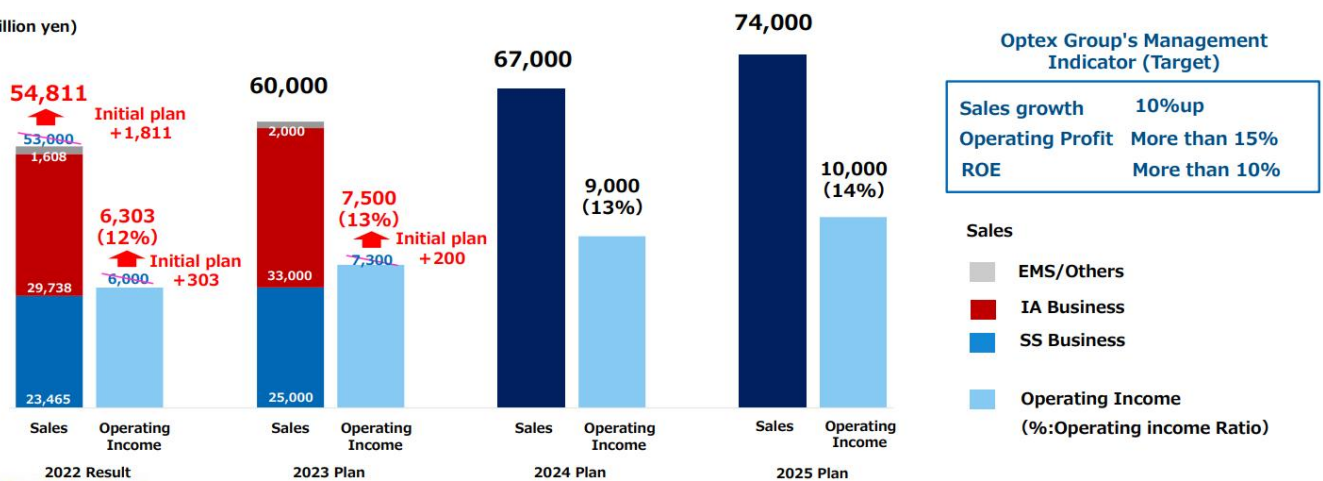
Under the corporate group's philosophy of "aiming to be a corporate group brimming with a venture spirit," the company aims to achieve operating profit of 10 billion yen or higher and operating profit margin of 14% in the fiscal year ending December 2025.

In the fiscal year ended December 2022, both sales and operating profit exceeded the forecast thanks to the outcomes of the growth strategy. Thus, in the fiscal year ending December 2023, the company will continue strengthening sales of highly profitable products and aim to expand operating profit. The company will also continue to develop each business further and accelerate the shift to the sale of solutions, aiming for sales of 74 billion yen and an operating profit of 10 billion yen in the fiscal year ending December 2025.

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(Unit: million yen)



(From the company release)

## 4-2 Strategy and Progress for target achievement

The three prongs of its strategy are “growth of existing businesses,” “growth of companies acquired,” and “synergy with companies acquired.” The company is promoting these growth strategies to achieve the management plan.

### ① Growth of existing businesses: Provide system solutions

#### \*SS Business: Security Sensor segment

<Results in the fiscal year ended December 2022>

The company started supplying new products to partners in Europe.

The number of companies newly adopting the system and registrations are increasing steadily in North America.

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

<Results in the fiscal year ended December 2022>

The sales of automatic door remote monitoring services increased, contributing to an improvement in the rate of signing a maintenance contract.

The company promoted the diversification of OMNICITY (a service launched in February 2021) applications, such as using it at large commercial facilities, restaurants, and real estate.

#### \*IA Business: FA segment

<Results in the fiscal year ended December 2022>

The company expanded the IO-Link lineup through aggressive development investment.

It released eight series of new products to meet customer needs.

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

<Results in the fiscal year ended December 2022>

The company held a large-scale private exhibition, Solution EXPO.

The company received many inquiries as it was highly evaluated for its ability to provide extensive proposals.

### 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

<Results in the fiscal year ended December 2022>

The sales of industrial PCs increased due to the expansion of semiconductor facility investment.

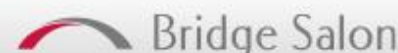
The company is promoting the development of a system to expand business areas that are less susceptible to external environmental risks.

#### \*IA Business: Mitsutec

<Results in the fiscal year ended December 2022>



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With the expansion of investment in secondary battery manufacturing equipment for EVs, the company acquired a large-scale project that will continue to be shipped from the fiscal year 2023 onward.

### ③ Synergy with companies acquired

\*Sanritz Automation and Optex : SS business

<Results in the fiscal year ended December 2022>

The two companies will promote adopting remote monitoring camera systems for important domestic facilities.

In the fiscal year ended December 2022, the two companies started the joint development of a remote image monitoring system with an automatic tracking function that utilizes AI.

\*Mitsutec and Optex FA : FA segment

<Results in the fiscal year ended December 2022>

As comprehensive solution vendors, the two companies will promote selling services in the IA business.

In the fiscal year ended December 2022, the two companies started collaborating on a visual inspection solution that utilizes robots.

The two companies are also collaborating to strengthen the capability of proposing products and expand technical support.

## 5. Conclusion

The fact that sales and profit increased significantly in the previous fiscal year despite the harsh environment due to factors, such as soaring raw material and energy prices and the shortage of parts, is highly evaluated. In particular, customers have highly regarded the stable product supply, which the company has been focusing on since the beginning of the term. This will be a big advantage for future business promotion.

The growth rates of both sales and profit will decline this term due to factors, such as the unlikelihood that the exchange rates will contribute to the sales and profit to the level they did in the previous term. Still, the company plans to increase sales and profit for the third consecutive term.

However, there are some concerns about the fact that the sales in the SS business (automatic door-related) increased from the previous term for six successive quarters, while the sales in the SS business (security-related) and IA business (MVL-related) remained flat, and sales in the IA business (FA-related) decreased for the second consecutive term.

While the environment remains uncertain, including the prolonged situation in Ukraine, we would like to pay attention to how the company accumulates earnings quarter by quarter to achieve the three-year plan.

## <Reference: Regarding Corporate Governance>

### ◎Organization type, and the composition of directors and auditors

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

### ◎Corporate Governance Report

The latest revision date: March 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).

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## [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.

## &lt;Disclosures Based on the Principles in the Corporate Governance Code (Excerpt)&gt;

## [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.

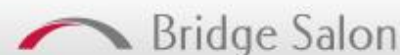
In addition, our corporate group has consolidated subsidiaries worldwide. Thus, we believe that we have sufficiently ensured the diversity of our corporate group as a whole, including these subsidiaries.

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

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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 43<sup>rd</sup> Ordinary General Meeting of Shareholders from the perspective of preventing the spread of the novel coronavirus.

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