

 Isamu Oguni Executive Chairman	 Tatsuya Nakajima President	OPTEX GROUP CO., LTD. (6914)
		

Company Information

Market	TSE Prime Market
Industry	Electric equipment (Manufacturer)
Executive Chairman	Isamu Oguni
President	Tatsuya Nakajima
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	
1,902 yen	37,735,784 shares	71,773 million	12.8%	100 shares	
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
40.00 yen	2.1%	149.19 yen	12.7x	1,108.52 yen	1.7x

*The share price is the closing price in May 12. Shares Outstanding, DPS and EPS was taken from the brief report in 1Q of FY 12/23. ROE and BPS are the results of the previous year.

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 first quarter of the fiscal year ending December 2023 and so on.

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Key Points

- **In the first quarter of the fiscal year ending December 2023, sales dropped 0.6% year on year to 13.8 billion yen. While the sale of security-related and automatic door-related products was steady in the SS business, the performance of IPC-related and MECT-related products in the IA business was sluggish due to the shortage of parts, etc. The changes in exchange rates increased sales by 700 million yen. Operating profit declined 17.4% year on year to 1.7 billion yen. Although sales decreased, gross profit grew 2.3% year on year and gross profit margin also rose 1.4 points. While changes in exchange rates also increased profit by 300 million yen, SG&A costs augmented 10.7% year on year as a result of proactive marketing activities and reinforcement of sales promotion toward the achievement of the 3-year (2023-2025) management plan.**
- **The earnings forecast remains unchanged. 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%.**
- **While the quarterly sales in the SS business (automatic door-segment) grew year on year for the seventh consecutive quarter and the quarterly sales in the IA business (MVL-segment) increased year on year for the second consecutive quarter, sales have recently shown a tendency to be more sluggish in the IA business (FA-segment), declining year on year for the third consecutive quarter, and in the SS business (security-segment), remaining flat. As the first quarter has just recently ended and the shortage of parts is expected to be further alleviated from now on, attention will be paid to the IA business, which is expected to drive growth in this fiscal year as well as in the medium term, and especially to the trends of FA-related products from the second quarter on.**

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 SENSY 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.

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 (2023-25), 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.
	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 Business		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	<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	F 12/ 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 and Long-term Management Plan. 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 June 20 2023.

https://www.bridge-salon.jp/report_bridge/archives/eng/6914/20230620.html

2. First quarter of Fiscal Year Ending December 2023 Earnings Results

2-1 Business Results

	1Q of FY 12/22	Ratio to sales	1Q of FY 12/23	Ratio to sales	YoY
Sales	13,901	100.0%	13,882	100.0%	-0.6%
Gross profit	7,069	50.9%	7,229	52.3%	+2.3%
SG&A	4,949	35.6%	5,477	39.6%	+10.7%
Operating profit	2,120	15.3%	1,751	12.7%	-17.4%
Ordinary profit	2,431	17.5%	1,753	12.7%	-27.9%
Quarterly net Profit	1,743	12.5%	1,182	8.6%	-32.1%

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

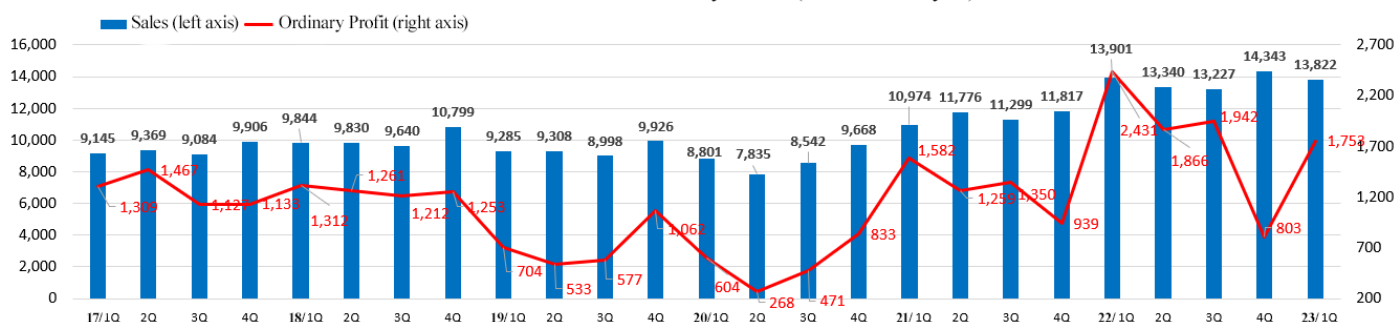
Sales flat year-on-year, profit down

In the first quarter of the fiscal year ending December 2023, sales dropped 0.6% year on year to 13.8 billion yen. While the sale of security-related and automatic door-related products was steady in the SS business, the performance of IPC-related and MECT-related products in the IA business was sluggish due to the shortage of parts, etc. The changes in exchange rates increased sales by 700 million yen.

Operating profit declined 17.4% year on year to 1.7 billion yen. Although sales decreased, gross profit grew 2.3% year on year and gross profit margin also rose 1.4 points. While changes in exchange rates also increased profit by 300 million yen, SG&A costs augmented 10.7% year on year as a result of proactive marketing activities and reinforcement of sales promotion toward the achievement of the 3-year (2023-2025) management plan.

◎Trends in each quarter

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



On a quarterly basis, sales declined and profit grew from the fourth quarter of the previous fiscal year.

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◎Regional trends

	1Q of FY 12/22	Ratio to sales	1Q of FY 12/23	Ratio to sales	YoY
Consolidated Sales	13,901	100.0%	13,822	100.0%	-0.6%
Domestic	6,772	48.7%	5,988	43.3%	-11.6%
Overseas	7,129	51.3%	7,834	56.7%	+9.9%
America	1,592	11.5%	1,831	13.2%	+15.0%
Europe	3,781	27.2%	4,254	30.8%	+12.5%
Asia	1,756	12.6%	1,749	12.7%	-0.4%

*Unit: million yen. Company-wide growth rate -0.6% or more is colored.

Domestic sales decreased. Outside Japan, sales were favorable in the Americas and Europe, partially thanks to the depreciation of the yen.

◎Average exchange rate

	1Q of FY 12/22	1Q of FY 12/23
USD	116.20 yen	132.34 yen
EURO	130.39 yen	142.10 yen

2-2 Earnings by Segment

① Trends in each segment

	1Q of FY 12/22	Ratio to sales	1Q of FY 12/23	Ratio to sales	YoY
SS Business	5,654	40.7%	6,119	44.3%	+8.2%
IA Business	7,973	57.4%	7,448	53.9%	-6.6%
EMS Business	177	1.3%	128	0.9%	-27.7%
Others	96	0.7%	126	0.9%	+31.3%
Sales	13,901	100.0%	13,822	100.0%	-0.6%
SS Business	856	15.1%	694	11.3%	-18.9%
IA Business	1,358	17.0%	955	12.8%	-29.7%
EMS Business	2	1.1%	239	186.7%	-
Others	-26	-	-13	-	-
Adjustments	-71	-	-124	-	-
Operating profit	2,120	15.3%	1,751	12.7%	-17.4%

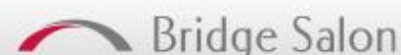
*Unit: million yen. Ratio to sales of Operating profit refers to Sales Profit margin. Company-wide growth rate -0.6% or more is colored.

Sales increased and profit declined in the SS business. Sales and profit decreased in the IA business.

②Trends in each segment and region

	1Q of FY 12/22	Ratio to sales	1Q of FY 12/23	Ratio to sales	YoY
SS: Security	3,808	100.0%	4,164	100.0%	+9.3%
Japan	591	15.5%	586	14.1%	-0.8%
AMERICAs	832	21.8%	841	20.2%	+1.1%
EMEA	2,118	55.6%	2,441	58.6%	+15.3%
Asia·Oceania	267	7.0%	296	7.1%	+10.9%
SS: Automatic door	1,230	100.0%	1,454	100.0%	+18.2%
Japan	575	46.7%	686	47.2%	+19.3%

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AMERICAs	334	27.2%	440	30.3%	+31.7%
EMEA	289	23.5%	295	20.3%	+2.1%
Asia•Oceania	32	2.6%	33	2.3%	+3.1%
IA:FA	2,710	100.0%	2,608	100.0%	-3.8%
Japan	1,193	49.2%	990	49.7%	-17.0%
AMERICAs	48	25.9%	61	25.2%	+27.1%
EMEA	688	21.9%	796	21.8%	+15.7%
Asia•Oceania	781	2.9%	761	3.2%	-2.6%
IA: MVL	3,413	100.0%	3,502	100.0%	+2.6%
Japan	1,834	53.7%	1,768	50.5%	-3.6%
AMERICAs	375	11.0%	485	13.8%	+29.3%
EMEA	686	20.1%	722	20.6%	+5.2%
Asia•Oceania	518	15.2%	527	15.0%	+1.7%
IA:IPC	1,304	100.0%	1,107	100.0%	-15.1%
Japan	1,301	99.8%	1,104	99.7%	-15.1%
AMERICAs	3	0.2%	3	0.3%	0.0%
IA:MECT	546	100.0%	231	100.0%	-57.7%
Japan	519	95.1%	227	98.3%	-56.3%
AMERICAs	0	-	0	-	-
Asia•Oceania	27	4.9%	4	1.7%	-85.2%
EMS	178	100.0%	128	100.0%	-28.1%
Japan	86	48.3%	36	28.1%	-58.1%
AMERICAs	0	0.0%	1	0.8%	-
Asia•Oceania	92	51.7%	91	71.1%	-1.1%

*Unit: million yen. Company-wide growth rate -0.6% or more is colored.

◎SS Business

(Security sensor segment)

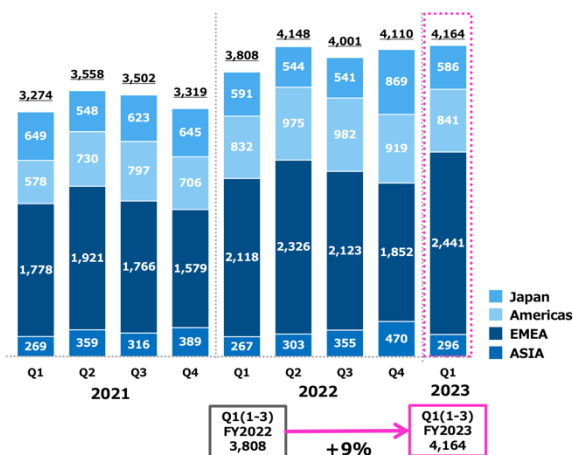
Sales grew year on year and remained flat in comparison with the previous quarter.

- *Japan Sales declined year on year. The number of orders for large important facilities increased. The sale of outdoor security sensors was sluggish due to delays in product supply caused by the shortage of parts.
- *AMERICAs Sales grew year on year. The sale of laser scan sensors at data centers, etc. was favorable owing to the direct marketing strategy.
- *EMEA Sales grew year on year. Despite products for housing being in an adjustment phase due to the impact of inflation, etc., the sale of camera-equipped sensors and laser scan sensors for commercial establishments was favorable.
- * Asia•Oceania Sales grew year on year. While the sale of outdoor security sensors remained steady in India, the sale in China and Southeast Asia was sluggish due to the impact of worse economic situation.

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Quarterly Sales by Region(Unit: million yen)



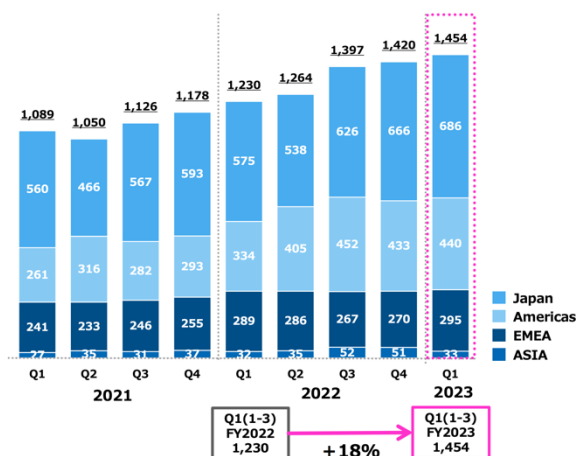
(From the company release)

(Automatic door sensor segment)

Sales increased year on year and quarter on quarter.

- *Japan Sales grew year on year. As the company’s capability to stably supply products was recognized by major domestic automatic door manufacturers, they continued to receive many inquiries.
- *AMERICAS Sales grew year on year. The sale of both sensors for automatic doors and sensors for shutters was steady.
- *EMEA Sales grew year on year. Although major automatic door manufacturers in Europe continue to make inquiries, there tends to be less business opportunities due to the decline in business sentiment.

Quarterly Sales by Region(Unit: million yen)



(From the company release)

◎IA Business

(FA segment)

Sales declined year on year and remained flat from the previous quarter.

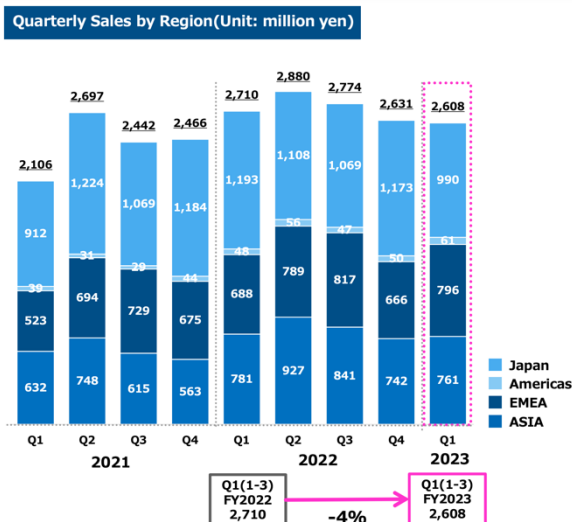
- *Japan Sales decreased year on year. The demand for investment in equipment for smartphones, computers, etc. was low. Inquiries for IO-Link-related products smoothly increased.
- *EMEA Sales grew year on year. The sale of displacement sensors for electronic parts was favorable.

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***Asia・Oceania**

Sales decreased year on year. The sale of displacement sensors in China was favorable owing to the demand for investment in rechargeable battery facilities.



(From the company release)

(MVL segment)

Sales grew year on year and quarter on quarter.

***Japan**

Sales declined year on year. Inquiries for automobile-related products were steady. A private show consisting mainly of the exhibition of solutions garnered positive reviews, resulting in gaining business opportunities.

***AMERICAS**

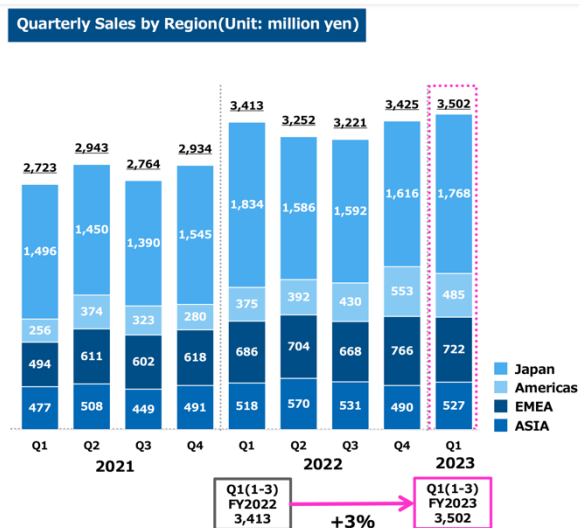
Sales increased year on year. The market share in the logistics industry increased due to the products of the French subsidiary.

***EMEA**

Sales increased year on year. The market share in the logistics industry in Europe increased due to the products of the French subsidiary.

***Asia・Oceania**

Sales increased year on year. Sales for semiconductor-related investments were strong in China.



(From the company release)

(IPC segment)

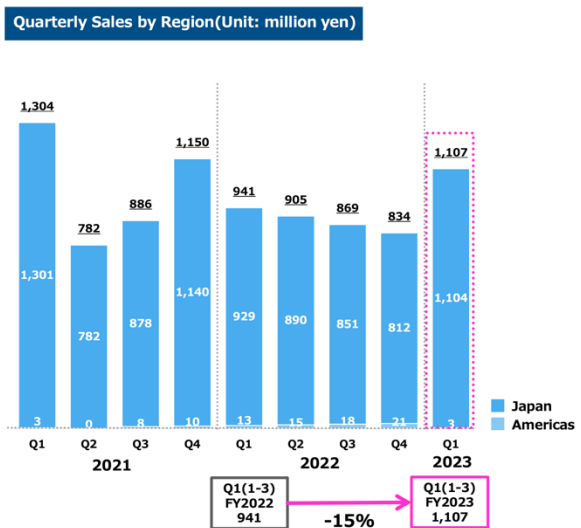
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Sales declined year on year and quarter on quarter.

*Japan

Sales decreased year on year. The sale was sluggish due to delays in product supply caused by the shortage of parts.



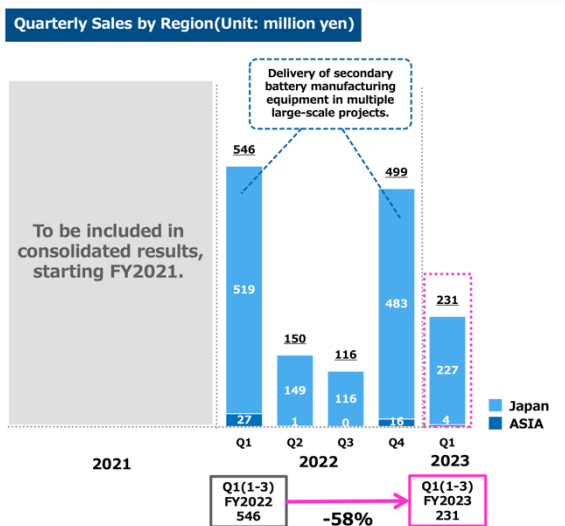
(From the company release)

(MECT segment)

Sales decreased year on year and quarter on quarter.

*Japan

The production system was developed in preparation for the delivery for large transaction of products for manufacturing rechargeable batteries from the third quarter.



(From the company release)

2-3 Financial Conditions and Cash Flow

◎Main BS

	End of Dec.2022	End of Mar.2023	Increase/decrease		End of Dec.2022	End of Mar.2023	Increase/decrease
Current Assets	47,932	47,796	-136	Current liabilities	18,752	18,002	-750

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Cash	17,287	14,923	-2,364	Payables	3,165	3,481	+316
Receivables	12,221	12,063	-158	ST Interest Bearing Liabilities	9,634	9,804	+170
Inventories	16,247	18,093	+1,846	Noncurrent liabilities	4,814	4,366	-448
Noncurrent Assets	15,370	15,221	-149	LT Interest Bearing Liabilities	1,247	794	-453
Tangible Assets	7,621	7,637	+16	Net defined benefit liabilities	1,436	1,467	+31
Intangible Assets	2,815	2,787	-28	Liabilities	23,567	22,368	-1,199
Investment, Others	4,932	4,796	-136	Net Assets	39,735	40,648	+913
Total assets	63,302	63,017	-285	Total Liabilities and Net Assets	63,302	63,017	-285

*Unit: million yen

Total assets decreased 200 million yen from the end of the previous term to 63,000 million yen, due to the decrease of cash, the growth of inventories, etc. Total liabilities decreased 1,100 million yen from the end of the previous term to 22,300 million yen, due to the decrease of provision for bonuses and borrowings, etc. Net assets were 900 million yen, up 40,600 million yen from the end of the previous term, due to the increase in retained earnings and foreign currency translation adjustments, etc. The equity ratio was 63.9%, up 1.7 point from the end of the previous fiscal year.

2-4 Topics

◎Acquisition of shares of “EXNOS Co., Ltd.,” a vehicle guidance system manufacturer (as a second-tier subsidiary)

In April 2023, OPTEX Co., Ltd. acquired 100% of the outstanding shares of “EXNOS Co., Ltd.,” a manufacturer of vehicle guidance systems used in parking lots, and turned it into a subsidiary.

(Overview of EXNOS Co., Ltd.)

Founded in 1998. The only manufacturer in Japan specialized in the design, development and sale of vehicle guidance systems used in parking lots.

They have installed a large number of systems at large-scale parking lots attached to large commercial facilities such as shopping malls and mass retailers as well as public facilities such as airports and hospitals. Vehicle guidance systems developed by EXNOS are composed of a vehicle detection sensor, a guidance lamp, a display device, a control system and software for display, and support the whole process encompassing the proposal for an optimal system matching the site, arrangement of the installation and follow-up service.

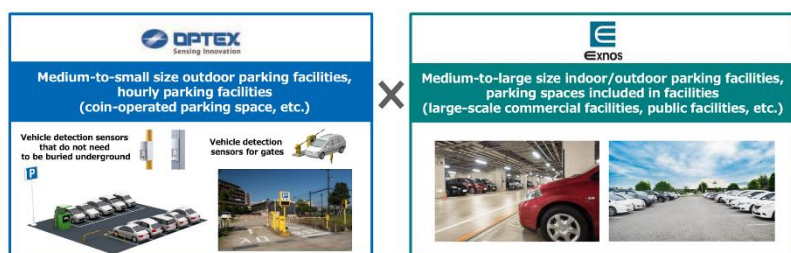
(Purpose of share acquisition)

OPTEX Co., Ltd. has developed sensors that reduce installation workloads and environmental burdens and expanded business for systems utilizing vehicle detection sensors centered on small and medium-sized parking lots, such as coin-operated parking spaces.

By acquiring shares, they will aim to solve various issues through the synergy of both companies.

*	Reducing waiting time before parking and stress and elevating the comfort of users through the display of a guide to unoccupied parking spaces
*	Elevating the turnover rate of each parking lot (profitability) through efficient guidance to unoccupied parking spaces
*	Resolving the issue of the lack of traffic guidance staff by systemizing vehicle guidance
*	Utilizing parking data acquired from vehicle sensors in marketing and MaaS*
*	Alleviating chronic congestion on roads surrounding the facilities as well as curtailing CO ₂ emissions by shortening idling time

*MaaS: The abbreviation of “Mobility as a Service.” A service that utilizes ICT to connect multiple transportation facilities and means of travel and provides them in a comprehensive way.



(From the company release)

3. Fiscal Year Ending December 2023 Earnings Forecasts

3-1 Earnings forecast

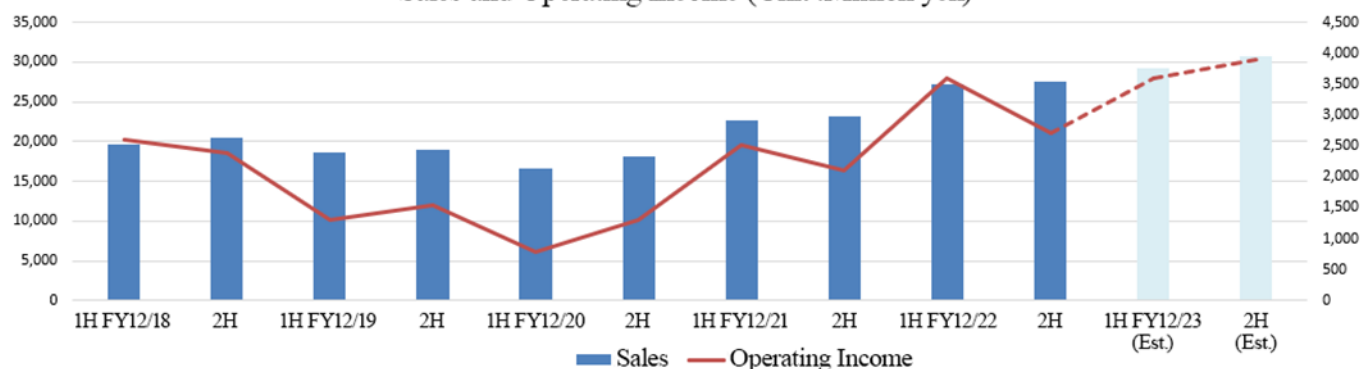
	FY 12/22	Ratio to sales	FY 12/23 Est.	Ratio to sales	YoY	1H progress rate	Full-year progress rate
Sales	54,811	100.0%	60,000	100.0%	+9.5%	47.3%	23.0%
Operating Profit	6,303	11.5%	7,500	12.5%	+19.0%	48.6%	23.3%
Ordinary Profit	7,042	12.8%	7,600	12.7%	+7.9%	48.0%	23.1%
Net Profit	4,752	8.7%	5,300	8.8%	+11.5%	46.4%	22.3%

*Unit: million yen

The earnings forecast remains unchanged. Forecasting sales and profit growth for three consecutive fiscal years.

The earnings forecast remains unchanged. 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%.

Sales and Operating Income (Unit :Million yen)



Regional trends

	FY 12/22	Ratio to sales	FY 12/23 Est.	Ratio to sales	YoY	1H progress rate	Full-year progress rate
Consolidated sales	54,811	100.0%	60,000	100.0%	+9.5%	47.3%	23.0%
Domestic	24,549	44.8%	26,496	44.2%	+7.9%	47.8%	22.6%
International	30,262	55.2%	33,504	55.8%	+10.7%	47.0%	23.4%
AMERICAs	7,305	13.3%	8,613	14.4%	+17.9%	47.4%	21.3%

BRIDGE REPORT



Europe	15,316	27.9%	16,397	27.3%	+7.1%	49.4%	25.9%
Asia	7,641	13.9%	8,494	14.2%	+11.2%	41.6%	20.6%

*Unit: million yen. Boxes with a sales growth rate of +9.5% or more for all companies and boxes with a sales progress rate (over 47.3% in the first half and over 23.0% in the whole fiscal year) for all companies have been colored.

3-2 Trends in each segment

① Sales of each segment

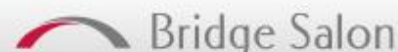
	FY 12/22	Ratio to sales	FY 12/23 Est.	Ratio to sales	YoY	1H progress rate	Full-year progress rate
SS Business	23,465	42.8%	25,254	42.1%	+7.6%	48.5%	24.2%
IA Business	29,738	54.3%	33,088	55.1%	+11.3%	47.2%	22.5%
EMS Business	1,006	1.8%	1,036	1.7%	+3.0%	24.7%	12.4%
Others	600	1.1%	622	1.0%	+3.7%	41.2%	20.3%
Consolidated sales	54,811	100.0%	60,000	100.0%	+9.5%	47.3%	23.0%

*Unit: million yen. Boxes with a sales growth rate of +9.5% or more for all companies and boxes with a sales progress rate (over 47.3% in the first half and over 23.0% in the whole fiscal year) for all companies have been colored.

② Trends in each segment and region

	FY 12/22	Ratio to sales	FY 12/23 Est.	Ratio to sales	YoY	1H progress rate	Full-year progress rate
SS: Security	16,067	100.0%	17,120	100.0%	+6.6%	48.2%	24.3%
Japan	2,545	15.8%	2,805	16.4%	+10.2%	45.7%	20.9%
AMERICAs	3,708	23.1%	4,002	23.4%	+7.9%	41.6%	21.0%
EMEA	8,419	52.4%	8,667	50.6%	+2.9%	53.6%	28.2%
Asia, Oceania	1,395	8.7%	1,646	9.6%	+18.0%	37.5%	18.0%
SS: Automatic door	5,311	100.0%	5,796	100.0%	+9.1%	50.7%	25.1%
Japan	2,405	45.3%	2,485	42.9%	+3.3%	56.9%	27.6%
AMERICAs	1,624	30.6%	1,802	31.1%	+11.0%	48.6%	24.4%
EMEA	1,112	20.9%	1,330	22.9%	+19.6%	43.6%	22.2%
Asia, Oceania	170	3.2%	179	3.1%	+5.3%	40.2%	18.4%
IA: FA	10,995	100.0%	11,692	100.0%	+6.3%	44.0%	22.3%
Japan	4,543	49.2%	4,914	49.7%	+8.2%	41.7%	20.1%
AMERICAs	201	25.9%	239	25.2%	+18.9%	54.0%	25.5%
EMEA	2,960	21.9%	3,093	21.8%	+4.5%	48.9%	25.7%
Asia, Oceania	3,291	2.9%	3,446	3.2%	+4.7%	42.1%	22.1%
IA: MVL	13,311	100.0%	14,459	100.0%	+8.6%	47.7%	24.2%
Japan	6,628	49.8%	6,993	48.4%	+5.5%	49.6%	25.3%
AMERICAs	1,750	13.1%	1,649	11.4%	-5.8%	59.6%	29.4%
EMEA	2,824	21.2%	3,306	22.9%	+17.1%	41.2%	21.8%
Asia, Oceania	2,109	15.8%	2,511	17.4%	+19.1%	43.7%	21.0%
IA: IPC	4,122	100.0%	4,527	100.0%	+9.8%	48.1%	24.5%
Japan	4,101	99.5%	4,521	99.9%	+10.2%	48.0%	24.4%
AMERICAs	21	0.5%	6	0.1%	-71.4%	60.0%	50.0%
IA: MECT	1,311	100.0%	2,410	100.0%	+83.8%	115.5%	9.6%
Japan	1,267	96.6%	1,495	62.0%	+18.0%	113.5%	15.2%
AMERICAs	0	-	915	38.0%	-	-	0.0%

BRIDGE REPORT



Asia, Oceania	44	3.4%	0	0.0%	-	-	-
EMS	1,006	100.0%	1,036	100.0%	+3.0%	24.7%	12.4%
Japan	588	58.4%	577	55.7%	-1.9%	11.4%	6.2%
AMERICAs	1	0.1%	0	-	-	-	-
Asia, Oceania	417	41.5%	459	44.3%	+10.1%	45.0%	19.8%

*Unit: million yen. Boxes with a sales growth rate of +9.5% or more for all companies and boxes with a sales progress rate (over 47.3% in the first half and over 23.0% in the whole fiscal year) for all companies have been colored.

4. Conclusion

While the quarterly sales in the SS business (automatic door-segment) grew year on year for the seventh consecutive quarter and the quarterly sales in the IA business (MVL-segment) increased year on year for the second consecutive quarter, sales have recently shown a tendency to be more sluggish in the IA business (FA-segment), declining year on year for the third consecutive quarter, and in the SS business (security-segment), remaining flat.

As the first quarter has just recently ended and the shortage of parts is expected to be further alleviated from now on, attention will be paid to the IA business, which is expected to drive growth in this fiscal year as well as in the medium term, and especially to the trends of FA-related products from the second quarter on.

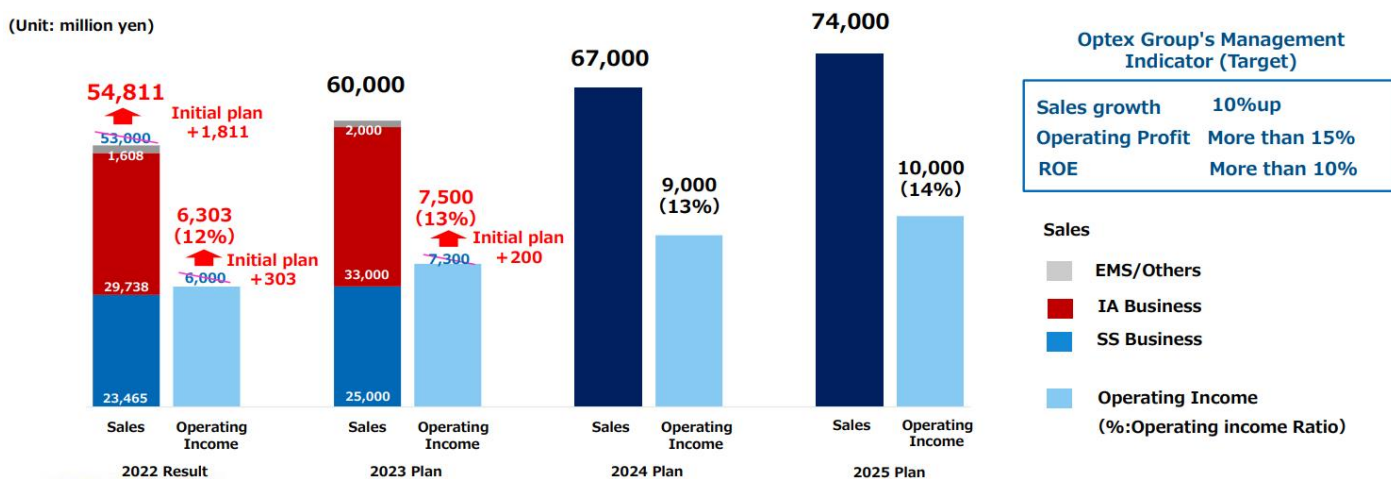
<Reference 1: Three-Year Management Plan>

(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.



(From the company release)

(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>

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.

<Reference 2: Regarding Corporate Governance>

◎Organization type, and the composition of directors and auditors

Organization type	Company with audit and supervisory committee
Directors	9directors, including 4 outside ones

◎Corporate Governance Report

The latest revision date: March 24, 2023

<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.

<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: 52 million yen in one company (Amount on the balance sheet for December 31, 2022)

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 = 78%: 22%
- Ratio of mid-career hires: 61%
- Ratio of foreign employees: 1%
- Male-female ratio of managers: Male: Female = 97%: 3%
- Ratio of mid-career hires among managers: 69%

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.

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

Lessening environmental burdens → <https://www.optexgroup.co.jp/en/esg/environment-impact.html>

The ESG Report is available at → <https://www.optexgroup.co.jp/shareholder/library/index.html#esgreport>

We expressed our support for TCFD in January this year and set the goal for CO₂ reduction of the corporate group as “30% until 2030 (compared to 2019: Scopes 1 and 2).” We will keep focusing on the improvement of the quality and quantity of information disclosure concerning our corporate group’s initiatives for sustainability.

[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 briefing to obtain understanding for our future policies after the end of that meeting.

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