

 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
1,707yen	37,735,784shares		64,414million	12.8%	100shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
40.00yen	2.3%	140.75yen	12.1x	1,108.52yen	1.5x

*The share price is the closing price on November 8. Shares Outstanding, DPS and EPS was taken from the brief report in 3Q 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.	57,000	6,500	6,900	5,000	140.75	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 third quarter of the fiscal year ending December 2023 and so on.

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Key Points

- In the third quarter of the fiscal year ending December 2023, sales were 41 billion yen, up 1.4% year on year. Due to uncertainty about the economic outlook, domestic and overseas customers are refraining from making investments. Although the sales of the SS business were strong in Japan, they were sluggish overseas due to the postponement of large-scale projects and inventory adjustments. The IA business was affected by clients withholding capital investment related to semiconductors and the slowdown of the Chinese economy. The foreign exchange made a positive contribution of 1.7 billion yen. Operating profit decreased 24.1% year on year to 4 billion yen. Although the company made efforts to optimize sales prices domestically and overseas in response to soaring component prices, gross profit was unchanged year on year. SG&A expenses increased 8.4% year on year due to aggressive sales activities and enhanced sales promotion aimed at achieving the three-year (2023-2025) management plan. The foreign exchange made a net positive contribution of 700 million yen.
- There was no change in the full-year earnings forecast. In the fiscal year ending December 2023, sales are expected to increase 4% year on year to 57 billion yen, and operating profit is forecast to rise 3.1% year on year to 6.5 billion yen, marking the third consecutive year of growth in sales and operating profit. The IA business (FA-related) is projected to remain sluggish due to clients continuing to withhold capital investment, but the SS business and IA business (MVL-related) are expected to progress as planned. The company plans to raise the dividend by 4 yen/share from the previous term to 40.00 yen/share. The expected dividend payout ratio is 28.4%.
- Under the group's corporate philosophy of "We aim to become a corporate group full of Venture Spirit," the company aspires to achieve an operating profit of 10 billion yen or more and an operating profit margin of 14% in 2025 and has positioned "business model transformation" at the core of its growth strategy. The company is making a shift from conventional single-product sales to solution sales, which includes "expanding the direct marketing strategy" in the SS business, "promoting the challenger strategy" in the IA business (FA segment), and "evolving into a total solution vendor" in the IA business (MVL segment).
- After two consecutive quarters of quarter-on-quarter sales declines, which peaked in the fourth quarter of the fiscal year ended December 2022, sales increased quarter on quarter in the third quarter of this fiscal year. In addition to the solid performance of the SS business(security-related), the SS business(automatic doors-related) also turned in an increase in sales. In the IA business, FA-related and MVL-related businesses remained sluggish, while IPC-related businesses recovered, albeit on a smaller scale, and in the MECT-related business, the company delivered products in a large project for secondary battery manufacturing equipment as planned. It appears that the effect of M&A have begun to materialize.
- Regarding the full-year forecast, the company expects the IA business (FA-related) to remain sluggish due to clients continuing to withhold capital investment, while the SS business and IA business (MVL-related) are projected to progress as planned. Regarding the progress rate in the third quarter, the SS business is on par with the previous years, while the IA business (MVL-related) remains at a slightly lower level. The key to achieving

the full-year forecast will be the extent to which capital investment demand and IA business recover, in addition to the SS business' upward momentum.

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.

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	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,

	segment	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	The company has a high share in unique products with their motto, “global niche No. 1.” Outdoor intrusion detection sensors: 40%

	Sensors for automatic doors: 30% LED lighting for image inspections: 30%
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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 products to selling solutions 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 6, 2023.

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

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

2-1 Business Results

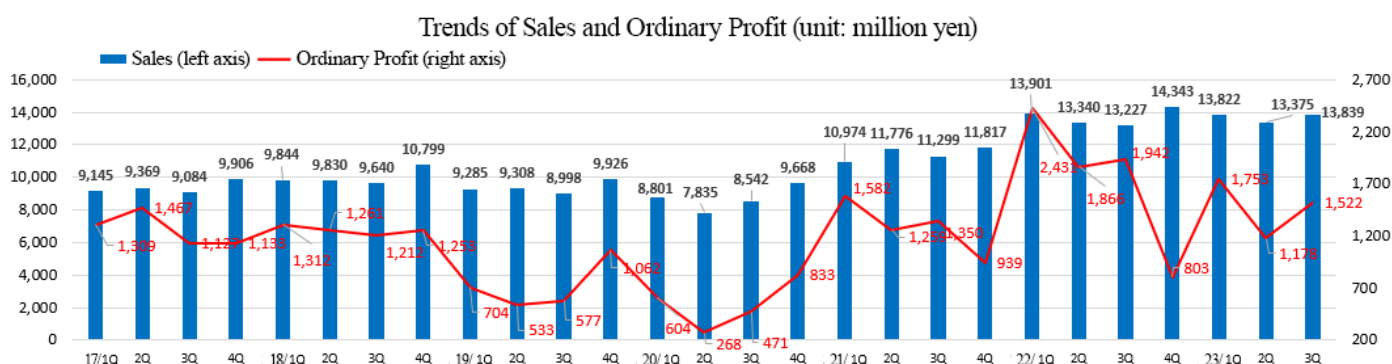
	3Q of FY 12/22 Cumulative	Ratio to sales	3Q of FY 12/23 Cumulative	Ratio to sales	YoY
Sales	40,468	100.0%	41,036	100.0%	+1.4%
Gross profit	20,892	51.6%	20,920	51.0%	+0.1%
SG&A	15,596	38.5%	16,900	41.2%	+8.4%
Operating profit	5,295	13.1%	4,019	9.8%	-24.1%
Ordinary profit	6,239	15.4%	4,453	10.9%	-28.6%
Quarterly net Profit	4,520	11.2%	3,400	8.3%	-24.8%

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

Sales up, profit down

In the third quarter of the fiscal year ending December 2023, sales were 41 billion yen, up 1.4% year on year. Due to uncertainty about the economic outlook, domestic and overseas customers are refraining from making investments. Although the sales of the SS business were strong in Japan, they were sluggish overseas due to the postponement of large-scale projects and inventory adjustments. The IA business was affected by clients withholding capital investment related to semiconductors and the slowdown of the Chinese economy. The foreign exchange made a positive contribution of 1.7 billion yen. Operating profit decreased 24.1% year on year to 4 billion yen. Although the company made efforts to optimize sales prices domestically and overseas in response to soaring component prices, gross profit was unchanged year on year. SG&A expenses increased 8.4% year on year due to aggressive sales activities and enhanced sales promotion aimed at achieving the three-year (2023-2025) management plan. The foreign exchange made a net positive contribution of 700 million yen.

◎Trends in each quarter



The third quarter's sales (July-September) were up year on year and quarter on quarter, while the profits were down year on year, but up from the previous quarter.

◎Regional trends

	3Q of FY 12/22 Cumulative	Ratio to sales	3Q of FY 12/23 Cumulative	Ratio to sales	YoY
Consolidated Sales	40,468	100.0%	41,036	100.0%	+1.4%
Domestic	17,692	43.7%	18,124	44.2%	+2.4%
Overseas	22,776	56.3%	22,912	55.8%	+0.6%

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America	5,340	13.2%	5,633	13.7%	+5.5%
Europe	11,762	29.1%	12,312	30.0%	+4.7%
Asia	5,674	14.0%	4,967	12.1%	-12.5%

*Unit: million yen.

Domestic sales, which had declined in the first half, increased. Overseas, sales in Asia declined due to the slowdown of the Chinese economy, while sales in the Americas and Europe increased due to the weaker yen.

◎Average exchange rate

	3Q of FY 12/22	3Q of FY 12/23
USD	¥128.05	¥138.11
EURO	¥135.95	¥149.62

2-2 Earnings by Segment

①Trends in each segment

	3Q of FY 12/22 Cumulative	Ratio to sales	3Q of FY 12/23 Cumulative	Ratio to sales	YoY
SS Business	17,339	42.8%	18,405	44.9%	+6.1%
IA Business	22,034	54.4%	21,642	52.7%	-1.8%
EMS Business	656	1.6%	558	1.4%	-14.9%
Others	437	1.1%	429	1.0%	-1.8%
Sales	40,468	100.0%	41,036	100.0%	+1.4%
SS Business	2,293	13.2%	2,182	11.9%	-4.8%
IA Business	3,062	13.9%	1,987	9.2%	-35.1%
EMS Business	318	48.5%	272	48.7%	-14.4%
Others	25	5.7%	11	2.6%	-56.0%
Adjustments	-404	-	-434	-	-
Operating profit	5,295	13.1%	4,019	9.8%	-24.1%

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

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

②Trends in each segment and region

	3Q of FY 12/22 Cumulative	Ratio to sales	3Q of FY 12/23 Cumulative	Ratio to sales	YoY
SS: Security	11,957	100.0%	12,879	100.0%	+7.7%
Japan	1,676	14.0%	2,041	15.8%	+21.8%
AMERICAs	2,789	23.3%	2,789	21.7%	+0.0%
EMEA	6,567	54.9%	7,053	54.8%	+7.4%
Asia・Oceania	925	7.7%	996	7.7%	+7.7%
SS: Automatic door	3,891	100.0%	4,101	100.0%	+5.4%
Japan	1,739	44.7%	1,828	44.6%	+5.1%
AMERICAs	1,191	30.6%	1,326	32.3%	+11.3%
EMEA	842	21.6%	847	20.7%	+0.6%
Asia・Oceania	119	3.1%	100	2.4%	-16.0%

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IA : FA	8,364	100.0%	7,448	100.0%	-11.0%
Japan	3,370	49.2%	2,983	49.7%	-11.5%
AMERICAs	151	25.9%	156	25.2%	+3.3%
EMEA	2,294	21.9%	2,344	21.8%	+2.2%
Asia・Oceania	2,549	2.9%	1,965	3.2%	-22.9%
IA : MVL	9,886	100.0%	9,764	100.0%	-1.2%
Japan	5,012	50.7%	4,937	50.6%	-1.5%
AMERICAs	1,197	12.1%	1,349	13.8%	+12.7%
EMEA	2,058	20.8%	2,067	21.2%	+0.4%
Asia・Oceania	1,619	16.4%	1,411	14.5%	-12.8%
IA : IPC	2,972	100.0%	3,133	100.0%	+5.4%
Japan	2,961	99.6%	3,124	99.7%	+5.5%
AMERICAs	11	0.4%	9	0.3%	-18.2%
IA : MECT	812	100.0%	1,298	100.0%	+59.9%
Japan	784	96.6%	1,292	99.5%	+64.8%
Asia・Oceania	28	3.4%	6	0.5%	-78.6%
EMS	656	100.0%	558	100.0%	-14.9%
Japan	375	57.2%	237	42.5%	-36.8%
AMERICAs	1	0.2%	1	0.2%	+0.0%
Asia・Oceania	280	42.7%	320	57.3%	+14.3%

*Unit: million yen.

◎SS Business

(Security sensor segment)

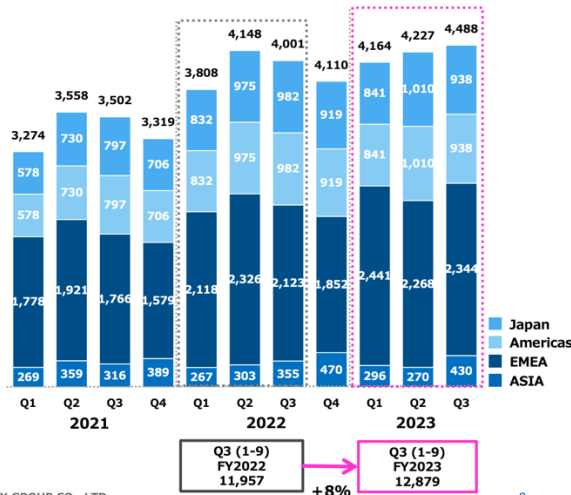
<Highlights of performance in the cumulative third quarter>

- *Japan Sales increased year on year. The sales of outdoor warning sensors increased for security companies and large critical facilities.
- *AMERICAs Sales remained flat year on year. Despite healthy numbers of inquiries and orders due to the direct marketing strategy, sales in North America were sluggish due to the impact of clients withholding investments caused by inflation and high interest rates.
- *EMEA Sales grew year on year. The sales of laser scan sensors for infrastructure were strong. Sales to residential and commercial customers were sluggish due to inventory adjustments.
- * Asia・Oceania Sales increased year on year. The sale of outdoor security sensors remained steady in Thailand.

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Quarterly Sales by Region (Unit: million yen)



EX GROUP CO., LTD.

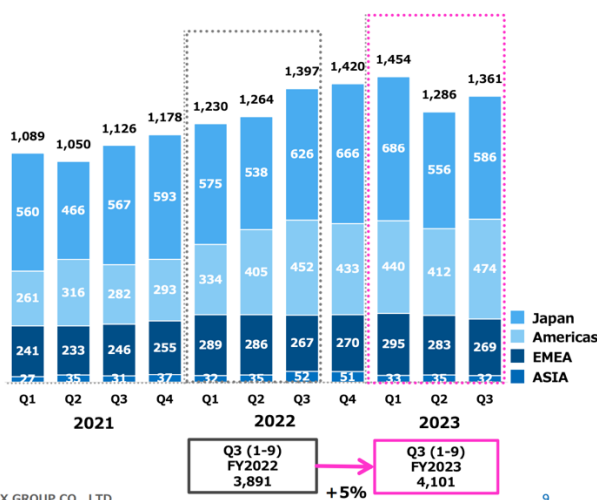
(From the company release)

(Automatic door sensor segment)

Key Points of Third Quarter (Cumulative) Results

- *Japan Sales grew year on year. The sales of both automatic door sensors and shutter sensors were strong.
- *AMERICAS Sales grew year on year. The sale of both sensors for automatic doors and sensors for shutters was steady. New products for a major automatic door manufacturer contributed to sales.
- *EMEA Sales grew year on year. Demand is declining due to customers' inventory adjustments caused by deteriorating business confidence.

Quarterly Sales by Region (Unit: million yen)



EX GROUP CO., LTD.

(From the company release)

◎IA Business

(FA segment)

Key Points of Third Quarter (Cumulative) Results

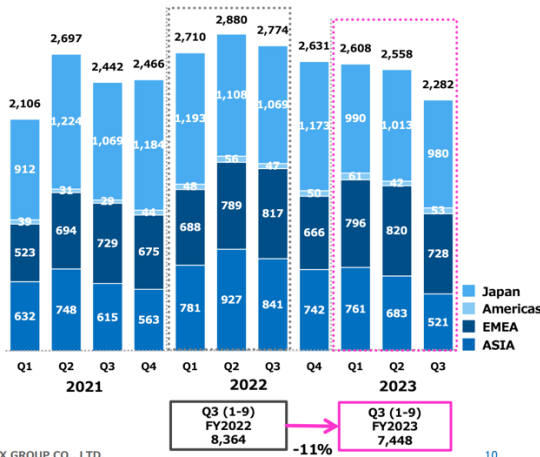
- *Japan Sales decreased year on year. The sales of semiconductor-related products were sluggish due to customers' postponement of capital investment and inventory adjustments.
- *EMEA Sales grew year on year. The sale of displacement sensors for electronic parts was strong.
- *Asia•Oceania Sales decreased year on year. The sales of displacement sensors were sluggish due to clients

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continuing to withhold capital investment for rechargeable batteries in China.

Quarterly Sales by Region (Unit: million yen)



EX GROUP CO., LTD.

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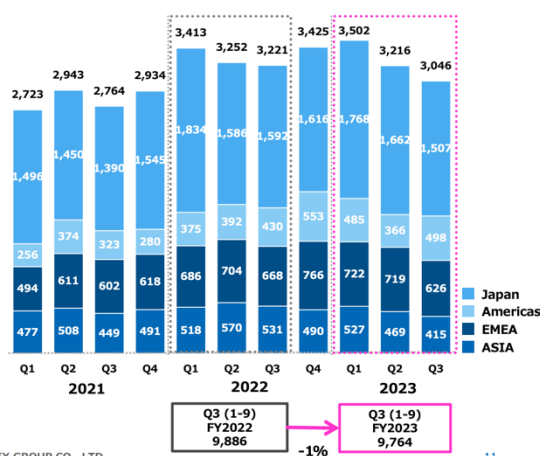
(From the company release)

(MVL segment)

Key Points of Third Quarter (Cumulative) Results

- *Japan Sales declined year on year. The sales of products for semiconductors and electrical/electronic components were sluggish due to customers' postponement of capital investment. Inquiries for new projects are increasing due to the company proactively holding private exhibitions.
- *AMERICAS Sales increased year on year. Sales to the logistics industry were strong due to the products of the French subsidiary.
- *EMEA Sales flat year on year. Sales to the logistics industry were strong due to the products of the French subsidiary.
- *Asia •Oceania Sales decreased year on year. The sales of semiconductor-related products in China were sluggish.

Quarterly Sales by Region (Unit: million yen)



EX GROUP CO., LTD.

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(From the company release)

(IPC segment)

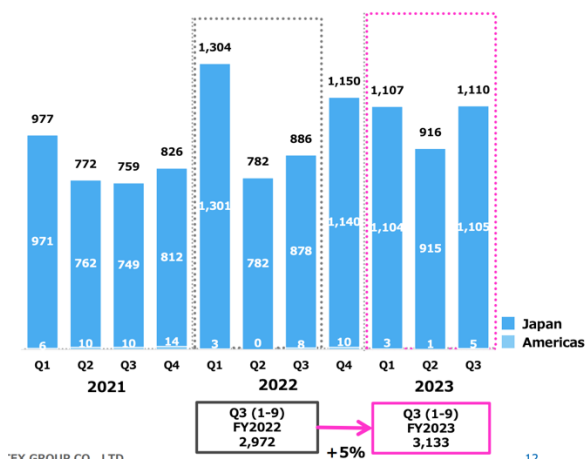
Key Points of Third Quarter (Cumulative) Results

- *Japan Sales increased year on year. Product supply delays due to component shortages also ended, and sales to clients that manufacture semiconductor equipment were strong.

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Quarterly Sales by Region (Unit: million yen)



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(From the company release)

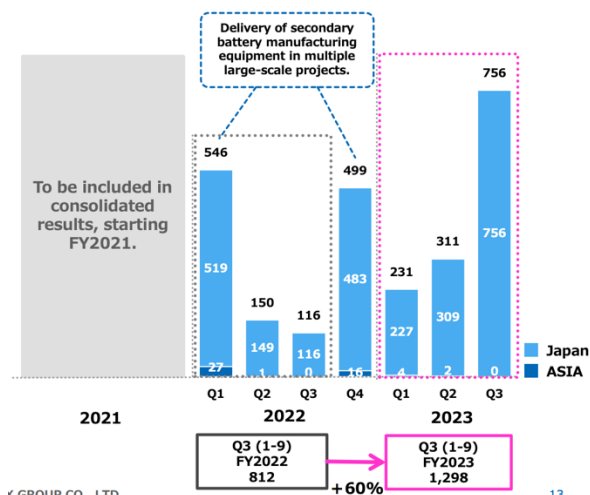
(MECT segment)

Key Points of Third Quarter (Cumulative) Results

*Japan

Sales increased significantly year on year. As planned, the company set up the production system for the delivery of a large project for secondary battery manufacturing equipment, and deliveries proceeded smoothly.

Quarterly Sales by Region (Unit: million yen)



EX GROUP CO., LTD.

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(From the company release)

2-3 Financial Conditions and Cash Flow

◎Main BS

	End of Dec.2022	End of Sep.2023	Increase/decrease		End of Dec.2022	End of Sep.2023	Increase/decrease
Current Assets	47,932	51,071	+3,139	Current liabilities	18,752	15,369	-3,383
Cash	17,287	15,934	-1,353	Payables	3,165	3,126	-39
Receivables	12,221	11,732	-489	ST Interest	9,634	6,733	-2,901

				Bearing Liabilities			
Inventories	16,247	20,787	+4,540	Noncurrent liabilities	4,814	7,292	+2,478
Noncurrent Assets	15,370	14,995	-375	LT Interest Bearing Liabilities	1,247	3,704	+2,457
Tangible Assets	7,621	7,867	+246	Net defined benefit liabilities	1,436	1,485	+49
Intangible Assets	2,815	2,571	-244	Liabilities	23,567	22,662	-905
Investment, Others	4,932	4,556	-376	Net Assets	39,735	43,404	+3,669
Total assets	63,302	66,066	+2,764	Total Liabilities and Net Assets	63,302	66,066	+2,764

*Unit: million yen

Total assets increased 2,700 million yen from the end of the previous term to 66,000 million yen, due to the growth of inventories, etc. Total liabilities decreased 900 million yen from the end of the previous term to 22,600 million yen, due to the decrease in loans payable, etc. Net assets were 3,600 million yen, up 43,400 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 65.1%, up 2.9 point from the end of the previous fiscal year.

2-4 Topics

(1) CCS Forms Business Alliance with DataGrid, Inc.

In August 2023, CCS Inc. signed a business alliance agreement with DataGrid Corporation (Kyoto, Japan).

(Overview of DataGrid Inc.)

It was established in July 2017. The company is an AI venture that originated at Kyoto University and operates a business centered on generative AI technology. It provides software for generative AI in the manufacturing and other industrial fields and promotes DX for companies by solving data-related issues.

(Background of the business alliance)

In recent years, there has been a growing need in the manufacturing industry for the use of AI in various inspection processes, such as visual inspection, to automate and improve the accuracy of inspections in order to solve labor shortage issues, including the issue of passing on skills.

Since opening AI labs in Tokyo in 2018 and in Kyoto in 2019, CCS has established partnerships with multiple AI vendors to support the adoption of AI in the inspection process, for example, by proposing optimal AI software to customers and optimizing cameras, lenses, and lighting to achieve imaging where AI can easily make decisions.

The company is proactively supporting the adoption of AI in inspection processes. For example, in 2022, it began selling Solution Ai (AI)®, which allows you to build AI inference applications with intuitive operations, making it easier to adopt AI inspection in manufacturing sites.

In order to adopt AI in the inspection process, it is necessary to prepare image data for various inspections and repeat verification to improve the accuracy of the AI model. Previously, in order to improve the accuracy of AI models, it was necessary to train them on a large number of images of good and defective products.

However, since defective products do not emerge very often, there are many issues where PoC does not proceed smoothly due to the enormous amount of time it takes to obtain images of defective products or the inability to prepare enough images of defective products.

DataGrid's generation AI can generate a large number of high-quality, diverse defective product images based on a small number of defective product images, thus solving the data shortage of defective images that frequently occurs in the process of building AI models and reducing man-hours and costs for adopting AI inspection.

CCS will leverage these technical features of DataGrid to provide AI visual inspection solutions that combine the strengths of the two companies.

(2) OPTEX Launches REDSCAN mini-Pro Security Sensor

In September 2023, OPTEX GROUP CO., LTD. launched the security sensor "REDSCAN mini-Pro" in Japan.

(Overview of the REDSCAN mini-Pro security sensor)

It is a highly functional laser scan sensor that is capable of identifying the "size," "distance from a sensor," and "speed" of an object.

A single unit can cover a detection area of 20 m × 20 m in normal mode, creating a robust intrusion alarm system in both indoor and outdoor environments.

The company newly developed infrared LED illumination technology for nighttime video capture. By adopting this technology and a full HD camera, the image confirmation function of OPTEX's laser scan sensor series has been improved to be easier to use and more usable in a variety of environments that require security sensors.

The company plans to promote its direct marketing strategy and win system solution projects worldwide, targeting data centers, energy-related facilities, large warehouses, distribution centers, airports, and ports.

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	Revised ratio
Sales	54,811	100.0%	57,000	100.0%	+4.0%	72.0%
Operating Profit	6,303	11.5%	6,500	11.4%	+3.1%	61.8%
Ordinary Profit	7,042	12.8%	6,900	12.1%	-2.0%	64.5%
Net Profit	4,752	8.7%	5,000	8.8%	+5.2%	68.0%

*Unit: million yen

No change in earnings forecast; forecasted increase in revenue and operating income

There was no change in the full-year earnings forecast. In the fiscal year ending December 2023, sales are expected to increase 4% year on year to 57 billion yen, and operating profit is forecast to rise 3.1% year on year to 6.5 billion yen, marking the third consecutive year of growth in sales and operating profit. The IA business (FA-related) is projected to remain sluggish due to clients continuing to withhold capital investment, but the SS business and IA business (MVL-related) are expected to progress as planned. The company plans to raise the dividend by 4 yen/share from the previous term to 40.00 yen/share. The expected dividend payout ratio is 28.4%.

◎Regional trends

	FY 12/22	Ratio to sales	FY 12/23 Est.	Ratio to sales	YoY	Rate of Progress
Consolidated sales	54,811	100.0%	57,000	100.0%	+4.0%	72.0%
Domestic	24,549	44.8%	25,771	45.2%	+5.0%	70.3%
International	30,262	55.2%	31,229	54.8%	+3.2%	73.4%
AMERICAs	7,305	13.3%	7,733	13.6%	+5.9%	72.8%
Europe	15,316	27.9%	15,985	28.0%	+4.4%	77.0%
Asia	7,641	13.9%	7,511	13.2%	-1.7%	66.1%

*Unit: million yen. Colored boxes for company-wide revenue growth rate of +4.0% or more and company-wide sales progress rate of 72.0% or more.

3-2 Trends in each segment

①Sales of each segment

BRIDGE REPORT



	FY 12/22	Ratio to sales	FY 12/23 Est.	Ratio to sales	YoY	Rate of Progress
SS Business	23,465	42.8%	25,014	43.9%	+6.6%	73.6%
IA Business	29,738	54.3%	30,468	53.5%	+2.5%	71.0%
EMS Business	1,006	1.8%	939	1.6%	-6.7%	59.4%
Others	600	1.1%	579	1.0%	-3.5%	74.1%
Consolidated sales	54,811	100.0%	57,000	100.0%	+4.0%	72.0%

*Unit: million yen. Colored boxes for company-wide revenue growth rate of +4.0% or more and company-wide sales progress rate of 72.0% or more.

② Trends in each segment and region

	FY 12/22	Ratio to sales	FY 12/23 Est.	Ratio to sales	YoY	Rate of Progress
SS: Security	16,067	100.0%	17,313	100.0%	+7.8%	74.4%
Japan	2,545	15.8%	2,904	16.8%	+14.1%	70.3%
AMERICAs	3,708	23.1%	4,087	23.6%	+10.2%	68.2%
EMEA	8,419	52.4%	8,769	50.6%	+4.2%	80.4%
Asia, Oceania	1,395	8.7%	1,553	9.0%	+11.3%	64.1%
SS: Automatic door	5,311	100.0%	5,626	100.0%	+5.9%	72.9%
Japan	2,405	45.3%	2,485	44.2%	+3.3%	73.6%
AMERICAs	1,624	30.6%	1,764	31.4%	+8.6%	75.2%
EMEA	1,112	20.9%	1,215	21.6%	+9.3%	69.7%
Asia, Oceania	170	3.2%	162	2.9%	-4.7%	61.7%
IA: FA	10,995	100.0%	10,309	100.0%	-6.2%	72.2%
Japan	4,543	49.2%	4,364	49.7%	-3.9%	68.4%
AMERICAs	201	25.9%	227	25.2%	+12.9%	68.7%
EMEA	2,960	21.9%	2,854	21.8%	-3.6%	82.1%
Asia, Oceania	3,291	2.9%	2,864	3.2%	-13.0%	68.6%
IA: MVL	13,311	100.0%	13,882	100.0%	+4.3%	70.3%
Japan	6,628	49.8%	6,943	50.0%	+4.8%	71.1%
AMERICAs	1,750	13.1%	1,646	11.9%	-5.9%	82.0%
EMEA	2,824	21.2%	3,146	22.7%	+11.4%	65.7%
Asia, Oceania	2,109	15.8%	2,147	15.5%	+1.8%	65.7%
IA: IPC	4,122	100.0%	4,277	100.0%	+3.8%	73.3%
Japan	4,101	99.5%	4,272	99.9%	+4.2%	73.1%
AMERICAs	21	0.5%	5	0.1%	-76.2%	180.0%
IA: MECT	1,311	100.0%	2,000	100.0%	+52.6%	64.9%
Japan	1,267	96.6%	1,994	57.2%	-9.7%	64.8%
AMERICAs	0	0.0%	0	42.5%	-	-
Asia, Oceania	44	3.4%	6	0.3%	-86.4%	100.0%
EMS	1,006	100.0%	939	100.0%	-6.7%	59.4%
Japan	588	58.4%	397	42.3%	-32.5%	59.7%
AMERICAs	1	0.1%	1	0.1%	+0.0%	100.0%
Asia, Oceania	417	41.5%	541	57.6%	+29.7%	59.1%

*Unit: million yen. Colored boxes for company-wide revenue growth rate of +4.0% or more and company-wide sales progress rate of 72.0% or more.

4. Growth Strategies Initiatives

Under the group's corporate philosophy of " We aim to become a corporate group full of Venture Spirit," the company aspires to achieve an operating profit of 10 billion yen or more and an operating profit margin of 14% in 2025 and has positioned "business model transformation" as the core of its growth strategy and is making a shift from conventional single-product sales to solution sales.



(From the company release)

(1) SS business: Expansion of direct marketing strategy

Until now, the company has sold products to infrastructure facilities through distributors, but due to the distance from customers and markets, it tended to be late in responding to changes in on-site needs.

Therefore, in order to accurately grasp customer and market needs, the company is increasing its share of direct marketing while using distributors. In addition to infrastructure facilities, the company has expanded its customer base to include system integrators and construction consultants and has proactively developed solution proposals.

This led to the development of new products, such as camera built-in laser scan sensors and shutter sensors, as well as the development of the data center market.

(2) IA business (FA segment): Advancement of the challenger strategy

As with the SS business, the company conducts direct consulting and marketing in order to grasp on-site needs and reflect them in product planning.

In addition to sales proposals and consulting by sales staff, planning and development staff visit customers to ascertain their needs, narrow down customers and applications, and provide accurate and impactful consulting services to customers.

Moreover, as a strategy for shifting from single-product sales to solution sales, the company is focusing on providing solutions centered on the "IO-Link master," which is a communication technology that enables the two-way exchange of various data between sensors and higher-level control systems and is steadily building a track record.

(3) IA business (MVL segment): Evolving into a total solution vendor

CCS, which holds the largest global share in the LED lighting business for image processing, has procured, in addition to MV lighting, power supplies, cameras, lenses, etc., from cooperating manufacturers and provides them as a system that is developed in the testing rooms to meticulously meet customer needs.

In recent years, it has expanded its field to include AI and robots and has set up an AI lab and a robotics room in collaboration with external manufacturers and vendors with the aim of "evolving into a total solution vendor in the inspection process."

As part of its sales activities, it holds a private exhibition called "CCS Machine Vision Solution Expo" nationwide and proposes solutions to solve customers' problems, leading to the expansion of its customer base.

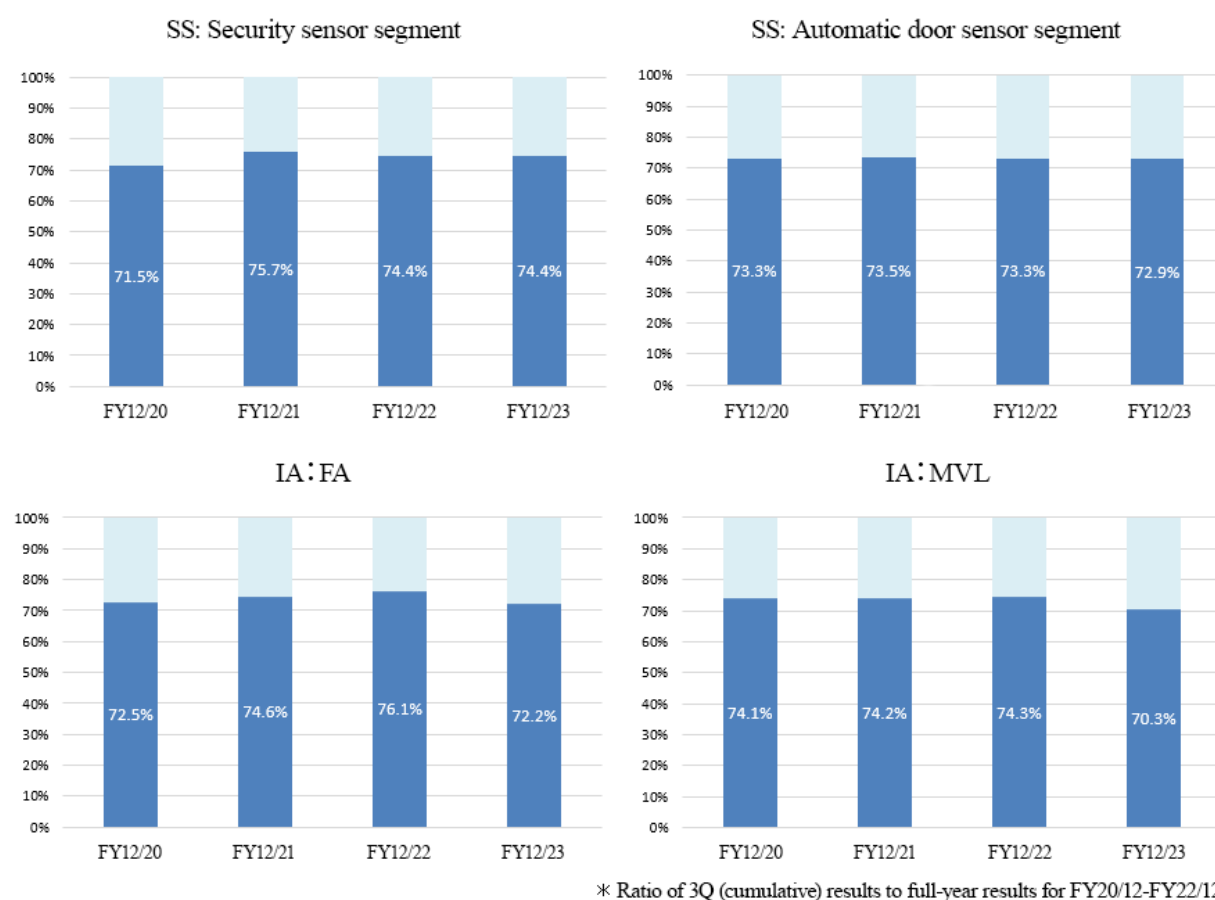
5. Conclusion

After two consecutive quarters of quarter-on-quarter sales declines, which peaked in the fourth quarter of the fiscal year ended

December 2022, sales increased quarter on quarter in the third quarter of this fiscal year. In addition to the solid performance of the SS business(security-related), the SS business (automatic doors-related) also turned in an increase in sales. In the IA business, FA-related and MVL-related businesses remained sluggish, while IPC-related businesses recovered, albeit on a smaller scale, and in the MECT-related business, the company delivered products in a large project for secondary battery manufacturing equipment as planned. It appears that the effects of M&A have begun to materialize.

Regarding the full-year forecast, the company expects the IA business (FA-related) to remain sluggish due to clients continuing to withhold capital investment, while the SS business and IA business (MVL-related) are projected to progress as planned. Regarding the progress rate in the third quarter, the SS business is on par with the previous years, while the IA business (MVL-related) remains at a slightly lower level. The key to achieving the full-year forecast will be the extent to which capital investment demand and IA business recover, in addition to the SS business' upward momentum.

Comparison of 3Q Progress by Segment



<Reference 1: Three-Year (2023-25) 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.

(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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