

Summary of Financial Results (Japan GAAP)[Consolidated]

For the First Quarter of Fiscal Year Ending December 31,2021

Company name: OPTEX GROUP CO.,LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 6914
 URL: <https://www.optexgroup.co.jp/en/>
 Representative : Isamu Oguni, President / CEO
 Contact: Hiroyuki Onishi, Director / CFO
 Tel.+81-77-527-9861

Scheduled date for filing of securities report: May.14,2021

Scheduled date for dividend payment: -

Supplementary materials to the quarterly financial statements have been prepared: Yes

Presentation will be held to explain the quarterly financial statements: None

1. Consolidated financial results for the three months ended Mar. 31,2021 (From Jan.1 to Mar.31, 2021)

(1) Consolidated operating results

(Millions of yen rounded down)

(Percentages indicate changes from the same period in the previous fiscal year.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
Mar. 31,2021	10,974	24.7	1,326	139.0	1,582	161.8	1,057	197.0
Mar. 31,2020	8,801	(5.2)	555	(24.2)	604	(14.2)	356	(28.7)

(Note) Comprehensive income: Three months ended Mar. 31,2021: 1,694 million yen -%

Three months ended Mar. 31,2020: (84) million yen -%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
Mar. 31,2021	29.24	29.10
Mar. 31,2020	9.85	9.82

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
	Millions of yen	Millions of yen	%
As of			
Mar. 31,2021	49,761	33,792	67.4
Dec. 31,2020	47,390	32,625	68.4

(Reference) Shareholders' equity: As of Mar. 31,2021: 33,559 million yen

As of Dec. 31,2020: 32,402 million yen

2. Dividends

(Base date)	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual (Total)
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Dec. 31,2020	-	15.00	-	15.00	30.00
Fiscal year ending Dec. 31,2021	-				
Fiscal year ending Dec. 31,2021 (Forecast)		15.00	-	15.00	30.00

(Note)Revisions of the forecast most recently announced: No

3. Forecast of consolidated results for the fiscal year ending Dec. 31, 2021 (From Jan. 1 to Dec. 31, 2021)

(Percentages indicate changes from the previous year.)

Fiscal year ending	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Jun. 30, 2021 (Forecast)	19,000	14.2	1,000	27.7	1,150	31.8	700	19.4	19.36
Dec. 31, 2021 (Forecast)	40,000	14.8	3,000	43.0	3,200	47.0	2,200	57.7	60.83

(Note) Revisions of the forecast most recently announced: No

4. Others

(1) Material changes in subsidiaries during this period

(changes in scope of consolidations resulting from change in subsidiaries): None

(2) Applying of specific accounting of the consolidated quarterly financial statements: None

(3) Changes in accounting policies, accounting estimates and retrospective restatements

(a) Changes in accounting policies based on revisions of accounting standards: None

(b) Changes in accounting policies other than ones based on revisions of accounting standards: None

(c) Changes in accounting estimates: None

(d) Retrospective restatements: None

(4) Number of issued and outstanding shares (common shares)

(a) Number of issued and outstanding shares at the end of fiscal year (including treasury shares)

As of Mar. 31, 2021: 37,735,784 shares

As of Dec. 31, 2020: 37,735,784 shares

(b) Number of treasury shares at the end of fiscal year

As of Mar. 31, 2021: 1,570,480 shares

As of Dec. 31, 2020: 1,572,800 shares

(c) Average number of shares during the period

Three months ended Mar. 31, 2021: 36,163,494 shares

Three months ended Mar. 31, 2020: 36,140,375 shares

* Quarterly earnings reports are exempt from the quarterly review procedures to be conducted by a certified public accountant or an audit corporation.

* Explanation for the proper use of earnings projections, and other notes

• Results forecasts are based on information available at the time of the publication of this summary. Actual results may differ from these projections due to various factors that may arise in the future. Please refer to " Management's discussion of consolidated operating results forecast and other forecasts" for matters concerning the results forecasts stated above.

• Supplementary explanatory materials for financial results are scheduled to be posted on the Company's within one week website of the announcement of financial results.

Qualitative Information Related to Financial Statements for the Quarter under Review

(1) Explanation Concerning Operating Results

The Group practiced its corporate philosophy, "Aim to become a corporate group full of venture spirit," with a basic management policy of returning to a growth path by curbing any increase in indirect costs on a Group-wide basis through enhancing headquarters functions, expanding existing businesses and facilitating the creation of new businesses.

In the current fiscal year, the Group has been working to further enhance its corporate value by advancing three key initiatives in earnest: i) strengthening mutual collaboration among Group companies and improving organizational structures with a view to establishing a shared service structure, ii) facilitating cost-of-sales ratio reductions, cost reductions and business model transformations in existing businesses, and iii) improving productivity per person through changes in behavioral patterns.

In the first quarter of the consolidated fiscal year under review, net sales increased 24.7% year on year, to 10,974 million yen, mainly reflecting growth in existing main businesses and effects from the consolidation of a new operating company. On the profit side, operating profit was 1,326 million yen (up 139.0% year on year) because a rise in gross profit significantly exceeded an increase in selling, general and administrative expenses. Likewise, ordinary profit came to 1,582 million yen (up 161.8% year on year) mainly due to a rise in foreign exchange gains and profit attributable to owners of parent stood at 1,057 million yen (up 197.0% year on year).

The business results for each segment are described below.

Effective from the first quarter of the consolidated fiscal year under review, the classification of reportable segments has been revised. The following comparisons with the same period of the previous fiscal year have been made based on figures reclassified into the revised classification segments. Details are presented in "Matters regarding the revision of reportable segments" in "Notes on the Consolidated Financial Statements (Segment Information)" under "Consolidated Quarterly Financial Statements."

① SS (Sensing Solution) Business

Net sales for the SS Business came to 4,898 million yen (up 8.0% year on year) and operating profit was 696 million yen (up 87.9% year on year).

Net sales for the security sensors were 3,273 million yen (up 6.9% year on year). Net sales in overseas operations exceeded the year-ago level, reflecting steady sales of outdoor sensors in Europe. Net sales in domestic operations also increased year on year due to solid sales for security companies and large-scale critical facilities.

Sales for the automatic door sensors amounted to 1,089 million yen (up 4.6% year on year), reflecting steady domestic sales despite sluggish overseas sales.

② IA (Industrial Automation) Business

In the IA Business, net sales came to 5,806 million yen (up 43.5% year on year) and operating profit was 735 million yen (118.3% year on year).

Net sales for the FA-related products stood at 2,106 million yen (up 34.8% year on year). Net sales in domestic operations remained at the year-ago level. Looking at overseas operations, however, sales increased substantially in Europe and China.

Net sales for the MVL-related products were 2,722 million yen (up 9.6% year on year). Although net sales in domestic operations remained flat from the previous year, net sales in overseas operations showed a significant increase mainly in Asia.

Net sales for the IPC-related products amounted to 977 million yen. Starting from the first quarter of the consolidated fiscal year under review, the Group has included Sanritz Automation Co., Ltd. in the IPC of the IA Business.

* IPC: Industrial PC

③ EMS (Electronics Manufacturing Service) Business

In the EMS Business, net sales to unaffiliated customers were 156 million yen (up 59.4% year on year), attributable to an increase in projects for the electronic contract manufacturing service. Operating profit also rose to 22 million yen (compared to an operating loss of 57 million yen in the same period of the previous year), reflecting a rise in production volume of products in the Group.

(2) Explanation Concerning Financial Position

(Assets)

Total assets amounted to 49,761 million yen at the end of the first quarter under review, which was a decrease of 2,370 million yen from the end of the previous fiscal year.

Current assets increased 2,028 million yen to total 35,095 million yen. The increase was due to higher net sales and mainly consisted of rises of 1,146 million yen in notes and accounts receivable – trade and 364 million yen in cash and deposits, respectively.

Non-current assets increased 342 million yen, to 14,665 million yen. The increase mainly reflected an increase of 409 million yen in property, plant and equipment such as buildings and structures and construction in progress, which more than offset a decline of 134 million yen in intangible assets such as goodwill and customer relationships because of amortization and other factors.

(Liabilities)

Total liabilities stood at 15,968 million yen at the end of the first quarter under review, which was an increase of 1,203 million yen from the end of the previous fiscal year. The major factors behind the increase were rises of 720 million in notes and accounts payable – trade and 249 million yen in income taxes payable, respectively.

(Net assets)

Net assets amounted to 33,792 million yen at the end of the first quarter under review, which was an increase of 1,167 million yen from the end of the previous fiscal year. This resulted mainly from increases of 595 million yen in foreign currency translation adjustment and 517 million yen in retained earnings, respectively.

(3) Management's discussion of consolidated operating results forecast and other forecasts

Financial results for the first quarter of the consolidated fiscal year under review surpassed expectations because sales in Europe and those in Japan and Asia remained strong in the SS Business and IA Business, respectively. However, looking at the business environment for the coming months, there is concern over the difficulty of procuring semiconductors for use in the manufacture of the Group's products and the impact of the COVID-19 pandemic on economic activities. Given this situation, with respect to forecasts for the consolidated fiscal year under review, the Group has decided not to change the forecasts (those for the first six months and full year) announced on February 12, 2021, and will make disclosure promptly if any issues that should be disclosed arises going forward.

Consolidated Quarterly Financial Statements

Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of Dec. 31 2020	As of Mar. 31 2021
(Assets)		
Current assets		
Cash and deposits	14,583	14,948
Notes and accounts receivable - trade	8,305	9,451
Securities	200	256
Merchandise and finished goods	3,475	3,329
Work in process	1,356	1,348
Raw materials and supplies	3,487	3,995
Income taxes receivable	270	409
Other	1,430	1,401
Allowance for doubtful accounts	(42)	(44)
Total current assets	33,067	35,095
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	2,519	2,784
Machinery, equipment and vehicles, net	249	258
Tools, furniture and fixtures, net	770	758
Land	2,410	2,423
Construction in progress	217	350
Total property, plant and equipment	6,167	6,576
Intangible assets		
Patent right	446	425
Trademark right	488	471
Customer relationships	791	755
Goodwill	1,240	1,192
Other	775	763
Total intangible assets	3,742	3,608
Investments and other assets		
Investment securities	1,947	1,907
Long-term loans receivable	338	360
Deferred tax assets	1,465	1,555
Other	693	689
Allowance for doubtful accounts	(31)	(31)
Total investments and other assets	4,413	4,481
Total non-current assets	14,323	14,665
Total assets	47,390	49,761

(Millions of yen)

	As of Dec. 31 2020	As of Mar. 31 2021
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	1,961	2,682
Short-term borrowings	6,042	6,011
Current portion of long-term borrowings	378	380
Accounts payable - other	950	750
Income taxes payable	421	671
Provision for bonuses	444	595
Other	1,221	1,504
Total current liabilities	11,421	12,595
Non-current liabilities		
Long-term borrowings	232	168
Deferred tax liabilities	759	742
Deferred tax liabilities for land revaluation	22	22
Retirement benefit liability	1,289	1,281
Provision for retirement benefits for directors (and other officers)	244	158
Other	794	998
Total non-current liabilities	3,343	3,373
Total liabilities	14,765	15,968
(Net assets)		
Shareholders' equity		
Share capital	2,798	2,798
Capital surplus	7,581	7,580
Retained earnings	24,871	25,389
Treasury shares	(2,598)	(2,594)
Total shareholders' equity	32,652	33,173
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20	48
Revaluation reserve for land	(5)	(5)
Foreign currency translation adjustment	(233)	361
Remeasurements of defined benefit plans	(31)	(18)
Total accumulated other comprehensive income	(249)	385
Share acquisition rights	214	224
Non-controlling interests	8	9
Total net assets	32,625	33,792
Total liabilities and net assets	47,390	49,761

Consolidated Quarterly Statements of Income

(Millions of yen)

	Three months ended Mar. 31,2020	Three months ended Mar. 31,2021
Net sales	8,801	10,974
Cost of sales	4,033	5,166
Gross profit	4,767	5,808
Selling, general and administrative expenses	4,212	4,482
Operating profit	555	1,326
Non-operating income		
Interest income	7	6
Dividend income	6	1
Gain on sales of investment securities	—	10
Gain on investments in investment partnerships	1	5
Foreign exchange gains	31	101
Rental income	4	6
Subsidy income	3	126
Other	22	17
Total non-operating income	77	274
Non-operating expenses		
Interest expenses	2	9
Sales discounts	5	5
Loss on valuation of investment securities	2	—
Rental expenses	3	2
Share of loss of entities accounted for using equity method	10	0
Other	4	1
Total non-operating expenses	28	19
Ordinary profit	604	1,582
Extraordinary income		
Gain on sales of non-current assets	0	2
Total extraordinary income	0	2
Extraordinary losses		
Loss on sales and retirement of non-current assets	0	6
Total extraordinary losses	0	6
Profit before income taxes	604	1,578
Income taxes - current	244	637
Income taxes - deferred	5	(117)
Total income taxes	249	520
Profit	355	1,057
Profit (loss) attributable to non-controlling interests	(0)	0
Profit attributable to owners of parent	356	1,057

Consolidated statements of comprehensive income

(Millions of yen)

	Three months ended Mar. 31,2020	Three months ended Mar. 31,2021
Profit	355	1,057
Other comprehensive income		
Valuation difference on available-for-sale securities	(112)	27
Foreign currency translation adjustment	(329)	596
Remeasurements of defined benefit plans, net of tax	1	12
Total other comprehensive income	(439)	636
Comprehensive income	(84)	1,694
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(83)	1,692
Comprehensive income attributable to non-controlling interests	(0)	1

Notes on the Consolidated Financial Statements

[Notes related to of going concern assumptions]

No items to report

[Notes regarding significant changes in shareholders' equity accounts]

No items to report

[Additional information]

(Accounting estimates associated with the spread of COVID-19)

There is no significant change in the assumptions on the impact of the COVID-19 pandemic described in the securities report for the previous consolidated fiscal year as additional information regarding accounting estimates associated with the COVID-19 pandemic.

[Segment Information]

1. Three months ended Mar. 31, 2020 (From Jan. 1 to Mar. 31, 2020)

Net Sales and Profit (Loss) by Reportable Segment

(Millions of yen)

Reportable Segment	Reportable Segment				Other Business (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	SS Business	IA Business	EMS Business	Total				
Net Sales								
Unaffiliated customers	4,537	4,046	98	8,681	119	8,801	-	8,801
Intersegment transfer	16	2	1,581	1,599	7	1,607	(1,607)	-
Total	4,553	4,048	1,679	10,281	126	10,408	(1,607)	8,801
Segment profit(Loss)	370	337	(57)	650	(5)	644	(89)	555

(Notes) 1. The "Others" category incorporates operations not included in business segments reported,

and includes software development, operation and management of sports clubs and other businesses.

2. Adjustment of (89) million yen for segment profit (loss) includes elimination of inter-segment transactions and unallocated corporate expenses.

3. Adjustments are made to reconcile segment profit (loss) to operating profit presented in the consolidated statements of operations.

2. Three months ended Mar. 31, 2021 (From Jan. 1 to Mar. 31, 2021)

(1) Net Sales and Profit(Loss) by Reportable Segment

(Millions of yen)

Reportable Segment	Reportable Segment				Other Business (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	SS Business	IA Business	EMS Business	Total				
Net Sales								
Unaffiliated customers	4,898	5,806	156	10,861	113	10,974	-	10,974
Intersegment transfer	19	0	2,143	2,163	7	2,170	(2,170)	-
Total	4,917	5,806	2,300	13,025	120	13,145	(2,170)	10,974
Segment profit(Loss)	696	735	22	1,454	(18)	1,436	(109)	1,326

(Notes) 1. The "Others" category incorporates operations not included in business segments reported,

and includes software development, operation and management of sports clubs and other businesses.

2. Adjustment of (109) million yen for segment profit (loss) includes elimination of inter-segment transactions and unallocated corporate expenses.

3. Adjustments are made to reconcile segment profit (loss) to operating profit presented in the consolidated statements of operations.

3. Matters regarding the revision of reportable segments

Due to the revision of business management classification, the Group has changed its reportable segments from the previous for segments comprising SS Business, FA Business, MVL Business and EMS Business to three segments, namely SS Business, IA Business and EMS Business, starting from the first quarter of the consolidated fiscal year under review.

In addition, to evaluate business performance more appropriately by segment, the Company has decided to post its management guidance fees in the segment profit adjustment as corporate expenses, instead of allocating such fees to each segment.

Segment information for the first quarter of the previous consolidated fiscal year presented herein has been prepared according to the revised classification.

Major products and services in each reportable segment after the change are presented below.

Business name	Major products and services
SS (Sensing Solution) Business	Development and marketing of security sensors, automatic door sensors, water quality measuring instruments, customer traffic counting systems and electronic components
IA (Industrial Automation) Business	Factory automation sensors, LED lighting equipment for image processing and Industrial PCs
EMS (Electronics Manufacturing Service) Business	Contract manufacturing service of electronic equipment