

Summary of Financial Results (Japan GAAP)[Consolidated]

For the Second 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: Aug.11,2021

Scheduled date for dividend payment: Sep.2,2021

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

Presentation will be held to explain the quarterly financial statements: Yes

1. Consolidated financial results for the six months ended Jun. 30,2021 (From Jan.1 to Jun.30, 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	%
Six months ended Jun. 30,2021	22,750	36.7	2,520	221.8	2,841	225.6	1,921	227.7
Jun. 30,2020	16,636	(10.5)	783	(40.4)	872	(29.5)	586	(36.5)

(Note) Comprehensive income: Six months ended Jun. 30,2021: 2,651 million yen - %

Six months ended Jun. 30,2020: 162 million yen (76.2 %)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended Jun. 30,2021	53.13		52.85	
Jun. 30,2020	16.22		16.15	

(2) Consolidated financial position

	Total assets		Net assets		Shareholder's equity ratio	
	Millions of yen		Millions of yen		%	
As of Jun. 30,2021	50,833		34,798		68.0	
Dec. 31,2020	47,390		32,625		68.4	

(Reference) Shareholders' equity: As of Jun. 30,2021: 34,547 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				
Fiscal year ended Dec. 31,2020	-	15.00	-	15.00	30.00
Fiscal year ending Dec. 31,2021	-	15.00	-	-	-
Fiscal year ending Dec. 31,2021 (Forecast)	-	-	-	15.00	30.00

(Note)Revisions of the forecast most recently announced: None

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
Dec. 31, 2021 (Forecast)	45,000	29.1	4,500	114.4	4,800	120.5	3,350	140.1	92.64

(Note) Revisions of the forecast most recently announced: None

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 Jun. 30, 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 Jun. 30, 2021: 1,578,320 shares

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

(c) Average number of shares during the period

Six months ended Jun. 30, 2021: 36,161,241 shares

Six months ended Jun. 30, 2020: 36,150,261 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

In the first six months of the consolidated fiscal year under review, net sales increased 36.7% year on year, to 22,750 million yen, mainly reflecting significant growth in existing main businesses and the effects from the consolidation of a new operating company. On the profit side, operating profit was 2,520 million yen (up 221.8% year on year), because a rise in gross profit as a result of increased net sales significantly exceeded an increase in selling, general and administrative expenses. Likewise, ordinary profit came to 2,841 million yen (up 225.6% year on year), mainly due to a rise in foreign exchange gains, and profit attributable to owners of parent stood at 1,921 million yen (up 227.7% year on year).

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 “3. Matters regarding the revision of reportable segments” in “Notes on the Consolidated Financial Statements (Segment Information) under “Consolidated quarterly financial statements and notes.”

① SS (Sensing Solution) Business

Net sales for the SS Business came to 9,961 million yen (up 23.8% year on year) and operating profit was 1,199 million yen (up 201.0% year on year).

Net sales for the security sensors were 6,832 million yen (up 28.5% year on year). Net sales in overseas operations significantly exceeded the year-ago level, reflecting steady sales of outdoor sensors in the United States and Europe. Net sales in domestic operations slightly increased year on year due to solid sales for security companies and large-scale critical facilities.

Net sales for the automatic door sensors amounted to 2,139 million yen (up 13.0% year on year), reflecting favorable overseas sales as well as steady domestic sales.

② IA (Industrial Automation) Business

In the IA Business, net sales came to 12,218 million yen (up 49.4% year on year) and operating profit was 1,445 million yen (up 129.3% year on year).

Net sales for the FA Business amounted to 4,803 million yen (up 41.9% year on year), the result of favorable sales to the semiconductor and electronic component industries and significant growth both in domestic and overseas sales, mainly in China.

Net sales for MVL-related products came to 5,665 million yen (up 18.2% year on year), attributable to favorable sales to the semiconductor and electronic component industries as well as significant growth in overseas sales.

Net sales for the IPC-related products amounted to 1,749 million yen. Starting in the first quarter of the fiscal year under review, Sanritz Automation Co., Ltd., which became a consolidated subsidiary in December 2020, is included under IPC in the IA Business.

* IPC: Industrial PC

③ EMS (Electronics Manufacturing Service) Business

In the EMS Business, net sales to unaffiliated customers were 328 million yen (up 74.1% year on year), attributable to an increase in projects for the electronic contract manufacturing service. Operating profit came to 112 million yen (up 470.0% year on year), reflecting an increase in production volume of products within the Group. The margin of increase in operating profit was larger compared to the same period a year ago, as operating profit is greatly affected by inter-segment sales, which increased for the six-month period under review.

(2) Explanation Concerning Financial Position

(i) Conditions of assets, liabilities and net assets (Assets)

Total assets amounted to 50,833 million yen at the end of the first six months under review, which was an increase of 3,442 million yen from the end of the previous fiscal year.

Current assets increased 3,250 million yen to total 36,317 million yen. The increase was attributable to higher net sales and mainly consisted of rises of 1,576 million yen in notes and accounts receivable – trade and 1,339 million yen in cash and deposits, respectively.

Non-current assets increased 192 million yen, to 14,515 million yen. This increase was primarily attributable to an increase of 373 million yen in tangible assets such as buildings and structures, which more than offset a decrease of 283 million yen in amortization of intangible assets such as goodwill and customer-related assets.

(Liabilities)

Total liabilities stood at 16,034 million yen at the end of the first six months under review, which was an increase of 1,269 million yen from the end of the previous fiscal year. The major factors behind the increase were rises of 632 million yen in notes and accounts payable – trade and 551 million yen in income taxes payable, respectively.

(Net assets)

Net assets amounted to 34,798 million yen at the end of the first six months under review, which was an increase of 2,173 million yen from the end of the previous fiscal year. This resulted mainly from an increase of 1,412 million yen in retained earnings and a rise of 682 million yen in foreign currency translation adjustment.

(ii) Conditions of cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) amounted to 15,588 million yen at the end of the first six months under review, which was an increase of 1,004 million yen from the end of the previous fiscal year.

The conditions of the respective cash flows during the first six months under review and their main causes are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 2,298 million yen (compared with 1,865 million yen in the same period of the previous fiscal year). This result mainly reflected an increase in cash due to the securing of 2,763 million yen in profit before income taxes and an increase of 774 million yen in trade payables, despite a decrease in cash resulting mainly from an increase of 1,646 million yen in trade receivable, a rise of 502 million yen in inventories and 400 million yen spent in income taxes.

(Cash flows from investing activities)

Net cash used in investing activities was 636 million yen (compared with net cash of 671 million yen used in such activities in the same period of the previous year). The results were primarily attributable to a decrease in cash caused by 424 million yen spent on the purchase of property, plant and 335-million-yen expenditure by depositing time deposits and equipment, which more than offset 200 million yen in net proceeds from the sale and redemption of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities came to 1,079 million yen (compared with net cash of 569 million yen used in such activities in the same period of the previous fiscal year). This result mainly reflected a decrease in cash caused by 569 million yen in dividends paid, payment of 249 million yen as a result of a decrease in short-time loans and 199 million yen in repayments of long-term loans payable.

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

As announced on July 13, 2021, net sales in the consolidated fiscal year under review are expected to be 45.0 billion yen (up 29.1% year on year), principally because of the addition of a consolidated subsidiary in IPC in the IA Business and an expected increase in sales of security-related products in the SS Business in Europe. On profit fronts, operating profit, ordinary profit, and profit attributable to owners of parent are forecast to be 4.5 billion yen (up 114.4% year on year), 4.8 billion yen (up 120.5% year on year), and 3.35 billion yen (up 140.1% year on year), respectively, primarily reflecting the expected rise in net sales. The forecasts are predicated on the assumption that the average exchange rates in the second half of the consolidated fiscal year under review (from July 1, 2021 to December 31, 2021) will be 105 yen against the U.S. dollar and 125 yen against the euro.

For details, please refer to the Revised Earnings Projections announced on July 13, 2021.

Consolidated Quarterly Financial Statements

Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of Dec. 31 2020	As of Jun. 30 2021
(Assets)		
Current assets		
Cash and deposits	14,583	15,923
Notes and accounts receivable - trade	8,305	9,881
Securities	200	48
Merchandise and finished goods	3,475	3,210
Work in process	1,356	1,389
Raw materials and supplies	3,487	4,391
Income taxes receivable	270	179
Other	1,430	1,340
Allowance for doubtful accounts	(42)	(46)
Total current assets	33,067	36,317
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,519	3,084
Machinery, equipment and vehicles, net	249	246
Tools, furniture and fixtures, net	770	732
Land	2,410	2,426
Construction in progress	217	51
Total property, plant and equipment	6,167	6,540
Intangible assets		
Patent right	446	404
Trademark right	488	450
Customer relationships	791	717
Goodwill	1,240	1,147
Other	775	739
Total intangible assets	3,742	3,459
Investments and other assets		
Investment securities	1,947	1,948
Long-term loans receivable	338	355
Deferred tax assets	1,465	1,604
Other	693	638
Allowance for doubtful accounts	(31)	(31)
Total investments and other assets	4,413	4,516
Total non-current assets	14,323	14,515
Total assets	47,390	50,833

(Millions of yen)

	As of Dec. 31 2020	As of Jun. 30 2021
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	1,961	2,593
Short-term borrowings	6,042	5,812
Current portion of long-term borrowings	378	382
Accounts payable - other	950	1,016
Income taxes payable	421	973
Provision for bonuses	444	622
Other	1,221	1,400
Total current liabilities	11,421	12,801
Non-current liabilities		
Long-term borrowings	232	38
Deferred tax liabilities	759	731
Deferred tax liabilities for land revaluation	22	22
Retirement benefit liability	1,289	1,286
Provision for retirement benefits for directors (and other officers)	244	162
Other	794	990
Total non-current liabilities	3,343	3,232
Total liabilities	14,765	16,034
(Net assets)		
Shareholders' equity		
Share capital	2,798	2,798
Capital surplus	7,581	7,580
Retained earnings	24,871	26,284
Treasury shares	(2,598)	(2,594)
Total shareholders' equity	32,652	34,068
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20	47
Revaluation reserve for land	(5)	(5)
Foreign currency translation adjustment	(233)	448
Remeasurements of defined benefit plans	(31)	(12)
Total accumulated other comprehensive income	(249)	478
Share acquisition rights	214	241
Non-controlling interests	8	10
Total net assets	32,625	34,798
Total liabilities and net assets	47,390	50,833

Consolidated Quarterly Statements of Income

(Millions of yen)

	Six months ended June 30,2020	Six months ended June 30,2021
Net sales	16,636	22,750
Cost of sales	7,662	10,888
Gross profit	8,974	11,862
Selling, general and administrative expenses	8,190	9,341
Operating profit	783	2,520
Non-operating income		
Interest income	17	10
Dividend income	11	8
Gain on sales of investment securities	3	10
Gain on investments in investment partnerships	1	5
Foreign exchange gains	16	108
Rental income	10	13
Insurance return	0	36
Share of profit of entities accounted for using equity method	-	7
Subsidy income	35	128
Other	32	32
Total non-operating income	129	362
Non-operating expenses		
Interest expenses	7	18
Sales discounts	11	11
Loss on valuation of investment securities	2	-
Rental expenses	4	4
Share of loss of entities accounted for using equity method	8	-
Other	6	5
Total non-operating expenses	40	41
Ordinary profit	872	2,841
Extraordinary income		
Gain on sales of non-current assets	1	2
Total extraordinary income	1	2
Extraordinary losses		
Loss on sales and retirement of non-current assets	0	13
Loss on sales of investment securities	-	1
Loss on valuation of shares of subsidiaries and associates	-	32
Office relocation expenses	-	32
Total extraordinary losses	0	80
Profit before income taxes	874	2,763
Income taxes - current	283	1,038
Income taxes - deferred	6	(197)
Total income taxes	289	840
Profit	584	1,922
Profit (loss) attributable to non-controlling interests	(1)	1
Profit attributable to owners of parent	586	1,921

Consolidated statements of comprehensive income

(Millions of yen)

	Six months ended June 30,2020	Six months ended June 30,2021
Profit	584	1,922
Other comprehensive income		
Valuation difference on available-for-sale securities	(84)	26
Foreign currency translation adjustment	(341)	683
Remeasurements of defined benefit plans, net of tax	3	18
Total other comprehensive income	(421)	729
Comprehensive income	162	2,651
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	164	2,649
Comprehensive income attributable to non-controlling interests	(1)	2

Consolidated statements of cash flows

(Millions of yen)

	Six months ended June 30,2020	Six months ended June 30,2021
Cash flows from operating activities		
Profit before income taxes	874	2,763
Depreciation	655	687
Amortization of goodwill	114	111
Increase (decrease) in retirement benefit liability	29	(3)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	4	(82)
Increase (decrease) in allowance for doubtful accounts	(0)	1
Increase (decrease) in provision for bonuses	(127)	175
Interest and dividend income	(29)	(19)
Interest expenses	7	18
Foreign exchange losses (gains)	15	(45)
Share of loss (profit) of entities accounted for using equity method	8	(7)
Subsidy income	(35)	(128)
Loss (gain) on sales and valuation of investment securities	(1)	(8)
Loss (gain) on investments in investment partnerships	(1)	(5)
Loss on valuation of shares of subsidiaries and associates	-	32
Loss (gain) on sales and retirement of non-current assets	(1)	10
Decrease (increase) in trade receivables	985	(1,646)
Decrease (increase) in inventories	(259)	(502)
Increase (decrease) in trade payables	82	774
Other, net	(102)	442
Subtotal	2,216	2,570
Interest and dividends received	32	16
Interest paid	(7)	(17)
Subsidies received	35	128
Income taxes (paid) refund	(412)	(400)
Net cash provided by (used in) operating activities	1,865	2,298
Cash flows from investing activities		
Payments into time deposits	-	(335)
Proceeds from sales and redemption of securities	119	200
Purchase of investment securities	(200)	(200)
Proceeds from sales and redemption of investment securities	143	181
Purchase of property, plant and equipment	(631)	(424)
Proceeds from sales of property, plant and equipment	(1)	6
Purchase of intangible assets	(87)	(68)
Loan advances	(20)	(4)
Collection of loans receivable	5	7
Net cash provided by (used in) investing activities	(671)	(636)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,062	(249)
Proceeds from long-term borrowings	91	-
Repayments of long-term borrowings	(1,130)	(199)
Dividends paid	(542)	(569)
Repayments of lease obligations	(50)	(61)
Purchase of treasury shares	(0)	(0)
Net cash provided by (used in) financing activities	(569)	(1,079)
Effect of exchange rate change on cash and cash equivalents	(223)	422
Net increase (decrease) in cash and cash equivalents	400	1,004
Cash and cash equivalents at beginning of period	12,396	14,583
Cash and cash equivalents at end of period	12,797	15,588

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. Six months ended Jun. 30, 2020 (From Jan. 1 to Jun. 30, 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	8,048	8,176	188	16,413	223	16,636	-	16,636
Intersegment transfer	38	2	3,689	3,730	11	3,742	(3,742)	-
Total	8,087	8,179	3,878	20,144	235	20,379	(3,742)	16,636
Segment profit(Loss)	398	630	19	1,048	(32)	1,015	(232)	783

(Notes) 1. The "Others" category incorporates operations not included in business segments reported, and includes software development, the operation of on-site environmental training courses and other businesses.

2. Adjustment of (232) 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. Six months ended Jun. 30, 2021 (From Jan. 1 to Jun. 30, 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	9,961	12,218	328	22,508	242	22,750	-	22,750
Intersegment transfer	33	5	4,711	4,751	18	4,769	(4,769)	-
Total	9,995	12,223	5,040	27,259	260	27,520	(4,769)	22,750
Segment profit(Loss)	1,199	1,445	112	2,757	(20)	2,736	(215)	2,520

(Notes) 1. The "Others" category incorporates operations not included in business segments reported, and includes software development, the operation of on-site environmental training courses and other businesses.

2. Adjustment of (215) 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 four 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 six months 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