

Summary of Financial Results (Japan GAAP)[Consolidated]

For the Fiscal Year Ended 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
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Scheduled date for ordinary general meeting of shareholders: Mar. 25,2022 Scheduled date for dividend payment: Mar. 28,2022
 Scheduled date for filing of securities report: Mar. 25,2022
 Supplementary materials to the financial statements have been prepared: Yes
 Presentation will be held to explain the financial statements: Yes

1. Consolidated financial results for the fiscal year ended Dec. 31,2021 (From Jan.1 to Dec.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	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Dec. 31,2021	45,866	31.6	4,630	120.7	5,130	135.7	3,762	169.7
Dec. 31,2020	34,846	(7.1)	2,098	(26.5)	2,176	(24.3)	1,395	(36.5)

(Note) Comprehensive income: As of Dec. 31,2021: 4,756 million yen 277.0 %

As of Dec. 31,2020: 1,261 million yen (41.2 %)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating income to net sales
Fiscal year ended	Yen	Yen	%	%	%
Dec. 31,2021	104.18	103.60	11.2	9.8	10.1
Dec. 31,2020	38.59	38.42	4.3	4.8	6.0

(Reference) Earnings of equity method: As of Dec. 31,2021: 27 million yen

As of Dec. 31,2020: 4 million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
Dec. 31,2021	57,769	35,360	60.7	987.36
Dec. 31,2020	47,390	32,625	68.4	896.02

(Reference) Shareholders' equity: As of Dec. 31,2021: 35,072 million yen

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

(3) Consolidated statement of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Dec. 31,2021	3,102	(2,845)	1,793	17,120
Dec. 31,2020	3,894	(3,228)	1,578	14,583

2. Dividends

(Base date)	Dividends per share					Total dividends (Annual)	Payout ratio (Consolidated)	Dividend on net assets (Consolidated)
	End of Q1	End of Q2	End of Q3	End of FY	Full FY			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Dec. 31,2020	—	15.00	—	15.00	30.00	1,084	77.7	3.4
Dec. 31,2021	—	15.00	—	15.00	30.00	1,075	28.8	3.2
Fiscal year ending Dec. 31,2022 (Forecast)	—	18.00	—	18.00	36.00		28.3	

3.Forecast of consolidated results for the fiscal year ending Dec. 31, 2022 (From Jan. 1 to Dec. 31, 2022)

(Percentages indicate changes from the previous year.)

	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
Fiscal year ending									
Jun. 30,2022 (Forecast)	26,100	14.7	2,850	13.1	2,900	2.1	2,150	11.9	59.53
Dec. 31,2022 (Forecast)	53,000	15.6	6,000	29.6	6,100	18.9	4,600	22.3	127.37

4. Others

(1) Material changes in subsidiaries during this period

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

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatements

(a) Changes in accounting policies associated with revision of accounting standards: None

(b) Other accounting policy changes: None

(c) Changes in accounting estimates: None

(d) Retrospective restatements: None

(3) 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 Dec. 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 Dec. 31, 2021: 2,214,684 shares

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

(c) Average number of shares during the period

Year ended Dec. 31, 2021: 36,116,672 shares

Year ended Dec. 31, 2020: 36,156,759 shares

* Summary of Financial Results are not subject to audit procedures.

* 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 "1. Overview of Operating Results, etc.

(4) Future prospects" for matters concerning the results forecasts stated above.

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

1. Overview of Operating Results, etc.

(1) Overview of operating results for the fiscal year ended December 31, 2021

During the fiscal year under review, the global economy maintained its recovery as economic activities were resumed in line with the phased relaxation of restrictions on activities following progress in vaccination for combating the global COVID-19 pandemic. Meanwhile, the economic outlook remained uncertain with a worldwide shortage of semiconductors and electronic components and an intensified demand-supply imbalance in logistics.

Under these circumstances, the Group practiced its corporate philosophy, "Aim to become a corporate group with a strong venture spirit," with management policies of seeking synergy among the Group companies by strengthening the Group's headquarters functions and of accelerating expansion of existing businesses and new business rollouts.

For the fiscal year under review, the Group defined and carried out three key initiatives with the aim of continuously increasing corporate value. They are, first, strengthening collaboration among Group companies and improving organizational structures; second, facilitating cost-of-sales ratio reductions, cost reductions and business model transformations in existing businesses; and third, improving productivity per person through changes in behavioral patterns.

For the consolidated fiscal year under review, net sales reached a record high after increasing 31.6% year on year to 45,866 million yen. This was primarily a result of significant growth in existing main businesses and the effect of a new operating company. On the profit side, operating profit was 4,630 million yen, up 120.7% year on year. The sales growth resulted in a rise in gross profit that far exceeded the rise in selling, general and administrative expenses. Ordinary profit stood at 5,130 million yen, up 135.7% year on year, a new record high due chiefly to a rise in foreign exchange gains. Profit attributable to owners of parent was 3,762 million yen, up 169.7% year on year.

The business results for each segment are described below.

Effective from the consolidated fiscal year under review, new reportable segments and their names are in place. The following comparisons with the previous fiscal year have been made based on figures reclassified into the new classification segments. Details are presented in "1. Summary of Reportable Segments" in "Notes on the Consolidated Financial Statements [Segment Information]" under "Consolidated Financial Statements."

① SS (Sensing Solution) Business

Net sales for the SS Business came to 20,164 million yen (up 15.9% year on year) and operating profit was 2,201 million yen (up 53.8% year on year).

Net sales for the security sensors were 13,652 million yen (up 18.2% 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 4,442 million yen (up 12.8% 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 24,409 million yen (up 48.0% year on year) and operating profit was 2,700 million yen (up 148.6% year on year).

Net sales for FA-related products amounted to 9,711 million yen (up 32.9% year on year), the result of strong sales to the semiconductor, electronic component and secondary battery industries and significant growth both in domestic and overseas sales, mainly in China.

Net sales for MVL-related products came to 11,364 million yen (up 23.8% year on year), attributable to favorable sales to the semiconductor and electronic component industries as well as significant growth particularly in overseas sales.

Net sales for the IPC-related products amounted to 3,334 million yen. Starting from the consolidated fiscal year under review, results made by Sanritz Automation Co., Ltd., which became a consolidated subsidiary in December 2020, are included in IPC-related results in the IA Business.

* IPC: Industrial PC

③ EMS (Electronics Manufacturing Service) Business

In the EMS Business, sales to unaffiliated customers were 756 million yen (up 60.5% year on year), attributable to an increase in projects for the electronic contract manufacturing service. Operating profit came to 310 million yen (up 366.8% year on year), reflecting an increase in the production volume of products within the Group. The margin of increase in operating profit was larger than in the previous fiscal year, given that operating profit is greatly influenced by inter-segment sales, which increased in the fiscal year under review.

During the consolidated fiscal year under review, the Company acquired all shares of Mitsutec Co., Ltd., which engaged in planning, development, manufacturing, sales and maintenance services for automation systems and image processing inspection systems, and made it a consolidated subsidiary. However, the deemed date of acquisition is December 31, 2021, and the consolidated statements of income for the fiscal year under review does not include its business results.

(2) Overview of financial position during the fiscal year ended December 31, 2021

(Assets)

Total assets amounted to 57,769 million yen at the end of the fiscal year under review, which was an increase of 10,378 million yen from the end of the previous fiscal year.

Current assets increased 9,477 million yen to total 42,544 million yen. This is due mainly to a rise in inventories, including raw materials and supplies, of 3,317 million yen, an increase in cash and deposits of 2,536 million yen following the reorganization of Mitsutec Co., Ltd. into a consolidated subsidiary in November 2021 and a hike in notes and accounts receivable - trade by 2,139 million yen thanks to sales growth.

Non-current assets increased 900 million yen, to 15,224 million yen. This was primarily attributable to a decrease of 538 million yen in intangible assets such as customer relationships and trademark rights due to amortization and other factors, a rise of 826 million yen in property, plant and equipment including buildings and structures and growth of 612 million yen in investments and other assets.

(Liabilities)

Total liabilities stood at 22,408 million yen at the end of the fiscal year under review, which was an increase of 7,643 million yen from the end of the previous fiscal year. That resulted chiefly from an increase in short-term borrowings of 4,478 million yen associated with the borrowing of funds to acquire the shares of Mitsutec Co., Ltd., a rise in income taxes payable of 949 million yen and an increase in notes and accounts payable - trade of 627 million yen.

(Net assets)

Net assets totaled 35,360 million yen at the end of the fiscal year under review, which reflects an increase of 2,735 million yen from the end of the previous fiscal year. This result mainly reflected acquisition of treasury shares and others worth 996 million yen, an increase of 2,677 million yen in retained earnings and an increase in foreign currency translation adjustment of 958 million yen.

(3) Overview of cash flow during the fiscal year ended December 31, 2021

Cash and cash equivalents ("cash") at the end of the fiscal year under review have increased by 2,536 million yen from the end of the previous fiscal year, to total 17,120 million yen.

The status of each of the cash flow segments and contributing factors for the fiscal year under review are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities was 3,102 million yen (compared with 3,894 million yen in the same period of the previous fiscal year). Contributing factors included a decrease in cash due to an increase in inventories of 2,542 million yen, an increase in trade receivables of 1,983 million yen and income taxes paid of 878 million yen and an increase in cash after securing of 5,031 million yen in profit before income taxes.

(Cash flow from investing activities)

Net cash used in investing activities was 2,845 million yen (compared with net cash of 3,228 million yen used in such activities in the same period of the previous fiscal year). This was caused chiefly by an increase in cash due to proceeds from sales and redemption of securities and investment securities of 502 million yen and a decrease in cash due to purchase of shares of subsidiaries of 2,061 million yen, purchase of property, plant and equipment of 930 million yen and purchase of intangible assets of 159 million yen.

(Cash flow from financing activities)

Net cash provided by financing activities amounted to 1,793 million yen (compared with 1,578 million yen in the same period of the previous fiscal year). This is explained mainly by repayments of long-term borrowings of 446 million yen, cash dividends paid of 1,112 million yen, purchase of treasury shares of 1,000 million yen and an increase in cash due to a net increase in short-term borrowings of 4,476 million yen.

	FY Ended Dec. 2018	FY Ended Dec. 2019	FY Ended Dec. 2020	FY Ended Dec. 2021
Equity Ratio (%)	74.5	73.2	68.4	60.7
Market Value Equity Ratio (%)	145.0	136.0	143.9	101.0
Cash Flow to Interest-bearing Debt Ratio (annual)	1.5	1.1	1.7	3.5
Interest Coverage Ratio (times)	177.0	254.2	343.4	96.0

Note: Equity ratio = shareholders' equity / total assets

Market value equity ratio = market capitalization / total assets

Cash flow to interest-bearing debt ratio = interest-bearing debts / cash flow from operating activities

Interest coverage ratio = cash flow from operating activities / interest payment

*1. All indicators have been calculated using consolidated financial values.

*2. The market capitalization has been calculated by multiplying the closing share price at the end of the fiscal year by the number of shares outstanding (after subtracting treasury shares) at the end of the fiscal year.

*3. The cash flow from operating activities used in the calculations is the cash flow from operating activities in the consolidated statements of cash flow. The interest-bearing debts include all interest-bearing liabilities that are listed on the consolidated balance sheet. The interest payment used in the calculations is the interest expenses paid in the consolidated statement of cash flow.

(4) Future prospects

The Optex Group forecasts that consolidated net sales for the fiscal year ending December 31, 2022 will be 53,000 million yen (up 15.6% year on year), based primarily on the fact that the Group is now joined by Mitsutec Co., Ltd. and on growth in security sensors sales in the SS Business and in sales of MVL-related products in the IA Business among others.

In addition, the Optex Group expects increases of 29.6% year on year in operating profit to 6,000 million yen, 18.9% year on year in ordinary profit to 6,100 million yen, and 22.3% year on year in profit attributable to owners of parent to 4,600 million yen as a result of investment in further growth and continued efforts to improve profitability. These forecasts assume currency exchange rates of 110 yen to the US dollar and 130 yen to the euro.

(5) Basic policy for profit distribution and dividends for the fiscal year under review and the next fiscal year

The Optex Group considers that the return of profit to shareholders is one of its most important management tasks. Based on the policy of distributing profit backed by corporate earnings, the Optex Group determines the amounts of dividend payments by comprehensively examining the balance between strengthening the financial foundation needed for future growth and stable and sustainable profit distribution.

In response to the support of its shareholders, the Optex Group will continue to strive to increase the profitability of its business to ensure higher returns for its shareholders. The Optex Group plans to pay a year-end dividend for the fiscal year under review of 15 yen per share, and combined with an interim dividend of 15 yen per share paid in September 2021, the annual dividend will be 30 yen per share.

As for the next fiscal year, the Optex Group plans to pay an annual dividend of 36 yen per share (18 yen per share as an interim dividend and 18 yen per share as a fiscal year-end dividend) based on the above policy of the stable and sustainable return of profit to its shareholders.

2. Basic Concept of Selecting Accounting Standard

The Optex Group plans to prepare its consolidated financial statements based on the Japanese accounting standards for the time being, taking into account the comparability of the periods of consolidated financial statements and comparability among companies.

The Optex Group will consider adopting the International Financial Reporting Standards in view of its business environment in Japan and abroad and increasing its corporate value.

Consolidated Financial Statements

Consolidated balance sheets

(Millions of yen)

	As of December 31, 2020	As of December 31, 2021
Assets		
Current assets		
Cash and deposits	14,583	17,120
Notes and accounts receivable - trade	8,305	10,444
Securities	200	133
Merchandise and finished goods	3,475	3,970
Work in process	1,356	1,894
Raw materials and supplies	3,487	5,771
Income taxes receivable	270	207
Other	1,430	3,060
Allowance for doubtful accounts	△42	△57
Total current assets	33,067	42,544
Non-current assets		
Property, plant and equipment		
Buildings and structures	5,389	6,848
Accumulated depreciation	△2,870	△3,540
Buildings and structures, net	2,519	3,308
Machinery, equipment and vehicles	1,307	1,566
Accumulated depreciation	△1,057	△1,233
Machinery, equipment and vehicles, net	249	333
Tools, furniture and fixtures	6,385	6,851
Accumulated depreciation	△5,614	△6,015
Tools, furniture and fixtures, net	770	836
Land	2,410	2,480
Construction in progress	217	35
Total property, plant and equipment	6,167	6,993
Intangible assets		
Patent right	446	362
Trademark right	488	411
Customer relationships	791	642
Goodwill	1,240	1,052
Other	775	735
Total intangible assets	3,742	3,204
Investments and other assets		
Investment securities	1,947	2,117
Long-term loans receivable	338	373
Deferred tax assets	1,465	1,913
Deferred tax assets for land revaluation	-	40
Other	693	612
Allowance for doubtful accounts	△31	△31
Total investments and other assets	4,413	5,026
Total non-current assets	14,323	15,224
Total assets	47,390	57,769

	As of December 31, 2020	As of December 31, 2021
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,961	2,589
Short-term borrowings	6,042	10,520
Current portion of long-term borrowings	378	164
Accounts payable - other	950	1,260
Income taxes payable	421	1,370
Provision for bonuses	444	988
Other	1,221	1,667
Total current liabilities	11,421	18,562
Non-current liabilities		
Long-term borrowings	232	210
Deferred tax liabilities	759	1,146
Deferred tax liabilities for land revaluation	22	22
Retirement benefit liability	1,289	1,366
Provision for retirement benefits for directors (and other officers)	244	180
Other	794	919
Total non-current liabilities	3,343	3,846
Total liabilities	14,765	22,408
Net assets		
Shareholders' equity		
Share capital	2,798	2,798
Capital surplus	7,581	7,580
Retained earnings	24,871	27,549
Treasury shares	△2,598	△3,594
Total shareholders' equity	32,652	34,333
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20	48
Revaluation reserve for land	△5	△5
Foreign currency translation adjustment	△233	725
Remeasurements of defined benefit plans	△31	△30
Total accumulated other comprehensive income	△249	738
Share acquisition rights	214	275
Non-controlling interests	8	12
Total net assets	32,625	35,360
Total liabilities and net assets	47,390	57,769

Consolidated statements of income

(Millions of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Net sales	34,846	45,866
Cost of sales	16,302	21,981
Gross profit	18,543	23,884
Selling, general and administrative expenses		
Remuneration, salaries and allowances for directors (and other officers)	6,126	7,076
Provision for bonuses	255	533
Retirement benefit expenses	224	250
Provision for retirement benefits for directors (and other officers)	8	18
Provision of allowance for doubtful accounts	2	12
Research and development expenses	2,749	3,103
Other	7,078	8,259
Total selling, general and administrative expenses	16,445	19,253
Operating profit	2,098	4,630
Non-operating income		
Interest income	25	14
Dividend income	22	20
Gain on sale of investment securities	3	8
Gain on investments in investment partnerships	13	6
Foreign exchange gains	-	219
Rental income	25	22
Insurance return	10	46
Share of profit of entities accounted for using equity method	4	27
Subsidy income	108	146
Other	48	62
Total non-operating income	263	575
Non-operating expenses		
Interest expenses	10	33
Sales discounts	21	22
Foreign exchange losses	116	-
Rental expenses	11	10
Other	25	9
Total non-operating expenses	185	75
Ordinary profit	2,176	5,130
Extraordinary income		
Gain on sale of non-current assets	3	3
Gain on sale of investment securities	-	10
Gain on bargain purchase	-	176
Total extraordinary income	3	189
Extraordinary losses		
Loss on sale and retirement of non-current assets	2	19
Loss on valuation of investment securities	158	201
Loss on valuation of shares of subsidiaries and associates	-	33
Office relocation expenses	-	32
Total extraordinary losses	160	287
Profit before income taxes	2,019	5,031
Income taxes - current	766	1,740
Income taxes - deferred	△143	△474
Total income taxes	623	1,265
Profit	1,396	3,766
Profit attributable to non-controlling interests	0	3
Profit attributable to owners of parent	1,395	3,762

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Profit	1,396	3,766
Other comprehensive income		
Valuation difference on available-for-sale securities	△39	28
Foreign currency translation adjustment	△105	960
Remeasurements of defined benefit plans, net of tax	10	1
Total other comprehensive income	△134	989
Comprehensive income	1,261	4,756
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,261	4,751
Comprehensive income attributable to non-controlling interests	0	5

Consolidated statements of changes in net assets

Fiscal year ended Dec. 31, 2020 (From Jan. 1 to Dec. 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,798	7,595	24,560	△2,635	32,318
Changes during period					
Dividends of surplus			△1,084		△1,084
Profit attributable to owners of parent			1,395		1,395
Purchase of treasury shares				△1	△1
Disposal of treasury shares		△14		38	23
Net changes in items other than shareholders' equity					
Total changes during period	-	△14	310	37	333
Balance at end of period	2,798	7,581	24,871	△2,598	32,652

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	59	△5	△128	△41	△115	160	8	32,372
Changes during period								
Dividends of surplus								△1,084
Profit attributable to owners of parent								1,395
Purchase of treasury shares								△1
Disposal of treasury shares								23
Net changes in items other than shareholders' equity	△39	-	△105	10	△134	53	0	△80
Total changes during period	△39	-	△105	10	△134	53	0	253
Balance at end of period	20	△5	△233	△31	△249	214	8	32,625

Consolidated statements of changes in net assets

Fiscal year ended Dec. 31, 2021 (From Jan. 1 to Dec. 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,798	7,581	24,871	△2,598	32,652
Changes during period					
Dividends of surplus			△1,084		△1,084
Profit attributable to owners of parent			3,762		3,762
Purchase of treasury shares				△1,000	△1,000
Disposal of treasury shares		△0		3	3
Net changes in items other than shareholders' equity					
Total changes during period	-	△0	2,677	△996	1,680
Balance at end of period	2,798	7,580	27,549	△3,594	34,333

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	20	△5	△233	△31	△249	214	8	32,625
Changes during period								
Dividends of surplus								△1,084
Profit attributable to owners of parent								3,762
Purchase of treasury shares								△1,000
Disposal of treasury shares								3
Net changes in items other than shareholders' equity	28	-	958	1	988	61	4	1,054
Total changes during period	28	-	958	1	988	61	4	2,735
Balance at end of period	48	△5	725	△30	738	275	12	35,360

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021
Cash flows from operating activities		
Profit before income taxes	2,019	5,031
Depreciation	1,363	1,478
Amortization of goodwill	220	203
Increase (decrease) in retirement benefit liability	14	42
Increase (decrease) in provision for retirement benefits for directors (and other officers)	8	△74
Increase (decrease) in allowance for doubtful accounts	14	12
Increase (decrease) in provision for bonuses	7	537
Interest and dividend income	△48	△34
Interest expenses	10	33
Foreign exchange losses (gains)	39	△42
Share of loss (profit) of entities accounted for using equity method	△4	△27
Subsidy income	△108	△146
Loss (gain) on valuation of investment securities	158	201
Loss (gain) on sale of investment securities	△3	△18
Loss (gain) on investments in investment partnerships	△13	△6
Loss on valuation of shares of subsidiaries and associates	-	33
Loss (gain) on sale and retirement of non-current assets	△1	16
Gain on bargain purchase	-	△176
Decrease (increase) in trade receivables	757	△1,983
Decrease (increase) in inventories	248	△2,542
Increase (decrease) in trade payables	82	681
Other, net	△86	606
Subtotal	4,679	3,827
Interest and dividends received	50	39
Interest paid	△11	△32
Subsidies received	108	146
Income taxes refund (paid)	△933	△878
Net cash provided by (used in) operating activities	3,894	3,102
Cash flows from investing activities		
Proceeds from sale and redemption of securities	419	204
Purchase of investment securities	△220	△200
Proceeds from sale and redemption of investment securities	189	298
Purchase of property, plant and equipment	△1,092	△930
Proceeds from sale of property, plant and equipment	4	5
Purchase of intangible assets	△293	△159
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△1,907	△2,061
Loan advances	△339	△13
Proceeds from collection of loans receivable	10	11
Net cash provided by (used in) investing activities	△3,228	△2,845
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	3,968	4,476
Proceeds from long-term borrowings	206	64
Repayments of long-term borrowings	△1,314	△446
Dividends paid	△1,084	△1,112
Repayments of lease obligations	△112	△188
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	△83	-
Purchase of treasury shares	△1	△1,000
Net cash provided by (used in) financing activities	1,578	1,793
Effect of exchange rate change on cash and cash equivalents	△56	486
Net increase (decrease) in cash and cash equivalents	2,187	2,536
Cash and cash equivalents at beginning of period	12,396	14,583
Cash and cash equivalents at end of period	14,583	17,120

Notes on the Consolidated Financial Statements

[Notes related to of going concern assumptions]

No items to report

[Additional information]

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

It is still difficult to predict when the COVID-19 pandemic will come to an end and what impact it will have. On the assumption based on information currently available that its impact will continue for a certain period of time into the future, the Optex Group has made accounting estimates regarding the impairment of non-current assets, the recoverability of deferred tax assets and other matters.

The impacts of the COVID-19 pandemic on economic activities are so uncertain that any change to the assumption mentioned above may affect the Optex Group's financial position and operating results in the future.

[Segment Information]

1. Summary of Reportable Segments

The reportable segments of the Optex Group are those units for which separate financial information can be obtained among the constituent units of the Group, which is regularly examined by the Board of Directors in order to determine the allocation of management resources and assess business performance.

The Optex Group operates businesses according to separate categories of products and services and defines the SS Business, the IA Business and the EMS Business as reportable segments.

(Matters Pertaining to Change of Reportable Segments)

With the revision of business management classification, the Group has reorganized its four reportable segments comprising the SS Business, the FA Business, the MVL Business and the EMS Business into three, namely the SS Business, the IA Business and the EMS Business. These new reportable segments are effective from 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.

The segment information for the previous consolidated fiscal year is on the basis of the new reportable segments.

The major products and services of each reportable segment after the change are shown 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, Industrial PCs and Automation systems
EMS (Electronics Manufacturing Service) Business	Contract manufacturing service of electronic equipment

2.Sales and Income (Loss) by Reporting Segment

Fiscal year ended Dec. 31, 2020 (From Jan. 1 to Dec. 31, 2020)

(Millions of yen)

	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	17,398	16,488	471	34,359	487	34,846	–	34,846
Intersegment transfer	84	11	7,734	7,830	55	7,885	(7,885)	–
Total	17,482	16,500	8,206	42,189	542	42,732	(7,885)	34,846
Segment profit(Loss)	1,430	1,086	66	2,583	(28)	2,554	(456)	2,098
Segment Assets	16,600	20,961	4,462	42,025	498	42,523	4,867	47,390
Other items								
Depreciation expenses	390	678	95	1,165	2	1,167	196	1,363
Amortization of goodwill	3	197	–	201	19	220	–	220
Investment in equity method affiliates	–	257	–	257	–	257	–	257
Increase in tangible fixed assets and intangible assets	615	326	44	986	3	989	399	1,389

- (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. Note that the segment assets in Other Business include assets of Sanritz Automation Co., Ltd., which became a consolidated subsidiary following the deemed share acquisition date of December 31, 2020.
- 2.Adjustment of segment profit JPY(456) million represents intersegment transactions. Adjustment of segment assets of JPY4,867 million includes corporate assets of JPY7,036 million and elimination of intersegment transactions of JPY(2,168) million. Corporate assets are assets of OPTEX GROUP CO.,LTD. Adjustment of depreciation expenses of JPY196 million relates to corporate assets not included in the reportable segments. Adjustment of increase in property, plant and equipment and intangible assets of JPY399 million relates to corporate assets not included in the reportable segments.
- 3.Segment profit (loss) has been adjusted to be consistent with the operating profit reported in the consolidated statements of income.

Fiscal year ended Dec. 31, 2021 (From Jan. 1 to Dec. 31, 2021)

(Millions of yen)

	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	20,164	24,409	756	45,331	534	45,866	–	45,866
Intersegment transfer	72	39	10,253	10,364	83	10,448	(10,448)	–
Total	20,237	24,449	11,009	55,696	618	56,314	(10,448)	45,866
Segment profit(Loss)	2,201	2,700	310	5,212	15	5,227	(596)	4,630
Segment Assets	18,894	28,358	6,408	53,662	539	54,201	3,567	57,769
Other items								
Depreciation expenses	407	720	122	1,250	3	1,254	223	1,478
Amortization of goodwill	3	180	–	184	19	203	–	203
Investment in equity method affiliates	–	285	–	285	–	285	–	285
Increase in tangible fixed assets and intangible assets	316	395	116	828	2	830	272	1,103

- (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. Note that the segment assets in the IA Business include assets of Mitsutec Co., Ltd., which became a consolidated subsidiary following the deemed share acquisition date of December 31, 2021.
- 2.Adjustment of segment profit JPY(596) million represents intersegment transactions. Adjustment of segment assets of JPY3,567 million includes corporate assets of JPY7,562 million and elimination of intersegment transactions of JPY(3,994) million. Corporate assets are assets of OPTEX GROUP CO.,LTD. Adjustment of depreciation expenses of JPY223 million relates to corporate assets not included in the reportable segments. Adjustment of increase in property, plant and equipment and intangible assets of JPY272 million relates to corporate assets not included in the reportable segments.
- 3.Segment profit (loss) has been adjusted to be consistent with the operating profit reported in the consolidated statements of income.

[Segment Data by Location]

Fiscal year ended Dec. 31, 2020 (From Jan. 1 to Dec. 31, 2020)

Net Sales by Location

(Millions of yen)

Japan	Americas		Europe		Asia	Total
		U.S.A.		Germany		
15,494	4,402	3,908	10,428		4,521	34,846

(Notes) 1. Regional classifications are based on geographic proximity.

2. The primary breakdown for each region is as follows:

(1) Americas: North America, South and Central America

(2) Europe: Europe, Middle east, Africa

(3) Asia: Asia, Oceania

3. Overseas net sales are net sales of the Company and its consolidated subsidiaries in countries or regions other than Japan (except for net sales subject to intersegment transfer).

Fiscal year ended Dec. 31, 2021 (From Jan. 1 to Dec. 31, 2021)

Net Sales by Location

(Millions of yen)

Japan	Americas		Europe	Asia	Total
		U.S.A.			
21,156	5,381	4,455	12,965	6,363	45,866

(Notes) 1. Regional classifications are based on geographic proximity.

2. The primary breakdown for each region is as follows:

(1) Americas: North America, South and Central America

(2) Europe: Europe, Middle east, Africa

(3) Asia: Asia, Oceania

3. Overseas net sales are net sales of the Company and its consolidated subsidiaries in countries or regions other than Japan (except for net sales subject to intersegment transfer).

(Information per share)

Fiscal year ended Dec. 31, 2020		Fiscal year ended Dec. 31, 2021	
Net assets per share	896.02 yen	Net assets per share	987.36 yen
Net income per share	38.59 yen	Net income per share	104.18 yen
Diluted net income per share	38.42 yen	Diluted net income per share	103.60 yen

(Notes) 1. The bases for calculation of net assets per share are as shown below.

	Fiscal year ended Dec. 31, 2020	Fiscal year ended Dec. 31, 2021
Total net assets (million yen)	32,625	35,360
Deduction from total net assets (million yen)	222	288
(Non-controlling interests)	(8)	(12)
(Subscription rights to shares)	(214)	(275)
Net assets based on common stock at the end of the fiscal year (million yen)	32,402	35,072
Number of common stock at the end of the fiscal year used in calculation of net assets per share (thousand shares)	36,162	35,521

2. The bases for calculation of net income per share and diluted net income per share are as shown below.

	Fiscal year ended Dec. 31, 2020	Fiscal year ended Dec. 31, 2021
Net income per share		
Profit attributable to owners of parent (million yen)	1,395	3,762
Profit not attributable to holders of common stock (million yen)	-	-
Profit attributable to owners of parent based on common stock (million yen)	1,395	3,762
Number of shares on average during the fiscal period (thousand shares)	36,156	36,116
Diluted net income per share		
Adjustment of profit attributable to owners of parent (million yen)	-	-
Increase in common stocks (thousand shares)	160	203
(Subscription rights to shares (thousand shares))	(160)	(203)
Summary of issuable shares not included in calculation of diluted net income per share as they are not dilutive	-	-

[Significant Subsequent Events]

There are not applicable matters.

Business name	Fiscal year ended Dec. 31, 2020 (From Jan. 1 to Dec. 31, 2020) (A)		Fiscal year ended Dec. 31, 2021 (From Jan. 1 to Dec. 31, 2021) (B)		(B) - (A)
	Amount	%	Amount	%	Amount
SS Business					
Security Sensors	11,549	33.1	13,652	29.8	2,102
Automatic Door Sensors	3,938	11.3	4,442	9.7	504
Other	1,910	5.5	2,069	4.5	158
Subtotal	17,398	49.9	20,164	44.0	2,766
IA Business					
FA-related	7,307	21.0	9,711	21.2	2,403
MVL-related	9,181	26.3	11,364	24.8	2,182
IPC-related	-	-	3,334	7.2	3,334
Subtotal	16,488	47.3	24,409	53.2	7,921
EMS Business	471	1.4	756	1.6	285
Other	487	1.4	534	1.2	47
Total	34,846	100.0	45,866	100.0	11,019

(Notes) 1.The amounts described above do not include consumption taxes, etc.

2.From the consolidated fiscal year under review, the new reportable segments and their names are in place. The comparison with the previous fiscal year shows the previous fiscal year's figures after modification to reflect the new reportable segments.