

Summary of Financial Results (Japan GAAP)[Consolidated]

For the First Quarter of Fiscal Year Ending December 31,2022

Company name: OPTEX GROUP CO.,LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 6914
 URL: <https://www.optexgroup.co.jp/en/>
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Scheduled date for filing of securities report: May.13,2022

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. 31,2022 (From Jan.1 to Mar.31, 2022)

(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. 31,2022	13,901	26.7	2,120	59.8	2,431	53.7	1,743	64.8
Mar. 31,2021	10,974	24.7	1,326	139.0	1,582	161.8	1,057	197.0

(Note) Comprehensive income: Three months ended Mar. 31,2022: 2,350 million yen 38.7%

Three months ended Mar. 31,2021: 1,694 million yen -%

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
Mar. 31,2022	49.07	48.78
Mar. 31,2021	29.24	29.10

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
	Millions of yen	Millions of yen	%
As of			
Mar. 31,2022	60,240	37,195	61.2
Dec. 31,2021	57,769	35,360	60.7

(Reference) Shareholders' equity: As of Mar. 31,2022: 36,895 million yen

As of Dec. 31,2021: 35,072 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. 31,2021	-	15.00	-	15.00	30.00
Fiscal year ending Dec. 31,2022	-				
Fiscal year ending Dec. 31,2022 (Forecast)		18.00	-	18.00	36.00

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

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.)

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, 2022 (Forecast)	26,100	14.7	2,850	13.1	2,900	2.1	2,150	11.9	60.53
Dec. 31, 2022 (Forecast)	53,000	15.6	6,000	29.6	6,100	18.9	4,600	22.3	129.50

(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: Yes

(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, 2022: 37,735,784 shares

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

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

As of Mar. 31, 2022: 2,210,284 shares

As of Dec. 31, 2021: 2,214,684 shares

(c) Average number of shares during the period

Three months ended Mar. 31, 2022: 35,521,612 shares

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

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

Qualitative Information Related to Financial Statements for the Quarter under Review

(1) Explanation Concerning Operating Results

Based on its corporate philosophy, "aiming to become a corporate group full of venture spirit," the Group has established a management policy of curbing indirect costs on a Group-wide basis and accelerating the business development and profit growth of companies in the Group by strengthening and enhancing headquarters functions.

As a focal strategy for the current fiscal year, the Group has been working to increase the cost efficiency and financial strength of the entire Group by improving the management function of its head office to promote the flexible business development of Group companies. The Group is also bolstering business alliances among its member companies with an aim to accelerate the creation of synergy.

In the first three months of the consolidated fiscal year under review, net sales increased 26.7% year on year, to 13,901 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 2,120 million yen, up 59.8% 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 2,431 million yen, up 53.7% year on year. Profit attributable to owners of parent was 1,743 million yen, up 64.8% year on year.

The business results for each segment are described below.

① SS (Sensing Solution) Business

Net sales for the SS Business came to 5,654 million yen (up 15.4% year on year) and operating profit was 856 million yen (up 23.0% year on year).

Net sales for the security sensors were 3,808 million yen (up 16.3% year on year). In Japan, performance declined due primarily to delays in product supply caused by component shortages. Meanwhile, net sales in overseas operations significantly exceeded net sales in the same period of the previous year, reflecting steady sales of outdoor sensors in the United States and Europe and a last-minute surge in demand before an increase in selling prices caused by a tight supply-and-demand balance of components.

Net sales for the automatic door sensors amounted to 1,229 million yen (up 12.9% year on year), reflecting steady domestic sales as well as favorable overseas sales.

② IA (Industrial Automation) Business

In the IA Business, net sales came to 7,973 million yen (up 37.3% year on year) and operating profit was 1,358 million yen (up 84.6% year on year).

Net sales for FA-related products amounted to 2,710 million yen (up 28.7% year on year), the result of strong demand from 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 3,412 million yen (up 25.3% year on year), the result of a significant rise in both domestic and overseas sales thanks to growth in demand for products for the

semiconductor and electronic component industries.

Net sales for the IPC-related products amounted to 1,304 million yen (up 33.5% year on year), the consequence of steady sales of industrial computers for semiconductor manufacturing equipment.

Net sales for MECT-related products stood at 546 million yen. In the first quarter of the consolidated fiscal year under review, the Group included Mitsutec Co., Ltd., which was consolidated as a subsidiary in November 2021, in the MECT-related segment of the IA Business.

* MECT : Mechatronics

③ EMS (Electronics Manufacturing Service) Business

In the EMS Business, net sales to unaffiliated customers were 177 million yen (up 13.1% year on year), attributable to an increase in projects for the electronic contract manufacturing service. Meanwhile, operating profit decreased to 2 million yen (down 88.3% year on year), reflecting an increase in the cost ratio caused by foreign exchange fluctuations.

(2) Explanation Concerning Financial Position

(Assets)

Total assets amounted to 60,240 million yen at the end of the first quarter under review, which was an increase of 2,471 million yen from the end of the previous fiscal year.

Current assets increased 2,352 million yen to total 44,897 million yen. The was attributable largely to an increase of 1,759 million yen in notes and accounts receivable - trade due to higher net sales and a rise of 492 million yen in inventories of raw materials and supplies.

Non-current assets increased 118 million yen, to 15,342 million yen. A major factor behind the increase was a rise of 108 million yen in property, plant and equipment, including buildings and structures and machinery, equipment and vehicles.

(Liabilities)

Total liabilities stood at 23,044 million yen at the end of the first quarter under review, which was an increase of 636 million yen from the end of the previous fiscal year. This was primarily a result of an increase of 893 million yen in short-term and long-term borrowings and a rise of 528 million yen in notes and accounts payable - trade, which more than offset a decrease of 656 million yen in income taxes payable.

(Net assets)

Net assets amounted to 37,195 million yen at the end of the first quarter under review, which was an increase of 1,834 million yen from the end of the previous fiscal year. This resulted mainly from an increase of 1,210 million yen in retained earnings and a rise of 586 million yen in foreign currency translation adjustment.

(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 were 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 parts for use in the manufacture of the Group's products and the impact of the COVID-19 pandemic on social and 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 14, 2022, 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 December 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	17,120	16,816
Notes and accounts receivable - trade	10,444	12,203
Securities	133	231
Merchandise and finished goods	3,970	3,849
Work in process	1,894	1,524
Raw materials and supplies	5,771	6,755
Income taxes receivable	207	265
Other	3,060	3,308
Allowance for doubtful accounts	△57	△57
Total current assets	42,544	44,897
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,308	3,409
Machinery, equipment and vehicles, net	333	376
Tools, furniture and fixtures, net	836	767
Land	2,480	2,494
Construction in progress	35	54
Total property, plant and equipment	6,993	7,102
Intangible assets		
Patent right	362	341
Trademark right	411	393
Customer relationships	642	573
Goodwill	1,052	1,116
Other	735	767
Total intangible assets	3,204	3,192
Investments and other assets		
Investment securities	2,117	2,228
Long-term loans receivable	373	399
Deferred tax assets	1,954	1,809
Other	612	643
Allowance for doubtful accounts	△31	△32
Total investments and other assets	5,026	5,048
Total non-current assets	15,224	15,342
Total assets	57,769	60,240

	As of December 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,589	3,117
Short-term borrowings	10,520	11,141
Current portion of long-term borrowings	164	166
Accounts payable - other	1,260	1,203
Income taxes payable	1,370	714
Provision for bonuses	988	632
Other	1,667	1,977
Total current liabilities	18,562	18,953
Non-current liabilities		
Long-term borrowings	210	480
Deferred tax liabilities	1,146	1,121
Deferred tax liabilities for land revaluation	22	22
Retirement benefit liability	1,366	1,374
Provision for retirement benefits for directors (and other officers)	180	135
Other	919	956
Total non-current liabilities	3,846	4,091
Total liabilities	22,408	23,044
Net assets		
Shareholders' equity		
Share capital	2,798	2,798
Capital surplus	7,580	7,580
Retained earnings	27,549	28,759
Treasury shares	△3,594	△3,587
Total shareholders' equity	34,333	35,550
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	48	57
Revaluation reserve for land	△5	△5
Foreign currency translation adjustment	725	1,311
Remeasurements of defined benefit plans	△30	△20
Total accumulated other comprehensive income	738	1,344
Share acquisition rights	275	285
Non-controlling interests	12	14
Total net assets	35,360	37,195
Total liabilities and net assets	57,769	60,240

Consolidated Quarterly Statements of Income

(Millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Net sales	10,974	13,901
Cost of sales	5,166	6,832
Gross profit	5,808	7,069
Selling, general and administrative expenses	4,482	4,949
Operating profit	1,326	2,120
Non-operating income		
Interest income	6	5
Dividend income	1	1
Gain on sale of investment securities	10	18
Gain on investments in investment partnerships	5	—
Foreign exchange gains	101	222
Rental income	6	5
Insurance return	—	30
Share of profit of entities accounted for using equity method	—	16
Subsidy income	126	2
Other	17	24
Total non-operating income	274	327
Non-operating expenses		
Interest expenses	9	11
Sales discounts	5	—
Rental expenses	2	2
Share of loss of entities accounted for using equity method	0	—
Loss on investments in investment partnerships	—	0
Other	1	1
Total non-operating expenses	19	16
Ordinary profit	1,582	2,431
Extraordinary income		
Gain on sale of non-current assets	2	4
Total extraordinary income	2	4
Extraordinary losses		
Loss on sale and retirement of non-current assets	6	0
Total extraordinary losses	6	0
Profit before income taxes	1,578	2,435
Income taxes - current	637	566
Income taxes - deferred	△117	124
Total income taxes	520	690
Profit	1,057	1,744
Profit attributable to non-controlling interests	0	1
Profit attributable to owners of parent	1,057	1,743

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Three months ended March 31, 2021	Three months ended March 31, 2022
Profit	1,057	1,744
Other comprehensive income		
Valuation difference on available-for-sale securities	27	9
Foreign currency translation adjustment	596	587
Remeasurements of defined benefit plans, net of tax	12	9
Total other comprehensive income	636	606
Comprehensive income	1,694	2,350
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,692	2,348
Comprehensive income attributable to non-controlling interests	1	2

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

[Change in Accounting Principles]

(Application of Accounting Standard for Revenue Recognition, etc.)

The Group has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 announced on March 31, 2020), etc. since the beginning of the fiscal year under review and recognizes revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer. As a result, revenue is measured by subtracting rebates and Sales discounts from the prices promised in contracts with customers.

The Group has followed the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition for the application of the Standard. The cumulative effect of applying the new accounting principles retrospectively prior to the beginning of the fiscal year under review is added to or subtracted from retained earnings at the beginning of the fiscal year under review, and the new accounting principles have been applied from the balance at the beginning of the fiscal year under review.

The impact of the change of accounting principles on the Group's consolidated financial statements for the first quarter of the fiscal year under review is insignificant. In addition, retained earnings has no impact on the balance at beginning of the fiscal year under review.

As a consequence of the application of the Accounting Standard for Revenue Recognition, notes and accounts receivable - trade included in current assets in the consolidated balance sheet for the previous fiscal year has been included now in notes and accounts receivable - trade, and contract assets beginning in the first quarter of the fiscal year under review. Pursuant to the transitional treatment specified in paragraph 89-2 of the Accounting Standard for Revenue Recognition, the reports for the previous fiscal year have not been reorganized using the new presentation method. In accordance with the transitional treatment prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on revenues from contracts with customers for the first quarter of the previous fiscal year have not been broken down.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Group has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019), etc. since the beginning of the first quarter of the fiscal year under review and will apply the new accounting principles set forth in the Accounting Standard for Fair Value Measurement, etc. over the future years by following the transitional treatment specified in Article 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This will not have an impact on the consolidated quarterly financial statements.

[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, 2021 (From Jan. 1 to Mar. 31, 2021)

Net Sales and Profit (Loss) by Reportable Segment

(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	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.

2.Three months ended Mar. 31, 2022 (From Jan. 1 to Mar. 31, 2022)

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

(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								
Security Sensors	3,808	-	-	3,808	-	3,808	-	3,808
Automatic Door Sensors	1,229	-	-	1,229	-	1,229	-	1,229
FA-related	-	2,710	-	2,710	-	2,710	-	2,710
MVL-related	-	3,412	-	3,412	-	3,412	-	3,412
IPC-related	-	1,304	-	1,304	-	1,304	-	1,304
MECT-related	-	546	-	546	-	546	-	546
Other	616	-	177	793	96	890	-	890
Revenue from Contracts with Customers	5,654	7,973	177	13,805	96	13,901	-	13,901
Unaffiliated customers	5,654	7,973	177	13,805	96	13,901	-	13,901
Intersegment transfer	24	5	2,550	2,581	9	2,590	(2,590)	-
Total	5,679	7,979	2,727	16,386	106	16,492	(2,590)	13,901
Segment profit(Loss)	856	1,358	2	2,217	(26)	2,191	(71)	2,120

(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 (71) 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.