

Summary of Financial Results (Japan GAAP)[Consolidated]

For the Third 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/>
 Representative : Isamu Oguni, President / CEO
 Contact: Hiroyuki Onishi, Director / CFO
 Tel.+81-77-527-9861

Scheduled date for filing of securities report: Nov. 14, 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 nine months ended Sep. 30, 2022 (From Jan. 1 to Sep. 30, 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	%
Nine months ended								
Sep. 30, 2022	40,468	18.9	5,295	38.8	6,239	48.8	4,520	53.1
Sep. 30, 2021	34,049	35.2	3,816	201.3	4,191	212.1	2,952	313.8

(Note) Comprehensive income: Nine months ended Sep. 30, 2022: 5,929 million yen 61.7 %
 Nine months ended Sep. 30, 2021: 3,665 million yen 752.5 %

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended		
Sep. 30, 2022	127.26	126.41
Sep. 30, 2021	81.65	81.21

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
	Millions of yen	Millions of yen	%
As of			
Sep. 30, 2022	62,775	40,171	63.5
Dec. 31, 2021	57,769	35,360	60.7

(Reference) Shareholders' equity: As of Sep. 30, 2022: 39,833 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	-	18.00	-		
Fiscal year ending Dec. 31,2022 (Forecast)				18.00	36.00

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

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
Dec. 31, 2022 (Forecast)	53,000	15.6	6,000	29.6	6,100	18.9	4,600	22.3	129.49

(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: 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 Sep. 30, 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 Sep. 30, 2022: 2,210,601 shares

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

(c) Average number of shares during the period

Nine months ended Sep. 30, 2022: 35,524,057 shares

Nine months ended Sep. 30, 2021: 36,159,964 shares

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

1. 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 nine months of the consolidated fiscal year under review, net sales increased 18.9% year on year, to 40,468 million yen, mainly reflecting significant growth in existing main businesses and the impact of foreign exchange rates. On the profit side, operating profit was 5,295 million yen (up 38.8% 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 6,239 million yen (up 48.8% year on year), mainly due to a rise in foreign exchange gains, and profit attributable to owners of parent stood at 4,520 million yen (up 53.1% 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 17,339 million yen (up 15.4% year on year) and operating profit was 2,293 million yen (up 26.7% year on year).

Net sales for the security sensors were 11,956 million yen (up 15.7% 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 the year-ago level, reflecting steady sales of outdoor sensors for large-scale critical facilities in the United States and Europe.

Net sales for the automatic door sensors amounted to 3,890 million yen (up 19.2% year on year), reflecting steady domestic sales as well as significant growth in overseas sales.

② IA (Industrial Automation) Business

In the IA Business, net sales came to 22,034 million yen (up 21.2% year on year) and operating profit was 3,062 million yen (up 40.9% year on year).

Net sales for FA-related products amounted to 8,364 million yen (up 15.4% year on year), the result of strong demand from the semiconductor, electronic component and secondary battery industries and significant growth in overseas sales, mainly in China.

Net sales for the MVL-related products were 9,885 million yen (up 17.3% year on year), reflecting steady growth in sales for the semiconductor and electronic component industries.

Net sales for the IPC-related products amounted to 2,971 million yen (up 18.5% year on year), the consequence of steady sales of industrial computers for semiconductor manufacturing equipment.

Net sales for MECT-related products stood at 812 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 656 million yen (up 37.4% year on year), attributable to an increase in projects for the electronic contract manufacturing service. Operating profit came to 318 million yen (up 25.4% year on year), reflecting an increase in production volume of products within the Group.

(2) Explanation Concerning Financial Position

① Conditions of assets, liabilities and net assets

(Assets)

Total assets amounted to 62,775 million yen at the end of the third quarter under review, which was an increase of 5,006 million yen from the end of the previous fiscal year.

Current assets increased 4,804 million yen to total 47,349 million yen. The increase reflected an increase in the inventories of raw materials and supplies of 3,667 million yen, coupled with a rise in notes and accounts receivable - trade of 1,055 million yen due to higher net sales.

Non-current assets increased 201 million yen, to 15,426 million yen. This increase was primarily attributable to increases of 245 million yen in investments and other assets and 196 million yen in property, plant and equipment such as buildings and structures, which more than offset a decrease of 240 million yen in intangible assets such as customer-related assets due to amortization, etc.

(Liabilities)

Total liabilities stood at 22,604 million yen at the end of the first nine months under review, which was an increase of 196 million yen from the end of the previous fiscal year. This was primarily a result of an increase of 1,173 million yen in non-current liabilities such as long-term borrowings, despite a decrease of 977 million yen in current liabilities such as short-term borrowings.

(Net assets)

Net assets amounted to 40,171 million yen at the end of the third quarter under review, which was an increase of 4,810 million yen from the end of the previous fiscal year. This resulted mainly from an increase of 3,348 million yen in retained earnings and a rise of 1,501 million yen in foreign currency translation adjustment.

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

Financial results for the first nine months of the consolidated fiscal year under review were strong as in the first six months of the consolidated fiscal year primarily because sales in Europe and the United States and those in Asia surpassed expectations in the SS Business and IA Business, respectively, coupled with the weakening of yen exchange rates.

While strong inquiries continue for the time being, uncertainties still remain with respect to factors that impact business activities, for example, the continuing tight supply-and-demand condition of semiconductors and electronic parts, among other items, and trends in the foreign exchange market. In light of this, the Company has decided to leave the initial full-year results forecast unchanged. If the Company needs to make revisions to the consolidated financial results forecast depending on future situations, it will disclose such revisions promptly.

Consolidated Quarterly Financial Statements

Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of December 31, 2021	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	17,120	16,747
Notes and accounts receivable - trade	10,444	11,500
Securities	133	330
Merchandise and finished goods	3,970	5,275
Work in process	1,894	1,832
Raw materials and supplies	5,771	8,195
Income taxes receivable	207	123
Other	3,060	3,404
Allowance for doubtful accounts	△57	△61
Total current assets	42,544	47,349
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,308	3,431
Machinery, equipment and vehicles, net	333	385
Tools, furniture and fixtures, net	836	770
Land	2,480	2,535
Construction in progress	35	68
Total property, plant and equipment	6,993	7,190
Intangible assets		
Patent right	362	299
Trademark right	411	362
Customer relationships	642	528
Goodwill	1,052	1,040
Other	735	732
Total intangible assets	3,204	2,963
Investments and other assets		
Investment securities	2,117	2,166
Long-term loans receivable	373	463
Deferred tax assets	1,954	2,026
Other	612	647
Allowance for doubtful accounts	△31	△32
Total investments and other assets	5,026	5,272
Total non-current assets	15,224	15,426
Total assets	57,769	62,775

(Millions of yen)

	As of December 31, 2021	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,589	3,374
Short-term borrowings	10,520	8,506
Current portion of long-term borrowings	164	640
Accounts payable - other	1,260	946
Income taxes payable	1,370	961
Provision for bonuses	988	1,140
Other	1,667	2,013
Total current liabilities	18,562	17,584
Non-current liabilities		
Long-term borrowings	210	1,481
Deferred tax liabilities	1,146	1,059
Deferred tax liabilities for land revaluation	22	22
Retirement benefit liability	1,366	1,398
Provision for retirement benefits for directors (and other officers)	180	138
Other	919	918
Total non-current liabilities	3,846	5,019
Total liabilities	22,408	22,604
Net assets		
Shareholders' equity		
Share capital	2,798	2,798
Capital surplus	7,580	7,580
Retained earnings	27,549	30,898
Treasury shares	△3,594	△3,588
Total shareholders' equity	34,333	37,689
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	48	△61
Revaluation reserve for land	△5	△5
Foreign currency translation adjustment	725	2,227
Remeasurements of defined benefit plans	△30	△15
Total accumulated other comprehensive income	738	2,144
Share acquisition rights	275	322
Non-controlling interests	12	15
Total net assets	35,360	40,171
Total liabilities and net assets	57,769	62,775

Consolidated Quarterly Statements of Income

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Net sales	34,049	40,468
Cost of sales	16,204	19,575
Gross profit	17,845	20,892
Selling, general and administrative expenses	14,029	15,596
Operating profit	3,816	5,295
Non-operating income		
Interest income	10	18
Dividend income	12	12
Gain on sale of investment securities	8	18
Gain on investments in investment partnerships	6	7
Foreign exchange gains	149	768
Rental income	18	13
Insurance return	41	45
Share of profit of entities accounted for using equity method	11	53
Subsidy income	131	18
Other	40	49
Total non-operating income	431	1,005
Non-operating expenses		
Interest expenses	24	39
Sales discounts	17	-
Rental expenses	7	7
Other	5	14
Total non-operating expenses	55	61
Ordinary profit	4,191	6,239
Extraordinary income		
Gain on sale of non-current assets	3	8
Gain on sale of investment securities	10	-
Total extraordinary income	13	8
Extraordinary losses		
Loss on sale and retirement of non-current assets	13	4
Loss on valuation of shares of subsidiaries and associates	33	-
Office relocation expenses	32	-
Total extraordinary losses	79	4
Profit before income taxes	4,125	6,243
Income taxes - current	1,553	1,801
Income taxes - deferred	△381	△80
Total income taxes	1,172	1,721
Profit	2,953	4,521
Profit attributable to non-controlling interests	1	0
Profit attributable to owners of parent	2,952	4,520

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2021	Nine months ended September 30, 2022
Profit	2,953	4,521
Other comprehensive income		
Valuation difference on available-for-sale securities	29	△110
Foreign currency translation adjustment	662	1,503
Remeasurements of defined benefit plans, net of tax	20	14
Total other comprehensive income	712	1,407
Comprehensive income	3,665	5,929
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,663	5,926
Comprehensive income attributable to non-controlling interests	2	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 third 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

[Segment Information]

1. Nine months ended Sep. 30, 2021 (From Jan. 1 to Sep. 30, 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	15,023	18,183	477	33,684	364	34,049	-	34,049
Intersegment transfer	46	15	7,457	7,520	43	7,563	(7,563)	-
Total	15,070	18,198	7,935	41,205	408	41,613	(7,563)	34,049
Segment profit(Loss)	1,809	2,174	254	4,237	(12)	4,225	(409)	3,816

(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 (409) 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. Nine months ended Sep. 30, 2022 (From Jan. 1 to Sep. 30, 2022)

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	11,956	-	-	11,956	-	11,956	-	11,956
Automatic Door Sensors	3,890	-	-	3,890	-	3,890	-	3,890
FA-related	-	8,364	-	8,364	-	8,364	-	8,364
MVL-related	-	9,885	-	9,885	-	9,885	-	9,885
IPC-related	-	2,971	-	2,971	-	2,971	-	2,971
MECT-related	-	812	-	812	-	812	-	812
Other	1,492	-	656	2,148	437	2,586	-	2,586
Revenue from Contracts with Customers	17,339	22,034	656	40,030	437	40,468	-	40,468
Unaffiliated customers	17,339	22,034	656	40,030	437	40,468	-	40,468
Intersegment transfer	62	32	9,032	9,127	53	9,180	(9,180)	-
Total	17,402	22,066	9,689	49,158	490	49,649	(9,180)	40,468
Segment profit	2,293	3,062	318	5,674	25	5,700	(404)	5,295

(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 (404) million yen for segment profit includes elimination of inter-segment transactions and unallocated corporate expenses.

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