

Summary of Financial Results (Japan GAAP)[Consolidated]

For the Fiscal Year Ended 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
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Scheduled date for ordinary general meeting of shareholders: Mar. 24,2023 Scheduled date for dividend payment: Mar. 27,2023
 Scheduled date for filing of securities report: Mar. 24,2023
 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. 31,2022 (From Jan.1 to Dec.31, 2022)

(1) Consolidated operating results (Millions of yen rounded down)
 (Percentages indicate changes from the same period in the previous fiscal year.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Dec. 31,2022	54,811	19.5	6,303	36.1	7,042	37.3	4,752	26.3
Dec. 31,2021	45,866	31.6	4,630	120.7	5,130	135.7	3,762	169.7

(Note) Comprehensive income: As of Dec. 31,2022: 5,476 million yen 15.1 %
 As of Dec. 31,2021: 4,756 million yen 277.0 %

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Dec. 31,2022	133.79	132.86	12.8	11.6	11.5
Dec. 31,2021	104.18	103.60	11.2	9.8	10.1

(Reference) Earnings of equity method: As of Dec. 31,2022: 65 million yen
 As of Dec. 31,2021: 27 million yen

(2) Consolidated financial position

As of	Total assets	Net assets	Shareholder's equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Dec. 31,2022	63,302	39,735	62.2	1,108.52
Dec. 31,2021	57,769	35,360	60.7	987.36

(Reference) Shareholders' equity: As of Dec. 31,2022: 39,380 million yen
 As of Dec. 31,2021: 35,072 million yen

(3) Consolidated statement of cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Dec. 31,2022	1,669	(310)	(1,627)	17,287
Dec. 31,2021	3,102	(2,845)	1,793	17,120

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. 31,2021	—	15.00	—	15.00	30.00	1,075	28.8	3.2
Dec. 31,2022	—	18.00	—	18.00	36.00	1,278	26.9	3.4
Fiscal year ending Dec. 31,2023 (Forecast)	—	20.00	—	20.00	40.00		26.8	

3. Forecast of consolidated results for the fiscal year ending Dec. 31, 2023 (From Jan. 1 to Dec. 31, 2023)

(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. 30,2023 (Forecast)	29,200	7.2	3,600	0.3	3,650	(15.1)	2,550	(18.3)	71.78
Dec. 31,2023 (Forecast)	60,000	9.5	7,500	19.0	7,600	7.9	5,300	11.5	149.19

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: Yes

(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, 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 Dec. 31, 2022: 2,210,820 shares

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

(c) Average number of shares during the period

Year ended Dec. 31, 2022: 35,524,326 shares

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

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

1. Overview of Operating Results, etc.

(1) Overview of operating results for the fiscal year ended December 31, 2022

During the fiscal year under review, the outlook for the global economy remained uncertain due to shortages of semiconductors and electronic components worldwide, surges in the prices of raw materials and resources resulting from the prolonged war in Ukraine, accelerating inflation in Europe and the United States and the drastically changing exchange rates.

In this situation, the Group followed its 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, based on its corporate philosophy, "aiming to become a corporate group full of venture spirit."

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 has also been bolstering business alliances among its member companies with an aim to accelerate the creation of synergy.

For the consolidated fiscal year under review, net sales stood at 54,811 million yen, up 19.5% year on year. This was primarily due to significant growth in existing main businesses and the effect of exchange rates. Operating profit was 6,303 million yen, up 36.1% 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 7,042 million yen, up 37.3% year on year mainly due to higher foreign exchange gains. Profit attributable to owners of parent was 4,752 million yen, up 26.3% year on year, reflecting extraordinary losses, including provision of allowance for doubtful accounts.

The business results for each segment are described below.

① SS (Sensing Solution) Business

In the SS Business, net sales came to 23,465 million yen (up 16.4% year on year) and operating profit was 2,869 million yen (up 30.3% year on year).

Net sales for the security sensors were 16,067 million yen (up 17.7% year on year). Net sales in domestic operations increased year on year due to solid sales for security companies and large-scale critical facilities. 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 of automatic door sensors totaled 5,310 million yen (up 19.5% year on year). Domestic and overseas sales increased significantly, reflecting an appreciation of the Group's product supply system.

② IA (Industrial Automation) Business

In the IA Business, net sales came to 29,738 million yen (up 21.8% year on year) and operating profit was 3,583 million yen (up 32.7% year on year).

Net sales for FA-related products amounted to 10,994 million yen (up 13.2% 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 13,310 million yen (up 17.1% year on year), reflecting steady growth in sales for the semiconductor and electronic component industries.

Net sales for the IPC-related products amounted to 4,121 million yen (up 23.6% year on year), the consequence of steady sales of industrial computers for semiconductor manufacturing equipment.

Net sales for MECT-related products stood at 1,311 million yen. In 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.

(Note) MECT is an abbreviation of Mechatronics.

③ EMS (Electronics Manufacturing Service) Business

In the EMS Business, sales to unaffiliated customers were 1,006 million yen (up 33.0% year on year), attributable to an increase in projects for the electronic contract manufacturing service. Operating profit came to 400 million yen (up 29.2% year on year), reflecting an increase in the production volume of products within the Group.

(2) Overview of financial position during the fiscal year ended December 31, 2022

① Conditions of assets, liabilities and net assets

(Assets)

Total assets amounted to 63,302 million yen at the end of the fiscal year under review, which was an increase of 5,533 million yen from the end of the previous fiscal year.

Current assets increased 5,388 million yen to total 47,932 million yen. The increase reflected an increase in the inventories of raw materials and supplies of 4,611 million yen, coupled with a rise in notes and accounts receivable - trade of 1,777 million yen due to higher net sales, more than offsetting a decrease of 1,257 million yen in other current assets, including prepaid expenses.

Non-current assets amounted to 15,370 million yen, which was an increase of 145 million yen. The decrease was primarily attributable to an increase of 627 million yen in property, plant and equipment such as right-of-use assets resulting from the application of new standards for leases at subsidiaries in the United States, more than offsetting a decrease of 388 million yen in intangible assets such as customer-related assets due to amortization.

(Liabilities)

Total liabilities stood at 23,567 million yen at the end of the fiscal year under review, which was an increase of 1,158 million yen from the end of the previous fiscal year. The major factors behind the increase were rises of 576 million yen in notes, accounts payable – trade and 1,580 million yen in long-term borrowings including the current portion and other current liabilities such as accrued expenses of 526 million yen, more than offsetting a decrease of 1,594 million yen in short-term borrowings.

(Net assets)

Net assets totaled 39,735 million yen at the end of the fiscal year under review, which was an increase of 4,375 million yen from the end of the previous fiscal year. This resulted mainly from an increase of 3,580 million yen in retained earnings and a rise of 722 million yen in other comprehensive income, including foreign currency translation adjustment.

(3) Overview of cash flow during the fiscal year ended December 31, 2022

Cash and cash equivalents (“cash”) at the end of the fiscal year under review have increased by 166 million yen from the end of the previous fiscal year, to total 17,287 million yen.

(Cash flow from operating activities)

Net cash provided by operating activities was 1,669 million yen (compared with 3,102 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 4,342 million yen, income taxes paid of 2,433 million yen and an increase in trade receivables of 1,407 million yen and an increase in cash due to profit before income taxes of 6,575 million yen.

(Cash flow from investing activities)

Net cash used in investing activities was 310 million yen (compared with net cash of 2,845 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 chiefly by the spending of 1,147 million yen on the purchase of property, plant and equipment and 601 million yen on the purchase of securities and investment securities, which were partially offset by proceeds from cancellation of insurance funds of 1,479 million yen and proceeds from sale and redemption of securities and investment securities of 174 million yen.

(Cash flow from financing activities)

Net cash used in financing activities came to 1,627 million yen (compared with net cash of 1,793 million yen provided by such activities in the same period of the previous fiscal year). This result mainly reflected a decrease in cash caused by a net decrease in short-term borrowings of 1,608 million yen, dividends paid of 1,171 million yen, and repayments of long-term borrowings of 527 million yen, despite the proceeds of 2,100 million yen from long-term borrowings.

	FY Ended Dec. 2019	FY Ended Dec. 2020	FY Ended Dec. 2021	FY Ended Dec. 2022
Equity Ratio (%)	73.2	68.4	60.7	62.2
Market Value Equity Ratio (%)	136.0	143.9	101.0	100.8
Cash Flow to Interest-bearing Debt Ratio (annual)	1.1	1.7	3.5	6.5
Interest Coverage Ratio (times)	254.2	343.4	96.0	30.7

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, 2023 will be 60,000 million yen (up 9.5% year on year). 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 19.0% year on year in operating profit to 7,500 million yen, 7.9% year on year in ordinary profit to 7,600 million yen, and 11.5% year on year in profit attributable to owners of parent to 5,300 million yen as a result of investment in further growth and continued efforts to improve profitability. These forecasts assume currency exchange rates of 135 yen to the US dollar and 140 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 18 yen per share, and combined with an interim dividend of 18 yen per share paid in September 2022, the annual dividend will be 36 yen per share.

As for the next fiscal year, the Optex Group plans to pay an annual dividend of 40 yen per share (20 yen per share as an interim dividend and 20 yen per share as a fiscal year-end dividend), which is 4 yen more than for the fiscal year under review, based on the above policy of the stable and sustainable return of profit to its shareholders.

Consolidated Financial Statements

Consolidated balance sheets

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	17,120	17,287
Notes and accounts receivable - trade	10,444	12,221
Securities	133	327
Merchandise and finished goods	3,970	5,782
Work in process	1,894	1,952
Raw materials and supplies	5,771	8,513
Income taxes refund receivable	207	111
Other	3,060	1,802
Allowance for doubtful accounts	△57	△65
Total current assets	42,544	47,932
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,848	7,375
Accumulated depreciation	△3,540	△3,887
Buildings and structures, net	3,308	3,488
Machinery, equipment and vehicles	1,566	1,761
Accumulated depreciation	△1,233	△1,367
Machinery, equipment and vehicles, net	333	394
Tools, furniture and fixtures	6,851	7,156
Accumulated depreciation	△6,015	△6,325
Tools, furniture and fixtures, net	836	830
Land	2,480	2,512
Construction in progress	35	113
Right-of-use assets	-	281
Total property, plant and equipment	6,993	7,621
Intangible assets		
Patent right	362	278
Trademark right	411	336
Customer relationships	642	488
Goodwill	1,052	987
Other	735	725
Total intangible assets	3,204	2,815
Investments and other assets		
Investment securities	2,117	2,144
Long-term loans receivable	373	25
Deferred tax assets	1,954	2,123
Other	612	1,069
Allowance for doubtful accounts	△31	△430
Total investments and other assets	5,026	4,932
Total non-current assets	15,224	15,370
Total assets	57,769	63,302

(Millions of yen)

	As of December 31, 2021	As of December 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,589	3,165
Short-term borrowings	10,520	8,926
Current portion of long-term borrowings	164	708
Accounts payable - other	1,260	1,381
Income taxes payable	1,370	1,258
Provision for bonuses	988	1,117
Other	1,667	2,194
Total current liabilities	18,562	18,752
Non-current liabilities		
Long-term borrowings	210	1,247
Deferred tax liabilities	1,146	655
Deferred tax liabilities for land revaluation	22	22
Retirement benefit liability	1,366	1,436
Provision for retirement benefits for directors (and other officers)	180	139
Other	919	1,313
Total non-current liabilities	3,846	4,814
Total liabilities	22,408	23,567
Net assets		
Shareholders' equity		
Share capital	2,798	2,798
Capital surplus	7,580	7,579
Retained earnings	27,549	31,130
Treasury shares	△3,594	△3,588
Total shareholders' equity	34,333	37,919
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	48	△102
Revaluation reserve for land	△5	△5
Foreign currency translation adjustment	725	1,592
Remeasurements of defined benefit plans	△30	△23
Total accumulated other comprehensive income	738	1,461
Share acquisition rights	275	341
Non-controlling interests	12	13
Total net assets	35,360	39,735
Total liabilities and net assets	57,769	63,302

Consolidated statements of income

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Net sales	45,866	54,811
Cost of sales	21,981	26,811
Gross profit	23,884	28,000
Selling, general and administrative expenses		
Remuneration, salaries and allowances for directors (and other officers)	7,076	7,997
Provision for bonuses	533	508
Retirement benefit expenses	250	276
Provision for retirement benefits for directors (and other officers)	18	1
Provision of allowance for doubtful accounts	12	7
Research and development expenses	3,103	3,382
Other	8,259	9,522
Total selling, general and administrative expenses	19,253	21,696
Operating profit	4,630	6,303
Non-operating income		
Interest income	14	28
Dividend income	20	19
Gain on sale of investment securities	8	19
Foreign exchange gains	219	534
Rental income	22	18
Insurance return	46	51
Share of profit of entities accounted for using equity method	27	65
Subsidy income	146	25
Other	69	65
Total non-operating income	575	828
Non-operating expenses		
Interest expenses	33	55
Sales discounts	22	-
Rental expenses	10	10
Other	9	23
Total non-operating expenses	75	89
Ordinary profit	5,130	7,042
Extraordinary income		
Gain on sale of non-current assets	3	9
Gain on sale of investment securities	10	-
Gain on bargain purchase	176	-
Total extraordinary income	189	9
Extraordinary losses		
Loss on sale and retirement of non-current assets	19	7
Loss on valuation of investment securities	201	71
Loss on valuation of shares of subsidiaries and associates	33	-
Office relocation expenses	32	-
Provision of allowance for doubtful accounts	-	398
Total extraordinary losses	287	477
Profit before income taxes	5,031	6,575
Income taxes - current	1,740	2,417
Income taxes - deferred	△474	△596
Total income taxes	1,265	1,821
Profit	3,766	4,753
Profit attributable to non-controlling interests	3	0
Profit attributable to owners of parent	3,762	4,752

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Profit	3,766	4,753
Other comprehensive income		
Valuation difference on available-for-sale securities	28	△151
Foreign currency translation adjustment	960	867
Remeasurements of defined benefit plans, net of tax	1	6
Total other comprehensive income	989	722
Comprehensive income	4,756	5,476
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,751	5,475
Comprehensive income attributable to non-controlling interests	5	0

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 changes in net assets

Fiscal year ended Dec. 31, 2022 (From Jan. 1 to Dec. 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,798	7,580	27,549	△3,594	34,333
Changes during period					
Dividends of surplus			△1,172		△1,172
Profit attributable to owners of parent			4,752		4,752
Purchase of treasury shares				△0	△0
Disposal of treasury shares		△1		7	5
Net changes in items other than shareholders' equity					
Total changes during period	-	△1	3,580	6	3,585
Balance at end of period	2,798	7,579	31,130	△3,588	37,919

	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	48	△5	725	△30	738	275	12	35,360
Changes during period								
Dividends of surplus								△1,172
Profit attributable to owners of parent								4,752
Purchase of treasury shares								△0
Disposal of treasury shares								5
Net changes in items other than shareholders' equity	△151	-	867	6	722	66	0	789
Total changes during period	△151	-	867	6	722	66	0	4,375
Balance at end of period	△102	△5	1,592	△23	1,461	341	13	39,735

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from operating activities		
Profit before income taxes	5,031	6,575
Depreciation	1,478	1,622
Amortization of goodwill	203	240
Increase (decrease) in retirement benefit liability	42	68
Increase (decrease) in provision for retirement benefits for directors (and other officers)	△74	△41
Increase (decrease) in allowance for doubtful accounts	12	403
Increase (decrease) in provision for bonuses	537	127
Interest and dividend income	△34	△47
Interest expenses	33	55
Foreign exchange losses (gains)	△42	△72
Share of loss (profit) of entities accounted for using equity method	△27	△65
Subsidy income	△146	△25
Loss (gain) on valuation of investment securities	201	71
Loss (gain) on sale of investment securities	△18	△19
Loss (gain) on investments in investment partnerships	△6	△7
Loss on valuation of shares of subsidiaries and associates	33	-
Loss (gain) on sale and retirement of non-current assets	16	△1
Gain on bargain purchase	△176	-
Decrease (increase) in trade receivables	△1,983	△1,407
Decrease (increase) in inventories	△2,542	△4,342
Increase (decrease) in trade payables	681	325
Other, net	606	627
Subtotal	3,827	4,086
Interest and dividends received	39	45
Interest paid	△32	△54
Subsidies received	146	25
Income taxes refund (paid)	△878	△2,433
Net cash provided by (used in) operating activities	3,102	1,669
Cash flows from investing activities		
Payments into time deposits	△335	-
Proceeds from withdrawal of time deposits	335	-
Purchase of securities	-	△300
Proceeds from sale and redemption of securities	204	125
Purchase of investment securities	△200	△301
Proceeds from sale and redemption of investment securities	298	48
Purchase of property, plant and equipment	△930	△1,147
Proceeds from sale of property, plant and equipment	5	15
Purchase of intangible assets	△159	△233
Purchase of shares of subsidiaries resulting in change in scope of consolidation	△2,061	-
Proceeds from cancellation of insurance funds	-	1,479
Loan advances	△13	△10
Proceeds from collection of loans receivable	11	11
Net cash provided by (used in) investing activities	△2,845	△310

	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	4,476	△1,608
Proceeds from long-term borrowings	64	2,100
Repayments of long-term borrowings	△446	△527
Dividends paid	△1,112	△1,171
Repayments of lease liabilities	△188	△284
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	△134
Purchase of treasury shares	△1,000	0
Net cash provided by (used in) financing activities	1,793	△1,627
Effect of exchange rate change on cash and cash equivalents	486	435
Net increase (decrease) in cash and cash equivalents	2,536	166
Cash and cash equivalents at beginning of period	14,583	17,120
Cash and cash equivalents at end of period	17,120	17,287

Notes on the Consolidated Financial Statements

[Notes related to of going concern assumptions]

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 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.

In accordance with the transitional treatment prescribed in 89-3 of the Accounting Standard for Revenue Recognition, information on revenues from contracts with customers for 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 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)

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]

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.

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

Sales and Income (Loss) by Reporting Segment

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	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 has been adjusted to be consistent with the operating profit reported in the consolidated statements of income.

Fiscal year ended Dec. 31, 2022 (From Jan. 1 to Dec. 31, 2022)

(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	16,067	-	-	16,067	-	16,067	-	16,067
Automatic Door Sensors	5,310	-	-	5,310	-	5,310	-	5,310
FA-related	-	10,994	-	10,994	-	10,994	-	10,994
MVL-related	-	13,310	-	13,310	-	13,310	-	13,310
IPC-related	-	4,121	-	4,121	-	4,121	-	4,121
MECT-related	-	1,311	-	1,311	-	1,311	-	1,311
Other	2,087	-	1,006	3,094	600	3,694	-	3,694
Revenue from Contracts with Customers	23,465	29,738	1,006	54,211	600	54,811	-	54,811
Unaffiliated customers	23,465	29,738	1,006	54,211	600	54,811	-	54,811
Intersegment transfer	86	44	12,222	12,353	80	12,433	(12,433)	-
Total	23,552	29,783	13,229	66,564	680	67,245	(12,433)	54,811
Segment profit	2,869	3,583	400	6,853	36	6,889	(586)	6,303
Segment Assets	20,851	32,557	8,197	61,606	555	62,161	1,140	63,302
Other items								
Depreciation expenses	421	818	133	1,373	5	1,378	243	1,662
Amortization of goodwill	4	216	-	221	19	240	-	240
Investment in equity method affiliates	-	351	-	351	-	351	-	351
Increase in tangible fixed assets and intangible assets	340	745	70	1,156	5	1,162	203	1,365

- (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 segment profit JPY(586) million represents intersegment transactions. Adjustment of segment assets of JPY1,140 million includes corporate assets of JPY8,988 million and elimination of intersegment transactions of JPY(7,847) million. Corporate assets are assets of OPTEX GROUP CO.,LTD. Adjustment of depreciation expenses of JPY243 million relates to corporate assets not included in the reportable segments.
- Adjustment of increase in property, plant and equipment and intangible assets of JPY203 million relates to corporate assets not included in the reportable segments.
3. Segment profit 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, 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	4,801	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).

Fiscal year ended Dec. 31, 2022 (From Jan. 1 to Dec. 31, 2022)

Net Sales by Location

(Millions of yen)

Japan	Americas		Europe	Asia	Total
		U.S.A.			
24,548	7,305	6,230	15,315	7,640	54,811

(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, 2021		Fiscal year ended Dec. 31, 2022	
Net assets per share	987.36 yen	Net assets per share	1,108.52 yen
Net income per share	104.18 yen	Net income per share	133.79 yen
Diluted net income per share	103.60 yen	Diluted net income per share	132.86 yen

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

	Fiscal year ended Dec. 31, 2021	Fiscal year ended Dec. 31, 2022
Total net assets (million yen)	35,360	39,735
Deduction from total net assets (million yen)	288	355
(Non-controlling interests)	(12)	(13)
(Subscription rights to shares)	(275)	(341)
Net assets based on common stock at the end of the fiscal year (million yen)	35,072	39,380
Number of common stock at the end of the fiscal year used in calculation of net assets per share (thousand shares)	35,521	35,524

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, 2021	Fiscal year ended Dec. 31, 2022
Net income per share		
Profit attributable to owners of parent (million yen)	3,762	4,752
Profit not attributable to holders of common stock (million yen)	-	-
Profit attributable to owners of parent based on common stock (million yen)	3,762	4,752
Number of shares on average during the fiscal period (thousand shares)	36,116	35,524
Diluted net income per share		
Adjustment of profit attributable to owners of parent (million yen)	-	-
Increase in common stocks (thousand shares)	203	249
(Subscription rights to shares (thousand shares))	(203)	(249)
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, 2021 (From Jan. 1 to Dec. 31, 2021) (A)		Fiscal year ended Dec. 31, 2022 (From Jan. 1 to Dec. 31, 2022) (B)		(B) - (A)
	Amount	%	Amount	%	Amount
SS Business					
Security Sensors	13,652	29.8	16,067	29.3	2,141
Automatic Door Sensors	4,442	9.7	5,310	9.7	868
Other	2,069	4.5	2,087	3.8	18
Subtotal	20,164	44.0	23,465	42.8	3,300
IA Business					
FA-related	9,711	21.2	10,994	20.1	1,283
MVL-related	11,364	24.8	13,310	24.3	1,946
IPC-related	3,334	7.2	4,121	7.5	787
MECT-related	-	-	1,311	2.4	1,311
Subtotal	24,409	53.2	29,738	54.3	5,329
EMS Business	756	1.6	1,006	1.8	249
Other	534	1.2	600	1.1	65
Total	45,866	100.0	54,811	100.0	8,945

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

2. In 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.