

Summary of Financial Results (Japan GAAP)[Consolidated]

For the Second Quarter of Fiscal Year Ending December 31,2023

Company name: OPTEX GROUP CO.,LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 6914
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Scheduled date for filing of securities report: Aug.10,2023

Scheduled date for dividend payment: Sep.4,2023

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

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

1. Consolidated financial results for the six months ended Jun. 30,2023 (From Jan.1 to Jun.30, 2023)

(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	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Jun. 30,2023	27,197	(0.2)	2,659	(25.9)	2,931	(31.8)	1,985	(36.4)
Jun. 30,2022	27,241	19.7	3,590	42.4	4,297	51.2	3,120	62.4

(Note) Comprehensive income: Six months ended Jun. 30,2023: 3,382 million yen (23.0%)

Six months ended Jun. 30,2022: 4,393 million yen 65.7%

	Basic earnings per share	Diluted earnings per share
Six months ended	Yen	Yen
Jun. 30,2023	55.88	55.44
Jun. 30,2022	87.85	87.29

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
As of	Millions of yen	Millions of yen	%
Jun. 30,2023	65,542	42,514	64.3
Dec. 31,2022	63,302	39,735	62.2

(Reference) Shareholders' equity: As of Jun. 30,2023: 42,121 million yen

As of Dec. 31,2022: 39,380 million yen

2. Dividends

	Dividends per share				
(Base date)	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual (Total)
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Dec. 31,2022	-	18.00	-	18.00	36.00
Fiscal year ending Dec. 31,2023	-	20.00	-	-	-
Fiscal year ending Dec. 31,2023 (Forecast)	-	-	-	20.00	40.00

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

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.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
Fiscal year ending	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Dec. 31, 2023 (Forecast)	57,000	4.0	6,500	3.1	6,900	(2.0)	5,000	5.2	140.75

(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 is 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 Jun. 30, 2023: 37,735,784 shares

As of Dec. 31, 2022: 37,735,784 shares

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

As of Jun. 30, 2023: 2,210,958 shares

As of Dec. 31, 2022: 2,210,820 shares

(c) Average number of shares during the period

Six months ended Jun. 30, 2023: 35,524,920 shares

Six months ended Jun. 30, 2022: 35,523,474 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 strengthening coordination among the business companies of the Group through the enhancement of headquarters functions and accelerating profit growth through the reduction of indirect costs on a Group-wide basis.

As a key measure for the current fiscal year, the Group has been accelerating the business development of Group companies by focusing investment in growth areas. It aims to strengthen business collaboration among Group companies in procurement, manufacturing, product planning and other fields.

In the first six months of the consolidated fiscal year under review, net sales declined 0.2% year on year, to 27,197 million yen, mainly reflecting sluggish growth in FA (Factory Automation)-related and MECT (Mechatronics)-related products under the IA (Industrial Automation) Business, while SS (Sensing Solution) Business remained steady. On the profit side, operating profit stood at 2,659 million yen, down 25.9% year on year, ordinary profit was 2,931 million yen, down 31.8% year on year, and profit attributable to owners of parent was 1,985 million yen, down 36.4% year on year. These results reflected a rise in selling, general and administrative expenses associated with the strengthening of marketing and sales promotion activities in response to the relaxation of movement restrictions under the COVID-19 pandemic, as well as the impacts of foreign exchange rates and inflation in Japan and overseas.

The business results for each segment are described below.

① SS (Sensing Solution) Business

Net sales for the SS Business came to 12,096 million yen (up 5.1% year on year) and operating profit was 1,263 million yen (down 18.7% year on year).

Net sales for the security sensors were 8,390 million yen (up 5.5% year on year). Results exceeded the year-ago level, as overseas operations benefited from steady sales of outdoor sensors in Europe while Japan saw strong sales to security companies.

Net sales of automatic door sensors totaled 2,739 million yen, up 9.9% year on year. Domestic and overseas sales increased steadily, reflecting an appreciation of the Group's product supply system.

② IA (Industrial Automation) Business

In the IA Business, net sales came to 14,448 million yen (down 3.9% year on year) and operating profit was 1,384 million yen (down 34.8% year on year).

In FA-related products, sales to Europe remained steady, but sales of products for rechargeable batteries remained sluggish in China.

Net sales in Japan were 5,165 million yen (down 7.6% year on year). Sluggish sales resulted from restrained semiconductor-related capital investment and customers' investment adjustments.

Net sales for MVL (Machine Vision Lighting)-related products came to 6,718 million yen (up 0.8% year on year), reflecting steady sales of products for automotive electronic components in Japan as well as favorable sales of products for the logistics industry overseas.

Net sales for the IPC (Industrial PC)-related products amounted to 2,022 million yen (down 3.1% year on year). This decline reflects a delay in manufacturing of products for semiconductor manufacturing equipment as a result of a shortage of components.

Net sales for MECT-related products came to 542 million yen (down 22.1% year on year), reflecting a backlog of secondary battery manufacturing equipment which is still in the manufacturing process.

③ EMS (Electronics Manufacturing Service) Business

In the EMS Business, sales to unaffiliated customers amounted to 363 million yen (down 14.0% year on year) due to stagnant growth in projects for the electronic contract manufacturing service. Meanwhile, operating profit came to 272 million yen (up 143.3% year on year), due mainly to 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 65,542 million yen at the end of the first six months under review, which was an increase of 2,239 million yen from the end of the previous fiscal year.

Current assets increased 2,326 million yen to total 50,259 million yen. The increase was due chiefly to a rise in inventories of raw materials and supplies of 3,537 million yen, partly offset by decreases in notes and accounts receivable – trade of 775 million yen and in cash and deposits of 430 million yen.

Non-current assets amounted to 15,283 million yen, which was a decrease of 86 million yen. The decrease mainly reflected declines in investments and other assets of 136 million yen and in customer-related assets and other intangible assets of 106 million yen due to amortization, partly offset by a rise in property, plant and equipment, including tools, furniture and fixtures, of 156 million yen.

(Liabilities)

Total liabilities stood at 23,028 million yen at the end of the first six months under review, which was a decrease of 538 million yen from the end of the previous fiscal year. This was primarily a result of a decrease of 3,411 million yen in current liabilities such as short-term borrowings and income taxes payable, despite an increase of 2,872 million yen in non-current liabilities such as long-term borrowings.

(Net assets)

Net assets amounted to 42,514 million yen at the end of the first six months under review, which was an increase of 2,778 million yen from the end of the previous fiscal year. This resulted mainly from an increase of 1,345 million yen in retained earnings and a rise of 1,395 million yen in other comprehensive income, including foreign currency translation adjustment.

② Conditions of cash flows

Cash and cash equivalents (hereinafter referred to as “cash”) amounted to 16,856 million yen at the end of the first six months under review, which was a decrease of 430 million yen from the end of the previous fiscal year.

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

(Cash flows from operating activities)

Net cash provided by operating activities was 362 million yen (compared with 1,487 million yen in the same period of the previous fiscal year). This result mainly reflected an increase in cash due to the securing of 2,934 million yen in profit before income taxes and a decrease of 1,265 million yen in notes and accounts receivable – trade, which more than offset an increase in inventories of 3,184 million yen, income taxes paid of 1,394 million yen and a decrease in provision of bonuses of 516 million yen.

(Cash flows from investing activities)

Net cash used in investing activities was 346 million yen (compared with net cash of 690 million yen used in such activities in the same period of the previous year). This was caused chiefly by an increase in cash due to proceeds from sales and redemption of securities and investment securities of 309 million yen and a decrease in cash due to purchase of property, plant and equipment of 450 million yen and purchase of intangible assets of 93 million yen.

(Cash flows from financing activities)

Net cash used in financing activities came to 1,292 million yen (compared with net cash of 603 million yen used in such activities in the same period of the previous fiscal year). This result mainly reflected a decrease in cash caused by the payment of 4,303 million yen as a result of a decrease in short-time borrowings and 639 million yen in dividends paid, despite the proceeds of 4,200 million yen from long-term borrowings.

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

As announced on July 28, 2023, net sales in the consolidated fiscal year under review are expected at 57.0 billion yen (up 4.0% year on year), principally because of growth in net sales for the security sensors in the SS Business and in those for MVL-related products in the IA Business. On profit fronts, operating profit, ordinary profit, and profit attributable to owners of parent are forecast to be 6.5 billion yen (up 3.1% year on year), 6.9 billion yen (down 2.0% year on year), and 5.0 billion yen (up 5.2% year on year), respectively, primarily reflecting the expected rise in net sales. The forecasts are predicated on the assumption that the average exchange rates in the second half of the consolidated fiscal year under review (from July 1, 2023 to December 31, 2023) will be 135 yen against the U.S. dollar and 140 yen against the euro.

For details, please refer to the Revised Earnings Projections announced on July 28, 2023.

Consolidated Quarterly Financial Statements

Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	17,287	16,856
Notes and accounts receivable - trade	12,221	11,445
Securities	327	323
Merchandise and finished goods	5,782	6,603
Work in process	1,952	3,134
Raw materials and supplies	8,513	10,047
Income taxes refund receivable	111	158
Other	1,802	1,743
Allowance for doubtful accounts	△65	△55
Total current assets	47,932	50,259
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,488	3,542
Machinery, equipment and vehicles, net	394	388
Tools, furniture and fixtures, net	830	938
Land	2,512	2,535
Construction in progress	113	103
Right-of-use assets	281	269
Total property, plant and equipment	7,621	7,778
Intangible assets		
Patent right	278	236
Trademark right	336	300
Customer relationships	488	410
Goodwill	987	1,063
Other	725	697
Total intangible assets	2,815	2,709
Investments and other assets		
Investment securities	2,144	2,189
Long-term loans receivable	25	23
Deferred tax assets	2,123	1,925
Other	1,069	1,124
Allowance for doubtful accounts	△430	△467
Total investments and other assets	4,932	4,796
Total non-current assets	15,370	15,283
Total assets	63,302	65,542

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,165	3,648
Short-term borrowings	8,926	4,622
Current portion of long-term borrowings	708	1,826
Accounts payable - other	1,381	1,359
Income taxes payable	1,258	760
Provision for bonuses	1,117	605
Other	2,194	2,517
Total current liabilities	18,752	15,341
Non-current liabilities		
Long-term borrowings	1,247	4,076
Deferred tax liabilities	655	653
Deferred tax liabilities for land revaluation	22	22
Retirement benefit liability	1,436	1,459
Provision for retirement benefits for directors (and other officers)	139	117
Other	1,313	1,357
Total non-current liabilities	4,814	7,687
Total liabilities	23,567	23,028
Net assets		
Shareholders' equity		
Share capital	2,798	2,798
Capital surplus	7,579	7,579
Retained earnings	31,130	32,475
Treasury shares	△3,588	△3,588
Total shareholders' equity	37,919	39,264
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△102	7
Revaluation reserve for land	△5	△5
Foreign currency translation adjustment	1,592	2,871
Remeasurements of defined benefit plans	△23	△16
Total accumulated other comprehensive income	1,461	2,856
Share acquisition rights	341	377
Non-controlling interests	13	15
Total net assets	39,735	42,514
Total liabilities and net assets	63,302	65,542

Consolidated Quarterly Statements of Income

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	27,241	27,197
Cost of sales	13,310	13,270
Gross profit	13,930	13,926
Selling, general and administrative expenses	10,340	11,266
Operating profit	3,590	2,659
Non-operating income		
Interest income	11	47
Dividend income	9	10
Gain on sale of investment securities	18	22
Gain on investments in investment partnerships	-	19
Foreign exchange gains	566	110
Rental income	9	8
Insurance return	45	5
Share of profit of entities accounted for using equity method	35	30
Subsidy income	13	2
Other	37	62
Total non-operating income	747	318
Non-operating expenses		
Interest expenses	26	31
Rental expenses	5	4
Loss on investments in investment partnerships	0	-
Other	8	11
Total non-operating expenses	41	47
Ordinary profit	4,297	2,931
Extraordinary income		
Gain on sale of non-current assets	6	4
Total extraordinary income	6	4
Extraordinary losses		
Loss on sale and retirement of non-current assets	3	2
Total extraordinary losses	3	2
Profit before income taxes	4,300	2,934
Income taxes - current	1,082	837
Income taxes - deferred	96	111
Total income taxes	1,179	948
Profit	3,121	1,985
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	3,120	1,985

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	3,121	1,985
Other comprehensive income		
Valuation difference on available-for-sale securities	△90	110
Foreign currency translation adjustment	1,350	1,279
Remeasurements of defined benefit plans, net of tax	12	6
Total other comprehensive income	1,271	1,397
Comprehensive income	4,393	3,382
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,390	3,380
Comprehensive income attributable to non-controlling interests	2	1

Consolidated Quarterly Statements of cash flows

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	4,300	2,934
Depreciation	747	816
Amortization of goodwill	140	184
Increase (decrease) in retirement benefit liability	3	21
Increase (decrease) in provision for retirement benefits for directors (and other officers)	△43	△21
Increase (decrease) in allowance for doubtful accounts	5	23
Increase (decrease) in provision for bonuses	△332	△516
Interest and dividend income	△20	△57
Interest expenses	26	31
Foreign exchange losses (gains)	△92	△75
Share of loss (profit) of entities accounted for using equity method	△35	△30
Subsidy income	△13	△2
Loss (gain) on sale and valuation of investment securities	△18	△22
Loss (gain) on investments in investment partnerships	0	△19
Loss (gain) on sale and retirement of non-current assets	△3	△2
Decrease (increase) in trade receivables	△595	1,265
Decrease (increase) in inventories	△1,399	△3,184
Increase (decrease) in trade payables	38	160
Other, net	151	219
Subtotal	2,858	1,724
Interest and dividends received	14	59
Interest paid	△26	△30
Subsidies received	13	2
Income taxes refund (paid)	△1,371	△1,394
Net cash provided by (used in) operating activities	1,487	362
Cash flows from investing activities		
Purchase of securities	△100	△100
Proceeds from sale and redemption of securities	4	254
Purchase of investment securities	△100	△0
Proceeds from sale and redemption of investment securities	40	55
Purchase of property, plant and equipment	△417	△450
Proceeds from sale of property, plant and equipment	8	8
Purchase of intangible assets	△125	△93
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	△21
Loan advances	△9	△4
Proceeds from collection of loans receivable	7	6
Net cash provided by (used in) investing activities	△690	△346
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	△1,881	△4,303
Proceeds from long-term borrowings	2,100	4,200
Repayments of long-term borrowings	△183	△367
Dividends paid	△532	△639
Repayments of lease liabilities	△104	△181
Purchase of treasury shares	-	△0
Net cash provided by (used in) financing activities	△603	△1,292
Effect of exchange rate change on cash and cash equivalents	679	845
Net increase (decrease) in cash and cash equivalents	873	△430
Cash and cash equivalents at beginning of period	17,120	17,287
Cash and cash equivalents at end of period	17,993	16,856

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 Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Group has applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Statement No. 31, June 17, 2021) since the beginning of the first quarter of the fiscal year under review and will apply the new accounting principles set forth in the Implementation Guidance on Accounting Standard for Fair Value Measurement over subsequent years by following the transitional treatment specified in Article 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

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.

[Segment Information]

1.Six months ended Jun. 30, 2022 (From Jan. 1 to Jun. 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	7,956	-	-	7,956	-	7,956	-	7,956
Automatic Door Sensors	2,493	-	-	2,493	-	2,493	-	2,493
FA-related	-	5,589	-	5,589	-	5,589	-	5,589
MVL-related	-	6,664	-	6,664	-	6,664	-	6,664
IPC-related	-	2,086	-	2,086	-	2,086	-	2,086
MECT-related	-	696	-	696	-	696	-	696
Other	1,058	-	422	1,481	273	1,754	-	1,754
Revenue from Contracts with Customers	11,509	15,036	422	26,968	273	27,241	-	27,241
Unaffiliated customers	11,509	15,036	422	26,968	273	27,241	-	27,241
Intersegment transfer	39	16	5,602	5,658	29	5,687	(5,687)	-
Total	11,548	15,053	6,025	32,626	302	32,929	(5,687)	27,241
Segment profit	1,554	2,123	111	3,790	3	3,793	(203)	3,590

(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 (203) 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.

2.Six months ended Jun. 30, 2023 (From Jan. 1 to Jun. 30, 2023)

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	8,390	-	-	8,390	-	8,390	-	8,390
Automatic Door Sensors	2,739	-	-	2,739	-	2,739	-	2,739
FA-related	-	5,165	-	5,165	-	5,165	-	5,165
MVL-related	-	6,718	-	6,718	-	6,718	-	6,718
IPC-related	-	2,022	-	2,022	-	2,022	-	2,022
MECT-related	-	542	-	542	-	542	-	542
Other	965	-	363	1,328	288	1,617	-	1,617
Revenue from Contracts with Customers	12,096	14,448	363	26,908	288	27,197	-	27,197
Unaffiliated customers	12,096	14,448	363	26,908	288	27,197	-	27,197
Intersegment transfer	43	18	6,574	6,636	35	6,672	(6,672)	-
Total	12,139	14,467	6,937	33,545	324	33,869	(6,672)	27,197
Segment profit	1,263	1,384	272	2,920	2	2,923	(263)	2,659

(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 (263) 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.