

Summary of Financial Results (Japan GAAP)[Consolidated]

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

Company name: OPTEX GROUP CO.,LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 6914
 URL: <https://www.optexgroup.co.jp/en/>
 Representative : Tatsuya Nakajima, President
 Contact: Hideki Yamawaki, General Manager of Accounting Finance
 Tel.+81-77-527-9861

Scheduled date for filing of securities report: Nov. 14, 2023

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, 2023 (From Jan. 1 to Sep. 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	
Nine months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Sep. 30, 2023	41,036	1.4	4,019	(24.1)	4,453	(28.6)	3,400	(24.8)
Sep. 30, 2022	40,468	18.9	5,295	38.8	6,239	48.8	4,520	53.1

(Note) Comprehensive income: Nine months ended Sep. 30, 2023: 4,965 million yen (16.3 %)

Nine months ended Sep. 30, 2022: 5,929 million yen 61.7 %

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
Sep. 30, 2023	95.73	94.98
Sep. 30, 2022	127.26	126.41

(2) Consolidated financial position

	Total assets		Net assets		Shareholder's equity ratio	
As of		Millions of yen		Millions of yen		%
Sep. 30, 2023		66,066		43,404		65.1
Dec. 31, 2022		63,302		39,735		62.2

(Reference) Shareholders' equity: As of Sep. 30, 2023: 42,993 million yen

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

2. Dividends

(Base date)	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual (Total)
Fiscal year ended Dec. 31,2022	-	Yen	Yen	Yen	Yen
Fiscal year ending Dec. 31,2023	-		18.00	-	18.00
Fiscal year ending Dec. 31,2023 (Forecast)			20.00	-	
				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
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending 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 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, 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 Sep. 30, 2023: 2,210,966 shares

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

(c) Average number of shares during the period

Nine months ended Sep. 30, 2023: 35,524,886 shares

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

For the first nine months of the consolidated fiscal year under review, net sales increased 1.4% year on year to 41,036 million yen. This reflects the weakening of the Japanese yen, offsetting investment restraints among customers in Japan and overseas amid an uncertain economic outlook with the ongoing inflation around the world and a slowdown in the Chinese economy. On the profit side, operating profit stood at 4,019 million yen, down 24.1% year on year, ordinary profit was 4,453 million yen, down 28.6% year on year, and profit attributable to owners of parent was 3,400 million yen, down 24.8% 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 18,405 million yen (up 6.1% year on year) and operating profit was 2,182 million yen (down 4.8% year on year).

Net sales for the security sensors were 12,879 million yen (up 7.7% year on year). Outside Japan, sales of outdoor sensors were weak in the United States and Europe, where they were impacted by customers' inventory adjustments amid inflation and persistently high interest rates. Meanwhile, net sales in domestic operations significantly increased year on year due to solid sales for security companies and large-scale critical facilities.

Net sales for automatic door sensors amounted to 411 million yen (up 5.4% year on year), reflecting solid sales in Japan and in the United States despite weak sales in Europe due to slowing economies.

② IA (Industrial Automation) Business

In the IA Business, net sales came to 21,642 million yen (down 1.8% year on year) and operating profit was 1,987 million yen (down 35.1% year on year).

In FA-related products, sales to Europe remained firm while sales of products for rechargeable batteries continued to be sluggish in China. Net sales in Japan were 7,448 million yen (down 11.0% 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 9,764 million yen (down 1.2% year on year), attributable to sluggish sales of products for semiconductors and for electric and electronic components in Japan and weak sales in China.

Net sales for the IPC-related products amounted to 3,132 million yen (up 5.4% year on year), following steady sales of products for semiconductor manufacturing equipment.

Net sales for MECT-related products came to 1,297 million yen (up 59.7% year on year), reflecting good progress in deliveries of secondary battery manufacturing equipment.

③ EMS (Electronics Manufacturing Service) Business

In the EMS Business, sales to unaffiliated customers amounted to 558 million yen (down 14.9% year on year) due to stagnant growth in projects for the electronic contract manufacturing service. Operating profit stood at 272 million yen (down 14.4% year on year).

(2) Explanation Concerning Financial Position

① Conditions of assets, liabilities and net assets

(Assets)

Total assets amounted to 66,066 million yen at the end of the third quarter under review, which was an increase of 2,764 million yen from the end of the previous fiscal year.

Current assets increased 3,138 million yen to total 51,071 million yen. This resulted chiefly from a rise in inventories of raw materials and supplies of 4,539 million yen, partly offset by decreases in cash and deposits of 1,353 million yen and in notes and accounts receivable – trade of 488 million yen.

Non-current assets amounted to 14,995 million yen, which was a decrease of 374 million yen. The decrease mainly reflected declines in investments and other assets of 376 million yen and in customer-related assets and other intangible assets of 244 million yen due to amortization, partly offset by a rise in property, plant and equipment, including tools, furniture and fixtures, of 245 million yen.

(Liabilities)

Total liabilities stood at 22,662 million yen at the end of the first nine months under review, which was a decrease of 904 million yen from the end of the previous fiscal year. This was primarily a result of a decrease of 3,383 million yen in current liabilities such as short-term borrowings and income taxes payable, despite an increase of 2,478 million yen in non-current liabilities such as long-term borrowings.

(Net assets)

Net assets amounted to 43,404 million yen at the end of the third quarter under review, which was an increase of 3,668 million yen from the end of the previous fiscal year. This resulted mainly from an increase of 2,050 million yen in retained earnings and a rise of 1,562 million yen in other comprehensive income, including foreign currency translation adjustment.

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

The consolidated results forecasts for the fiscal year ending December 31, 2023 remain the same as those stated in 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 September 30, 2023
Assets		
Current assets		
Cash and deposits	17,287	15,934
Notes and accounts receivable - trade	12,221	11,732
Securities	327	433
Merchandise and finished goods	5,782	6,967
Work in process	1,952	3,377
Raw materials and supplies	8,513	10,443
Income taxes refund receivable	111	230
Other	1,802	2,008
Allowance for doubtful accounts	△65	△55
Total current assets	47,932	51,071
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,488	3,548
Machinery, equipment and vehicles, net	394	388
Tools, furniture and fixtures, net	830	963
Land	2,512	2,543
Construction in progress	113	142
Right-of-use assets	281	280
Total property, plant and equipment	7,621	7,867
Intangible assets		
Patent right	278	215
Trademark right	336	281
Customer relationships	488	371
Goodwill	987	1,007
Other	725	694
Total intangible assets	2,815	2,571
Investments and other assets		
Investment securities	2,144	1,763
Long-term loans receivable	25	24
Deferred tax assets	2,123	2,110
Other	1,069	689
Allowance for doubtful accounts	△430	△31
Total investments and other assets	4,932	4,556
Total non-current assets	15,370	14,995
Total assets	63,302	66,066

(Millions of yen)

	As of December 31, 2022	As of September 30, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,165	3,126
Short-term borrowings	8,926	4,924
Current portion of long-term borrowings	708	1,809
Accounts payable - other	1,381	1,168
Income taxes payable	1,258	617
Provision for bonuses	1,117	1,048
Other	2,194	2,674
Total current liabilities	18,752	15,369
Non-current liabilities		
Long-term borrowings	1,247	3,704
Deferred tax liabilities	655	649
Deferred tax liabilities for land revaluation	22	22
Retirement benefit liability	1,436	1,485
Provision for retirement benefits for directors (and other officers)	139	118
Other	1,313	1,311
Total non-current liabilities	4,814	7,292
Total liabilities	23,567	22,662
Net assets		
Shareholders' equity		
Share capital	2,798	2,798
Capital surplus	7,579	7,579
Retained earnings	31,130	33,180
Treasury shares	△3,588	△3,588
Total shareholders' equity	37,919	39,969
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△102	△73
Revaluation reserve for land	△5	△5
Foreign currency translation adjustment	1,592	3,117
Remeasurements of defined benefit plans	△23	△14
Total accumulated other comprehensive income	1,461	3,023
Share acquisition rights	341	395
Non-controlling interests	13	15
Total net assets	39,735	43,404
Total liabilities and net assets	63,302	66,066

Consolidated Quarterly Statements of Income

(Millions of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Net sales	40,468	41,036
Cost of sales	19,575	20,116
Gross profit	20,892	20,920
Selling, general and administrative expenses	15,596	16,900
Operating profit	5,295	4,019
Non-operating income		
Interest income	18	71
Dividend income	12	16
Gain on sale of investment securities	18	57
Gain on investments in investment partnerships	7	19
Foreign exchange gains	768	168
Rental income	13	13
Insurance return	45	5
Share of profit of entities accounted for using equity method	53	38
Subsidy income	18	31
Other	49	87
Total non-operating income	1,005	507
Non-operating expenses		
Interest expenses	39	47
Rental expenses	7	7
Other	14	18
Total non-operating expenses	61	73
Ordinary profit	6,239	4,453
Extraordinary income		
Gain on sale of non-current assets	8	7
Reversal of allowance for doubtful accounts	-	329
Total extraordinary income	8	336
Extraordinary losses		
Loss on sale and retirement of non-current assets	4	3
Total extraordinary losses	4	3
Profit before income taxes	6,243	4,786
Income taxes - current	1,801	1,396
Income taxes - deferred	△80	△11
Total income taxes	1,721	1,385
Profit	4,521	3,401
Profit attributable to non-controlling interests	0	0
Profit attributable to owners of parent	4,520	3,400

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2022	Nine months ended September 30, 2023
Profit	4,521	3,401
Other comprehensive income		
Valuation difference on available-for-sale securities	△110	28
Foreign currency translation adjustment	1,503	1,527
Remeasurements of defined benefit plans, net of tax	14	8
Total other comprehensive income	1,407	1,564
Comprehensive income	5,929	4,965
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,926	4,963
Comprehensive income attributable to non-controlling interests	2	2

Notes on the Consolidated Financial Statements

[Notes related to 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. 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.

2. Nine months ended Sep. 30, 2023 (From Jan. 1 to Sep. 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	12,879	-	-	12,879	-	12,879	-	12,879
Automatic Door Sensors	4,101	-	-	4,101	-	4,101	-	4,101
FA-related	-	7,448	-	7,448	-	7,448	-	7,448
MVL-related	-	9,764	-	9,764	-	9,764	-	9,764
IPC-related	-	3,132	-	3,132	-	3,132	-	3,132
MECT-related	-	1,297	-	1,297	-	1,297	-	1,297
Other	1,425	-	558	1,983	429	2,413	-	2,413
Revenue from Contracts with Customers	18,405	21,642	558	40,607	429	41,036	-	41,036
Unaffiliated customers	18,405	21,642	558	40,607	429	41,036	-	41,036
Intersegment transfer	82	22	9,704	9,809	59	9,868	(9,868)	-
Total	18,488	21,665	10,262	50,416	489	50,905	(9,868)	41,036
Segment profit	2,182	1,987	272	4,442	11	4,453	(434)	4,019

(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 (434) 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.