

Summary of Consolidated Financial Results for the Nine Months Ended September 30, 2024 (Under Japanese GAAP)

Company name: OPTEX GROUP CO., LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 6914
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Scheduled date to commence dividend payments: —
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: None

(Millions of yen rounded down)

1. Consolidated financial results for the nine months ended Sep. 30, 2024 (from Jan. 1 to Sep. 30, 2024)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

	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, 2024	46,952	14.4	5,457	35.8	5,427	21.9	3,917	15.2
Sep. 30, 2023	41,036	1.4	4,019	(24.1)	4,453	(28.6)	3,400	(24.8)

(Note) Comprehensive income: Nine months ended Sep. 30, 2024: 4,413 million yen (11.1%)
 Nine months ended Sep. 30, 2023: 4,965 million yen (16.3%)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Nine months ended Sep. 30, 2024	110.08		109.25	
Sep. 30, 2023	95.73		94.98	

(2) Consolidated financial position

	Total assets		Net assets		Shareholders' equity ratio	
	Millions of yen		Millions of yen		%	
As of Sep. 30, 2024	69,381		47,308		67.7	
Dec. 31, 2023	67,127		44,271		65.3	

(Reference) Shareholders' equity: As of Sep. 30, 2024: 46,954 million yen
 As of Dec. 31, 2023: 43,842 million yen

2. Dividends

	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
Fiscal year ended Dec. 31, 2023	—	20.00	—	20.00	40.00
Fiscal year ending Dec. 31, 2024	—	20.00	—	—	—
Fiscal year ending Dec. 31, 2024 (Forecast)	—	—	—	20.00	40.00

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

3. Forecast of consolidated financial results for the year ending Dec. 31, 2024 (from Jan. 1 to Dec. 31, 2024)

(Percentages indicate year-on-year changes.)

	Net Sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending Dec. 31, 2024 (Forecast)	61,000	8.2	6,600	11.9	6,600	5.5	5,000	8.5	140.51

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

4. Notes

- (1) Significant changes in the scope of consolidation during the period: None
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- (a) Changes in accounting policies due to revisions to accounting standards and other regulations: None
 - (b) Changes in accounting policies due to other reasons: None
 - (c) Changes in accounting estimates: None
 - (d) Restatement: None
- (4) Number of issued shares (common shares)
- (a) Total number of issued shares at the end of the period (including treasury shares)
 - As of Sep. 30, 2024: 37,735,784 shares
 - As of Dec. 31, 2023: 37,735,784 shares
 - (b) Number of treasury shares at the end of the period
 - As of Sep. 30, 2024: 2,121,455 shares
 - As of Dec. 31, 2023: 2,211,094 shares
 - (c) Average number of shares during the period (cumulative from the beginning of the fiscal year)
 - Nine months ended Sep. 30, 2024: 35,585,548 shares
 - Nine months ended Sep. 30, 2023: 35,524,886 shares

* Review conducted by certified public accountants or an audit firm for attached quarterly consolidated financial statements: None

* Explanations and other special notes concerning the appropriate use of financial results forecasts (Notes on forward-looking statements)

The forward-looking statements such as the forecasts of financial results stated in this document are based on the information currently available to the Company and certain assumptions that the Company judges as rational. These statements are not guarantees of future performance. Actual results may differ materially, depending on a range of factors. For the conditions on which financial results forecasts are based and the notes on the use of these forecasts, please refer to “(3) Management’s discussion of consolidated operating results forecast and other forecasts, 1. Qualitative Information Related to Financial Statements for the Quarter under Review” on page 2.

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 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.

The Group is in the process of effectively facilitating a "shift to the solution proposal business," a priority measure for the current year, with a view toward driving and enhancing the growth and profitability of each business. In addition, under the basic policy on sustainability, which was newly set out in 2024, the Group is working hard to contribute to the sustainable development of society and maximize corporate value by addressing a range of environmental and social issues through its businesses.

During the first nine months of the consolidated fiscal year under review, net sales increased 14.4% year on year, to 46,952 million yen, mainly reflecting the strong performances of the SS Business and MECT-related products in the IA Business, as well as the impact of foreign exchange rates. On the profitability side, although the cost ratio increased due partly to the change in the sales composition ratio, and selling, general and administrative expenses increased due to the impact of foreign exchange rates and other factors, the increase in gross profit offset these factors. As a result, operating profit increased 35.8% year on year, to 5,457 million yen, ordinary profit rose 21.9% year on year, to 5,427 million yen, and profit attributable to owners of parent increased 15.2% year on year, to 3,917 million yen.

The business results for each segment are described below.

Starting from the first three month of the fiscal year under review, the classification method for the breakdown of earnings in the reportable segment has changed so that, for example, in the SS Business, the social and environment-related, which had been included in the Security Sensors and Other previously, is presented as Social and Environment-related due to its rising significance from business volume perspectives. The following comparisons with the same period of the previous fiscal year have been made based on figures reclassified into the revised classification segments.

(i) SS (Sensing Solution) Business

In the SS Business, net sales stood at 20,873 million yen (up 13.4% year on year), while operating profit was 3,229 million yen (up 48.0% year on year), chiefly reflecting a decrease in the cost ratio due to increased sales of highly profitable products.

Net sales for the security sensors were 13,639 million yen (up 13.2% year on year). In Japan, sales to large-scale critical facilities remained strong, but sales to security companies were sluggish. Overseas, sales of outdoor sensors and solutions for large-scale critical facilities in Europe and the United States remained steady, despite the impact of inflation and other factors, resulting in year-on-year growth.

Net sales for automatic door sensors were 5,259 million yen (up 8.7% year on year). In Japan, sales of people counting systems were favorable. Net sales exceeded the year-ago results due to the impact of foreign exchange rates, with overseas sales remaining at a year-ago level.

Net sales for society and environment products came to 1,975 million yen (up 30.2% year on year), reflecting steady sales of vehicle detection sensors in Japan and the United States.

(ii) IA (Industrial Automation) Business

In the IA Business, net sales came to 24,918 million yen (up 15.1% year on year) and operating profit was 2,588 million yen (up 30.2% year on year).

Net sales for FA-related products amounted to 6,045 million yen (down 18.8% year on year), despite steady sales of products for food and semiconductor-related applications in Japan, but was impacted by weak sales overseas due to customers' inventory adjustments in Europe and weak capital investment demand in China.

Net sales for MVL-related products were 10,589 million yen (up 8.4% year on year) as a result of steady overseas sales of products for the United States and Asia, despite sluggish domestic sales of products for semiconductors and for electric and electronic components.

Net sales for IPC-related products amounted to 3,791 million yen (up 21.0% year on year), following steady sales of products mainly for semiconductor manufacturing equipment.

Net sales for MECT-related products came to 4,492 million yen (up 246.2% year on year), reflecting good progress in deliveries of secondary battery manufacturing equipment.

(iii) EMS (Electronics Manufacturing Service) Business

In the EMS Business, net sales to unaffiliated customers amounted to 748 million yen (up 33.9% year on year), attributable to the steady performance of projects for the electronic contract manufacturing service. The Business recorded an operating loss of 199 million yen (operating profit of 272 million yen in the same period of the previous fiscal year), reflecting a decrease in production volume of products within the Group.

(2) Explanation Concerning Financial Position

Conditions of assets, liabilities and net assets

(Assets)

Total assets amounted to 69,381 million yen at the end of the third quarter under review, which was an increase of 2,254 million yen from the end of the previous fiscal year.

Current assets increased 2,167 million yen to total 54,803 million yen. This resulted chiefly from increases in cash and deposits of 1,953 million yen and notes and accounts receivable - trade of 763 million yen, partly offset by a decrease in securities of 338 million yen.

Non-current assets increased 87 million yen, to 14,578 million yen. The increase mainly reflected an increase of 520 million yen in investments and other assets, which more than offset a decline of 374 million yen in intangible assets such as customer-related assets because of amortization and other factors.

(Liabilities)

Total liabilities stood at 22,073 million yen at the end of the first nine months under review, which was a decrease of 782 million yen from the end of the previous fiscal year. This was primarily a result of a decrease of 1,054 million yen in non-current liabilities such as long-term borrowings, despite an increase of 272 million yen in current liabilities such as short-term borrowings.

(Net assets)

Net assets amounted to 47,308 million yen at the end of the third quarter under review, which was an increase of 3,036 million yen from the end of the previous fiscal year. This resulted mainly from increases of 489 million yen in other comprehensive income, including foreign currency translation adjustment and 2,494 million yen in retained earnings, respectively.

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

The consolidated results forecasts for the fiscal year ending December 31, 2024 remain the same as those stated on February 14, 2024.

Consolidated Quarterly Financial Statements

Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of December 31, 2023	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	17,119	19,073
Notes and accounts receivable - trade	12,112	12,875
Securities	505	167
Merchandise and finished goods	6,807	6,244
Work in process	3,709	4,757
Raw materials and supplies	10,338	10,019
Income taxes refund receivable	240	70
Other	1,868	1,672
Allowance for doubtful accounts	△66	△77
Total current assets	52,635	54,803
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,468	3,487
Machinery, equipment and vehicles, net	404	505
Tools, furniture and fixtures, net	943	916
Land	2,529	2,531
Construction in progress	212	106
Right-of-use assets	249	203
Total property, plant and equipment	7,807	7,749
Intangible assets		
Patent right	194	132
Trademark right	257	196
Customer-related intangible assets	332	222
Goodwill	946	869
Other	646	583
Total intangible assets	2,377	2,003
Investments and other assets		
Investment securities	1,621	1,586
Long-term loans receivable	20	26
Deferred tax assets	2,022	2,282
Other	674	964
Allowance for doubtful accounts	△31	△33
Total investments and other assets	4,306	4,826
Total non-current assets	14,491	14,578
Total assets	67,127	69,381

(Millions of yen)

As of December 31, 2023

As of September 30, 2024

	As of December 31, 2023	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,792	2,953
Short-term borrowings	4,921	5,450
Current portion of long-term borrowings	1,792	1,344
Accounts payable - other	1,718	1,084
Income taxes payable	1,002	858
Provision for bonuses	812	1,039
Other	2,670	3,251
Total current liabilities	15,710	15,982
Non-current liabilities		
Long-term borrowings	3,931	2,921
Deferred tax liabilities	639	680
Deferred tax liabilities for land revaluation	22	22
Retirement benefit liability	1,528	1,542
Provision for retirement benefits for directors (and other officers)	139	171
Other	884	750
Total non-current liabilities	7,145	6,090
Total liabilities	22,855	22,073
Net assets		
Shareholders' equity		
Share capital	2,798	2,798
Capital surplus	7,579	7,561
Retained earnings	34,388	36,883
Treasury shares	△3,589	△3,443
Total shareholders' equity	41,177	43,799
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	△53	53
Revaluation reserve for land	△5	△5
Foreign currency translation adjustment	2,744	3,120
Remeasurements of defined benefit plans	△19	△13
Total accumulated other comprehensive income	2,665	3,154
Share acquisition rights	412	334
Non-controlling interests	16	19
Total net assets	44,271	47,308
Total liabilities and net assets	67,127	69,381

Consolidated Quarterly Statements of Income

(Millions of yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Net sales	41,036	46,952
Cost of sales	20,116	23,478
Gross profit	20,920	23,474
Selling, general and administrative expenses	16,900	18,016
Operating profit	4,019	5,457
Non-operating income		
Interest income	71	79
Dividend income	16	11
Gain on sale of investment securities	57	—
Gain on investments in investment partnerships	19	2
Foreign exchange gains	168	—
Rental income	13	19
Insurance return	5	0
Share of profit of entities accounted for using equity method	38	—
Subsidy income	31	16
Other	87	40
Total non-operating income	507	169
Non-operating expenses		
Interest expenses	47	50
Foreign exchange losses	—	123
Rental expenses	7	6
Share of loss of entities accounted for using equity method	—	4
Other	18	15
Total non-operating expenses	73	200
Ordinary profit	4,453	5,427
Extraordinary income		
Gain on sale of non-current assets	7	4
Reversal of allowance for doubtful accounts	329	—
Total extraordinary income	336	4
Extraordinary losses		
Loss on sale and retirement of non-current assets	3	13
Loss on valuation of investment securities	—	148
Total extraordinary losses	3	162
Profit before income taxes	4,786	5,268
Income taxes - current	1,396	1,629
Income taxes - deferred	△11	△281
Total income taxes	1,385	1,347
Profit	3,401	3,920
Profit attributable to non-controlling interests	0	3
Profit attributable to owners of parent	3,400	3,917

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Nine months ended September 30, 2023	Nine months ended September 30, 2024
Profit	3,401	3,920
Other comprehensive income		
Valuation difference on available-for-sale securities	28	107
Foreign currency translation adjustment	1,527	375
Remeasurements of defined benefit plans, net of tax	8	9
Total other comprehensive income	1,564	492
Comprehensive income	4,965	4,413
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,963	4,409
Comprehensive income attributable to non-controlling interests	2	3

(3) Notes on quarterly consolidated financial statements

(Notes on going concern assumptions)

No items to report

(Notes on significant changes in the amount of shareholders' equity)

No items to report

(Notes on quarterly consolidated statement of cash flows)

Quarterly consolidated statements of cash flows have not been prepared for the nine months ended September 30, 2024. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the nine months ended September 30, 2024 are as follows.

	Nine months ended Sep. 30, 2023 (From Jan. 1 to Sep. 30, 2023)	Nine months ended Sep. 30, 2024 (From Jan. 1 to Sep. 30, 2024)
Depreciation	1,258 million yen	1,242 million yen
Amortization of goodwill	244	316

(Notes on segment information, etc.)

[Segment Information]

1. 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 (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	SS Business	IA Business	EMS Business	Total				
Net Sales								
Security Sensors	12,051	–	–	12,051	–	12,051	–	12,051
Automatic Door Sensors	4,837	–	–	4,837	–	4,837	–	4,837
Social and Environment	1,517	–	–	1,517	–	1,517	–	1,517
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	–	–	558	558	429	988	–	988
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. The 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 quarterly consolidated statements of income.

2. Nine months ended Sep. 30, 2024 (From Jan. 1 to Sep. 30, 2024)

Net Sales and Profit (Loss) by Reportable Segment

(Millions of yen)

	Reportable Segment				Other (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	SS Business	IA Business	EMS Business	Total				
Net Sales								
Security Sensors	13,639	–	–	13,639	–	13,639	–	13,639
Automatic Door Sensors	5,259	–	–	5,259	–	5,259	–	5,259
Social and Environment	1,975	–	–	1,975	–	1,975	–	1,975
FA-related	–	6,045	–	6,045	–	6,045	–	6,045
MVL-related	–	10,589	–	10,589	–	10,589	–	10,589
IPC-related	–	3,791	–	3,791	–	3,791	–	3,791
MECT-related	–	4,492	–	4,492	–	4,492	–	4,492
Other	–	–	748	748	412	1,160	–	1,160
Revenue from Contracts with Customers	20,873	24,918	748	46,540	412	46,952	–	46,952
Unaffiliated Customers	20,873	24,918	748	46,540	412	46,952	–	46,952
Intersegment Transfer	43	7	7,411	7,462	54	7,517	(7,517)	–
Total	20,917	24,926	8,159	54,002	467	54,469	(7,517)	46,952
Segment Profit (Loss)	3,229	2,588	(199)	5,618	28	5,647	(189)	5,457

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

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

4. Starting from the first three month of the fiscal year under review, the classification method for the breakdown of earnings in the reportable segment has changed so that, for example, in the SS Business, the social and environment-related, which had been included in the Security Sensors and Other previously, is presented as Social and Environment-related due to its rising significance from business volume perspectives. The information on the breakdown of earnings for the first nine months of the previous consolidated fiscal year presented herein has been prepared according to the revised classification.