

Summary of Financial Results (Consolidated)

May, 12, 2010

First Quarter of Fiscal Year 2010 (From Jan. 1 to Mar. 31, 2010)

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1. Consolidated financial results for the first quarter of F.Y.2010 (From Jan. 1 to Mar. 31, 2010)

(1) Consolidated financial results

	Net sales		Operating income		Ordinary income	
	JPY Million	%	JPY Million	%	JPY Million	%
March-10	3,921	7.5	311	422.3	321	235.1
March-09	3,647	-	59	-	95	-

	Net income		Net income per share		Net income per share fully diluted	
	JPY Million	%	JPY		JPY	
March-09	191	-	11.56		-	
March-09	9	-	0.57		-	

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Shareholders' equity per share
	JPY Million	JPY Million	%	JPY
March-10	21,335	17,976	79.1	1,019.47
December-09	20,735	18,013	81.5	1,021.52

Notes : Equity capital at end of term (JPY Million) March-10 : 16,874 , December-09 : 16,908

2. Dividends

(Base date)	Annual dividends per share (JPY)				
	1Q	2Q	3Q	Year-end	Annual (Total)
December-09	JPY -	JPY 15.00	JPY -	JPY 15.00	JPY 30.00
December-10 (Forecast)	-	15.00	-	15.00	30.00

3. Consolidated financial forecast for F.Y.2010 (Jan. 1 to Dec. 31, 2010)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	JPY	%	JPY	%	JPY	%	JPY	%	JPY
2Q	8,120	11.8	510	437.5	530	244.7	320	478.3	19.33
Annual	17,400	15.0	1,300	109.5	1,400	90.4	900	170.9	54.37

4. Other information

(1) Changes in important subsidiaries during the term under review

(changes in specified subsidiaries requiring a change in the scope of consolidation) : No

(2) Use of simplified accounting method: Yes

(3) Changes in accounting policies and procedure or method of presentation, etc. for the preparation of consolidated financial statements (Items noted in the Changes in the Basis of Presenting Consolidated Financial Statements section)

1. Changes related to the revision of accounting standards, etc. : No

2. Changes other than the changes set out in 1. above : No

(4) Total number of outstanding shares at end of term (common shares)

1. Number of outstanding shares at end of term (including treasury stocks)

March-10 : 16,984,596 shares, December-09 : 16,984,596 shares

2. Number of treasury stocks at end of term

March-10 : 432,378 shares, December-09 : 432,223 shares

3. Number of average shares during the term under review (First quarter from Jan. 1 to Mar. 31, 2010)

March-10 : 16,552,301 shares, March-09 : 16,552,767 shares

*Explanation about proper use of business outlook and other special remarks

Above forecasts are based on information available as of date when this information is disclosed, so our actual performance could be different from it due to possible factors from now on.

Qualitative Information/Financial Statements

1. Qualitative Information related to Consolidated Financial Results

The economies of China, India, and other emerging nations are growing, and economic stimulus packages in various countries have defined a path toward recovery. Despite these factors, the economy of Japan during the first quarter of the current consolidated fiscal year continued to exhibit risks related to unemployment and credit contraction. The future direction of the business environment is difficult to discern.

Given these economic conditions, the OPTEX Group has redefined its management philosophy as “From ‘recovery’ to ‘regrowth’,” working to improve our competitive advantage through low costs, and to quickly launch/expand sales of new products.

As a result of these efforts, the Group recorded Net Sales of ¥3.921 billion (7.5% year-on-year increase) for the first quarter of the current consolidated fiscal year. A year-on-year improvement in gross margin was one contributing factor leading to ¥311 million (422.3% year-on-year increase) in Operating Income, as well as ¥321 million (235.1% year-on-year increase) in Ordinary Income. Net Income for the first quarter of the current consolidated fiscal year amounted to ¥191 million (versus a ¥9 million Net Income for the same period in the prior fiscal year).

Net Sales in the Group’s Security Sensor segment amounted to ¥1.712 billion (6.6% year-on-year increase). Domestically, orders from the security and electrical materials industries decreased, underperforming the same period in the prior year. Overseas, however, the European market (our main market overseas) has improved steadily, outperforming comparative year-on-year figures.

Group Net Sales for the Automatic Door Sensor segment amounted to ¥924 million (1.1% year-on-year decrease). Domestically, the recovery in demand for automatic door sensors has lagged due to stagnation in the construction market. In addition, continued weakness in retail industry capital spending held back growth in our customer traffic counting systems, which underperformed comparative figures from the prior year. Meanwhile, major sales contracts in North America and Europe contributed to Net Sales, resulting in year-on-year growth overseas.

Net Sales for the Industrial Machinery Sensor segment amounted to ¥1.019 billion (28.8% year-on-year growth). Domestically, sales experienced year-on-year growth due to favorable activity in displacement sensors. Overseas, recovery in demand in Europe (our main overseas market) resulted in year-on-year growth.

Net Sales and Operating Income from the Group’s Electronic Device business both exceed 90% of the totals for all business segments. Accordingly, we have omitted a detailed review of business segment information.

The following details performance by geographic segment.

1. Japan

The Group’s Security Sensor segment experienced steady growth in exports to distributors overseas, despite a decrease in orders domestically from the security and electrical materials industries. The Automatic Door Sensor segment experienced the negative impact of stagnation in automated door installations, as well as declines in orders for customer traffic counting systems. The Group’s Industrial Machinery Sensor segment grew thanks to domestic orders and exports to Europe. As a result, Net Sales

amounted to ¥2.681 billion (6.1% year-on-year increase) and Operating Income amounted to ¥298 million (69.3% year-on-year increase).

2. North America

The Security Sensor segment experienced increased revenues, backed by strong exports of outdoor security sensors to South America. The Automatic Door Sensor segment also experienced growth due to the contribution of several major orders. As a result, Net Sales amounted to ¥381 million (14.9% year-on-year increase) and Operating Loss amounted to less than ¥1 million (versus a ¥21 million Operating Loss for the same period in the prior fiscal year).

3. Europe

Effective sales promotions led to increased revenues for the Security Sensor segment. The Automatic Door Sensor segment also experienced year-on-year growth due to the contribution of several major orders. As a result, Net Sales amounted to ¥608 million (19.0% year-on-year increase) and Operating Income amounted to ¥13 million (compared to a ¥62 million loss for the same period in the prior fiscal year).

4. Asia

The Security Sensor segment experienced increased revenue thanks mainly to a stronger Korean won. However, a delay in certain projects in China resulted in lower Net Sales compared to the same period in the prior fiscal year. As the result of a decline in order volume, the Contract Manufacturing service experienced a decline in revenues. As a result, Net Sales amounted to ¥250 million (9.5% year-on-year decrease) and Operating Income amounted to ¥19 million (compared to a ¥14 million Operating Loss for the same period in the prior fiscal year).

2. Qualitative Information related to Consolidated Financial Position

(1) Assets, Liabilities and Net Assets

(Assets)

As of the last day of the first quarter of the current consolidated fiscal year, total assets amounted to ¥21.335 billion, representing a ¥600 million increase compared to the last day of the prior consolidated fiscal year. Despite a decrease in fixed assets by ¥36 million due to limited capital investment, current assets increased by ¥636 million, mainly in marketable securities and inventory.

(Liabilities)

As of the last day of the first quarter of the current consolidated fiscal year, total liabilities amounted to ¥3.359 billion, representing a ¥636 million increase compared to the last day of the prior consolidated fiscal year. This increase was due to a ¥603 million increase in current liabilities, mainly in notes and accounts payable and short-term loans payable.

(Net Assets)

As of the last day of the first quarter of the current consolidated fiscal year, total net assets amounted to ¥17.976 billion, representing a ¥36 million decrease compared to the last day of the prior consolidated fiscal year. This decrease was mainly due to the fact that dividend payments reduced Retained Earnings by ¥57 million. Shareholders' Equity ratio was 79.1%, representing a 2.4-point drop compared to the last day of the prior consolidated fiscal year.

(2) Cash Flows

Consolidated Cash and Cash Equivalents (“cash”) amounted to ¥6.387 billion as of the last day of the first quarter of the current consolidated fiscal year, representing a ¥59 million decrease compared to the last day of the prior consolidated fiscal year. The following are the major factors related to each type of cash flow for the first quarter of the current consolidated fiscal year.

(Cash Flows from Operating Activities)

Cash from operating activities amounted to ¥618 million (compared to ¥793 million for the same period in the prior fiscal year). Despite a decrease in cash related to inventories (¥160 million), an increase in Notes and Accounts Payable (¥215 million) and quarterly net income before taxes and adjustments of ¥320 million combined to produce a net cash increase.

(Cash Flows from Investing Activities)

Cash used as a result of investing activities amounted to ¥597 million (compared to cash outlays of ¥334 million during the same period in the prior fiscal year). This was primarily due to the acquisition/sales of marketable securities and investment securities (net outlay of ¥547 million) in connection with funds management, as well as outlays (¥43 million) for the acquisition of Tangible Fixed Assets.

(Cash Flows from Financing Activities)

Cash used as a result of financing activities amounted to ¥53 million (compared to cash outlays of ¥280 million during the same period in the prior fiscal year). An increase in short-term loans payable (¥164 million) was offset by dividend payments (¥198 million), resulting in a net cash outlay.

3. Qualitative Information related to Consolidated Earnings Projections

With Industrial Machinery Sensor segment experiencing a strong performance and an improvement in cost-to-sales ratio, the OPTEX Group has decided to revise the earnings projections originally published on February 12, 2010 for the fiscal year ending December 2010. The OPTEX Group has assumed average exchange rates of ¥90/USD and ¥125/Euro for the current consolidated fiscal year in question (January 1, 2010 to December 31, 2010) in calculating these projections.

See “Revised Earnings Projections,” published today, for more details.

Consolidated quarterly financial statements

Consolidated quarterly balance sheets

JPY Million

	First Quarter As of Mar. 31, 2010	F.Y. 2009 As of Dec. 31, 2009
(Assets)		
Current assets		
Cash and deposits	6,097	6,206
Notes and accounts receivable-trade	3,499	3,532
Short-term investment securities	2,082	1,466
Merchandise and finished goods	1,358	1,379
Work in process	68	62
Raw materials and supplies	758	587
Deferred tax assets	386	323
Others	649	706
Allowance for doubtful accounts	31	31
Total current assets	14,870	14,233
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	1,325	1,347
Machinery, equipment and vehicles, net	165	175
Tools, furniture and fixtures, net	372	381
Land	1,203	1,203
Construction in progress	4	8
Total property, plant and equipment	3,072	3,115
Intangible assets		
Goodwill	139	149
Others	245	263
Total intangible assets	384	413
Investments and other assets		
Investment securities	2,078	2,010
Deferred tax assets	610	647
Others	375	371
Allowance for doubtful accounts	56	56
Total investments and other assets	3,008	2,972
Total noncurrent assets	6,465	6,502
Total assets	21,335	20,735

JPY Million

	First Quarter As of Mar. 31, 2010	F.Y. 2009 As of Dec. 31, 2009
(Liabilities)		
Current liabilities		
Notes and accounts payable-trade	874	660
Short-term loans payable	241	77
Current portion of long-term loans payable	3	6
Income taxes payable	201	44
Deferred tax liabilities	10	18
Provision for bonuses	185	75
Provision for directors' bonuses	3	-
Others	636	668
Total current liabilities	2,156	1,552
Noncurrent liabilities		
Deferred tax liabilities	67	69
Deferred tax liabilities for land revaluation	6	6
Provision for retirement benefits	711	695
Provision for directors' retirement benefits	401	382
Others	15	16
Total noncurrent liabilities	1,202	1,170
Total liabilities	3,359	2,722
(Net assets)		
Shareholders' equity		
Capital stock	2,798	2,798
Capital surplus	3,653	3,653
Retained earnings	11,777	11,834
Treasury stock	537	537
Total shareholders' equity	17,691	17,748
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	90	36
Revaluation reserve for land	10	10
Foreign currency translation adjustment	917	886
Total valuation and translation adjustments	816	839
Subscription rights to shares	3	2
Minority interests	1,098	1,101
Total net assets	17,976	18,013
Total liabilities and net assets	21,335	20,735

Consolidated quarterly statements of income

JPY Million

	First Quarter From Jan. 1to Mar. 31, 2009	First Quarter From Jan. 1to Mar. 31, 2010
Net sales	3,647	3,921
Cost of sales	1,861	1,871
Gross profit	1,785	2,050
Selling, general and administrative expenses	1,726	1,738
Operating income	59	311
Non-operating income		
Interest income	18	25
Equity in earnings of affiliates	-	3
Foreign exchange gains	47	-
Rent income	5	3
Other	6	17
Total non-operating income	77	49
Non-operating expenses		
Interest expenses	1	0
Equity in losses of affiliates	8	-
Loss on investments in partnership	22	11
Foreign exchange losses	-	21
Rent expenses	7	5
Other	2	1
Total non-operating expenses	41	40
Ordinary income	95	321
Extraordinary income		
Gain on sales of noncurrent assets	0	0
Reversal of allowance for doubtful accounts	-	0
Total extraordinary income	0	0
Extraordinary loss		
Loss on retirement of noncurrent assets	1	1
Loss on valuation of investment securities	175	-
Total extraordinary losses	177	1
Income (loss) before income taxes and minority interests	81	320
Income taxes-current	92	190
Income taxes-deferred	184	75
Total income taxes	92	115
Minority interests in income	1	14
Net income	9	191

Consolidated quarterly statements of cash flows

JPY Million

	First Quarter From Jan. 1 to Mar. 31, 2009	First Quarter From Jan. 1 to Mar. 31, 2010
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	81	320
Depreciation and amortization	132	111
Amortization of goodwill	32	10
Increase (decrease) in provision for retirement benefits	23	15
Increase (decrease) in provision for directors' retirement benefits	10	19
Increase (decrease) in allowance for doubtful accounts	1	0
Increase (decrease) in provision for bonuses	134	109
Interest and dividends income	18	28
Interest expenses	1	0
Foreign exchange losses (gains)	12	3
Equity in (earnings) losses of affiliates	8	3
Loss (gain) on sales and valuation of investment securities	175	-
Loss (gain) on sales and retirement of noncurrent assets	1	0
Decrease (increase) in notes and accounts receivable-trade	690	25
Decrease (increase) in inventories	232	160
Increase (decrease) in notes and accounts payable-trade	192	215
Other, net	39	13
Subtotal	1,098	627
Interest and dividends income received	15	25
Interest expenses paid	1	0
Income taxes paid	318	33
Net cash provided by (used in) operating activities	793	618
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	599	848
Proceeds from sales and redemption of securities	399	399
Purchase of investment securities	0	100
Proceeds from sales of investment securities	1	1
Purchase of property, plant and equipment	115	43
Proceeds from sales of property, plant and equipment	0	2
Purchase of intangible assets	13	1
Payments of loans receivable	6	10
Collection of loans receivable	-	2
Net cash provided by (used in) investing activities	334	597
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	11	164
Repayment of long-term loans payable	3	2
Cash dividends paid	255	198
Cash dividends paid to minority shareholders	35	16
Other, net	2	0
Net cash provided by (used in) financing activities	280	53
Effect of exchange rate change on cash and cash equivalents	142	27
Net increase (decrease) in cash and cash equivalents	321	59
Cash and cash equivalents at beginning of period	5,683	6,447
Cash and cash equivalents at end of period	6,005	6,387

Geographic segments information

First quarter from Jan. 1 to Mar. 31, 2009

JPY Million

	Japan	N.America	Europe	Asia	Total	Elimination or common element	Consolidation
Sales							
Unaffiliated customers	2,527	332	511	276	3,647	-	3,647
Intersegment transfer	527	-	1	532	1,061	1,061	-
Total	3,055	332	512	809	4,709	1,061	3,647
Operating income or loss	176	21	62	14	77	17	59

First quarter from Jan. 1 to Mar. 31, 2010

JPY Million

	Japan	N.America	Europe	Asia	Total	Elimination or common element	Consolidation
Sales							
Unaffiliated customers	2,681	381	608	250	3,921	-	3,921
Intersegment transfer	640	-	4	634	1,278	1,278	-
Total	3,321	381	612	884	5,200	1,278	3,921
Operating income or loss	298	0	13	19	330	18	311

Overseas sales information

First quarter from Jan. 1 to Mar. 31, 2009

JPY Million

	N.America	Europe	Asia	Others	Total
Overseas sales	305	1,176	393	138	2,013
Consolidated sales	-	-	-	-	3,647
Ratio of overseas sales to consolidated sales	8.4%	32.2%	10.8%	3.8%	55.2%

First quarter from Jan. 1 to Mar. 31, 2010

JPY Million

	N.America	Europe	Asia	Others	Total
Overseas sales	330	1,389	449	198	2,367
Consolidated sales	-	-	-	-	3,921
Ratio of overseas sales to consolidated sales	8.4%	35.4%	11.5%	5.1%	60.4%