

Summary of Financial Results (Japan GAAP)[Consolidated]

For the Third Quarter of Fiscal Year Ending December 31,2016

Company name: OPTEX CO.,LTD.
 Stock exchange listing: Tokyo Stock Exchange
 Stock code: 6914
 URL: <http://www.optex.co.jp/e/>
 Representative : Toru Kobayashi, Chairman, President and CEO
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Scheduled date for filing of securities report: Nov.14,2016

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 six months ended Sep. 30,2016 (From Jan.1 to Sep.30, 2016)

(1) Consolidated operating results (Accumulated total) (Millions of yen rounded down)

(Percentages indicate changes from the same period in the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
Sep. 30,2016	21,136	2.3	2,250	(4.0)	1,908	(19.9)	1,161	(22.2)
Sep. 30,2015	20,656	10.3	2,343	12.8	2,382	3.8	1,493	6.1

(Reference) Comprehensive income: Nine months ended Sep. 30,2016: (289) million yen (- %)

Nine months ended Sep. 30,2015: 1,165 million yen ((25.4) %)

	Net income per share		Net income per share	
	(Basic)		(Diluted)	
	Yen		Yen	
Nine months ended				
Sep. 30,2016	70.19		70.14	
Sep. 30,2015	90.24		90.21	

(2) Consolidated financial position

	Total assets		Net assets		Shareholder's equity ratio	
	Millions of yen		Millions of yen		%	
As of						
Sep. 30,2016	38,163		27,112		60.4	
Dec. 31,2015	30,861		25,603		78.0	

(Reference) Shareholders' equity: As of Sep. 30,2016: 23,033 million yen

As of Dec. 31,2015: 24,082 million yen

2. Dividends

(Base date)	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual (Total)
	Yen				
Fiscal year ended Dec. 31,2015	-	20.00	-	20.00	40.00
Fiscal year ending Dec. 31,2016	-	20.00	-		
Fiscal year ending Dec. 31,2016 (Forecast)			-	25.00	45.00

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

3. Forecast of consolidated results for the fiscal year ending Dec. 31, 2016 (From Jan. 1 to Dec. 31, 2016)

(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. 31,2016(Forecast)	32,000	15.1	3,300	4.4	2,900	(10.0)	1,750	(14.7)	105.75	

(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): Yes
Newly consolidated: 1 company (CCS Inc.)
- (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 stock)
- (a) Number of issued and outstanding shares at the end of fiscal year (including treasury stock)
- | | |
|----------------------|-------------------|
| As of Sep. 30, 2016: | 16,984,596 shares |
| As of Dec. 31, 2015: | 16,984,596 shares |
- (b) Number of treasury stock at the end of fiscal year
- | | |
|----------------------|----------------|
| As of Sep. 30, 2016: | 434,970 shares |
| As of Dec. 31, 2015: | 436,285 shares |
- (c) Average number of shares
- | | |
|----------------------------------|-------------------|
| Nine months ended Sep. 30, 2016: | 16,548,839 shares |
| Nine months ended Sep. 30, 2015: | 16,548,860 shares |

* Statement relating to the status of quarterly review procedures

This quarterly summary report is not subject to the quarterly review procedures based on the Financial Instruments and Exchange Law, and quarterly financial statement review procedures based on the Financial Instruments and Exchange Law are still ongoing at the time of disclosure of this quarterly summary report.

* Explanation for the proper use of earnings projections, and other notes

Earnings projections are based on information available at the time of publication. Actual results may materially differ from projections due to various factors that may occur in the future.

1. Qualitative Information related to the Financial Statements for the Quarter under Review

(1) Explanation Concerning Operating Results

The domestic economic climate during the consolidated third quarter followed a gradual recovery trend based on improvements in income and employment, but destabilizing movements were also evident, including the yen's steady appreciation in the foreign exchange market and gyrations in the stock market, in addition to the economic trends and political unrest overseas. On the other hand, an uncertain outlook continued overseas as well, fostered by concerns of a downturn in the economies of China and the newly developing countries of Asia, and factors such as Great Britain's pending withdrawal from the EU.

Given such circumstances, the OPTEX Group raised its management slogan of "Create 'the New'" and moved forward on its four themes of "growth strategy," "reform of business structure," "productivity improvements," and "strengthening our organization" as critical issues. The Group also worked to expand its businesses, including the purchase of CCS Inc., which holds the leading share in the sector for LED lighting devices for image processing, and making it a consolidated subsidiary through a share tender offer in May. Nevertheless, on the whole the environment surrounding the OPTEX Group remained severe, including deterioration of the export environment in the wake of the steady, sharp appreciation of the yen and the ongoing slump in capital investment demand.

As a result, net sales for the consolidated third quarter increased 2.3% year-on-year to ¥21.136 billion. From an earnings perspective, profits were squeezed by the effect of the weak euro and a temporary increase in selling, general and administrative expenses, including initial costs related to the Group's reorganization and share acquisition costs, and as a result operating income came to ¥2.250 billion (down 4.0% from the same period of the prior fiscal year). Moreover, ordinary income declined to ¥1.908 billion (down 19.9% year-on-year) as a result of foreign exchange losses incurred, and profit attributable to owners of parent fell to ¥1.161 billion (down 22.2% year-on-year).

Results by business segment were as follows.

1. Sensing Products Business

Net sales in the Sensing Products Business, the Group's leading business segment, amounted to ¥12.910 billion (down 10.9% from the same period of the prior fiscal year), and operating income came to ¥1.298 billion (down 26.5% from the same period of the prior fiscal year).

In the Security Sensor segment, net sales reached ¥9.296 billion (down 12.2% from the same period of the prior fiscal year). In the Japanese market, sales to security companies of intrusion detectors for outdoor applications for dwellings struggled to grow, and sales were lower than in the same period of the prior fiscal year. Likewise, despite strong sales in Europe of intrusion detectors for outdoor applications for dwellings, overseas sales slipped relative to the same period of the prior fiscal year because of the substantial negative impact from the stronger yen, a decline in sales of sensors for dwellings in North America, and slowing sales growth in Asia and Oceania.

In the Automatic Door Sensor segment, net sales reached ¥3.122 billion (down 5.3% from the same period of the prior fiscal year). In Japan, results fell below the same period of the prior fiscal year because of factors such as lackluster capital investment for commercial facilities construction. Overseas as well, operating results were affected by the appreciation of the yen, and slipped below the results for the same period of the prior fiscal year despite strong shipment volume.

2. Factory Automation Business

In the Factory Automation Business, sales in the Japanese market of organic EL, solar panels, semiconductors, and items such as rechargeable batteries for the electronic component industry were robust. Overseas, however, unit sales for the smartphone and solar panel industries, primarily in China, were strong, but results dropped below the same period of the prior fiscal year under the impact of exchange rates. As a result, net sales amounted to ¥4.487 billion (up 6.6% year-on-year). Operating income came to ¥442 million (up 122.1% year-on-year) as sales of high-margin LED lighting and application devices such as displacement sensors rose higher.

3. Machine Vision Lighting Business

In the Machine Vision Lighting Business, in the Japanese market opportunities for orders were boosted by testing room expansion and efforts to provide solution proposals that included commercial products such as the lens and cameras, and sales were robust. Overseas, sales to major customers increased in Europe, lifted by the recovery trend in the semiconductor market, but in Asia sales were impacted by China's economic slowdown and tracked lower. As a result, net sales amounted to ¥1.919 billion, and operating income came to ¥149 million.

4. Contract Manufacturing Business

Sales in the Contract Manufacturing Business in China slipped to ¥521 million (down 45.1% year-on-year), reflecting a decline in contract manufacturing projects. Operating income was affected by a drop in sales within the OPTEx Group because of fewer units

produced, and came to ¥166 million (down 38.3% year-on-year).

(2) Explanation Concerning Financial Position

Assets, Liabilities and Net Assets

(Assets)

As of the last day of the consolidated third quarter, total assets amounted to ¥38.163 billion, representing a ¥7.302 billion increase compared with the last day of the prior consolidated fiscal year.

Current assets amounted to ¥24.861 billion, increasing ¥3.225 billion year-on-year. This change was mainly an increase of ¥1.307 billion in notes and accounts receivable-trade, an increase of ¥1.168 billion in inventories such as merchandise and finished goods, and an increase of ¥596 million in cash and deposits, respectively, as the result of making CCS Inc. a subsidiary.

Fixed assets amounted to ¥13.302 billion, an increase of ¥4.077 billion. Although investment securities fell by ¥1.005 billion, this change was mainly an increase of ¥3.644 billion in intangible assets including trademark rights and customer-related assets, and an increase of ¥1.197 billion in property, plant and equipment including land, respectively, as a result of making CCS Inc. a subsidiary.

(Liabilities)

As of the last day of the consolidated third quarter, total liabilities amounted to ¥11.051 billion, representing a ¥5.793 billion increase compared with the last day of the prior consolidated fiscal year. This change was mainly an increase of ¥3.095 billion in short-term loans payable, an increase of ¥897 million in deferred tax liabilities and an increase of ¥415 million in notes and accounts payable-trade from the effect of making CCS Inc. a subsidiary.

(Net Assets)

As of the last day of the consolidated third quarter, total net assets amounted to ¥27.112 billion, representing a ¥1.509 billion increase compared with the last day of the prior consolidated fiscal year. Although the foreign currency translation adjustment decreased by ¥1.478 billion under the influence of the yen's appreciation, this change mainly reflected an increase of ¥2.545 billion in non-controlling interests as the result of making CCS Inc. a subsidiary and an increase of ¥499 million in retained earnings even after the payment of dividends.

(3) Explanation Concerning Future Projected Information Including Consolidated Earnings Projections

There are no revisions to the projections of earnings estimates for the current consolidated fiscal year released on July 22, 2016.

2. Summary Information (Notes)

(1) Changes in significant subsidiaries during the quarter under review

In the consolidated second quarter, OPTEX acquired all of the shares of CCS Inc. and included that company and its subsidiary within the scope of consolidation. CCS Inc. corresponds to a specified subsidiary of OPTEX CO., LTD. Moreover, OPTEX acquired all of the shares of Gardasoft Vision Limited and newly established OPTEX (THAILAND) CO., LTD., and included both entities within the scope of consolidation.

During the consolidated third quarter, OPTEX established a new company called OPTEX New Business Preparatory Co., Ltd., and included the company within the scope of consolidation. Furthermore, beginning from the consolidated third quarter, SENSOR VISION CO., LTD. has been excluded from the scope of consolidation because that company and OPTEX FA CO., LTD. were merged, with OPTEX FA CO., LTD. as the surviving company.

(2) Application of special accounting method in the preparation of quarterly consolidated financial statements

No items to report

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

Changes in Accounting Policies

(Application of the Accounting Standard for Business Combinations)

Beginning from the first quarter of its current consolidated fiscal year, OPTEX CO., LTD. Will apply the *Accounting Standard for Business Combinations* (Accounting Standards Board of Japan [ASBJ] Statement No. 21 dated September 13, 2013; the “Business Combinations Accounting Standard”), the *Accounting Standard for Consolidated Financial Statements* (ASBJ Statement No. 22 dated September 13, 2013; the “Consolidation Accounting Standard”) and the *Accounting Standard for Business Divestitures* (ASBJ Statement No. 7 dated September 13, 2013; the “Business Divestitures Accounting Standard”), and has changed its reporting method to record as a capital surplus any difference arising from changes in the Company’s interest in subsidiaries that remain under its control, and record acquisition-related costs as expenses for the fiscal year in which the costs are incurred. For business combinations

implemented on or after the beginning of the first quarter ended March 31, 2016, the Company has changed its reporting method to reflect in its consolidated financial statements for the quarters that include the dates of those business combinations the revisions to the allocated amount of acquisition costs that result from finalization of the provisional accounting treatment. In addition, the Company has changed the presentation method of quarterly net income, and changed the presentation of “minority interests” to “non-controlling interests”. To reflect these changes, the Company has reclassified its quarterly consolidated financial statements and consolidated financial statements for the third quarter of the prior consolidated fiscal year and the prior consolidated fiscal year.

The Company has applied the Consolidation Accounting Standard and other standards in accordance with the provisional treatment prescribed in Article 58-2 (4) of the Business Combinations Accounting Standard, Article 44-5 (4) of the Consolidation Accounting Standard, and Article 57-4 (4) of the Business Divestitures Accounting Standard, and will apply these standards in the future from the beginning of the first quarter ended March 31, 2016.

The effect of this change on the quarter consolidated financial statements for the consolidated third quarter is not material.

(Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016)

Beginning from the consolidated second quarter of its current consolidated fiscal year, the Company has adopted the *Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016* (Accounting Standard Board of Japan [ASBJ] Practical Issues Task Force No. 32 issued on June 17, 2016) in accordance with the revisions to Japan’s Corporate Tax Act, and has changed its depreciation method for facilities attached to buildings and for structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The effect from this change on consolidated third quarter profit and loss is not material.

Consolidated Quarterly Financial Statements

Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of Dec. 31 2015	As of Sep. 30 2016
(Assets)		
Current assets		
Cash and deposits	9,901	10,497
Notes and accounts receivable - trade	5,907	7,214
Short-term investment securities	800	585
Merchandise and finished goods	2,457	2,784
Work in process	81	341
Raw materials and supplies	1,254	1,834
Deferred tax assets	483	579
Other	783	1,055
Allowance for doubtful accounts	(34)	(32)
Total current assets	21,635	24,861
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	982	1,294
Machinery, equipment and vehicles, net	344	306
Tools, furniture and fixtures, net	408	589
Land	1,203	1,966
Construction in progress	83	61
Total property, plant and equipment	3,022	4,219
Intangible assets		
Patent right	1	820
Trademark right	55	854
Customer related assets	124	1,462
Goodwill	311	956
Other	474	517
Total intangible assets	966	4,611
Investments and other assets		
Investment securities	4,254	3,248
Long-term loans receivable	30	32
Deferred tax assets	568	702
Other	435	543
Allowance for doubtful accounts	(52)	(55)
Total investments and other assets	5,236	4,471
Total noncurrent assets	9,225	13,302
Total assets	30,861	38,163

(Millions of yen)

	As of Dec. 31 2015	As of Sep. 30 2016
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	1,133	1,549
Short-term loans payable	656	3,751
Current portion of long-term loans payable	-	190
Accounts payable - other	649	694
Income taxes payable	334	329
Deferred tax liabilities	14	15
Provision for bonuses	159	454
Provision for directors' bonuses	15	33
Other	509	699
Total current liabilities	3,474	7,718
Noncurrent liabilities		
Long-term loans payable	-	233
Deferred tax liabilities	149	1,046
Deferred tax liabilities for land revaluation	23	105
Net defined benefit liability	914	1,065
Provision for directors' retirement benefits	259	233
Other	436	648
Total noncurrent liabilities	1,783	3,333
Total liabilities	5,257	11,051
(Net assets)		
Shareholders' equity		
Capital stock	2,798	2,798
Capital surplus	3,653	3,655
Retained earnings	17,190	17,690
Treasury shares	(544)	(542)
Total shareholders' equity	23,098	23,600
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	138	63
Revaluation reserve for land	(6)	(5)
Foreign currency translation adjustment	880	(597)
Remeasurements of defined benefit plans	(27)	(28)
Total accumulated other comprehensive income	984	(567)
Subscription rights to shares	37	50
Non-controlling interests	1,483	4,028
Total net assets	25,603	27,112
Total liabilities and net assets	30,861	38,163

Consolidated Quarterly Statements of Income

(Millions of yen)

	Nine months ended Sep. 30,2015	Nine months ended Sep. 30,2016
Net sales	20,656	21,136
Cost of sales	9,691	9,541
Gross profit	10,964	11,594
Selling, general and administrative expenses	8,621	9,343
Operating income	2,343	2,250
Non-operating income		
Interest income	80	62
Dividend income	55	35
Share of profit of entities accounted for using equity meth	5	4
Gain on sales of investment securities	-	1
Gain on investments in partnership	33	-
Rent income	13	16
Insurance return	2	1
Other	19	18
Total non-operating income	210	140
Non-operating expenses		
Interest expenses	2	8
Foreign exchange losses	140	410
Rent expenses	13	15
Loss on investments in partnership	-	2
Other	14	45
Total non-operating expenses	171	482
Ordinary income	2,382	1,908
Extraordinary income		
Gain on sales of non-current assets	3	17
Gain on sales of investment securities	16	-
Total extraordinary income	20	17
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on valuation of investment securities	10	-
Total extraordinary losses	10	0
Income before income taxes and minority interests	2,391	1,925
Income taxes-current	823	574
Income taxes-deferred	32	20
Total income taxes	856	595
Income before minority interests	1,535	1,329
Minority interests in income	42	168
Net income	1,493	1,161

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Nine months ended Sep. 30, 2015	Nine months ended Sep. 30, 2016
Income before minority interests	1,535	1,329
Other comprehensive income		
Valuation difference on available-for-sale securities	(121)	(75)
Revaluation reserve for land	2	1
Foreign currency translation adjustment	(248)	(1,545)
Remeasurements of defined benefit plans, net of tax	(2)	(0)
Share of other comprehensive income of entities accounted for using equity method	(0)	(0)
Total other comprehensive income	(370)	(1,619)
Comprehensive income	1,165	(289)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,126	(390)
Comprehensive income attributable to non-controlling interests	38	100