

# Summary of Financial Results (Japan GAAP)[Consolidated]

## For the First Quarter of Fiscal Year Ending December 31,2017

Company name: OPTEX GROUP CO.,LTD.  
 Stock exchange listing: Tokyo Stock Exchange  
 Stock code: 6914  
 URL: <http://www.optex.co.jp/e/group/>  
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Scheduled date for filing of securities report: May.15,2017

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 three months ended Mar. 31,2017 (From Jan.1 to Mar.31, 2017)

(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		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
Mar. 31,2017	9,145	38.9	1,332	49.8	1,309	79.6	844	77.7
Mar. 31,2016	6,584	(6.1)	889	(14.7)	728	(23.9)	475	(17.1)

(Reference) Comprehensive income: Three months ended Mar. 31,2017: 797 million yen ( - %)

Three months ended Mar. 31,2016: (39) million yen ( - %)

	Net income per share	Net income per share
	(Basic)	(Diluted)
Three months ended	Yen	Yen
Mar. 31,2017	48.69	48.65
Mar. 31,2016	28.71	28.70

### (2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
	Millions of yen	Millions of yen	%
As of			
Mar. 31,2017	38,265	28,984	68.8
Dec. 31,2016	37,681	28,654	65.0

(Reference) Shareholders' equity: As of Mar. 31,2017: 26,312 million yen

As of Dec. 31,2016: 24,504 million yen

### 2. Dividends

(Base date)	Dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Annual (Total)
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Dec. 31,2016	-	20.00	-	25.00	45.00
Fiscal year ending Dec. 31,2017	-				
Fiscal year ending Dec. 31,2017 (Forecast)		20.00	-	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, 2017 (From Jan. 1 to Dec. 31, 2017)

(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									
Jun. 30,2017(Forecast)	17,200	32.3	1,600	6.9	1,650	47.1	1,050	47.3	60.54
Dec.31,2017(Forecast)	35,600	14.7	3,700	22.7	3,800	23.1	2,500	38.2	144.15

(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: None
  - (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 Mar. 31, 2017:	17,484,732 shares
As of Dec. 31, 2016:	16,984,596 shares
  - (b) Number of treasury stock at the end of fiscal year

As of Mar. 31, 2017:	142,735 shares
As of Dec. 31, 2016:	435,160 shares
  - (c) Average number of shares

Three months ended Mar. 31, 2017:	17,342,658 shares
Three months ended Mar. 31, 2016:	16,548,252 shares

\* These Consolidated Financial Results are not subject to quarterly review procedures.

\* 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 first quarter followed a gradual recovery trend overall, and improvements in corporate earnings and the employment picture were evident against a backdrop of factors that included the government's economic policies, the recovery of advanced country economies, and a rally in China's economy. Overseas, on the other hand, the outlook was affected by a heightened sense of vigilance toward changes, including the policy management of the new administration in the United States and the political climate in Europe, and became more difficult to discern, even though the economy gradually improved.

Given such circumstances, the OPTEX Group carried out a corporate reorganization, and on January 1, 2017 transitioned to a holding company structure. Under this new group structure, the OPTEX Group declared its management slogan to be "become a corporate group filled with a venturesome spirit", and by positioning this organizational change as the start of a second beginning, has strived to generate new group synergy, by cultivating an organizational climate where each operating company can focus on its respective business and fostering a sense of unity as a group.

As a result, for the consolidated first quarter net sales were boosted by factors such as the addition of CCS Inc. as a consolidated subsidiary and the growth in the Factory Automation Business, and rose 38.9% year-on-year to ¥9.145 billion. From an earnings perspective as well, operating income came to ¥1.332 billion (up 49.8% year-on-year), while ordinary income was ¥1.309 billion (up 79.6% year-on-year) and profit attributable to owners of the parent was ¥844 million (up 77.7% year-on-year).

Results by business segment were as follows.

In conjunction with the transition to a holding company structure, the Company has modified its reportable segment classifications and designations from the first quarter of its current consolidated fiscal year. For the year-to-year comparisons (1Q cumulative) shown below we have made the comparison using numerical values for the post-modification recombined business by segment classifications. The details are discussed in "II 2. Matters Pertaining to Changes to Reportable Segments" in (3) Matters to Note Pertaining to the Consolidated Quarterly Financial Statements (Segment Information) under "2. Consolidated Quarterly Financial Statements and Important Matters to Note".

### 1.SS (Sensing Solution) Business

Net sales in the SS Business, the Group's leading business segment, amounted to ¥5.111 billion (down 1.7% year-on-year), and operating income came to ¥740 million (down 7.5% year-on-year).

In the Security Sensor segment, net sales amounted to ¥3.356 billion (down 1.5% year-on-year). In the domestic market, performance slightly exceeded the same period of the prior fiscal year because net sales of outdoor sensors for security companies rose steadily. On the other hand, overseas sales for Asia increased strongly, and net sales for North America and Europe were higher on a local currency basis, but sales slipped relative to the same period of the prior fiscal year because of the impact of exchange rates.

In the Automatic Door Sensor segment, despite strong sales for the domestic market, sales for overseas fell below the results for the same period of the prior fiscal year, and net sales came to ¥1.038 billion (down 4.7% year-on-year).

### 2.FA (Factory Automation) Business

In the FA Business, sales in the Japanese market of semiconductors, rechargeable batteries, flat panel displays, and other items for the electronic components industry and food industry rose steadily. In addition, overseas sales outperformed the same period of the prior fiscal year as sales into Europe and China improved steadily. As a result, net sales amounted to ¥1.686 billion (up 22.2% year-on-year). Operating income came to ¥254 million (up 147.2% year-on-year).

### 3.MVL (Machine Vision Lighting) Business

In the MVL Business, net sales in the Japanese market remained steady as a result of progress in expanding solutions and strengthening proposals, including peripheral products such as lenses and cameras that increased order opportunities.

Overseas, in Europe sales to major clients were higher, driven by the recovery trend in the semiconductor market, while sales to Southeast Asia including Singapore expanded steadily as well. As a result, net sales amounted to ¥2.343 billion, and operating income came to ¥356 million.

## (2) Explanation Concerning Financial Position

### Assets, Liabilities and Net Assets

#### (Assets)

As of the last day of the consolidated first quarter under review, total assets were ¥38.265 billion, up ¥583 million compared with the last day of the prior consolidated fiscal year.

Current assets amounted to ¥25.711 billion, increasing ¥877 million year-on-year. Although investment securities decreased by ¥374 million, this change mainly reflected an increase of ¥572 million in notes and accounts receivable-trade, an increase of ¥245 million in inventories such as merchandise and finished goods, and an increase of ¥167 million in cash and deposits, respectively.

Fixed assets amounted to ¥12.554 billion, a decrease of ¥293 million. This change mainly reflected a decrease of ¥142 million in intangible assets such as goodwill as well as in customer-related assets and other assets from depreciation, and a decrease of ¥109 million in investments and other assets including investment securities, respectively.

#### (Liabilities)

As of the last day of the consolidated first quarter under review, total liabilities amounted to ¥9.281 billion, representing a ¥254 million increase compared with the last day of the prior consolidated fiscal year. Although short-term loans payable and current portion of long-term loans payable decreased by ¥220 million, this change was mainly the result of an increase of ¥482 million in notes and accounts payable-trade.

#### (Net Assets)

As of the last day of the consolidated first quarter under review, total net assets amounted to ¥28.984 billion, representing a ¥329 million increase compared with the last day of the prior consolidated fiscal year. This change mainly reflected a decrease of ¥1.477 billion in non-controlling interests, an increase of ¥1.156 billion in capital surplus, and an increase of ¥430 million in retained earnings, due mainly to converting OPTEX FA CO., LTD., a consolidated subsidiary, into a wholly owned subsidiary through a share exchange effective on January 1, 2017.

(3) Explanation Concerning Future Projections Including Consolidated Earnings Projections

The strong operating results for the first quarter consolidated operating period surpassed the Company's earnings projections mainly because of growth in sales of products for the domestic and Asian markets in the MVL Business. However, factors such as operating results that had been projected to be realized in the second quarter consolidated operating period or later being pulled forward, and the cost of sales ratio effect resulting from the make-up of product sales, are included in this result as well.

Therefore, there are no revisions to the projections of earnings estimates for the current consolidated fiscal year (interim period and full year) released on February 13, 2017. If it has become necessary to revise the consolidated earnings projection, the Company will release such information promptly.

## Consolidated Quarterly Financial Statements

### Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of Dec. 31 2016	As of Mar. 31 2017
<b>(Assets)</b>		
<b>Current assets</b>		
Cash and deposits	10,000	10,168
Notes and accounts receivable-trade	7,838	8,411
Short-term investment securities	621	247
Merchandise and finished goods	3,056	3,082
Work in process	314	355
Raw materials and supplies	1,674	1,853
Deferred tax assets	534	568
Other	836	1,062
Allowance for doubtful accounts	(44)	(39)
<b>Total current assets</b>	<b>24,833</b>	<b>25,711</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	1,290	1,288
Machinery, equipment and vehicles, net	313	288
Tools, furniture and fixtures, net	617	626
Land	1,966	1,966
Construction in progress	86	63
<b>Total property, plant and equipment</b>	<b>4,275</b>	<b>4,233</b>
<b>Intangible assets</b>		
Patent right	785	764
Trademark right	826	803
Customer related assets	1,410	1,369
Goodwill	887	851
Other	503	482
<b>Total intangible assets</b>	<b>4,414</b>	<b>4,272</b>
<b>Investments and other assets</b>		
Investment securities	3,023	2,951
Long-term loans receivable	30	47
Deferred tax assets	589	549
Other	566	550
Allowance for doubtful accounts	(51)	(50)
<b>Total investments and other assets</b>	<b>4,158</b>	<b>4,048</b>
<b>Total noncurrent assets</b>	<b>12,847</b>	<b>12,554</b>
<b>Total assets</b>	<b>37,681</b>	<b>38,265</b>

(Millions of yen)

	As of Dec. 31 2016	As of Mar. 31 2017
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable-trade	1,630	2,113
Short-term loans payable	1,663	1,503
Current portion of long-term loans payable	170	151
Accounts payable-other	988	817
Income taxes payable	390	470
Deferred tax liabilities	13	12
Provision for bonuses	236	390
Provision for directors' bonuses	3	9
Other	607	606
Total current liabilities	5,704	6,076
Noncurrent liabilities		
Long-term loans payable	160	118
Deferred tax liabilities	1,117	1,082
Deferred tax liabilities for land revaluation	22	22
Net defined benefit liability	1,085	1,105
Provision for directors' retirement benefits	289	121
Other	647	754
Total noncurrent liabilities	3,322	3,205
Total liabilities	9,026	9,281
<b>(Net assets)</b>		
Shareholders' equity		
Capital stock	2,798	2,798
Capital surplus	3,667	4,824
Retained earnings	18,337	18,768
Treasury stock	(543)	(177)
Total shareholders' equity	24,260	26,213
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	148	168
Revaluation reserve for land	(5)	(5)
Foreign currency translation adjustment	134	(30)
Remeasurements of defined benefit plans	(33)	(33)
Total accumulated other comprehensive income	243	99
Subscription rights to shares	37	35
Non-controlling interests	4,113	2,636
Total net assets	28,654	28,984
Total liabilities and net assets	37,681	38,265



## Consolidated Quarterly Statements of Income

(Millions of yen)

	Three months ended Mar. 31,2016	Three months ended Mar. 31,2017
Net sales	6,584	9,145
Cost of sales	2,925	4,006
Gross profit	3,659	5,138
Selling, general and administrative expenses	2,769	3,806
Operating income	889	1,332
Non-operating income		
Interest income	30	10
Dividends income	10	13
Rent income	4	5
Share of profit of entities accounted for using equity meth	0	48
Insurance return	0	-
Gain on investments in partnership	1	9
Other	5	12
Total non-operating income	52	101
Non-operating expenses		
Interest expenses	0	4
Foreign exchange losses	187	103
Rent expenses	4	3
Other	21	14
Total non-operating expenses	213	125
Ordinary income	728	1,309
Extraordinary income		
Gain on sales of noncurrent assets	14	-
Total extraordinary income	14	-
Extraordinary loss		
Loss on sales and retirement of non-current assets	0	0
Total extraordinary loss	0	0
Income before income taxes and minority interests	743	1,308
Income taxes-current	265	388
Income taxes-deferred	(10)	(41)
Total income taxes	255	347
Net income	487	960
Net income attributable to non-controlling interests	12	116
Net income attributable to owners of parent	475	844

## Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Three months ended Mar. 31,2016	Three months ended Mar. 31,2017
Income before minority interests	487	960
Other comprehensive income		
Valuation difference on available-for-sale securities	(55)	16
Revaluation reserve for land	1	-
Foreign currency translation adjustment	(473)	(179)
Remeasurements of defined benefit plans, net of tax	0	(0)
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	(527)	(163)
Comprehensive income	(39)	797
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(40)	699
Comprehensive income attributable to non-controlling interests	1	98

Notes Concerning Consolidated Quarterly Financial Statements

(Notes Relating to the Going Concern Assumption)

No items to report

(Notes Relating to Significant Changes in Shareholders' Equity)

Effective January 1, 2017, the Company executed a share exchange through which OPTEX CO., LTD. was made the wholly owning parent company and OPTEX FA CO., LTD. was made a wholly owned subsidiary. As a result of this change, during the consolidated first quarter capital surplus increased by ¥1.156 billion, and treasury stock decreased by ¥375 million.

(Additional Information)

(Application of the *Implementation Guidance on Recoverability of Deferred Tax Assets*)

Beginning from the consolidated first quarter under review, the Company will apply the *Implementation Guidance on Recoverability of Deferred Tax Assets* (Accounting Standards Board of Japan Financial Accounting Standards Implementation Guidance No. 26 dated March 28, 2016).

## Segment Information

[Segment Information]

1.Three months ended Mar. 31, 2016 (From Jan. 1 to Mar. 31, 2016)

Sales and Income (Loss) by Reportable Segment

(Millions of yen)

	Reportable Segment				Other Business (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Sensing Solution Business	Factory Automation Business	Machine Vision Lighting Business	Total				
Net Sales								
Unaffiliated customers	5,201	1,379	-	6,581	3	6,584	-	6,584
Intersegment transfer	17	0	-	18	5	24	(24)	-
Total	5,219	1,379	-	6,599	9	6,608	(24)	6,584
Segment income	800	102	-	903	(14)	889	0	889

(Notes) 1.The classification of "Other Business" is the business segment, which is not included in the reportable segments, and its businesses are Sports clubs.

2.Adjustment of segment profit JPY 0 million represents intersegment transactions.

3.Segment income is adjusted with operating income in the Consolidated statements of income.

2.Three months ended Mar. 31, 2017 (From Jan. 1 to Mar. 31, 2017)

(1)Sales and Income (Loss) by Reportable Segment

(Millions of yen)

	Reportable Segment				Other Business (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	Sensing Solution Business	Factory Automation Business	Machine Vision Lighting Business	Total				
Net Sales								
Unaffiliated customers	5,111	1,686	2,343	9,140	4	9,145	-	9,145
Intersegment transfer	50	8	0	58	3	61	(61)	-
Total	5,161	1,694	2,343	9,199	8	9,207	(61)	9,145
Segment income	740	254	356	1,351	(13)	1,338	(5)	1,332

(Notes) 1.The classification of "Other Business" is the business segment, which is not included in the reportable segments, and its businesses are Sports clubs.

2.Adjustment of segment profit JPY (5) million represents intersegment transactions.

3.Segment income is adjusted with operating income in the Consolidated statements of income.

(2)Matters Pertaining to Change of Reportable Segments

In conjunction with the transition to a holding company structure on January 1, 2017, the Company has changed its reportable segments, and from the consolidated first quarter has reorganized the traditional four classifications of Sensing Products Business, Factory Automation Business, Machine Vision Lighting Business and Contract Manufacturing Business into the three classifications SS Business, FA Business, and MVL Business.

The major products and services of each reportable segment after the change are shown below.

Business name	Major products and services
SS (Sensing Solution) Business	Manufacture and marketing of security sensors, automatic door sensors, measuring instruments, traffic safety sensors, electronic contract manufacturing service, customer traffic counting systems, and electronic components
FA (Factory Automation) Business	Factory automation sensors
MVL (Machine Vision Lighting) Business	LED lighting for image processing

The segment information for the first quarter period of the prior fiscal year has been prepared based on the classifications after the change.