

Summary of Financial Results (Japan GAAP)[Consolidated]

For the Second 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: Aug.10,2017

Scheduled date for dividend payment: Sep.4,2017

Supplementary materials to the quarterly financial statements have been prepared: Yes

Presentation will be held to explain the quarterly financial statements: Yes

1. Consolidated financial results for the six months ended Jun. 30,2017 (From Jan.1 to Jun.30, 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	%
Six months ended								
Jun. 30,2017	18,514	42.4	2,724	82.0	2,776	147.6	1,854	160.0
Jun. 30,2016	13,003	(6.6)	1,497	(8.3)	1,121	(33.1)	713	(32.6)

(Reference) Comprehensive income: Six months ended Jun. 30,2017: 2,126 million yen (- %)

Six months ended Jun. 30,2016: (681) million yen (- %)

	Net income per share	Net income per share
	(Basic)	(Diluted)
Six months ended	Yen	Yen
Jun. 30,2017	106.89	106.76
Jun. 30,2016	43.09	43.06

(2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio
	Millions of yen	Millions of yen	%
As of			
Jun. 30,2017	38,999	30,206	70.6
Dec. 31,2016	37,681	28,654	65.0

(Reference) Shareholders' equity: As of Jun. 30,2017: 27,544 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	-	25.00			
Fiscal year ending Dec. 31,2017 (Forecast)			-	25.00	50.00

(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									
Dec.31,2017(Forecast)	36,300	17.0	4,200	39.3	4,250	37.7	2,800	54.8	161.43

(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 Jun. 30, 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 Jun. 30, 2017:	137,021 shares
As of Dec. 31, 2016:	435,160 shares
 - (c) Average number of shares

Six months ended Jun. 30, 2017:	17,344,731 shares
Six months ended Jun. 30, 2016:	16,548,416 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

During the cumulative second quarter of the current consolidated fiscal year, the domestic economic climate evolved under unstable circumstances despite a gradual recovery trend that included continuing improvements in corporate earnings and the employment situation. With the outlook for the international situation uncertain, growth was constrained by factors such as sharp fluctuations in the exchange rate and the downside risk presented by the economies of newly developing countries. Overseas, on the other hand, increasing consumption and rising capital investment were anticipated as a result of the economic policies of the new administration in the United States, but the future was clouded by political instability, the problem of Great Britain's looming exit from the EU, and increased geopolitical risk status, and remained opaque.

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 "to 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 of these actions, net sales for the cumulative second quarter of the current consolidated fiscal year were up 42.4% year-on-year to ¥18.514 billion, which mainly reflected the addition of CCS Inc. as a consolidated subsidiary and growth in the Factory Automation Business. From an earnings perspective as well, operating income rose to ¥2.724 billion (up 82.0% year-on-year), while ordinary income was ¥2.776 billion (up 147.6% year-on-year) and profit attributable to owners of the parent came to ¥1.854 billion (up 160.0% 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 the current consolidated fiscal year. For the year-to-year comparisons (2Q 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 (4) 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 ¥10.277 billion (up 2.2% year-on-year), and operating income came to ¥1.529 billion (up 23.6% year-on-year).

In the Security Sensor segment, net sales amounted to ¥6.803 billion (up 3.3% year-on-year). In the domestic market, performance fell below the results for the same period in the prior fiscal year as a result of sluggish sales of outdoor sensors for security companies. On the other hand, overseas sales for Americas were weak, but overall sales rose higher year-on-year as the result of the strong growth in sales in Asia and Europe.

In the Automatic Door Sensor segment, sales for the domestic market were strong, but sales for overseas fell below the results for the same period in the prior fiscal year, and net sales came to ¥2.013 billion (down 3.8% year-on-year).

2. FA (Factory Automation) Business

In the FA Business, sales in the Japanese market for electronic components industry products including semiconductors, rechargeable batteries, flat panel displays, and for the food industry, rose steadily. In addition, overseas sales substantially outperformed the same period in the prior fiscal year as sales into Europe and China improved steadily. As a result, net sales amounted to ¥3.676 billion (up 26.4% year-on-year), and operating income came to ¥559 million (up 121.1% year-on-year).

3. MVL (Machine Vision Lighting) Business

In the MVL Business, sales in the Japanese market increased as the result of progress in expanding solutions that include peripheral products such as lenses and cameras, and the strengthening of proposal capabilities. Overseas, sales in Europe and the United States were higher, driven by the strong semiconductor market, while in Asia, sales expanded briskly in Malaysia and other newly developing countries. As a result, net sales amounted to ¥4.522 billion, and operating income came to ¥658 million.

(2) Explanation Concerning Financial Position

1. Assets, Liabilities and Net Assets

(Assets)

As of the last day of the consolidated second quarter under review, total assets amounted to ¥38.999 billion, representing a ¥1.317 billion increase compared with the end of the prior consolidated fiscal year.

Current assets amounted to ¥26.455 billion, increasing ¥1.621 billion year-on-year. Although short-term investment securities decreased by ¥384 million, this change mainly reflected an increase of ¥805 million in notes and accounts receivable-trade, an increase of ¥485 million in cash and deposits, and an increase of ¥382 million in inventories such as merchandise and finished goods, respectively.

Noncurrent assets amounted to ¥12.543 billion, a decrease of ¥303 million. This change mainly reflected a decrease of ¥262 million in intangible assets such as goodwill as well as in customer-related assets and other assets from depreciation, and a decrease of ¥59 million in property, plant and equipment, respectively.

(Liabilities)

As of the last day of the consolidated second quarter under review, total liabilities amounted to ¥8.792 billion, representing a decrease of ¥234 million compared with the end of the prior consolidated fiscal year. Although notes and accounts payable-trade increased by ¥325 million, this change was mainly the result of decreases totaling ¥941 million in short-term loans payable and long-term loans payable, including the current portion of long-term loans payable.

(Net Assets)

As of the last day of the consolidated second quarter under review, total net assets amounted to ¥30.206 billion, representing a ¥1.552 billion increase compared with the end of the prior consolidated fiscal year. This change mainly reflected a decrease of ¥1.494 billion in non-controlling interests, and an increase of ¥1.424 billion in retained earnings and an increase of ¥1.168 billion in capital surplus, respectively, due to converting OPTEX FA CO., LTD., a consolidated subsidiary, into a wholly owned subsidiary through a share exchange effective on January 1, 2017.

2. Cash Flows

As of the last day of the consolidated second quarter under review, cash and cash equivalents ("cash") amounted to ¥10.486 billion on a consolidated basis, representing an increase of ¥485 million compared with the end of the prior consolidated fiscal year.

The status and major factors related to each type of cash flow for the consolidated cumulative second quarter are described below.

(Cash Flows from Operating Activities)

Net cash from operating activities amounted to ¥1.685 billion (compared with ¥1.629 billion for the same period in the prior fiscal year). This mainly reflected a decrease in cash as the result of an increase in notes and accounts receivable-trade (¥807 million), income taxes paid (¥412 million), and an increase in inventories (¥398 million), and an increase in cash from income before income taxes and minority interests (¥2.728 billion) and an increase in notes and accounts payable-trade (¥334 million).

(Cash Flows from Investing Activities)

Net cash provided by investing activities was ¥153 million (compared with net cash used in investing activities of ¥2.607 billion for the same period in the prior fiscal year). This was partially the result of purchases of property, plant and equipment (¥245 million), but mainly reflected an increase in cash from purchases/sales and redemption of securities and investment securities (net proceeds of ¥487 million).

(Cash Flows from Financing Activities)

Net cash used in financing activities amounted to ¥1.416 billion (compared with net cash provided by financing activities of ¥2.296 billion for the same period in the prior fiscal year). This was primarily due to a decrease in short-term loans payable (¥850 million) and a payment of dividends (¥413 million).

(3) Explanation Concerning Future Projections Including Consolidated Earnings Projections

There are no revisions to the "Revised Earnings and Dividends Projections" released on June 20, 2017 concerning the earnings estimates for the current consolidated fiscal year.

Consolidated Quarterly Financial Statements

Consolidated Quarterly Balance Sheets

(Millions of yen)

	As of Dec. 31 2016	As of Jun. 30 2017
(Assets)		
Current assets		
Cash and deposits	10,000	10,486
Notes and accounts receivable - trade	7,838	8,644
Securities	621	236
Merchandise and finished goods	3,056	3,258
Work in process	314	290
Raw materials and supplies	1,674	1,880
Deferred tax assets	534	568
Other	836	1,126
Allowance for doubtful accounts	(44)	(35)
Total current assets	24,833	26,455
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	1,290	1,291
Machinery, equipment and vehicles, net	313	286
Tools, furniture and fixtures, net	617	631
Land	1,966	1,966
Construction in progress	86	39
Total property, plant and equipment	4,275	4,215
Intangible assets		
Patent right	785	743
Trademark right	826	783
Customer related assets	1,410	1,331
Goodwill	887	834
Other	503	459
Total intangible assets	4,414	4,151
Investments and other assets		
Investment securities	3,023	3,069
Long-term loans receivable	30	43
Deferred tax assets	589	570
Other	566	538
Allowance for doubtful accounts	(51)	(47)
Total investments and other assets	4,158	4,176
Total noncurrent assets	12,847	12,543
Total assets	37,681	38,999

(Millions of yen)

	As of Dec. 31 2016	As of Jun. 30 2017
(Liabilities)		
Current liabilities		
Notes and accounts payable - trade	1,630	1,956
Short-term loans payable	1,663	816
Current portion of long-term loans payable	170	126
Accounts payable - other	988	874
Income taxes payable	390	775
Deferred tax liabilities	13	12
Provision for bonuses	236	324
Provision for directors' bonuses	3	4
Other	607	709
Total current liabilities	5,704	5,601
Noncurrent liabilities		
Long-term loans payable	160	110
Deferred tax liabilities	1,117	1,064
Deferred tax liabilities for land revaluation	22	22
Net defined benefit liability	1,085	1,121
Provision for directors' retirement benefits	289	123
Other	647	748
Total noncurrent liabilities	3,322	3,190
Total liabilities	9,026	8,792
(Net assets)		
Shareholders' equity		
Capital stock	2,798	2,798
Capital surplus	3,667	4,835
Retained earnings	18,337	19,762
Treasury shares	(543)	(170)
Total shareholders' equity	24,260	27,225
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	148	207
Revaluation reserve for land	(5)	(5)
Foreign currency translation adjustment	134	150
Remeasurements of defined benefit plans	(33)	(34)
Total accumulated other comprehensive income	243	318
Subscription rights to shares	37	44
Non-controlling interests	4,113	2,618
Total net assets	28,654	30,206
Total liabilities and net assets	37,681	38,999

Consolidated Quarterly Statements of Income

(Millions of yen)

	Six months ended Jun. 30,2016	Six months ended Jun. 30,2017
Net sales	13,003	18,514
Cost of sales	5,844	8,069
Gross profit	7,158	10,445
Selling, general and administrative expenses	5,661	7,721
Operating income	1,497	2,724
Non-operating income		
Interest income	43	21
Dividend income	25	31
Share of profit of entities accounted for using equity method	0	61
Gain on sales of investment securities	1	6
Gain on investments in partnership	-	14
Rent income	10	11
Insurance return	1	0
Other	11	23
Total non-operating income	93	170
Non-operating expenses		
Interest expenses	2	7
Foreign exchange losses	424	83
Rent expenses	11	6
Loss on investments in partnership	0	-
Other	31	20
Total non-operating expenses	469	117
Ordinary income	1,121	2,776
Extraordinary income		
Gain on sales of non-current assets	16	0
Total extraordinary income	16	0
Extraordinary loss		
Loss on sales and retirement of non-current assets	0	0
Loss on sales of investments in capital of subsidiaries and associates	-	47
Total extraordinary loss	0	48
Income before income taxes and minority interests	1,138	2,728
Income taxes - current	310	797
Income taxes - deferred	68	(112)
Total income taxes	378	684
Net income	759	2,044
Net income attributable to non-controlling interests	46	190
Net income attributable to owners of parent	713	1,854

Consolidated Quarterly Statements of Comprehensive Income

(Millions of yen)

	Six months ended Jun. 30,2016	Six months ended Jun. 30,2017
Income before minority interests	759	2,044
Other comprehensive income		
Valuation difference on available-for-sale securities	(129)	55
Revaluation reserve for land	1	-
Foreign currency translation adjustment	(1,311)	27
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	(1,440)	82
Comprehensive income	(681)	2,126
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(662)	1,928
Comprehensive income attributable to non-controlling interests	(18)	198

Consolidated statements of cash flows

(Millions of yen)

	Six months ended Jun. 30,2016	Six months ended Jun. 30,2017
Net cash provided by (used in) operating activities		
Profit (loss) before income taxes	1,138	2,728
Depreciation	302	534
Amortization of goodwill	125	63
Increase (decrease) in net defined benefit liability	46	28
Increase (decrease) in provision for directors' retirement benefits	(33)	(165)
Increase (decrease) in allowance for doubtful accounts	(3)	(11)
Increase (decrease) in provision for bonuses	(52)	89
Interest and dividend income	(68)	(53)
Interest expenses	2	7
Foreign exchange losses (gains)	133	35
Share of (profit) loss of entities accounted for using equity method	(0)	(61)
Loss (gain) on sales and valuation of investment securities	(1)	(6)
Loss (gain) on investments in partnership	0	(14)
Loss (gain) on sales and retirement of non-current assets	(16)	0
Loss (gain) on sales of investments in capital of subsidiaries and associates	-	47
Decrease (increase) in notes and accounts receivable - trade	(51)	(807)
Decrease (increase) in inventories	(159)	(398)
Increase (decrease) in notes and accounts payable - trade	675	334
Other, net	(96)	(307)
Subtotal	1,938	2,046
Interest and dividend income received	74	58
Interest expenses paid	(2)	(7)
Income taxes (paid) refund	(380)	(412)
Net cash provided by (used in) operating activities	1,629	1,685
Net cash provided by (used in) investing activities		
Proceeds from sales and redemption of securities	450	413
Purchase of investment securities	(133)	(473)
Proceeds from sales and redemption of investment securities	421	547
Purchase of property, plant and equipment	(254)	(245)
Proceeds from sales of property, plant and equipment	28	0
Purchase of intangible assets	(6)	(50)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,115)	-
Payments for sales of investments in capital of subsidiaries and associates resulting in change in scope of consolidation	-	(39)
Payments of loans receivable	(4)	(5)
Collection of loans receivable	7	6
Net cash provided by (used in) investing activities	(2,607)	153
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	2,647	(850)
Repayments of long-term loans payable	-	(95)
Cash dividends paid	(331)	(413)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(8)
Proceeds from issuance of shares resulting from exercise of subscription rights to shares	0	-
Proceeds from share issuance to non-controlling shareholders	3	-
Dividends paid to non-controlling interests	(22)	(43)
Purchase of treasury shares	(0)	(5)
Net cash provided by (used in) financing activities	2,296	(1,416)
Effect of exchange rate change on cash and cash equivalents	(806)	63
Net increase (decrease) in cash and cash equivalents	510	485
Cash and cash equivalents at beginning of period	9,901	10,000
Cash and cash equivalents at end of period	10,411	10,486

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 JPY 1,156 million, and treasury stock decreased by JPY 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. Six months ended Jun. 30, 2016 (From Jan. 1 to Jun. 30, 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	10,056	2,907	-	12,964	39	13,003	-	13,003
Intersegment transfer	48	0	-	49	19	68	(68)	-
Total	10,104	2,908	-	13,013	58	13,072	(68)	13,003
Segment income	1,238	252	-	1,491	5	1,496	0	1,497

(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. Six months ended Jun. 30, 2017 (From Jan. 1 to Jun. 30, 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	10,277	3,676	4,522	18,476	38	18,514	-	18,514
Intersegment transfer	101	8	0	110	15	126	(126)	-
Total	10,378	3,685	4,522	18,586	53	18,640	(126)	18,514
Segment income	1,529	559	658	2,746	4	2,751	(27)	2,724

(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 (27) 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.