

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

## For the Fiscal Year Ended December 31, 2018

Company name: OPTEX GROUP CO.,LTD.  
 Stock exchange listing: Tokyo Stock Exchange  
 Stock code: 6914  
 URL: <https://www.optexgroup.co.jp/en/>  
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Scheduled date for ordinary general meeting of shareholders: Mar. 28, 2019      Scheduled date for dividend payment: Mar. 29, 2019

Scheduled date for filing of securities report: Mar. 28, 2019

Supplementary materials to the financial statements have been prepared: Yes

Presentation will be held to explain the financial statements: Yes

### 1. Consolidated financial results for the fiscal year ended Dec. 31, 2018 (From Jan.1 to Dec.31, 2018)

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Dec. 31, 2018	40,113	7.0	4,989	2.1	5,038	0.0	3,775	11.5
Dec. 31, 2017	37,504	20.9	4,885	62.0	5,036	63.2	3,386	87.2

(Note) Comprehensive income: As of Dec. 31, 2018: 3,041 million yen (29.7 %)

As of Dec. 31, 2017: 4,327 million yen 246.4 %

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating income to net sales
Fiscal year ended	Yen	Yen	%	%	%
Dec. 31, 2018	104.85	104.65	12.3	11.9	12.4
Dec. 31, 2017	97.63	97.48	12.6	12.7	13.0

(Note) The Company performed a two-for-one split of its common stock effective as of April 1, 2018. The Company calculated net income per share and diluted net income per share on the assumption that the stock split was performed at the beginning of the fiscal year ended December 31, 2017.

### (2) Consolidated financial position

	Total assets	Net assets	Shareholder's equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
Dec. 31, 2018	43,293	32,345	74.4	875.98
Dec. 31, 2017	41,569	32,006	70.1	840.40

(Reference) Shareholders' equity: As of Dec. 31, 2018: 32,230 million yen

As of Dec. 31, 2017: 29,156 million yen

(Note) The Company performed a two-for-one split of its common stock effective as of April 1, 2018. The Company calculated net assets per share on the assumption that the stock split was performed at the beginning of the fiscal year ended December 31, 2017.

### (3) Consolidated statement of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Dec. 31, 2018	2,034	(1,666)	(762)	11,563
Dec. 31, 2017	4,404	(328)	(2,067)	12,293

## 2. Dividends

(Base date)	Dividends per share					Total dividends (Annual)	Payout ratio (Consolidated)	Dividend on net assets (Consolidated)
	End of Q1	End of Q2	End of Q3	End of FY	Full FY			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Dec. 31, 2017	-	25.00	-	30.00	55.00	954	28.2	3.5
Dec. 31, 2018	-	15.00	-	15.00	30.00	1,072	28.6	3.5
Fiscal year ending Dec. 31, 2019 (Forecast)	-	15.00	-	15.00	30.00		27.0	

(Note) The Company performed a two-for-one split of its common stock effective as of April 1, 2018. Dividends for the fiscal year ended December 31, 2017 stated in this summary are actual dividends paid before the stock split.

## 3. Forecast of consolidated results for the fiscal year ending Dec. 31, 2019 (From Jan. 1 to Dec. 31, 2019)

(Percentages indicate changes from the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
Fiscal year ending	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Jun. 30, 2019 (Forecast)	21,600	9.8	2,650	1.5	2,700	4.9	2,000	2.5	55.54
Dec. 31, 2019 (Forecast)	43,000	7.2	5,300	6.2	5,400	7.2	4,000	5.9	111.07

## 4. Others

(1) Material changes in subsidiaries during this period

(changes in scope of consolidations resulting from change in subsidiaries): None

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatements

(a) Changes in accounting policies associated with revision of accounting standards: None

(b) Other accounting policy changes: None

(c) Changes in accounting estimates: None

(d) Retrospective restatements: None

(3) Number of issued and outstanding shares (common shares)

(a) Number of issued and outstanding shares at the end of fiscal year (including treasury shares)

As of Dec. 31, 2018: 37,735,784 shares

As of Dec. 31, 2017: 34,969,464 shares

(b) Number of treasury shares at the end of fiscal year

As of Dec. 31, 2018: 941,631 shares

As of Dec. 31, 2017: 275,544 shares

(c) Average number of shares during the period

Year ended Dec. 31, 2018: 36,012,121 shares

Year ended Dec. 31, 2017: 34,692,114 shares

(Note) The Company performed a two-for-one split of its common stock effective as of April 1, 2018. The number of issued and outstanding shares at the end of fiscal year, the Number of treasury shares at the end of fiscal year, and the average number of shares during the period are calculated on the assumption that the stock split was performed at the beginning of the fiscal year ended December 31, 2017.

\* Summary of Financial Results are not subject to audit procedures.

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

• Results forecasts are based on information available at the time of the publication of this summary. Actual results may differ from these projections due to various factors that may arise in the future. Please refer to "1. Overview of Operating Results, etc.

(4) Future prospects" on page 4 for matters concerning the results forecasts stated above.

• Supplementary explanatory materials for financial results are scheduled to be posted on the Company's website within one week of the announcement of financial results.

## 1. Overview of Operating Results, etc.

### (1) Overview of operating results for the fiscal year ended December 31, 2018

During the fiscal year under review, the Japanese economy grew moderately mainly due to increasing corporate capital investment, an improved employment/income environment and firm consumer spending. Meanwhile, the overseas economic outlook remained uncertain as trade friction between the United States and China became more serious and the economic slowdown in China became clear, which led to increased uncertainty.

Given this background, the Optex Group worked to enhance its value further based on its philosophy of becoming a corporate group full of Venture Spirit. The Optex Group made intensive resource investments under a holding company structure and took steps including the establishment of Optex MFG Co., Ltd. as a company in charge of production and the conversion of CCS Inc. from a consolidated subsidiary to a wholly owned subsidiary to manage itself flexibly and maximize the synergy generated through cooperation.

As a result, consolidated net sales for the fiscal year under review increased 7.0% year on year, to 40,113 million yen, thanks mainly to the growth of the Factory Automation Business. Looking at profits, consolidated operating profit rose 2.1% year on year, to 4,989 million yen, and consolidated ordinary profit increased slightly from the previous fiscal year, to 5,038 million yen, mainly due to an increase in foreign exchange losses. However, consolidated profit attributable to owners of parent grew 11.5% year on year, to 3,775 million yen, mainly reflecting extraordinary income from the partial sale of investment securities posted.

The business results for each segment are described below.

The Optex Group has changed its business segmentation beginning in the fiscal year under review. The following year-on-year comparisons use values corresponding to the segments after the change. Details are stated in “1. Segment Information (1) Summary of Reportable Segments (Matters Pertaining to Change of Reportable Segments)” in “(5) Notes Concerning Consolidated Financial Statements (Segment Information)” under “3. Consolidated Financial Statements and Main Notes.”

#### (i) Sensing Solution (SS) Business

Net sales for the SS Business, a core segment for the Optex Group, amounted to 21,157 million yen (up 4.0% year on year). Operating profit for the Business came to 2,789 million yen (up 3.7% year on year).

Net sales for the Security Sensor segment were 14,381 million yen (up 3.2% year on year). Net sales declined slightly year on year in Japan due to sluggish sales of outdoor sensors for security companies and large important facilities. In the meantime, overseas net

sales exceeded those of the previous year, reflecting strong sales posted by the sensors for the security of the surrounding area for large important facilities in South America and by subsidiaries engaging in manufacturing in Britain.

Net sales for the Automatic Door Sensor segment climbed 5.2% year on year, to 4,455 million yen, as a result of higher sales year on year to leading automatic door manufacturers both in the United States and in the Japanese market.

(ii) Factory Automation (FA) Business

In the FA Business, sales to electronic component manufacturers in Japan remained strong, in addition to sales to domestic customers handling semiconductors, secondary batteries and flat panel displays. Sales rose sharply year on year in overseas markets as well due to favorable sales to customers in Europe and China. As a result, net sales for the FA Business grew 16.9% year on year, to 8,548 million yen. Operating profit for the Business also climbed 33.1% year on year, to 1,213 million yen.

(iii) Machine Vision Lighting (MVL) Business

In the MVL Business, sales remained strong in Japan with successes achieved in the expansion of solutions, including peripheral products such as lenses and cameras, and the enhancement of proposal capabilities. In overseas markets, sales in Europe remained strong, and a wholly owned subsidiary that was established last fiscal year in China and commenced full-scale operation and EFFILUX SAS of France that was turned into a subsidiary in October also contributed to the financial results as well. As a result, net sales for the MVL Business rose 5.1% year on year, to 9,484 million yen. Operating profit for the Business fell 17.7% year on year, to 915 million yen, due to active investments for the expansion of the Business.

(2) Overview of financial position during the fiscal year ended December 31, 2018

(Assets)

Total assets amounted to 43,293 million yen at the end of the fiscal year under review, which was an increase of 1,724 million yen from the end of the previous fiscal year.

Current assets increased 1,178 million yen to total 30,183 million yen. The major causes of their growth were a rise of 1,376 million yen in inventories such as merchandise and finished goods and an increase of 647 million yen in notes and accounts receivable - trade, which more than offset a decrease of 729 million yen in cash and deposits.

Non-current assets increased 545 million yen, to 13,110 million yen. Their increase was mainly attributable to an increase of 337 million yen in property, plant and equipment such as tools, furniture and fixtures and land.

(Liabilities)

Total liabilities stood at 10,947 million yen at the end of the fiscal year under review, which was an increase of 1,385 million yen from the end of the previous fiscal year. The major factors behind their growth were an increase of 1,647 million yen in long-term loans payable and a rise of 379 million yen in short-term loans payable, which more than offset a decrease of 613 million yen in income taxes payable.

(Net assets)

Net assets totaled 32,345 million yen at the end of the fiscal year under review, which was an increase of 339 million yen from the end of the previous fiscal year. Their growth resulted mainly from a climb of 2,688 million yen in retained earnings, which more than offset a decrease of 1,484 million yen in net assets due to the acquisition of treasury shares.

### (3) Overview of cash flow during the fiscal year ended December 31, 2018

Cash and cash equivalents ("cash") at the end of the fiscal year under review have decreased by 729 million yen from the end of the previous fiscal year, to total 11,563 million yen.

The status of each of the cash flow segments and contributing factors for the fiscal year under review are as follows.

(Cash flow from operating activities)

Net cash provided by operating activities was 2,034 million yen (compared with 4,404 million yen in the same period of the previous fiscal year). Contributing factors included a decrease in cash due to an income tax payment of 2,063 million yen, an increase in inventories of 1,335 million yen and a rise in notes and accounts receivable - trade of 693 million yen, which more than offset an increase in cash due to profit before income taxes of 5,422 million yen and a rise in notes and accounts payable - trade of 242 million yen.

(Cash flow from investing activities)

Net cash used in investing activities amounted to 1,666 million yen (compared with 328 million yen in the same period of the previous fiscal year). This was chiefly attributable to a decrease in cash due to the purchase of property, plant and equipment of 1,008 million yen and the purchase of shares of subsidiaries of 727 million yen, which more than offset net cash of 252 million yen provided as a result

mainly of the sale and purchase of securities and investment securities.

(Cash flow from financing activities)

Net cash used in financing activities came to 762 million yen (compared with 2,067 million yen in the same period of the previous fiscal year). Principal factors contributing to this included an increase in cash due to proceeds from long-term loans payable of 2,000 million yen, despite the purchase of treasury shares of 1,503 million yen and cash dividends paid of 1,041 million yen, among others.

	FY Ended Dec. 2015	FY Ended Dec. 2016	FY Ended Dec. 2017	FY Ended Dec. 2018
Equity Ratio (%)	78.0	65.0	70.1	74.4
Market Value Equity Ratio (%)	161.7	112.3	248.3	145.0
Cash Flow to Interest-bearing Debt Ratio (annual)	0.3	0.6	0.2	1.5
Interest Coverage Ratio (times)	725.9	211.6	355.6	177.0

Note: Equity ratio = shareholders' equity / total assets

Market value equity ratio = market capitalization / total assets

Cash flow to interest-bearing debt ratio = interest-bearing debts / cash flow from operating activities

Interest coverage ratio = cash flow from operating activities / interest payment

\*1. All indicators have been calculated using consolidated financial values.

\*2. The market capitalization has been calculated by multiplying the closing share price at the end of the fiscal year by the number of shares outstanding (after subtracting treasury shares) at the end of the fiscal year.

\*3. The cash flow from operating activities used in the calculations is the cash flow from operating activities in the consolidated statements of cash flow. The interest-bearing debts include all interest-bearing liabilities that are listed on the consolidated balance sheet. The interest payment used in the calculations is the interest expenses paid in the consolidated statement of cash flow.

#### (4) Future prospects

The Optex Group forecasts that consolidated net sales for the fiscal year ending December 31, 2019 will be 43,000 million yen (up 7.2% year on year) based primarily on growth in sales of products in the MVL Business for the European market and security-related products in the SS Business for the Asian market. In addition, the Optex Group expects increases of 6.2% year on year in operating profit to 5,300 million

yen, 7.2% year on year in ordinary profit to 5,400 million yen, and 5.9% year on year in profit attributable to owners of parent to 4,000 million yen as a result of investment in further growth and continued efforts to improve profitability. These forecasts assume currency exchange rates of 110 yen to the US dollar and 125 yen to the euro.

(5) Basic policy for profit distribution and dividends for the fiscal year under review and the next fiscal year

The Optex Group considers that the return of profit to shareholders is one of its most important management tasks. Based on the policy of distributing profit backed by corporate earnings, the Optex Group determines the amounts of dividend payments by comprehensively examining the balance between strengthening the financial foundation needed for future growth and stable and sustainable profit distribution.

In response to the support of its shareholders, the Optex Group will continue to strive to increase the profitability of its business to ensure higher returns for its shareholders. The Optex Group plans to pay a year-end dividend for the fiscal year under review of 15 yen per share, and combined with an interim dividend of 15 yen per share paid in September 2018, the annual dividend will be 30 yen per share.

As for the next fiscal year, the Optex Group plans to pay an annual dividend of 30 yen per share (15 yen per share as an interim dividend and 15 yen per share as a fiscal year-end dividend) based on the above policy of the stable and sustainable return of profit to its shareholders.

2. Basic Concept of Selecting Accounting Standard

The Optex Group plans to prepare its consolidated financial statements based on the Japanese accounting standards for the time being, taking into account the comparability of the periods of consolidated financial statements and comparability among companies.

The Optex Group will consider adopting the International Financial Reporting Standards in view of its business environment in Japan and abroad and increasing its corporate value.

# Consolidated Quarterly Financial Statements

## Consolidated balance sheets

(Millions of yen)

	As of Dec. 31 2017	As of Dec. 31 2018
<b>(Assets)</b>		
Current assets		
Cash and deposits	12,293	11,563
Notes and accounts receivable-trade	8,290	8,938
Securities	252	201
Merchandise and finished goods	3,516	4,049
Work in process	407	397
Raw materials and supplies	2,040	2,893
Income taxes receivable	268	258
Deferred tax assets	727	652
Other	1,237	1,262
Allowance for doubtful accounts	(30)	(34)
Total current assets	29,004	30,183
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	3,633	3,709
Accumulated depreciation	(2,349)	(2,438)
Buildings and structures, net	1,284	1,270
Machinery, equipment and vehicles	1,243	1,191
Accumulated depreciation	(962)	(923)
Machinery, equipment and vehicles, net	281	268
Tools, furniture and fixtures	5,326	5,488
Accumulated depreciation	(4,680)	(4,741)
Tools, furniture and fixtures, net	645	746
Land	2,083	2,259
Construction in progress	45	133
Total property, plant and equipment	4,340	4,678
Intangible assets		
Patent right	701	616
Trademark right	742	658
Customer relationships	1,258	1,099
Goodwill	778	1,321
Other	489	548
Total intangible assets	3,970	4,243
Investments and other assets		
Investment securities	3,081	2,880
Long-term loans receivable	119	46
Deferred tax assets	506	670
Other	594	638
Allowance for doubtful accounts	(47)	(48)
Total investments and other assets	4,253	4,187
Total noncurrent assets	12,564	13,110
Total assets	41,569	43,293



(Millions of yen)

	As of Dec. 31 2017	As of Dec. 31 2018
<b>(Liabilities)</b>		
Current liabilities		
Notes and accounts payable-trade	1,851	1,997
Short-term loans payable	683	1,063
Current portion of long-term loans payable	101	346
Accounts payable-other	1,255	1,099
Income taxes payable	1,219	606
Deferred tax liabilities	33	0
Provision for bonuses	597	450
Provision for directors' bonuses	3	-
Other	774	907
Total current liabilities	6,520	6,470
Noncurrent liabilities		
Long-term loans payable	59	1,706
Deferred tax liabilities	1,031	935
Deferred tax liabilities for land revaluation	22	22
Net defined benefit liability	1,150	1,219
Provision for directors' retirement benefits	128	136
Other	649	456
Total noncurrent liabilities	3,042	4,477
Total liabilities	9,562	10,947
<b>(Net assets)</b>		
Shareholders' equity		
Capital stock	2,798	2,798
Capital surplus	4,835	7,594
Retained earnings	20,871	23,559
Treasury shares	(173)	(1,658)
Total shareholders' equity	28,330	32,294
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	389	6
Revaluation reserve for land	(5)	(5)
Foreign currency translation adjustment	478	(29)
Remeasurements of defined benefit plans	(37)	(34)
Total accumulated other comprehensive income	825	(63)
Subscription rights to shares	61	107
Non-controlling interests	2,788	7
Total net assets	32,006	32,345
Total liabilities and net assets	41,569	43,293

## Consolidated statements of income

(Millions of yen)

	Fiscal year ended Dec. 31, 2017	Fiscal year ended Dec. 31, 2018
Net sales	37,504	40,113
Cost of sales	16,600	17,807
Gross profit	20,904	22,305
Selling, general and administrative expenses		
Directors' compensations, salaries and allowances	5,305	5,880
Provision for bonuses	363	274
Retirement benefit expenses	205	208
Provision for directors' retirement benefits	10	7
Provision for directors' bonuses	3	3
Provision of allowance for doubtful accounts	0	5
Research and development expenses	2,759	2,884
Other	7,370	8,050
Total selling, general and administrative expenses	16,018	17,316
Operating profit	4,885	4,989
Non-operating income		
Interest income	45	44
Dividend income	58	39
Gain on sales of investment securities	5	-
Gain on investments in partnership	17	5
Rent income	21	23
Insurance return	15	9
Share of profit of entities accounted for using equity method	88	47
Other	44	63
Total non-operating income	297	233
Non-operating expenses		
Interest expenses	12	11
Sales discounts	24	24
Foreign exchange losses	53	104
Rent expenses	12	13
Loss on sales of investment securities	-	9
Litigation settlement	30	-
Other	13	21
Total non-operating expenses	146	184
Ordinary profit	5,036	5,038
Extraordinary income		
Gain on sales of non-current assets	4	6
Gain on sales of investment securities	-	384
Total extraordinary income	4	390
Extraordinary losses		
Loss on sales and retirement of non-current assets	7	6
Loss on liquidation of subsidiaries and associates	13	-
Loss on sales of investments in capital of subsidiaries and associates	47	-
Total extraordinary losses	68	6
Profit before income taxes	4,972	5,422
Income taxes-current	1,565	1,483
Income taxes-deferred	(315)	(25)
Total income taxes	1,249	1,458
Profit	3,722	3,963
Profit attributable to non-controlling interests	335	187
Profit attributable to owners of parent	3,386	3,775

## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended Dec. 31, 2017	Fiscal year ended Dec. 31, 2018
Profit	3,722	3,963
Other comprehensive income		
Valuation difference on available-for-sale securities	237	(381)
Revaluation reserve for land	-	-
Foreign currency translation adjustment	370	(537)
Remeasurements of defined benefit plans, net of tax	(3)	(2)
Share of other comprehensive income of entities accounted for using equity method	0	(0)
Total other comprehensive income	605	(921)
Comprehensive income	4,327	3,041
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,968	2,881
Comprehensive income attributable to non-controlling interests	358	160

## Consolidated statements of changes in net assets

Fiscal year ended Dec. 31, 2017 (From Jan. 1 to Dec. 31, 2017)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	2,798	3,667	18,337	(543)	24,260
Changes of items during the period					
Increase by share exchanges		1,156			1,156
Dividends from surplus			(848)		(848)
Profit attributable to owners of parent			3,386		3,386
Purchase of treasury shares				(9)	(9)
Disposal of treasury shares		11		382	393
Change in treasury shares of parent arising from transactions with non-controlling shareholders					-
Change in treasury shares arising from change in equity in entities accounted for using equity method				(4)	(4)
Change of scope of equity method					-
Change of scope of consolidation			(5)		(5)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	1,167	2,533	369	4,070
Balance at the end of current period	2,798	4,835	20,871	(173)	28,330

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	148	(5)	134	(33)	243	37	4,113	28,654
Changes of items during the period								
Increase by share exchanges								1,156
Dividends from surplus								(848)
Profit attributable to owners of parent								3,386
Purchase of treasury shares								(9)
Disposal of treasury shares								393
Change in treasury shares of parent arising from transactions with non-controlling shareholders								-
Change in treasury shares arising from change in equity in entities accounted for using equity method								(4)
Change of scope of equity method								-
Change of scope of consolidation								(5)
Net changes of items other than shareholders' equity	241	-	343	(3)	581	24	(1,325)	(719)
Total changes of items during the period	241	-	343	(3)	581	24	(1,325)	3,351
Balance at the end of current period	389	(5)	478	(37)	825	61	2,788	32,006

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	2,798	4,835	20,871	(173)	28,330
Changes of items during the period					
Increase by share exchanges		2,755			2,755
Dividends from surplus			(1,041)		(1,041)
Profit attributable to owners of parent			3,775		3,775
Purchase of treasury shares				(1,503)	(1,503)
Disposal of treasury shares		17		5	22
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(9)			(9)
Change in treasury shares arising from change in equity in entities accounted for using equity method					-
Change of scope of equity method		(3)	(45)	14	(34)
Change of scope of consolidation					-
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	2,759	2,688	(1,484)	(3,963)
Balance at the end of current period	2,798	7,594	23,559	(1,658)	32,294

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	389	(5)	478	(37)	825	61	2,788	32,006
Changes of items during the period								
Increase by share exchanges								2,755
Dividends from surplus								(1,041)
Profit attributable to owners of parent								3,775
Purchase of treasury shares								(1,503)
Disposal of treasury shares								22
Change in treasury shares of parent arising from transactions with non-controlling shareholders								(9)
Change in treasury shares arising from change in equity in entities accounted for using equity method								-
Change of scope of equity method								(34)
Change of scope of consolidation								-
Net changes of items other than shareholders' equity	(383)	-	(508)	2	(889)	45	(2,780)	(3,623)
Total changes of items during the period	(383)	-	(508)	2	(889)	45	(2,780)	339
Balance at the end of current period	6	(5)	(29)	(34)	(63)	107	7	32,345

# Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended Dec. 31,2017	Fiscal year ended Dec. 31,2018
Net cash provided by (used in) operating activities		
Profit (loss) before income taxes	4,972	5,422
Depreciation	1,140	1,169
Amortization of goodwill	125	164
Increase (decrease) in net defined benefit liability	68	54
Increase (decrease) in provision for directors' retirement benefits	(160)	7
Increase (decrease) in allowance for doubtful accounts	(17)	6
Increase (decrease) in provision for bonuses	358	(143)
Interest and dividend income	(104)	(84)
Interest expenses	12	11
Foreign exchange losses (gains)	31	24
Share of loss (profit) of entities accounted for using equity method	(88)	(47)
Loss (gain) on sales of investment securities	(5)	(375)
Loss (gain) on investments in partnership	(17)	(5)
Loss (gain) on sales and retirement of non-current assets	2	0
Loss (gain) on sales of investments in capital of subsidiaries and associates	47	-
Decrease (increase) in notes and accounts receivable - trade	(340)	(693)
Decrease (increase) in inventories	(848)	(1,335)
Increase (decrease) in notes and accounts payable - trade	135	242
Other, net	1	(394)
Subtotal	5,313	4,025
Interest and dividend income received	113	84
Interest expenses paid	(12)	(11)
Income taxes (paid) refund	(1,010)	(2,063)
Net cash provided by (used in) operating activities	4,404	2,034
Net cash provided by (used in) investing activities		
Proceeds from sales and redemption of securities	639	251
Purchase of investment securities	(754)	(873)
Proceeds from sales and redemption of investment securities	670	874
Purchase of property, plant and equipment	(674)	(1,008)
Proceeds from sales of property, plant and equipment	13	19
Purchase of intangible assets	(155)	(224)
Proceeds from sales of intangible assets	-	0
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(727)
Proceeds from sales of investments in capital of subsidiaries and associates resulting in change in scope of consolidation	37	-
Payments of loans receivable	(118)	(30)
Collection of loans receivable	14	52
Net cash provided by (used in) investing activities	(328)	(1,666)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	(996)	310
Proceeds from long-term loans payable	-	2,000
Repayments of long-term loans payable	(170)	(245)
Cash dividends paid	(847)	(1,041)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(8)	(77)
Payments from changes in Investments in capital of subsidiaries and associates that do not result in change in scope of consolidation	-	(116)
Proceeds from share issuance to non-controlling shareholders	8	-
Dividends paid to non-controlling interests	(43)	(88)
Purchase of treasury shares	(9)	(1,503)
Net cash provided by (used in) financing activities	(2,067)	(762)
Effect of exchange rate change on cash and cash equivalents	284	(335)
Net increase (decrease) in cash and cash equivalents	2,292	(729)
Cash and cash equivalents at beginning of period	10,000	12,293
Cash and cash equivalents at end of period	12,293	11,563

## Notes on the Consolidated Financial Statements

[Notes related to of going concern assumptions]

No items to report

[Segment Information]

### (1) Summary of Reportable Segments

The Optex Group's reportable segments are components of the Group about which separate financial information is available. These segments are subject to periodic examinations to enable the Company's Board of Directors to decide how to allocate resources and assess performance.

The Group's business segments are based on the product and service categories, and consist of its four principal reportable segments, which are SS (Sensing Solution) Business, FA (Factory Automation) Business, MVL (Machine Vision Lighting) Business, and EMS (Electronic Manufacturing Service) Business.

### (Matters Concerning the Change of Reportable Segments)

The Optex Group has changed its reportable segments. Through operational reclassification from a management perspective, the Optex Group added the EMS Business to its three previous reportable segments, namely, the SS Business, the FA Business and the MVL Business. As a result, the number of reportable segments for the Group changed from three to four.

Major products and services under the respective reportable segments following their change are as follows.

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

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

### (2) Method of Calculation of Amount of Net Sales, Profit (Loss), Assets and Other Items by Reportable Segment

The method of account processing of the business segments reported is generally the same as that stated in "significant matters that serve as the basis for preparation of the consolidated financial statements."

Profits of the reportable segments are based on operating profit. Intersegment transfer data is based on the market price.

## 2.Sales and Income (Loss) by Reporting Segment

Fiscal year ended Dec. 31, 2017 (From Jan. 1 to Dec. 31, 2017)

(Millions of yen)

	Reportable Segment					Other Business (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	SS Business	FA Business	MVL Business	EMS Business	Total				
Net Sales									
Unaffiliated customers	20,352	7,314	9,021	739	37,428	76	37,504	-	37,504
Intersegment transfer	255	13	1	4,340	4,611	31	4,642	(4,642)	-
Total	20,608	7,328	9,022	5,080	42,039	107	42,147	(4,642)	37,504
Segment income	2,690	912	1,111	242	4,956	5	4,961	(76)	4,885
Segment Assets	17,986	5,063	11,286	2,838	37,175	65	37,240	4,328	41,569
Other items									
Depreciation expenses	319	58	523	113	1,015	2	1,017	122	1,140
Amortization of goodwill	52	-	73	-	125	-	125	-	125
Investment in equity method affiliates	-	212	-	-	212	-	212	102	314
Increase in tangible fixed assets and intangible assets	233	74	420	26	755	0	755	72	828

- (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, etc.
- 2.Adjustment of segment profit JPY(76) million represents intersegment transactions.  
Adjustment of segment assets of JPY4,328 million includes corporate assets of JPY5,786 million and elimination of intersegment transactions of JPY(1,457) million. Corporate assets are assets of OPTEX GROUP CO.,LTD.  
Adjustment of depreciation expenses of JPY122 million relates to corporate assets not included in the reportable segments.  
Adjustment of Investment in equity method affiliates of JPY102 million is not included in the reportable segments.  
Adjustment of increase in property, plant and equipment and intangible assets of JPY72 million relates to corporate assets not included in the reportable segments.
- 3.Segment income is adjusted with operating income in the Consolidated statements of income.

Fiscal year ended Dec. 31, 2018 (From Jan. 1 to Dec. 31, 2018)

(Millions of yen)

	Reportable Segment					Other Business (Note 1)	Total	Adjustments (Note 2)	Consolidated total (Note 3)
	SS Business	FA Business	MVL Business	EMS Business	Total				
Net Sales									
Unaffiliated customers	21,157	8,548	9,484	565	39,755	357	40,113	-	40,113
Intersegment transfer	95	16	6	7,213	7,331	35	7,367	(7,367)	-
Total	21,252	8,565	9,490	7,778	47,087	393	47,480	(7,367)	40,113
Segment income	2,789	1,213	915	347	5,265	7	5,273	(283)	4,989
Segment Assets	16,161	5,031	12,504	4,759	38,456	526	38,983	4,310	43,293
Other items									
Depreciation expenses	303	79	557	110	1,051	2	1,053	116	1,169
Amortization of goodwill	67	-	85	-	153	11	164	-	164
Investment in equity method affiliates	-	249	-	-	249	-	249	-	249
Increase in tangible fixed assets and intangible assets	368	68	446	80	963	1	964	238	1,203

- (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, etc.
- 2.Adjustment of segment profit JPY(283) million represents intersegment transactions.  
Adjustment of segment assets of JPY4,310 million includes corporate assets of JPY5,707 million and elimination of intersegment transactions of JPY(1,397) million. Corporate assets are assets of OPTEX GROUP CO.,LTD.  
Adjustment of depreciation expenses of JPY116 million relates to corporate assets not included in the reportable segments.  
Adjustment of increase in property, plant and equipment and intangible assets of JPY238 million relates to corporate assets not included in the reportable segments.
- 3.Segment income is adjusted with operating income in the Consolidated statements of income.



[Segment Data by Location]

Fiscal year ended Dec. 31, 2017 (From Jan. 1 to Dec. 31, 2017)

Net Sales by Location

(Millions of yen)

Japan	Americas		Europe		Asia	Total
		U.S.A.		Germany		
15,830	4,599	3,936	11,949	3,822	5,124	37,504

(Notes) 1. Regional classifications are based on geographic proximity.

2. The primary breakdown for each region is as follows:

(1) Americas: North America, South and Central America

(2) Europe: Europe, Middle east, Africa

(3) Asia: Asia, Oceania

3. Overseas net sales are net sales of the Company and its consolidated subsidiaries in countries or regions other than Japan (except for net sales subject to intersegment transfer).

Fiscal year ended Dec. 31, 2018 (From Jan. 1 to Dec. 31, 2018)

Net Sales by Location

(Millions of yen)

Japan	Americas		Europe		Asia	Total
		U.S.A.		Germany		
17,159	5,008	3,899	12,863	4,461	5,082	40,113

(Notes) 1. Regional classifications are based on geographic proximity.

2. The primary breakdown for each region is as follows:

(1) Americas: North America, South and Central America

(2) Europe: Europe, Middle east, Africa

(3) Asia: Asia, Oceania

3. Overseas net sales are net sales of the Company and its consolidated subsidiaries in countries or regions other than Japan (except for net sales subject to intersegment transfer).

(Information per share)

Fiscal year ended Dec. 31, 2017		Fiscal year ended Dec. 31, 2018	
Net assets per share	840.40 yen	Net assets per share	875.98 yen
Net income per share	97.63 yen	Net income per share	104.85 yen
Diluted net income per share	97.48 yen	Diluted net income per share	104.65 yen

(Notes) 1. The Company performed a two-for-one split of its common stock effective as of April 1, 2018. The Company calculated net assets per share, net income per share and diluted net income per share on the assumption that the stock split was performed at the beginning of the fiscal year ended December 31, 2017.

2. The bases for calculation of net assets per share are as shown below.

	Fiscal year ended Dec. 31, 2017	Fiscal year ended Dec. 31, 2018
Total net assets (million yen)	32,006	32,345
Deduction from total net assets (million yen)	2,849	115
(Non-controlling interests)	(2,788)	(7)
(Subscription rights to shares)	(61)	(107)
Net assets based on common stock at the end of the fiscal year (million yen)	29,156	32,230
Number of common stock at the end of the fiscal year used in calculation of net assets per share (thousand shares)	34,693	36,794

3. The bases for calculation of net income per share and diluted net income per share are as shown below.

	Fiscal year ended Dec. 31, 2017	Fiscal year ended Dec. 31, 2018
Net income per share		
Profit attributable to owners of parent (million yen)	3,386	3,775
Profit not attributable to holders of common stock (million yen)	—	—
Profit attributable to owners of parent based on common stock (million yen)	3,386	3,775
Number of shares on average during the fiscal period (thousand shares)	34,692	36,012
Diluted net income per share		
Adjustment of profit attributable to owners of parent (million yen)	—	—
Increase in common stocks (thousand shares)	52	69
(Subscription rights to shares (thousand shares))	(52)	(69)
Summary of issuable shares not included in calculation of diluted net income per share as they are not dilutive	—	—

[Significant Subsequent Events]

There are not applicable matters.

[Sales Information]

(Millions of yen)

Business name	Fiscal year ended Dec. 31, 2017 (From Jan. 1 to Dec. 31, 2017) (A)		Fiscal year ended Dec. 31, 2018 (From Jan. 1 to Dec. 31, 2018) (B)		(B) - (A)
	Amount	%	Amount	%	Amount
SS Business					
Security Sensors	13,941	37.2	14,381	35.9	439
Automatic Door Sensors	4,236	11.3	4,455	11.1	218
Other	2,173	5.8	2,320	5.8	146
Subtotal	20,352	54.3	21,157	52.7	804
FA Business	7,314	19.5	8,548	21.3	1,233
MVL Business	9,021	24.1	9,484	23.6	462
EMS Business	739	2.0	565	1.4	(173)
Other	76	0.2	357	0.9	281
Total	37,504	100.0	40,113	100.0	2,609

(Notes) 1. The amounts described above do not include consumption taxes, etc.

2. The reportable segmentation and the names of reportable segments were changed from the fiscal year under review. In comparison with the previous fiscal year, the numerical data of the previous fiscal year is reclassified according to the changed segmentation.