



**OPTEX GROUP CO, LTD.**

Briefing Session of Financial Result for the Fiscal Year Ended December 31, 2020

February 15, 2021



## Presentation

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**Kondo:** Thank you for your patience. I would like to begin OPTEX GROUP COMPANY, LIMITED financial results briefing for the fiscal year ended December 31, 2020. I am Kondo from the IR Section of the Group Planning Department at OPTEX GROUP, and I am the moderator for today's session. Thank you for your support.

At today's briefing, President and CEO Isamu Oguni will provide an overview of the Company's financial results for the fiscal year ended December 31, 2020, as well as its medium-term management plan and growth strategy. This will be followed by a question-and-answer session.

So, let's get started. President Oguni, could you begin, please?

**Oguni:** Hello, everyone. I am Oguni of OPTEX GROUP. Thank you very much for taking time out of your busy schedule to participate in our financial results briefing today. Due to the effects of COVID-19 pandemic, we are holding the meeting online.

Today's agenda will begin with a 30-minute presentation on our consolidated financial results for the fiscal year ended December 31, 2020 and our medium-term management plan, which was announced last Friday, February 12. Afterward, we would like to take about 30 minutes for Q&A, so please feel free to ask any questions. Now, I'd like to get started.

### Key Points of Financial Results of F.Y. 2020

- **Net sales were -7% year on year, reflecting sluggish growth due to restraints on economic activities amid the COVID-19 pandemic.**
- **Operating income was -27% year on year due to a decline in gross profit, despite cost-cutting initiatives and other measures.**



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These are the key points of last year's consolidated financial results.

As you can see, the year started with COVID-19 and ended with COVID-19. It has already been 13 months since we heard about the virus in Wuhan at the end of January. Gross profit decreased significantly, down 27% from the previous year.

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## Summary of Consolidated Financial Results of F.Y. 2020

Operating Results (Unit: million yen)		F.Y.2019 (1-12) Results	F.Y.2020 (1-12) Results	Change	Percent Change
Net sales		37,517	34,846	-2,671	-7.1%
Operating income (Operating income Ratio)		2,856 (7.6%)	2,098 (6.0%)	-758	-26.5%
Ordinary income		2,876	2,176	-700	-24.3%
Profit attributable to owners of parent		2,197	1,395	-802	-36.5%
Net income per share (yen)		60.02	38.59		
Exchange rate (Unit: Yen)	1USD	109.05	106.82		
	1EUR	122.07	121.81		



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For specifics, see the next page.

Last year was JPY34.846 billion, a decrease of about 7.1%. The decrease in net sales was just under JPY2.7 billion. Operating income decreased by 26.5%, or about mid-JPY700 million is the figure for the decrease. If sales drop by JPY2.7 billion, gross profit is about 50%, so it will drop by about JPY1.4 billion. In reality, the figure fell by up to about JPY14.5. The final figure is JPY2.1 billion due to reductions in SG&A expenses and other factors.

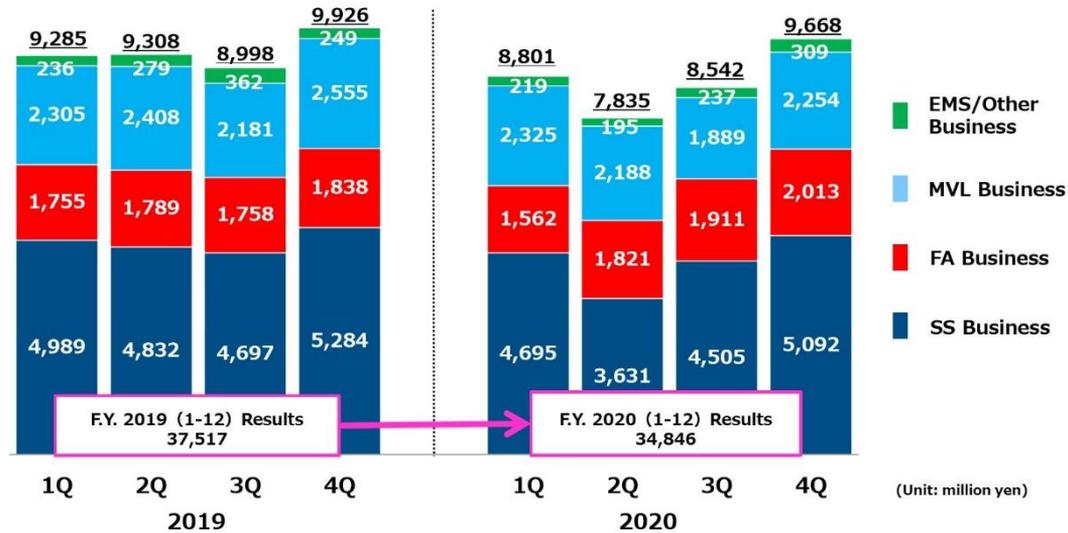
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## Quarterly performance - Consolidated Net Sales (Year- on-year)



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Next, please. This is the QoQ comparison of the previous year. The bottom is the SS Business, then FA Business, MVL, and others.

First of all, as for the SS Business, Q2 was the bottom. Q2 was a time when the lockdown was widely declared in Europe and the US, and people were unable to do business at all.

Then the FA Business bottomed out in Q1. In fact, from Q2 or from around the end of Q1, there was a significant increase in manufacturing, starting with masks in China. This is where not our Company alone, but all companies are benefiting from Q2 in China.

As for MVL, Q3 and Q4 were the bottom.

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## Comparison of Financial Results of F.Y. 2020 between Segments

Operating Results (Unit: million yen)	F.Y. 2019 (1-12) Results		F.Y. 2020 (1-12) Results			
	Net sales	Operating income (Operating income Ratio)	Net sales	Percent Change	Operating income (Operating income Ratio)	Percent Change
<b>SS Business</b>	<b>19,802</b>	<b>1,731</b> (8.7%)	<b>17,923</b>	<b>-9.5%</b>	<b>1,275</b> (7.1%)	<b>-26.3%</b>
<b>FA Business</b>	<b>7,140</b>	<b>596</b> (8.4%)	<b>7,307</b>	<b>2.3%</b>	<b>684</b> (9.3%)	<b>14.7%</b>
<b>MVL Business</b>	<b>9,449</b>	<b>532</b> (5.6%)	<b>8,656</b>	<b>-8.4%</b>	<b>162</b> (1.9%)	<b>-69.5%</b>
<b>EMS Business</b>	<b>570</b>	<b>76</b>	<b>471</b>	<b>-17.3%</b>	<b>47</b>	<b>-38.2%</b>



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Next, please.

If you look at the figures in more detail, the SS Business had sales of JPY19.8 billion and operating income of JPY1.7 billion in 2019. As you can see, net sales declined by about 10%, and operating income declined by over 26%. This is most largely due to security, which is most affected by the lockdown in Europe and the US.

In the FA Business, net sales increased by 2.3% for the full year, and operating income increased by about 15%. This is, first and foremost, due to Chinese influence. Sales in China have increased by about 20% on a YoY basis. Also, in Japan, we were able to hold our ground at around negative 5%. I think this was largely due to the relatively strong performance of the food industry.

For MVL, net sales were down 8.4%, and operating income was down almost 70%. This has a very high profit margin, and therefore, when sales drop, gross profit drops significantly, which means that the Company was greatly affected. The biggest thing is that we are actively investing in various areas.

In fact, we will also start relocating our factory in March this year. We had not anticipated this kind of investment in new factory equipment since last year, so we have to move out of the place we are currently renting. Also, we have been investing aggressively, which has had a great impact on our business.

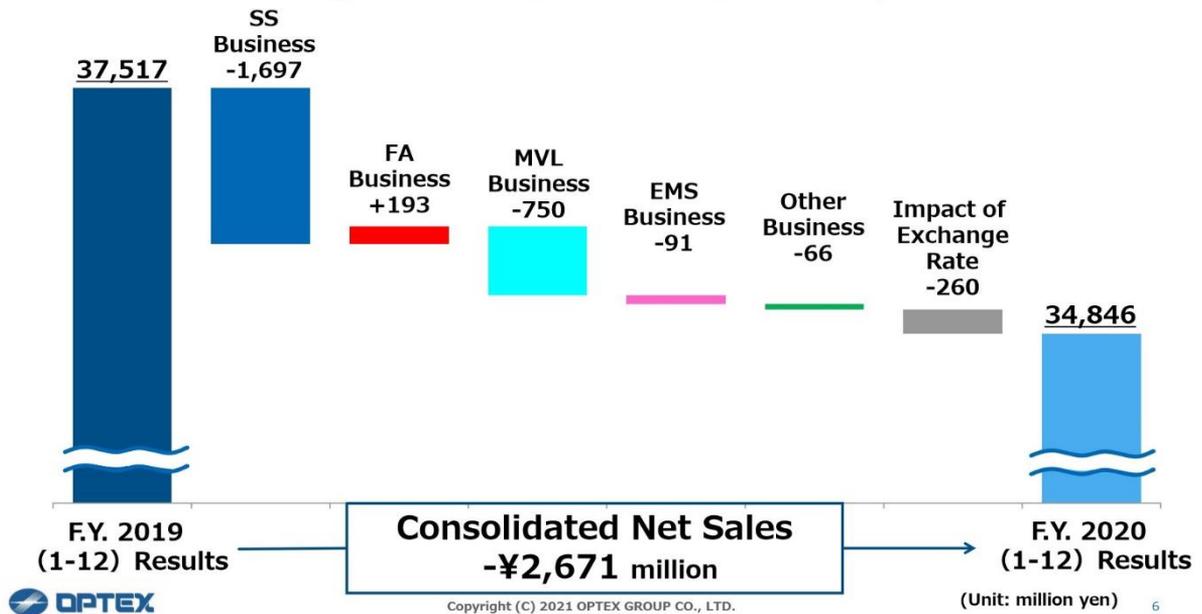
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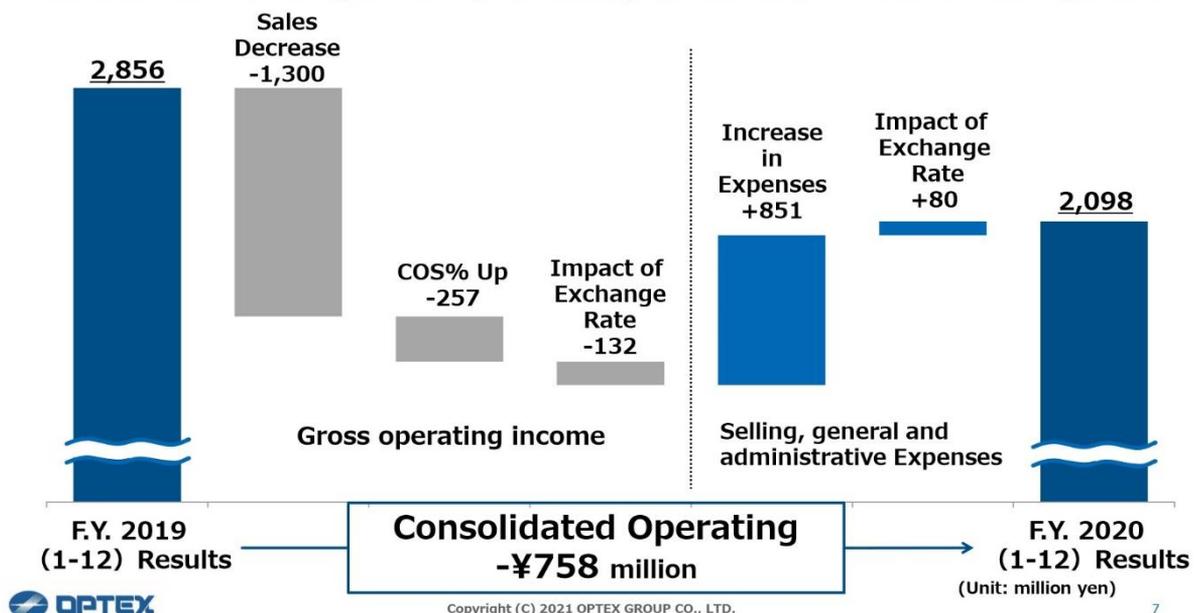
## Factors of change in Net Sales (Year- on-year)



Next, please. This is the increase or decrease in net sales.

As I mentioned earlier, the SS Business had the biggest impact. Next is the MVL Business, and the FA Business saw an increase in sales of just under JPY200 million. The result is a loss of almost JPY2.7 billion.

## Factors of change in Operating Income (Year- on-year)



Next, please. This is the reason for the change in operating income.

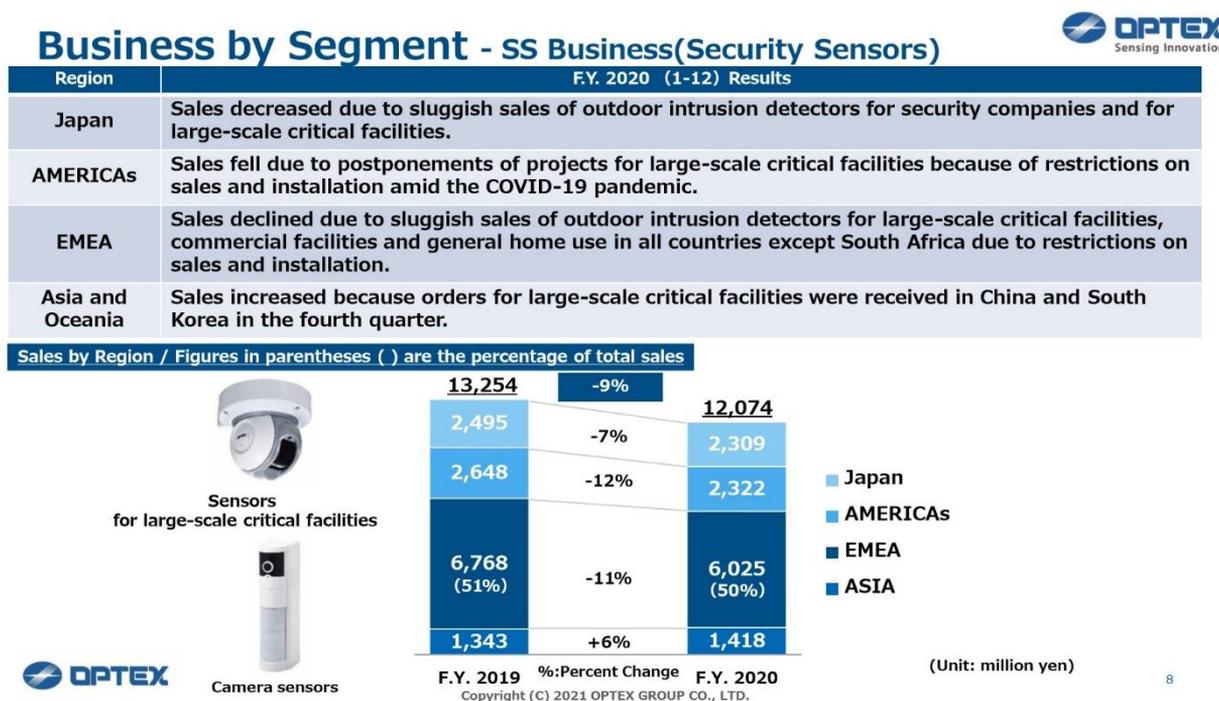
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The most obvious is, of course, the decline in sales. As I mentioned earlier, if sales drop by JPY2 billion, gross profit will drop by over JPY1 billion. The biggest was the reduction in expenses of JPY850 million in terms of SG&A expenses. With these ups and downs, operating income decreased by JPY760 million.

Last year, in terms of SG&A expenses, we were unable to conduct any sales activities and therefore had no travel expenses and could not hold any exhibitions. This was also a very significant contribution to the final result. However, in reality, as I mentioned earlier, we have been investing aggressively, so the negative figure was as shown here.



Next, please. I would like to explain the details of each business. This is the SS Business.

In terms of regions, the major ones are Japan, Europe, and of course the US, as mentioned here. In general, the SS Business, especially Security, has been greatly affected.

The lockdown had a significant impact on us because more than half of our overseas sales depend on Europe. In Japan, the postponement of the Tokyo Olympics has also had an impact on the lack of various capital investments in security.

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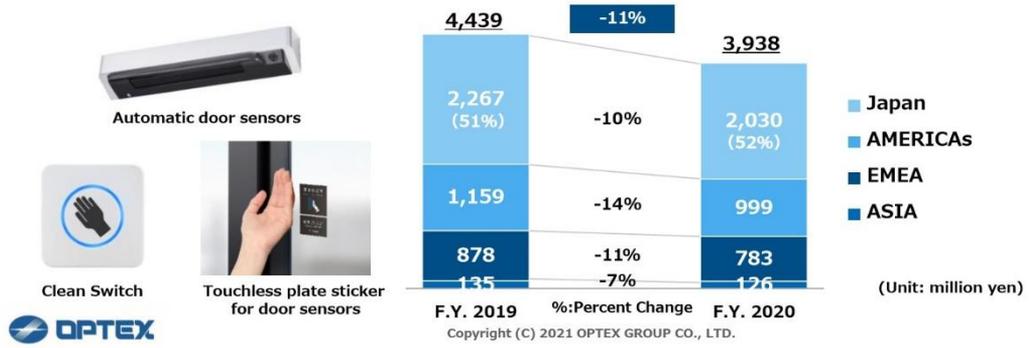
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## Business by Segment - ss Business(Automatic Door Sensors)



Region	F.Y. 2020 (1-12) Results
Japan	Sales declined because investments related to stores, which is the main market, continued to be curbed.
AMERICAS	Sales fell because sales and installation for major OEM customers were restricted in North America.
EMEA	Sales decreased because sales and installation for major OEM customers were restricted in Europe.

Sales by Region / Figures in parentheses ( ) are the percentage of total sales



Next, please. Automatic Door Sensors.

Automatic Doors are another example, and Europe has been very much affected. The reasons are the same, and we have written about them in various ways, but the impact of the lockdown was significant. Also, in Japan, there was a significant impact and capital investment for store renovations has been weakened.

In such a situation, we have received a lot of inquiries about non-contact doors and clean switches because you can open doors without touching them. Although we have not yet been able to make a significant contribution to the increase in sales like last year, we believe that we have mitigated some of the decline.

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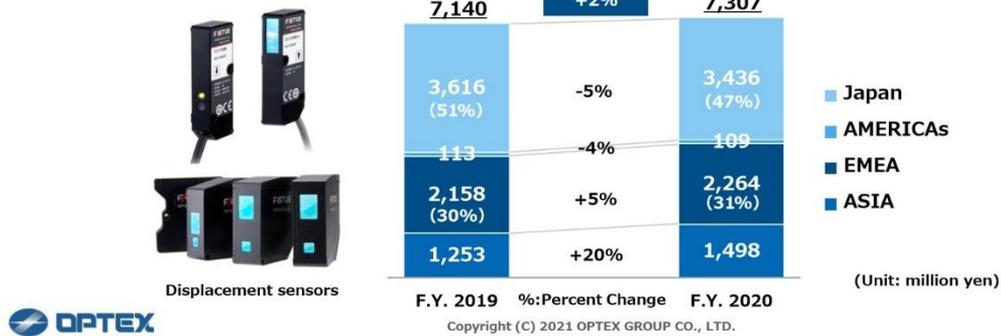


## Business by Segment - Factory Automation Business



Region	F.Y. 2020 (1-12) Results
Japan	Sales decreased due to sluggish capital expenditures in the automobile-related industries, although sales of image sensors were firm in the food industry.
EMEA	Sales rose, reflecting a sharp recovery in sales to OEM customers in Germany.
Asia and Oceania	Sales rose significantly due to strong sales of displacement sensors, among other products, as capital investment increased in China.

Sales by Region / Figures in parentheses ( ) are the percentage of total sales



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Next, please. This is Factory Automation.

In Japan, the figure is negative 5%, which is very good. Our products are mostly for the food industry, and there is a stay-at-home demand for food, so the amount of food we eat does not decrease, regardless of whether we eat outside or inside. In this context, the number of various packaged products has increased greatly. It has been very effective for us in the market for print inspection of frozen foods and other products eaten at home. With this, it was negative 5%.

Europe was positive 5%. In Europe, almost 100% of our products are produced by OEM from SICK K.K. Europe was considerably affected by the lockdown, but SICK sales to China are also growing very fast. Their sales to China have increased by more than 20%. We are seeing the effects of this.

Then, Asia. Asia was up 20%, mostly in China. The manufacturing situation is still very strong in China, both in the beginning of the year and currently.

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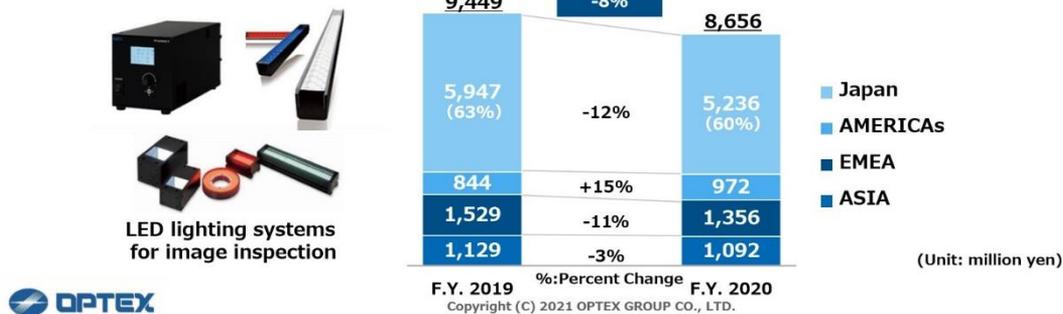
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## Business by Segment - Machine Vision Lighting (MVL) Business

Region	F.Y. 2020 (1-12) Results
Japan	Sales fell because sales activities remained restricted in the second quarter and beyond, despite an increase in inquiries related to 5G investment.
AMERICAS	Sales rose, reflecting steady sales to the medical industry in North America.
EMEA	Sales declined because sales activities were restricted due to the impact of lockdowns.
Asia and Oceania	Sales decreased because sales activities were restricted in most markets except China where sales continued to recover.

Sales by Region / Figures in parentheses ( ) are the percentage of total sales



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Next, please. Machine Vision.

The domestic sales have dropped significantly. This means that MVL, or CCS Inc., has a lot of custom orders, and without the opportunity to visit and discuss, it is difficult to decide on product specifications. There is a special condition that it is difficult to decide remotely online. This area has also just started to pick up considerably since about Q4.

In the US, we have a special case where a pharmaceutical company has just adopted a lot of lighting for the process of inspecting the amount of medicine in the ampoules with a camera.

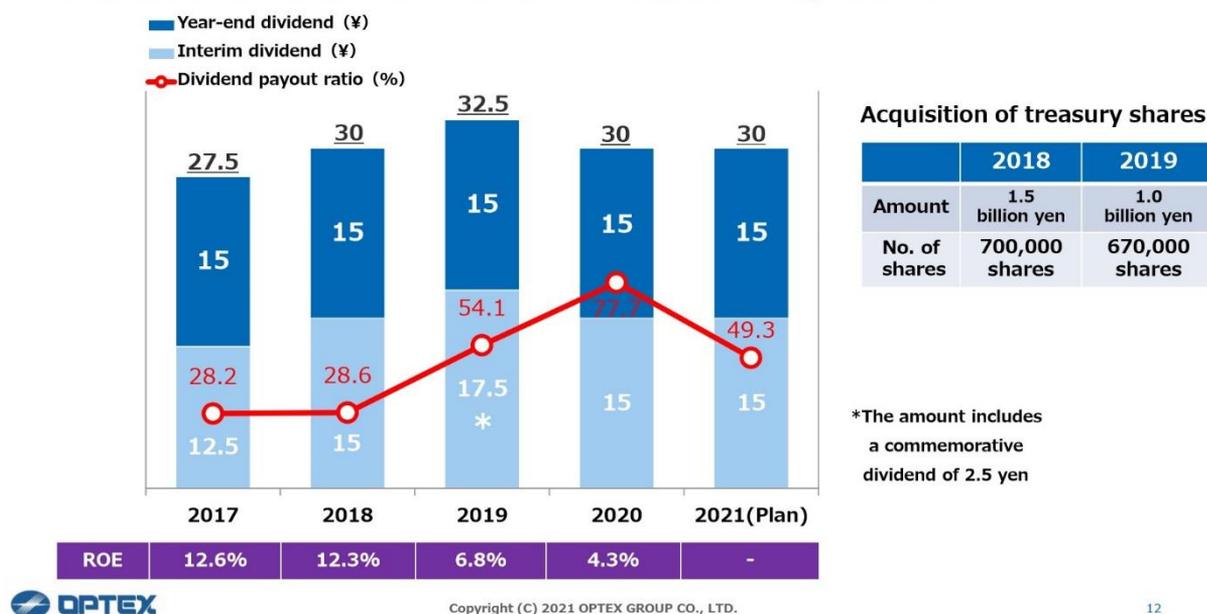
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 Asia's Meetings, Globally

## Revisions to the F.Y. 2020 Dividend Projection



Next, please. This is the dividend payout ratio and dividend payment.

We had actually planned to have an operating income of about JPY1.8 billion, so the dividend payout ratio for 2020 was planned to be over 90%, but since we made a profit of about JPY2.1 billion, the dividend payout ratio is about 77.7%.

In the current fiscal year, FY2021, we will continue to pay a dividend of JPY30 per share. Therefore, the dividend payout ratio is approximately less than 50%. ROE fell below 5% last year, but we expect ROE to recover to around 7% this fiscal year.

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## We aim to become a corporate group full of Venture Spirit !

### Mid-term Plans

In fiscal year 2022, we aim to achieve an operating income margin of 10% or more as a consolidated Group, Continue to reduce fixed costs and improve earnings per employee, Strengthen consolidated sales growth 10%, and re-challenge consolidated sales of 50 billion yen in fiscal 2023!!

### Group's management policy

By strengthening the functions of the Group's head office, we will curb the increase in indirect costs for the Group as a whole.

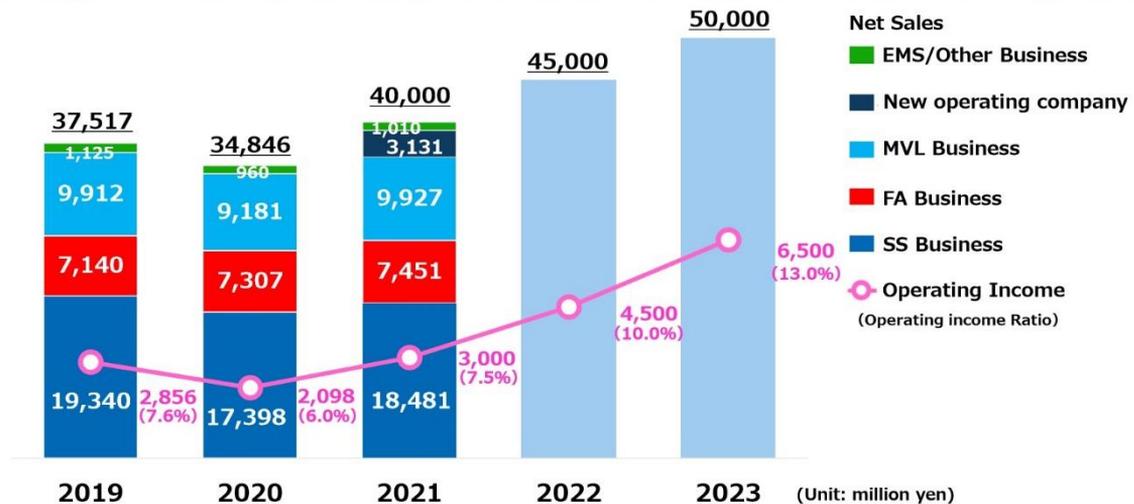
We will put the company back on a course for growth by expanding existing business and promoting new business.



Next, please. This is the corporate philosophy of our Group: "We aim to become a corporate group full of Venture Spirit!"

We are trying to move forward. In December last year, we acquired a company called Sanritz. This company is included in our Group. I would also like to explain about this company later.

## Aiming to achieve 10% annual growth in consolidated net sales and improve the operating income ratio over the next three years.



Note) The results of FY2020 were reclassified to reflect the reorganization through which Gardasoft Vision Limited(UK), a consolidated subsidiary, has been included in the MVL Business instead of the SS Business (Security Sensors).

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Next, please. This is the performance results of last year, and this fiscal year, in terms of the breakdown, we would like to achieve JPY40 billion in net sales and JPY3 billion in operating income.

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The sales of about JPY3.1 billion from Sanritz Automation Co., Ltd., which I mentioned earlier, is included here. The Security, or SS Business, including automatic doors, is just under JPY10 billion. The figure for FA Business is as shown, though it is a bit conservative. Excuse me, that was MVL.

And this is SS Business. In terms of operating income margin, we aim 7.5%, and we hope to recover double-digit operating income in the next fiscal year, FY2022.

## Measures for accomplishing the medium-term management plan

### (i) Create business synergies through M&A

### (ii) Strengthen sales capabilities in Europe

### (iii) Facilitate the shift of the business model from selling products to selling services



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Then measures to achieve the medium-term management plan. We are planning to achieve JPY50 billion by 2023.

M&A deals are not included here. At present, we have included Sanritz Automation, but we have not included any new MA companies. In order to create stronger business synergies in these areas in the future, and we are placing great importance on business synergies.

Then we would like to strengthen our sales force in the European region. We have been planning to do this since before COVID-19, although the COVID-19 pandemic is making it difficult for us to move at the moment. We would like to strengthen our sales force in Europe and then in the US. From a priority perspective, we would like to strengthen Europe.

Also, we have to change our business model from selling products to selling services. In terms of security, we are also talking about focusing on image confirmation systems in CHEKT Business. Also, as for automatic doors, shutters, or factory doors that go up automatically without being touched and clean switches, in addition, regarding so-called "digital transformation," all information on the status of automatic doors is provided to construction workers using IoT and the Cloud. That is, doing maintenance without going to maintenance.

Then in FA, it is communication. Predictive maintenance, as typified by the IO-Link, means sending all the information about the current status of the sensor to the control device. Also, in MVL, we are trying to provide not only lighting but also cameras, software, lenses, et cetera, as a total package. We are planning to promote a total solution.

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We will accelerate the movement from selling things to selling services and make a very important change in our business model. I believe that this is the key to reaching JPY50 billion.

### (i) Create business synergies through M&A

**SANRITZ**

<b>Name</b>	<b>Sanritz Automation Co., Ltd.</b>
<b>Location</b>	<b>Machida City, Tokyo</b>
<b>Date of establishment</b>	<b>March 13, 1971</b>
<b>Representative</b>	<b>Kazuya Suzuki, President</b>
<b>Sales</b>	<b>¥3,700million(FY ended August 31, 2020)</b>
<b>Operating Profit</b>	<b>¥300million(FY ended August 31, 2020)</b>



System solutions



Embedded boards

**Business** **Development, manufacturing and sales of industrial computers and systems**

**Strengths** **Provision of products that are highly reliable in terms of environmental durability, noise insulation and other factors, for different industrial equipment and systems. Capable of continuously providing long-term support and maintenance services.**



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This is the introduction of Sanritz Automation.

This Company was established about 50 years ago. Sales were JPY3.7 billion last year. It will be a little lower due to the impact of this fiscal year, but we plan to have JPY3.1 billion. JPY3.7 billion was the amount for the fiscal year ended August last year, and the financial statements were slightly changed to match ours. It has also generated about JPY300 million in operating income.

This business provides industrial computer systems. The factory lines for circuit boards like this are often controlled with this kind of control equipment when moving in this way and that way. The software will be supplied by the hardware in which the computer is placed in the board. We are building such a computer system.

This is called an embedded board in the industry. There are also embedded boards for cameras, which are printed circuit boards with components and elements on them. You can buy this and build a camera. There is not just a computer that opens up like a PC. This is a company that is actually strong in instructing with such sequences to move this way and that way.

We have acquired about 40% of the shares from Toyota Motor Corporation. We have been delivering and working on Toyota's production lines, and we are now expanding our business to various companies, such as manufacturers of semiconductor manufacturing equipment, and we were fortunate to have the business transferred from them.

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## (i) Create business synergies through M&A

**SANRITZ**

**Promote sales of services (sales of systems) in social infrastructure projects, a business area in which Sanritz demonstrates its strength.**

**(i) Traffic control**



**(ii) Management of parking facilities**



**(iii) Management of railway safety**



**New business opportunities are expected to be created by combining the strengths of the two companies.**



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Next, please. What we can do right now.

They are quite strong in infrastructure, and they are working on the ETC system. Therefore, in the traffic control in these areas, the ETC card is the biggest problem with ETC right now. There are quite a few crimes of replacing this. When you put an ETC of a compact car in your truck, it cannot be seen from the outside, and its price is extremely low. Therefore, there is a movement to start number recognition. We can provide their camera system or our lighting in a unified manner when they check the numbers of every cars that comes in.

We would like to expand the system to include parking lot management and railroad safety management. And we want to create new businesses and synergies. I think we can do this in various fields in the FA field, as well in the future. In this way, we are currently at about JPY3 billion, but in the future we hope to grow to a business of about JPY10 billion so that we can realize synergies. This is that kind of company.

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(ii) Strengthen sales capabilities in Europe - SS Business (Security Sensors) 

**Optex Co., Ltd. established a new company in the Netherlands**

**Further promote the growth strategy of selling services instead of products in Europe.**

**Name :** Optex Security B.V.  
**Location :** The Hague, Netherlands  
**Start of Operation :** January 1, 2021  
**Representative :** Masaya Kida, Managing Director  
**Number of Staff :** 8  
**Purpose :** Popularization and sales expansion of the Visual Verification Solutions.



**Enhancement of customer-oriented sales activities and technical support, and optimization of the logistics network**



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Also, as mentioned earlier, we are strengthening our sales in Europe and have established a base in the Netherlands.

We are in a situation where people are not able to go there, but we are going to control all of Europe from the Netherlands and shifting from selling things to selling services in the European region. This is the Visual Verification Business, which we will explain later. We are planning to strengthen this system further. Visual Verification Solutions. We plan to focus on this.

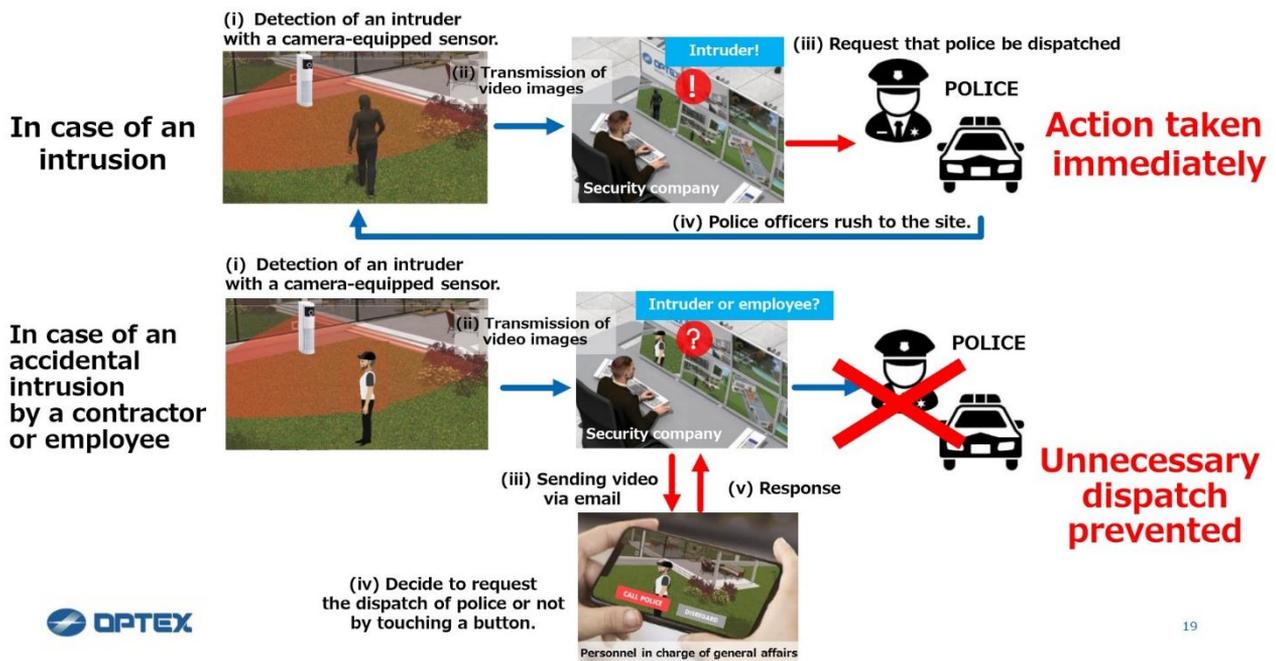
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## Features of visual verification solutions



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Next, please.

We have made an investment in an American venture company called CHEKT, which I have explained several times. This is the system they came up with, and it's very difficult to explain. It's hard to understand what's good about it.

In a nutshell, when a malicious intruder, be it a thief or a burglar, enters the building, the security company or the monitoring company will not know. Possibly a vendor or an employee comes in by mistake. People from their family may come in. But they can't tell the difference. In order to distinguish between such people, we integrated a camera, a sensor, and a control device so that when the sensor detects something, it can send all the images before and after the detection. Therefore, there will be no unnecessary dispatches, resulting in cost reduction. The police also go there only when there is a problem. They can take immediate actions.

We also have released a product that integrates a sensor and a camera. We would like to promote this kind of thing. It has a camera and a sensor. The video signal is sent together through the Cloud. Then it is not easy for the security company to know, so naturally, you receive all the information that these images came in.

At this timing, if you know this person, you don't need the security company to come, so there is no need for unnecessary dispatch. You can find out by going to the administrator. If not, you should take immediate action and run to the police. In most cases in Europe and the US, the police rush to the scene.

CHEKT's system provides this kind of service, and we are the only one who is doing this yet. Last year, our sales were only about JPY100 million. We've hardly been able to make sales activities. The contract would increase at a much steeper angle once the situation settles down. However, we need to do our best to make easy-to-understand explanations to persuade people to spread the product. After all, it will take time because this character of product requires persuasion. However, once the COVID-19 pandemic is over, I think we can start up at once, as we are not doing nothing.

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(ii) Strengthen sales capabilities in Europe - MVL Business



CCS Inc. established a new company in the Netherlands.

Supervise the Group's companies operating in Europe and facilitate growth in the region.

Name : CCS Europe Holding B.V. (CCSEH)

Location : Hilversum, Netherlands

Establishment : January 1, 2021

Representative : Hiroshi Matsubara, CEO of CCSEH

Number of Staff : 4

Purpose : Supervision of the Group's companies operating in Europe and facilitation of their more effective collaboration. Maximization of competitive power.



Building Exterior



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Next, please. This is CCS Inc.'s Netherlands presiding company. Actually, as I mentioned earlier about expenses, this company was also established on January 1, so we actually invested quite a bit in November and December. We have invested, not in this big building, but in the office in it. What does this company do?

(ii) Strengthen sales capabilities in Europe - MVL Business



Strengthen collaboration between the group companies in Europe and accelerate the provision of total solutions.



Increase sales in Europe to 4.0 billion yen by 2025 (target).



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Next, please.

In fact, originally CCS has its sales subsidiary in Belgium. We also acquired a company called EFFILUX in France and Germany two years ago, whose headquarters is in France. Also, about three years ago, we acquired

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Gardasoft Vision, a company that provides lighting and controllers for image processing. These companies are currently working separately, so we will take action to integrate all of them.

By doing so, we will be able to strengthen our sales by having a single command center. As written here, we are planning to increase sales to at least JPY4 billion by 2025. At the moment, the total business scale is still a little over JPY1 billion.

**(iii) Facilitate the shift of the business model - SS Business(Automatic Door Sensors)** 

**Optex Co., Ltd.'s shift from selling products to selling services**

Commencement of the operation of OMNICITY, which is the first sharing service in the industry utilizing automatic door sensors (Feb. 2021~)

Information is transmitted to passersby's smartphones from an automatic door sensor equipped with a beacon.

(Example: Supermarket)



automatic door sensor equipped with a beacon

A customer >>> Receives transmitted coupons. >>> Takes advantage of discounts and makes purchases.

Store owners ↔ Matching ↔ Companies wishing to provide information at store entrances



- Provision of platforms for identifying places where users are able to use services  
- Creating proposals for effective utilization

Improve the efficiency of store operations by facilitating digital transformation.



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Next, please.

This is one of the solutions I mentioned earlier. This is a completely new business, a service that uses automatic door sensors to shift from selling things to selling services, and we call it OMNICITY. We are going to start offering the service in February. We put a beacon, a Bluetooth-like device, inside the sensor.

We are going to start a matching service. Supermarket, for example. Suppose a supermarket chain has about 50 stores. You put such a beacon in the automatic door sensor here. If you put in the beacon and then the customers get the app using the QR code, they can get a coupon when they come close to the door, for example.

This is actually being done in supermarkets, and coupons are accumulated and can be used just like cash. We would like to provide this kind of service. Or you can provide information. This automatic door sensor is attached to the entrance, so if you install such an app here, you can provide such a service when coming to the front. And the stores can keep the customers.

In reality, there are companies doing this kind of business, and they are major advertising agencies. These companies are already providing this kind of service through their subsidiaries. It's a matching service that brings together companies that have many stores in various distribution channels and offer this kind of business. We have two million automatic door sensors nationwide. In terms of the number of automatic doors, there are one million. The image is roughly like this, and automatic door sensors are equipped in Tokyo.

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Therefore, when you go to such places, if you have installed the app, you can receive some kind of service. You can get coupons or collect points by providing information. Since we are in the business of automatic doors, we would like to offer this new business.

There are two million of these in Japan, so it is not easy to replace them in a day or two. In other words, we could replace the sensors in all the automatic doors and the diffusion rate will probably increase rapidly in three to four years.

In that case, it would be used with a monthly fixed fee, based on the same logic as subscription fee. We are going to start that kind of continuous business. As for OMNICITY, this is not easy if we do not have the access to the entrance. In fact, there are some cases that have already done this, but people have to enter the store because the beacon is only inside the store. It will fly only a few meters, so it cannot catch people passing in front of it at all. Our sensors are attached on the outside of the entrance, which is our great strength.

Not everyone can touch this area without permission. The construction workers of our works and our sensors have a lot of influence, so it is difficult for others to come in and install the sensors without permission. This is one of our strengths. We would like to start a new business like this. This is a part of the so-called "shift from selling things to selling services."

That's all from me. It has been a bit muddled explanation, but we have been preparing to expand our business from selling things to selling services since before the COVID-19 pandemic. If it settles down, we are confident that we will be able to rapidly promote our business in perhaps one or two years, so I hope you will continue to keep a close eye on us.

Thank you very much.

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## Question & Answer

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**Kondo:** Thank you very much. While we are tallying up the questions, I would like to show you an image video of OMNICITY, a sharing service using automatic door sensors, which was introduced by Mr. Oguni earlier.

Thank you very much for your patience. Now for the first question.

“Now that you have M&A’ed Sanritz Automation, what type of business you are planning to consider M&A in the future?”

**Oguni:** We consider M&A to be a very important management strategy and business promotion. We are not thinking of laying the foundation in a place that is completely different from our business.

Therefore, Factory Automation Systems, including lighting. Then Security, largely Automatic Doors, and Entrance Business. Our policy is that, when we have proof that synergies can be realized in the future in areas close to our core business, we will positively consider it.

**Kondo:** Thank you very much. Now for the next question.

“You mentioned the medium-term management plan, but are the figures for future M&A included in that plan?”

**Oguni:** In the current fiscal year, the JPY40 billion includes about JPY3 billion from Sanritz Automation. Then JPY50 billion in 2023 and for next year, no new M&A is included here. We have included it as an extension of our current business.

**Kondo:** Thank you very much. Then, next question.

“Automobile manufacturers are scrambling to secure semiconductor parts, but is this likely to affect your Company's production?”

**Oguni:** The shortage of semiconductors, which also includes capacitors, has been reported since early last fall, and there is currently a huge shortage. Now the situation is that it may affect the production plan next month and the month after that.

Therefore, I believe that all companies are now looking for any alternative parts on the market. We are now very busy looking for parts, and the actual impact is becoming quite apparent.

**Kondo:** Thank you very much. Now for the next question.

“Could you tell us about the progress of the production transfer to Vietnam?”

**Oguni:** Due to the impact of the trade friction between the US and China, tariffs were going to be raised substantially, so we decided to produce our products in Vietnam. It accounts for about 30% of the total production in China. The transfer of manufacturing for that part was almost completed last year.

**Kondo:** Thank you very much. Now for the next question.

“Could you tell us about the current progress of synergies with the acquired CCS?”

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**Oguni:** With CCS, for example, in the manufacturing field, OPTEX FA is also engaged in LED lighting. And CCS has very good customers. We are already working on sales to these companies, sales of sensors, and joint purchasing since we use the same parts. The amount is still about just JPY200 million or JPY300 million.

However, I mentioned earlier that we will be moving our manufacturing plant to CCS from March this year. OPTEX MFG, which is also in charge of FA manufacturing, will be moving into this manufacturing plant, the same building.

Therefore, I believe that the synergy in manufacturing between the two companies can be pursued to a large extent in terms of cost reduction and quality.

In terms of sales, we have been sharing business partners with each other, so I think we can expect synergies of about JPY1 billion after the COVID-19 settles down.

**Kondo:** Thank you very much. We are a little early, but since we have no more questions, we will conclude the question-and-answer session here. Thank you very much.

This concludes OPTEX GROUP COMPANY, LIMITED financial results briefing for the fiscal year ended December 31, 2020.

Thank you very much for taking time out of your busy schedule to join us today.

**Oguni:** Thank you very much for your time. We look forward to your continued support.

[END]

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#### **Document Notes**

1. *Portions of the document where the audio is unclear are marked with [Inaudible].*
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