



President Akihide Tsuchiya

## Vertex Corporation (5290)



## Company Information

Market	TSE Standard Market
Industry	Glass, earthen, and stone products (manufacturing business)
President	Akihide Tsuchiya
HQ Address	5-7-2 Kojimachi Chiyoda-ku Tokyo
Year-end	March
HP	<a href="https://www.vertex-grp.co.jp/">https://www.vertex-grp.co.jp/</a>

## Stock Information

Share Price	Number of shares issued		Total market cap	ROE Act.	Trading Unit
¥3,430	10,184,450 shares		¥34,932 million	15.4%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥25.00	2.2%	¥161.30	7.1x	¥3,230.95	1.0

\* Stock price is as of closing on June 9, 2022. Each number is taken from the brief financial report FY Ended March 2022. A 3-for-1 stock split is scheduled on July 1, 2022. This stock split was taken into account, when calculating dividend yield and PER.

## Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2019 Act.	29,701	2,516	2,694	5,934	712.28	70.00
March 2020 Act.	39,014	3,788	3,959	2,336	262.01	60.00
March 2021 Act.	37,763	5,290	5,635	3,759	428.41	90.00
March 2022 Act.	37,514	6,143	6,434	4,242	482.89	80.00
March 2023 Est.	39,000	6,200	6,500	4,350	161.30	25.00

\*Unit: Million yen. The estimated values were provided by the company. Net income is profit attributable to owners of the parent. Hereinafter the same shall apply. The dividend for the term ended March 2021 includes the commemorative dividend of 30.00 yen/share. A 3-for-1 stock split is scheduled on July 1, 2022. Retroactive adjustment was not applied to EPS or DPS.

This Bridge Report overviews the business performance for the Fiscal Year Ended March 2022 and other information for Vertex Corporation.

## Table of Contents

### [Key Points](#)

#### [1. Company Overview](#)

#### [2. Fiscal Year Ended March 2022 Earnings Results](#)

#### [3. Fiscal Year Ending March 2023 Earnings Forecasts](#)

#### [4. Progress of the Second Mid-Term Management Plan](#)

#### [5. Conclusions](#)

#### [<Reference 1: Regarding Second Mid-Term Management Plan>](#)

#### [<Reference 2: Regarding Corporate Governance>](#)

## Key Points

- Under the policy “To build safe society”, Vertex Corporation engages in the supply, installation, etc. of products required for developing social capital and infrastructure, including concrete products. Taking advantage of the competitiveness of products, the ability to propose technologies, and plenty of intellectual property, it became one of the companies that have the highest profitability in this industry. Its forte also includes the capability of responding to things in cooperation with group companies.
- In the term ended March 2022, sales dropped 0.7% year on year to 37,514 million yen. Sales increased only in Disaster Prevention Business. They reviewed its handling of purchased products in the Concrete Business, and the Pile Business experienced delays in construction schedules due to the prolonged novel coronavirus pandemic. Operating income increased 16.1% year on year to 6,143 million yen. In the Concrete Business, unit selling prices went up as the company improved the handling of underperforming products, and the product mix improved. Gross profit rose 5.9% year on year, and gross profit margin also improved 1.9 points, however, SG&A dropped 3.3% year on year. Sales did not reach the forecast, however, each profit exceeded the forecasts.
- In the term ending March 2023, sales are projected to rise 4.0% year on year to 39 billion yen, and operating income to rise 0.9% year on year to 6.2 billion yen. Even though the business environment is expected to be severe due to a surge in material costs and rising logistics costs, the company aims to increase sales and operating income by working on reflecting them in unit selling prices, further improving the product mix, and reducing costs. The company plans to pay a common dividend of 25.00 yen per share. The dividend payout ratio is expected to be 15.5%. They plan to acquire up to 215,000 treasury shares, during this term. The number of shares represents that before a stock split. A 3-for-1 stock split is scheduled to be executed on July 1, 2022.
- According to the ongoing second medium-term management plan, the company aimed to maintain 6.1 billion yen in operating income and 10.0% or higher in ROE in the final term of the plan (the term ending March 2024), however, they achieved the target values in the first term of the plan, the term ended March 2022, earlier than planned. Three basic policies of the company, “Promote organic growth by expanding core business,” “Develop growing businesses and obtain new revenue opportunities,” and “Establish a business management base that allows sustainable growth,” have been progressing steadily as the company released original products and made efforts to strengthen its systems and functions.
- According to the company’s medium-term management plan, the company aims to achieve 40 billion yen in sales, 5.8 billion yen in operating income, and 14.5% in operating income margin in the term ending March 2023, however, both operating income and operating income margin in this term and the final term are expected to exceed the forecasts, even though sales in this term are expected to fall short of the projection. Even though there is a source of instability due to the continuous surge in material costs, we would like to see if they can continuously increase profitability, with their original business model that can minimize a price-cutting competition by conducting PR for products and giving technology suggestions from the planning stage of construction projects.

## 1. Company Overview

Under the policy “To build safe society”, Vertex Corporation engages in the supply, installation, etc. of products required for developing social capital and infrastructure, including concrete products. Taking advantage of the competitiveness of products, the ability to propose technologies, and plenty of intellectual property, it became one of the companies that have the highest profitability in this industry. Its forte also includes the capability of responding to things in cooperation with group companies.

### 【1-1 Company History】

In 2014, three companies, NIPPON ZENITH PIPE CO., LTD., HANEX CO., LTD. (former name: HANEDA HUME PIPE CO., LTD.), and HANEDA CONCRETE INDUSTRIAL CO., LTD., merged into HANEDA ZENITH CO., LTD., which was then renamed HANEDA ZENITH HOLDINGS CO., LTD.

On October 1, 2018, HANEDA ZENITH HOLDINGS CO., LTD. and HOKUKON CO., LTD. (based in Fukui Prefecture) established Vertex Corporation through joint stock transfer (which made HANEDA ZENITH HOLDINGS CO., LTD. and HOKUKON CO., LTD. wholly owned subsidiaries).

The companies set up a new business group.

In April 2019, HANEDA ZENITH CO., LTD., as the surviving company, absorbed HANEDA ZENITH HOLDINGS CO., LTD. (a merged company).

On April 1, 2021, Vertex Co., Ltd. was born through absorption-type merger carried out by HANEDA ZENITH CO., LTD. as the surviving company and HOKUKON CO., LTD. as the merged company, which were the core business companies affiliated with Vertex Corporation.

Vertex Co., Ltd. aims to achieve sales and profit growth by increasing its market share and boosting profitability in the mature markets of concrete and piles, and the growing market of disaster prevention through a multitude of approaches, including creation of business synergy and enhancement of business efficiency.

### 【1-2 Raison d'être】

The company has put out a mission statement: “To build safe society.”

For safe life everywhere in this country that is constantly afflicted with natural disasters,  
for confidence about peace and safety of families and friends living far away, and  
for growth and enrichment of the mind of children,

We must continue our pursuit

of the one-and-only technology that continuously satisfies difficult needs,  
of unique ideas that no one has ever come up with, and  
of a nationwide network that can swiftly deal with any unexpected events.

To overcome any kind of disaster, and  
to create safety that has not existed yet,

What we create is not just material things,  
but a new form of safety by racking our brains  
so that all people can continue to live everyday with smiles.

The company understands that its social purpose is to contribute to realizing safe daily life by providing a variety of products that are essential for developing social capital and infrastructure for daily lives.

### 【1-3 Market Environment】

The following are the points to keep in mind for understanding the company's business environment:

#### (1) Accelerated National Resilience Plan

The “Basic Plan for National Resilience,” which was approved by the Cabinet in June 2014 as a countermeasure against major earthquakes, such as the Southern Hyogo Prefecture Earthquake and the Great East Japan Earthquake, and powerful typhoons that cause damage in various regions every year was revised in December 2018 (four years later), and on June 17, 2021, a “Five-year Acceleration Plan for Disaster Preparedness, Reduction and National Resilience” was announced.

As a result, Japan is accelerating efforts to strengthen and enhance its national resilience.

It is stated in the annual plan for 2021 that “We will increase efforts to strengthen national resilience and install a countermeasure system combining hardware and software. From fiscal 2022 onward, we will continue to secure a necessary budget to move forward the basic plan for disaster preparedness, reduction and national resilience across Japan, and to build sturdy homes that can withstand disasters as a national hundred-year plan.” (from (1) Purpose of formulation of an annual plan on page 2).

Further, one of the goals in implementing the “Five-year Acceleration Plan” for FY 2021 to FY 2025 is to contribute to the realization of carbon neutrality by FY 2050. Contents of the plan include “the response to climate change, large-scale earthquakes, etc.,” “managing aging infrastructure,” “utilizing the latest technologies such as digital technologies, and the introduction of innovations.”

The “Basic Plan for National Resilience” is expected to continue accelerating as a core policy in relation to focal topics such as climate change and carbon neutrality.

#### (2) Aging Social Capital

According to the Ministry of Land, Infrastructure, Transport and Tourism, Japan's social capital stock has been intensively developed during the rapid economic growth period, and there are concerns that it will quickly deteriorate hereafter. It is expected that over the next 20 years, the percentage of road bridges, tunnels, river management facilities, sewage systems, harbors, etc. constructed over 50 years ago will rise at an accelerated rate.

(Percentage of main social capital over 50 years since construction)

	March 2018	March 2023	March 2033
Road bridges (approx. 730,000 bridges)	Approx. 25%	Approx. 39%	Approx. 63%
Tunnels (approx. 11,000 tunnels)	Approx. 20%	Approx. 27%	Approx. 42%
River management facilities (approx. 10,000 facilities including sluices)	Approx. 32%	Approx. 42%	Approx. 62%
Sewage pipes (total length: approx. 470,000 km)	Approx. 4%	Approx. 8%	Approx. 21%
Port quays (approx. 5,000 facilities)	Approx. 17%	Approx. 32%	Approx. 58%

Source: “Infrastructure Maintenance Information” provided by the Ministry of Land, Infrastructure and Transport

In 2035, about 58% of 520,000 fire cisterns, and in 2027, roughly 40% of 50,000 km of agricultural drainage channels will have been constructed over 50 years ago.

It is therefore necessary for the government to strategically maintain, manage and upgrade aging infrastructure. In the “Basic Plan for National Resilience,” the city plans to implement countermeasures against urban erosion 100% by 2040, including rainwater drainage facilities to prevent and reduce flood damage in sewage systems, and countermeasures against sediment disasters in sediment control systems 100% by 2045.

### (3) Aging of construction workers and shortage of manpower: expansion of precast construction methods

The number of workers in the construction industry is declining. In addition, the labor shortage due to the declining birthrate and aging population has become a major issue in the construction industry. According to the data collected by the Ministry of Land, Infrastructure, Transport and Tourism, it is estimated that approximately one-third of workers in the construction industry are aged 55 and older while approximately 10% are those aged 29 and younger, resulting in a shortage of at least 500,000 skilled workers in 2025.

Various efforts have been made to resolve this issue including the use of the “precast construction” method. “Precast concrete” parts such as gutters, pipes, manholes, piles, bridge girders and parts of buildings are manufactured off-site and delivered to the construction site for assembly and installation.

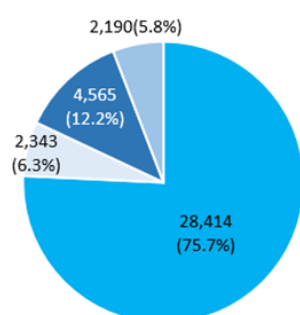
In contrast, the current mainstream construction method is the “on-site construction” method, in which concrete products are manufactured on-site by pouring concrete into wooden or iron molds, assembled at the site, and then hardened.

If you just consider the initial costs of “on-site construction,” it has an economic advantage compared with “precast construction”; however, because the latter is superior in terms of design costs, shorter construction periods, lack of necessity to arrange traffic regulations, lack of related economic losses, as well as product quality, it is expected to gain ground moving forward.

#### 【1-4 Business Details】

The company has four reporting segments, which are Concrete Business, Pile Business, Disaster Prevention Business, and Other Business.

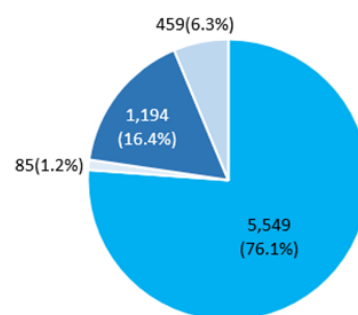
Sales composition by segment (FY3/22; unit: million yen)



Concrete Business Pile Business Disaster Prevention Business Other Business

\* Sales to external customers

Operating income composition by segment (FY3/22; unit: million yen)



Concrete Business Pile Business Disaster Prevention Business Other Business



\* The percentage is the ratio to the total amount before adjustment.

The following is a table showing the group companies operating each business segment:

Business	Group Companies
Concrete Business	Vertex Co., Ltd. (Tokyo) Vertex Construction Company (Osaka) HOKUKON PRODUCT, K.K. (Fukui Pref.) Hokkan Concrete Kogyo Co., Ltd. (Gunma Pref.) Universal Business Planning Co., Ltd. (Fukui Pref.) Tohoku Haneda Concrete K.K. (Yamagata Pref.) Kyushu Vertex Co., Ltd. (Fukuoka Pref.)
Pile Business	HOKUKON MATERIAL CO., LTD. (Fukui Pref.)
Disaster Prevention Business	Vertex Co., Ltd. (Tokyo) Vertex Construction Company (Osaka)
Other Business	WICERA Co., Ltd. (Gifu Pref.) M.T Giken Co., Ltd. (Osaka) iB Solution Corporation (Fukui Pref.) Hanex Road Co., Ltd. (Tokyo) NX inc. (Tokyo; equity-method affiliate)

**(1) Concrete Business**




This business manufactures and sells secondary concrete products, sells other related products, and undertakes installation of products in the segments of anti-inundation & sewage system, road, maintenance, railroad, and housing & development.

Segment	Overview/main products and services
Anti-inundation/sewage system	<p>This segment offers the best proposal with a rich lineup of products developed reflecting the needs and the one-and-only technology in order to help adopt anti-disaster and disaster mitigation measures, such as measures against flood damage and renovation for anti-earthquake sewage facilities.</p> <p>(Main products/services)</p> <p>◎ Precast flood control basin (underground water tank)</p> <p>This facility prevents rainwater from flowing into rivers. In an underground precast flood control basin, a facility to prevent rainwater outflow is built underground while the space above the ground can be used for multiple purposes, such as including parks, athletic fields, and parking lots.</p>  <p>◎ Box culvert</p> <p>A box culvert is a box-shaped concrete structure that is installed primarily underground and used for holding waterways and communication lines. With a variety of uses, box culverts are utilized in myriad infrastructure projects, such as underpasses and reservoirs.</p>  <p>◎ Prefabricated round manhole</p> <p>As a pioneer of prefabricated manholes, the company offers an extensive lineup of manholes ranging from small ones (with the inner diameter of 300 mm) to extra-large ones (with the inner diameter of 2200 mm) in order to satisfy multifarious needs for manhole installation works.</p>
Road	<p>Possessing a number of products that help not only with development of road infrastructure, but in protecting human lives as well, the company contributes to building safe roads.</p> <p>(Main products/services)</p> <p>◎ Precast guard fence (PGF)</p> <p>The precast guard fence is a rigid protective fence made of precast concrete for preventing vehicles from swerving off the road while ensuring the safety of the drivers and passengers. It is used at such places as roadsides, median strips, and concrete barrier parapets.</p>





## BRIDGE REPORT



	<p>◎ Span the Arch</p> <p>It is a culvert that can support ultra-large spans and consists of multiple components that are assembled on site in the shape of an arch for building grade separated crossings (underpasses) between tunnels and roads. It is highly effective against earthquakes, soft ground, and eccentric load.</p> 
Maintenance	<p>As measures against deterioration of infrastructure, this segment proposes optimal products and methods while taking into account life-cycle cost. It contributes to prolonging the life of infrastructure that is the basis supporting enriched daily life of the citizens and social economy.</p> <p>(Main products/services)</p> <p>◎ Ductal panel</p> <p>The ductal panel is a high-durability, thin-wall panel installed underground, which is made of ultra-high strength, fiber-reinforced concrete that is highly durable in a harsh environment in which damage from salt, frost, and wear occurs. It can prolong the life of constructions and cut down on the cost of maintenance and management.</p>  <p>◎ Maintenance of fire cisterns</p> <p>This service offers methods of repair and reinforcement of deteriorated fire cisterns against leakage of water caused by earthquakes and secondary disaster resulting from collapse of roads.</p> 
Railroad	<p>This segment offers safety via the lineup of products developed through vigorous pursuit of quality materials, such as ultra-high strength, fiber-reinforced concrete and special mortar.</p> <p>(Main products/services)</p> <p>◎ Platform screen door slab</p> <p>While the number of train stations that have installed facilities for preventing passengers from falling from the platforms is rising, some stations are encountering difficulty in installing such facilities because their existing floor slabs cannot bear the load of movable platform gates (platform screen doors). This product not only is lighter than the conventional products, but can be installed easily as well.</p>

## BRIDGE REPORT



	
Housing/development	<p>This segment offers an extended lineup of products resistant to massive earthquakes in order to develop earthquake- and disaster-resilient cities, including earthquake-proof water storage tanks, which are the segment's top-selling product brand, and unique portable toilets for use in the event of disaster.</p> <p>(Main products/services)</p> <p>◎ HC fire cistern/HC earthquake-proof water storage tank</p> <p>The main products of this segment are precast fire cisterns and earthquake-proof water storage tanks. The fact that the fire cisterns and water storage tanks survived the Great Hanshin earthquake has proven their high reliability and safety. The fire cisterns and water tanks have been installed in great number.</p> 

**(2) Pile Business**

The company manufactures and sells centrifugal prestressed concrete piles, and undertakes piling works.

**(3) Disaster Prevention Business**

The company manufactures and sells high-energy-absorption fences for preventing rocks from falling, and products for preventing such disaster as mudflows, avalanches, and debris flows, sells other related products, and undertakes installation works.

◎ Loop fence (high-energy-absorption fence for preventing rocks from falling)

Displacement-control fence for preventing rocks from falling down, with displacement being small when the net catches falling rocks while the energy absorption capacity is enormous



◎ MJ net (ultra-high-energy-absorption fence for preventing rocks from falling)

One of the world's largest fences for preventing rocks from falling down that can withstand a falling rock energy of up to 3,000 kJ thanks to the combination of special wiring and props



(Taken from the reference material of the company)

**(4) Other Business**

The company engages in various business operations, including to manufacture and sell new ceramic products, rent equipment and sell materials, sell radio frequency identifiers (RFID; non-contact IC tags), conduct investigation and tests of concrete, develop and sell systems, and rent real estate.

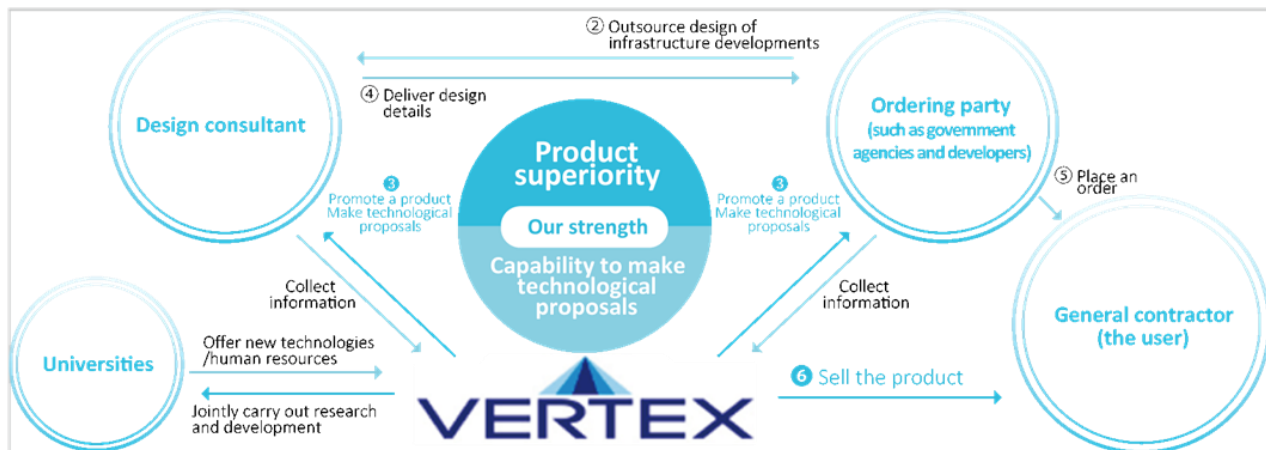


### 【1-5 Characteristics and Strength】

#### (1) Product superiority and capability to make technological proposals

The company has developed its unique business model that is less susceptible to price competition by being involved in multiple project phases from designing to product promotion to technological proposal.

#### Business Model Based on Our Strength



(Taken from the company's website)

What underpin the strength are the capability of collecting information, development and tests, and the power of human resources.

##### ① Capability of collecting information

The company precisely understands the needs of manufacturers and suppliers by not only selling products but also collecting information at all times from design consultants in charge of designing and the final clients, which are government and public agencies. It also is involved proactively with product promotion and technological proposal.

##### ② Development and tests

Based on the information obtained and needs understood, the company develops new products internally and tests them in order to develop new products ahead of other companies and come up with ways to use them. In addition, collaboration with universities and other organizations allows efficient development and tests.

The fact that HANEDA ZENITH CO., LTD. and HOKUKON CO., LTD., which are the predecessor companies of Vertex Co., Ltd., gave their focus on technology seemingly contributes to the competitive superiority of the company that takes pride in its technologies.

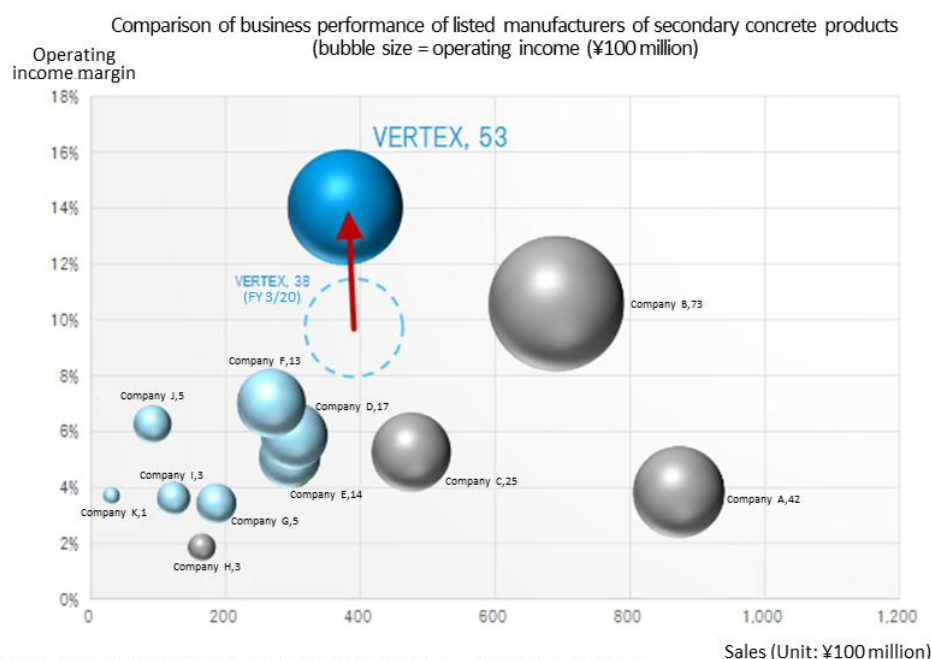
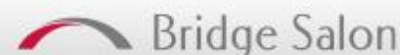
##### ③ Power of human resources

Talented staff full of curiosity, such as sales staff members with outstanding capabilities to make proposal that enable them to accurately grasp the market needs, and technical staff members who make it possible to develop and propose new products in view of needs and information, are in charge of information collection, development, and tests.

#### (2) High profitability, and plentiful intellectual property as the source thereof

The company has achieved high profitability based on the aforementioned business model realized taking advantage of its exceptional technological capabilities.

## BRIDGE REPORT

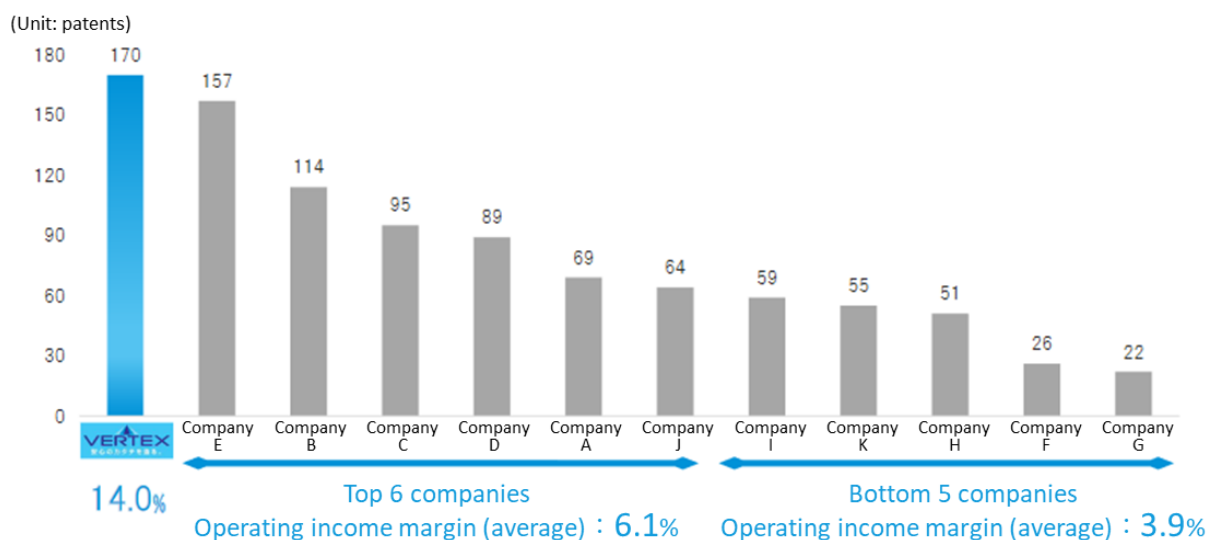


\*The values of other companies are the actual values or estimates published as of May 11, 2021 for the fiscal year ended March 2021 (or fiscal year February 2021).

(Taken from the reference material of the company; the light-blue bubbles indicate the trade in the company's Concrete Business while the gray bubbles refer to the trade in its Pile Business.)

The intellectual property generated from proactive investment in research and development is the source of the company's large income.

■ Comparison of the number of patents obtained by listed manufacturers of secondary concrete products  
(patents + utility models)



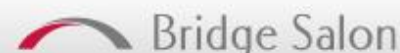
(Taken from the reference material of the company)







### (3) Multifarious industry-leading products that have taken large share

The company carries out research and technological development and launches new products into the markets ahead of any other companies in order to create new markets. It improves and upgrades the products after the launch by seeking customers' opinions as appropriate. While equivalent items launched by other companies are booming the markets, the company is exerting superiority as a leading manufacturer in terms of cost and quality, securing its position as the top brand.

These product development processes enable the company to have the following best-selling products:

## BRIDGE REPORT



Anti-inundation segment/ Sewage system segment	<div><p>Top-selling product</p></div> <div>Box culvert</div>	<div><p>Top-selling product</p></div> <div>Manhole (round)</div>	<div><p>Top-selling product</p></div> <div>Manhole (rectangle)</div>	<div><p>Top-selling product</p></div> <div>Underground rainwater storage facility</div>
Housing/ development segment	<div><p>Top-selling product</p></div> <div>Residential retaining wall</div>	<div><p>Top-selling product</p></div> <div>Fire cistern</div>		

**(4) Group's extensive response capabilities**

With Vertex Co., Ltd. and each of its group companies are in charge of a variety of business operations, the company is capable of taking in various demands of myriad parties concerned, ranging from manufacturers and suppliers to sellers. It will strive to further exert and strengthen the corporate group synergy.

**【1-6 Dividend Policy and Shareholder Return】**

In addition to stable payment of ordinary dividends, the company intends to pay shareholder return through acquisition of treasury shares with an expected total payout ratio being 30%, as well as to consider paying special and commemorative dividends as appropriate.

It acquired 175,000 treasury shares (accounting for about 1.7% of the total number of issued shares) within the fiscal year ending March 2022.

**【1-7 Analysis of Return on Equity】**

	FY 3/20	FY 3/21	FY 3/22
<b>ROE (%)</b>	<b>10.4</b>	<b>15.3</b>	<b>15.4</b>
Net income margin (%)	5.99	9.95	11.31
Total asset turnover (times)	0.91	0.86	0.80
Leverage (times)	1.91	1.80	1.70

In the term ended March 2022, despite the drop in total asset turnover ratio and leverage, ROE increased 0.1 points year on year because of the increased margin.

The medium-term business plan is aimed at maintaining a return on equity (ROE) of 10% or over in the fiscal year ending March 2024.

## 2. Fiscal Year Ended March 2022 Earnings Results

### [2-1 Overview of the consolidated results]

	FY 3/21	Ratio to sales	FY 3/22	Ratio to sales	YoY	Compared to the estimate
Sales	37,763	100.0%	37,514	100.0%	-0.7%	-3.8%
Gross profit	11,248	29.8%	11,907	31.7%	+5.9%	-
SG&A	5,98	15.8%	5,763	15.4%	+3.3%	-
Operating Income	5,290	14.0%	6,143	16.4%	+16.1%	+11.7%
Ordinary Income	5,635	14.9%	6,434	17.2%	+14.2%	+12.9%
Net Income	3,759	10.0%	4,242	11.3%	+12.9%	+11.6%

\*Unit: Million yen.

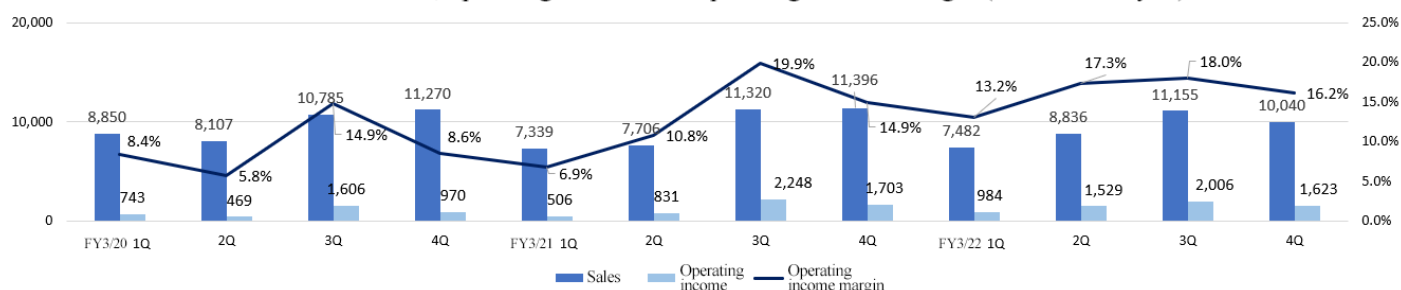
### Both sales and profit increased, and profit exceeded the forecasts.

In the term ended March 2022, sales dropped 0.7% year on year to 37,514 million yen. Sales increased only in Disaster Prevention Business. They reviewed its handling of purchased products in the Concrete Business, and the Pile Business experienced delays in construction schedules due to the prolonged novel coronavirus pandemic.

Operating income increased 16.1% year on year to 6,143 million yen. In the Concrete Business, unit selling prices went up as the company improved the handling of underperforming products, and the product mix improved. Gross profit rose 5.9% year on year, and gross profit margin also improved 1.9 points, however, SG&A dropped 3.3% year on year.

Sales did not reach the forecast, however, each profit exceeded the forecasts.

Variations in sales, operating income and operating income margin (unit: million yen)



## BRIDGE REPORT



## 【2-2 Trend of each segment】

## (1) Revenue

	FY 3/21	Ratio to sales	FY 3/22	Ratio to sales	YoY	Compared to the estimate
Concrete business	28,539	75.6%	28,414	75.7%	-0.4%	-2.7%
Pile business	2,892	7.7%	2,343	6.2%	-19.0%	-29.0%
Disaster prevention business	4,170	11.0%	4,565	12.2%	+9.5%	+6.2%
Other business	2,161	5.7%	2,190	5.8%	+1.4%	-0.4%
Total sales	37,763	100.0%	37,514	100.0%	-0.7%	-3.8%
Concrete business	4,885	17.1%	5,549	19.5%	+13.6%	+11.0%
Pile business	73	2.6%	85	3.6%	+15.3%	-34.4%
Disaster prevention business	1,173	28.2%	1,194	26.2%	+1.7%	-2.9%
Other business	458	21.2%	459	21.0%	+0.2%	+4.4%
Adjustment amount	-1,300	-	-1,144	-	-	-
Total operating income	5,290	14.0%	6,143	16.4%	+16.1%	+11.7%

\*Unit: Million yen. The composition ratio of operating income means the ratio of operating income to sales.

## ◎Concrete business

Sales dropped and profit grew.

The company improved the product mix through a strategic shift to high value-added products, and improved the handling and unit selling prices of mainly general-purpose products and purchased products.

## ◎Pile business

Sales dropped and profit grew.

Sales fell short of those in the previous term and the projection due to their delayed recovery of capital investment primarily in private companies due to the novel coronavirus pandemic.

On the other hand, their selective ordering while paying attention to unit selling prices resulted in an increase in profit.

## ◎Disaster prevention business

Sales and profit grew.

Promoting disaster prevention and disaster mitigation, as well as measures for national resilience, resulted in a strong performance, which exceeded sales in the previous term and the projection.

## ◎Other

Sales and profit grew.

This is because of a positive trend in their Ceramics Business along with the increased demand for components for semiconductor equipment, and because they posted a stable revenue in the Leasing Business, etc.

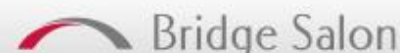
## (2) Investment

The following investments were made.

Segment	Outline	Amount
Concrete business	Mold frames, machinery, plants, etc.	1,078
Pile business	Equipment repairs, etc.	32
Disaster prevention business	Production equipment, etc.	61
Other business	Hotel constructions, die and mold, etc.	505
Company-wide	Headquarters equipment, etc.	108
Total		1,783

\*Unit: Million yen.

## BRIDGE REPORT



## 【2-3 Financial position and cash flows】

## ◎ Main Balance Sheet

	End of Mar. 2021	End of Mar. 2022	Increase/ decrease		End of Mar. 2021	End of Mar. 2022	Increase/ decrease
Current Assets	30,376	31,143	+766	Current Liabilities	14,190	13,171	-1,019
Cash and Deposits	11,761	12,905	+1,144	Trade Payables	6,519	6,476	-43
Trade Receivables	13,593	12,689	-903	ST Interest-Bearing Debts	3,687	3,205	-482
Noncurrent Assets	15,888	16,276	+387	Noncurrent Liabilities	5,826	5,052	-774
Tangible Assets	11,881	12,396	+515	LT Interest-Bearing Debts	1,618	836	-781
Intangible Assets	280	360	+80	Net Defined Benefit Liability	2,068	2,086	+17
Investment, Other Assets	3,726	3,520	-206	Total Liabilities	20,016	18,223	-1,793
Total Assets	46,265	47,419	+1,154	Net Assets	26,248	29,196	+2,948
				Retained Earnings	21,708	25,161	+3,452
				Total Liabilities and Net Assets	46,265	47,419	+1,154

\*Unit: Million yen. Trade receivables include electronically recorded ones, while trade payables include electronically recorded ones.

Total assets increased by 1.1 billion yen from the end of the previous fiscal year to 47.4 billion yen due to an increase in cash and deposits, tangible assets. Total liabilities decreased by 1.7 billion yen to 18.2 billion yen due to a decrease in interest-bearing debts. Net assets increased by 2.9 billion yen to 29.1 billion yen due to an increase in retained earnings.

The capital adequacy ratio rose 4.7 points from the end of the previous fiscal year to 61.3%, and the debt-equity ratio fell 0.06 points from the end of the previous fiscal year to 0.14x.

## ◎ Cash Flow

	FY 3/21	FY 3/22	Increase/decrease
Operating CF	4,223	4,995	+772
Investing CF	-397	-1,141	-743
Free CF	3,825	3,854	+28
Financing CF	-638	-2,617	-1,979
Cash and equivalents	10,893	12,130	+1,236

\*Unit: Million yen.

The operating CF and Free CF increased due to the income before taxes and others.

The financing CF decrease, due to the decline in revenues from long and short-term borrowing, the augmentation of expenditure for acquiring treasury shares, etc.

The cash position improved.

## 【2-4 Topics】

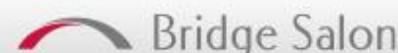
## (1) To Establish a Second-tier Subsidiary in Vietnam

In May 2022, the company announced its plan to establish a subsidiary (a second-tier subsidiary of Vertex Corporation) in the Socialist Republic of Viet Nam to achieve further growth, for the purpose of strengthening its design and development operations, as well as promoting new market development.

The establishment is scheduled on October 1, 2022.



## BRIDGE REPORT

**(2) To Implement a Stock Split**

The company decided to execute a 3-for-1 stock split on July 1, 2022, to improve the liquidity of its shares and expand its shareholder base, by lowering the amount per unit of investment.

**(3) To Acquire Treasury Shares**

The company decided to acquire its treasury shares to enhance shareholder returns, improve capital efficiency, and carry out a flexible capital policy, according to the changes in the management environment.

(Overview)

The total number of shares to be purchased: up to 215,000, accounting for 2.39% of the total number of outstanding shares excluding treasury shares

The total purchase price: up to 700 million yen

The acquisition period: From May 31, 2022 to November 30, 2022 (scheduled)

The method of acquisition: Open-market purchase in the Tokyo Stock Exchange

Please note that the 215,000 shares mean the number of shares before the above mentioned stock split.

**(4) To Implement Employee Stock Ownership Plan**

In May 2022, the company announced its intention to adopt the Stock-based Benefit Trust for Employees as an incentive plan for employees of the company and its group, and entered into a trust agreement with the trustee, Resona Bank, Limited., on May 30.

This is intended to raise willingness and morale of their employees to contribute to improving the business performance in medium term and enhancing the corporate value.

Upon establishing the plan, the company acquired 134,000 treasury shares (approximately 400 million yen) on May 30.

**3. Fiscal Year Ending March 2023 Earnings Forecasts****[3-1 Earnings Forecasts]**

	FY 3/22	Ratio to sales	FY 3/23 Est.	Ratio to sales	YoY
Sales	37,514	100.0%	39,000	100.0%	+4.0%
Operating Income	6,143	16.4%	6,200	15.9%	+0.9%
Ordinary Income	6,434	17.2%	6,500	16.7%	+1.0%
Net Income	4,242	11.3%	4,350	11.2%	+2.5%

\*Unit: Million yen.

**Sales and profit are estimated to grow.**

In the term ending March 2023, sales are projected to rise 4.0% year on year to 39 billion yen, and operating income to rise 0.9% year on year to 6.2 billion yen.

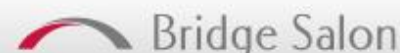
Even though the business environment is expected to be severe due to a surge in material costs and rising logistics costs, the company aims to increase sales and operating income by working on reflecting them in unit selling prices, further improving the product mix, and reducing costs.

The company plans to pay a common dividend of 25.00 yen per share.

The dividend payout ratio is expected to be 15.5%. They plan to acquire up to 215,000 treasury shares, during this term.

The number of shares represents that before a stock split. A 3-for-1 stock split is scheduled to be executed on July 1, 2022.

## BRIDGE REPORT

**【3-2 Trend in each segment】**

	FY 3/22	Composition ratio	FY 3/23 Est.	Composition ratio	YoY
Concrete business	28,414	75.7%	28,910	74.1%	+1.7%
Pile business	2,343	6.2%	2,910	7.5%	+24.2%
Disaster prevention business	4,565	12.2%	4,780	12.3%	+4.7%
Other business	2,190	5.8%	2,400	6.2%	+9.5%
Adjustment amount	37,514	100.0%	39,000	100.0%	+4.0%
Total sales	5,549	19.5%	5,550	19.2%	+0.0%
Concrete business	85	3.6%	130	4.5%	+52.9%
Pile business	1,194	26.2%	1,240	25.9%	+3.8%
Disaster prevention business	459	21.0%	480	20.0%	+4.6%
Other business	-1,144	-	-1,200	-	-
Adjustment amount	6,143	16.4%	6,200	15.9%	+0.9%

\* Unit: 100 million yen. The composition ratio of operating income means the ratio of operating income to sales.

The sales and profit of all business is expected to grow.

**4. Progress of the Second Mid-term Management Plan**

The progress of the second medium-term management plan (please see Reference 1 below for more details) in each business is as follows.

**(1) Management indicator**

The company's target for the final term of the plan (the term ending March 2024) is to achieve 6.1 billion yen in operating income and maintain 10.0% or higher in ROE, however, they achieved the planned values in the term ended March 2022, the first term of the plan, which was earlier than planned.

	FY 3/22 Act.	FY 3/22 Plan.	FY 3/23 Plan.	FY 3/24 Plan.
Sales	375.1	390.0	400.0	410.0
Operating Income	61.4	55.0	58.0	61.0
Operating Profit Margin	16.4%	14.1%	14.5%	14.9%
Ordinary Income	64.3	57.0	60.0	63.0
Net Income	42.4	38.0	40.0	42.0
ROE	15.4%			Over 10.0%

\*Unit: Hundred million yen.

**(2) Progress in the basic policies**

The company upholds the following basic policies.

(1) Promote organic growth by pursuing our core business	We aim to maximize the future cash flow by enhancing the ability to generate operating cash flow by leveraging organic growth of our core business.
(2) Develop growing businesses and obtain new revenue opportunities	We strengthen our initiatives to develop growing businesses and acquire new revenue opportunities (develop new areas, new categories, new products, and new business) for our further growth.
(3) Establish a business management base that allows sustainable growth	Continuing from the previous mid-term management plan, we aim to improve sustainable corporate value by establishing a management base through enforcement of group governance and the establishment of a risk management system and to implement ESG initiatives.

The progress of each policy is as described below.

### ① Promote organic growth by pursuing our core business

#### ◎ Promote the improvement of the product mix and the raising of unit selling prices of products

By improving the handling of general-purpose products and the product mix through strengthening sales activities for its original products, the company rose the ratio of value-added products 5% from the term ended March 2021.

Also, at the same time, the average unit selling price achieved 125% compared to the term ended March 2020, as the company actively worked on bringing up selling prices of all products.

Even though the company is in the severe environment with rising costs due to soaring material prices, the company continues bringing up the selling price and shifting to value-added products.

#### ◎ Achievements with original products

\* The company was able to shorten the construction period by approximately four months, as a result of implementing the pre-casting rather than the conventional on-site casting upon setting up a regulating reservoir and snow-melting water tanks in the construction of a high-elevation bridge, etc., at Hokuriku Shinkansen Tsuruga Station (Fukui Prefecture), which usually takes eight months with on-site manufacturing.

\* Upon building the underground passage for pedestrians that connects directly to Kachidoki Station (Tokyo), they used the non-open-cut method to build the underground passage taking into consideration the impact on residents in the neighborhood during the construction. The construction improved the convenience.

They used the biggest box culverts in the country when employing a jacking method.

\* The company used the Light Barrier, safety fences for falling rocks as a countermeasure against falling rocks at the exits of a highway tunnel in the construction of four lanes on Okayama Express Highway.

Light Barrier is a product with low construction cost per square meter despite its low compatible energy, which is tailored to the conventional safety fence market.

Aside from this, the company has other original products for each market in their product lineup, such as LOOP Fence in the medium tier, and MJ Net in the high tier, which cover the falling rock blocking market comprehensively.

\* The company held an event to create a Mural Art in a facility of Yokohama City Nakayama Elementary School when the company installed an underground rainwater collection tank facility to prevent flooding.

During the construction, the school children were able to use only half of the schoolyard, so the company worked with the City of Yokohama and the construction companies to come up with a fun event, which asked the school children to draw in their own way on the wall surface of the product, to familiarize themselves with the rainwater collection tank.

### ② Develop growing businesses and obtain new revenue opportunities

#### ◎ Achievements

\* The company used Vortex Valve, a flow control system, for the construction of No. 1 Hinataoka Reservoir in Hiratsuka City (Kanagawa Prefecture).

This product controls the volume of the rainwater output efficiently using a vortex. The company's Vortex Valve is utilized to improve the functions of the existing reservoir, and contribute to eliminating flood damages that used to frequently occur in the surrounding area and along the river to which the water is discharged.

\* Non-watering snow melting slabs were used as a measure for snow melting in the sidewalk maintenance project in front of Kanazawa Station (Ishikawa Prefecture).

Higher heat conductivity was realized by utilizing silica in aggregates, and contributes to securing safe and pleasant walking space at the time of snow.

\* The company commercialized a new cooling and heating system utilizing geothermal heat.

The Lining Borehole Ground Heat Exchanger developed by the company can reduce the excavation cost at the time of installation while securing the accumulated heat. In addition, when combined with the Heat Balance Control Unit also developed by the company that improves thermal efficiency, it can reduce the electricity cost by approximately 50% compared to air-cooled systems and reduce installation costs by approximately 30% compared to the conventional installation methods. Accordingly, they realized a system for energy conservation and low costs.

### ③ Establish a business management base that allows sustainable growth

The following establishments and enhancements were carried out.

\* Redevelopment of programs for developing and recruiting human resources

The company established Vertex Academy, which will become the central educational/training institution of the Vertex Group.

The academy plans to hold the first one in July 2022, for all employees of Vertex Co., Ltd., who can participate voluntarily.

HR Development Group was established in Vertex Co., Ltd.

The company embarked on the re-establishment of their education programs in April 2022, for the purpose of further strengthening human resources and developing the human resources of the next generation.

For all of the executives and employees of the group (about 1,100 people), the company provided the Level-specific Training that develops abilities and qualification required by the responsibilities of each rank and fosters awareness for new hires, young employees, middle-level employees, newly appointed managers, and newly appointed senior management staff, the Academic Training that develops abilities and fosters awareness required for generalists, based on the recruitment from all of the companies in the group, and also the Department-specific Training intended to provide opportunities to learn professional knowledge and develop abilities, by selecting participants from each department, on top of the All Employees Training intended to promote knowledge and awareness in compliance and harassments, etc.

The company strives to strengthen human capital at all levels.

\* Development of information systems and ICT infrastructure, and promotion of DX

Vertex is preparing a new core system, whose operation is scheduled to begin in August 2022.

Operation of the HR and employment systems have been started since February 2022.

In Vertex Construction, the operation of the new mission-critical system has been started since April 2021.

\* Establishment of systems for group governance and risk control

The company gave a lecture about compliance to all employees of the Vertex Group in 2021

They are preparing it for the fiscal year 2022 as well.

One internal auditor was added. The plan of carrying out internal audit at about 150 sites in three years is underway.

\* Development and strengthening of the business portfolio management function

The company reviewed the strategies and measures for small-scale businesses. The company is continuously developing the business portfolio management function.

\* Development of a sustainability promotion system

The company established a sustainability council in October 2021.

### (3) Financial and investment strategies

#### ① Capital investment

For the purpose of enhancing their manufacturing capacity, product quality, and productivity, the company established a batcher plant equipped with cutting-edge technology at Chiba Plant of Vertex Co., Ltd.

Manufacturing LL Crete, the long-life concrete which reduces CO<sub>2</sub> emissions by 70%, became universally possible, and the company will continue to carry out ESG initiatives actively moving forward.

## ② Investment in start-up businesses

Pursuant to the financial and investment strategies set out in the current medium-term management plan, the company executed a new investment in Otta, Inc. (Fukuoka Prefecture) in November, 2021.

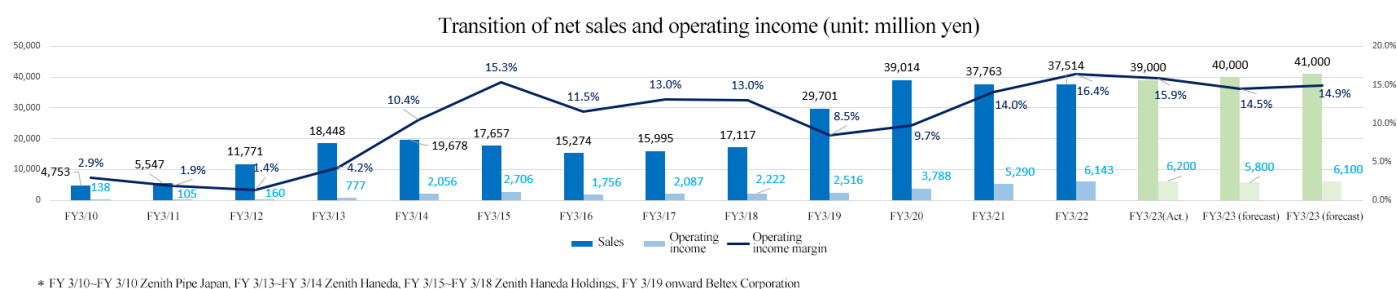
Otta, Inc. is a start-up business that develops and operates Smart Monitoring Platform, Anshin Monitoring Service, utilizing IoT. Vertex Corporation continues to consider inducing medium/long-term synergy and developing new business opportunities, while supporting the growth of the business of Otta, Inc., which strives to create safe and secure communities.

## 5. Conclusions

Although sales fell below the initial forecast due to the lower revenue, operating income and operating profit margin are reached record high. The company aimed to maintain 6.1 billion yen in operating income and 10.0% or higher in ROE in the final term of the plan (the term ending March 2024), however, they achieved the target values in the first term of the plan, the term ended March 2022, earlier than planned.

According to the company's medium-term management plan, the company aims to achieve 40 billion yen in sales, 5.8 billion yen in operating income, and 14.5% in operating income margin in the term ending March 2023, however, both operating income and operating income margin in this term and the final term are expected to exceed the forecasts, even though sales in this term are expected to fall short of the projection.

Even though there is a source of instability due to the continuous surge in material costs, we would like to see if they can continuously increase profitability, with their original business model that can minimize a price-cutting competition by conducting PR for products and giving technology suggestions from the planning stage of construction projects.



## <Reference 1: Regarding the Second Mid-Term Management Plan>

The company formulated and announced the second mid-term management plan for the three years from the term ending March 2022 to the term ending March 2024.

### 【Review of the previous mid-term management plan】

#### (1) Positioning of the previous mid-term management plan and the state of achievement of numerical goals

In the previous mid-term management plan (FY 3/20 to FY 3/21), the company set the priority measures: “to further improve existing businesses,” “to bring out company-wide synergy,” and “establish a management base,” and aimed to achieve “sales of 38.9 billion yen, an operating income of 3.9 billion yen, an operating income margin of 10%, and an ROE of 10%” in the final year ending March 2022. The company reached “sales of 38.9 billion yen” in the term ended March 2020, and “an operating income of 3.9 billion yen, an operating income margin of 10%, and an ROE of 10%” in the term ending March 2021, one year earlier than planned.

## (2) Activities in two and a half years after business merger and challenges

The company recognizes that their efforts for tightening governance, restructuring the corporate group, implementing M&A, and bringing out synergy from business merger steadily paid off.

The company plans to continue the development of a management base.

Challenge	At the time of business merger	Present
Tightening of governance	Company with the board of auditors Total number of executives: 15 Number of outside executives: 4 (26.7%)	Company with the audit committee Total number of executives: 8 Number of outside executives: 3 (37.5%)
Restructuring of the corporate group and M&A	14 consolidated subsidiaries 3 equity-method affiliates April 2020: Transformed DC (present: Kyushu-Vertex) into a consolidated subsidiary.	12 consolidated subsidiaries 1 equity-method affiliates
Integration/abolishment of business bases	No. of marketing offices: 47 No. of production sites: 16	No. of marketing offices: 33 No. of production sites: 15
Product strategy	Unification of brands for core products, and active selection of items for sale	
R&D	To conduct R&D, including fundamental research and development of various processes for handling real estate	
Establishment of a management base	*Started operating a new personnel system of the new company established through merger in April 2021. *Programs for personnel development and recruitment: It is necessary to reestablish them while assuming that they will do business while coping with the novel coronavirus. *In the development phase for a new mission-critical system to be released in the spring of 2022 *M&A, entry to new fields, development and improvement of the business portfolio management function will be continued.	

As for R&D, the corporate group is pursuing 49 existing themes and 31 new themes.

(Examples)

\*Development of “long-life concrete (LL Crete),” which is environmentally friendly (reducing CO<sub>2</sub> emissions and preserving natural resources), durable, and low-cost

\*Slabs for half-precast tracks for next-generation light rail transit (LRT)

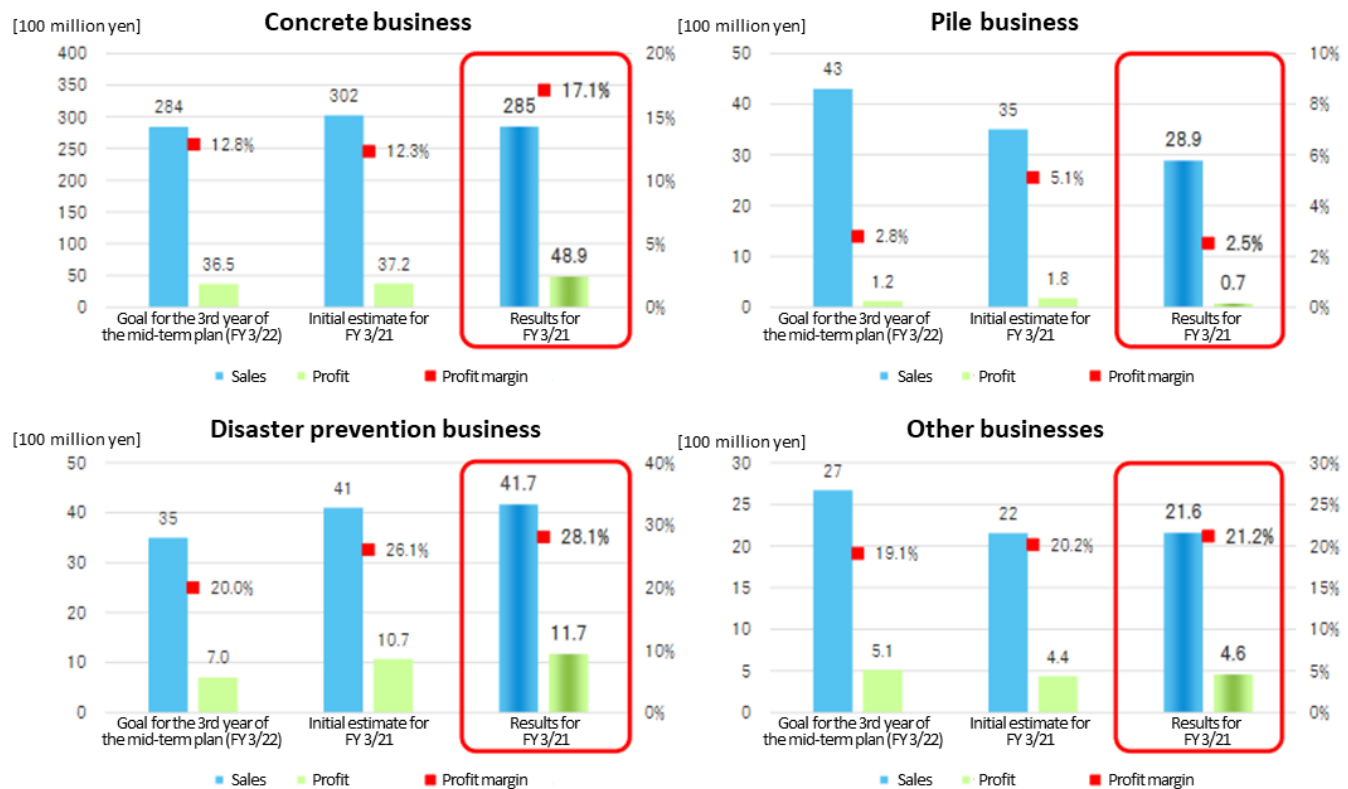
\*Products for preventing the fall of rocks



## BRIDGE REPORT

**(3) Results in each segment**

For the concrete and disaster prevention businesses, results exceeded the estimates, but the pile business did not reach the estimate, so the company revised strategies.



(Taken from the reference material of the company)

**【The second mid-term management plan】****(1) Recognition of the business environment**

As mentioned in Section 1 Outline of the company “1-3 Market environment,” the external environment includes the acceleration of the National Resilience Plan, the deterioration of social capital, and the shortage of manpower due to the declining birthrate and aging population in the construction industry, and the internal environment (the company’s factors) includes the company’s strengths such as:

- \*Advanced technologies and capabilities of design, development, and marketing, and a broad customer base
- \*A large number of original products boasting the largest market share and differentiated products
- \*Sound financial standing and ample funds.

The company recognizes that its challenges are:

- \*Rise in the average age of employees and difficulty in recruitment
- \*Development of the core business following the concrete business
- \*Acquisition of the business portfolio management function putting importance on capital efficiency.

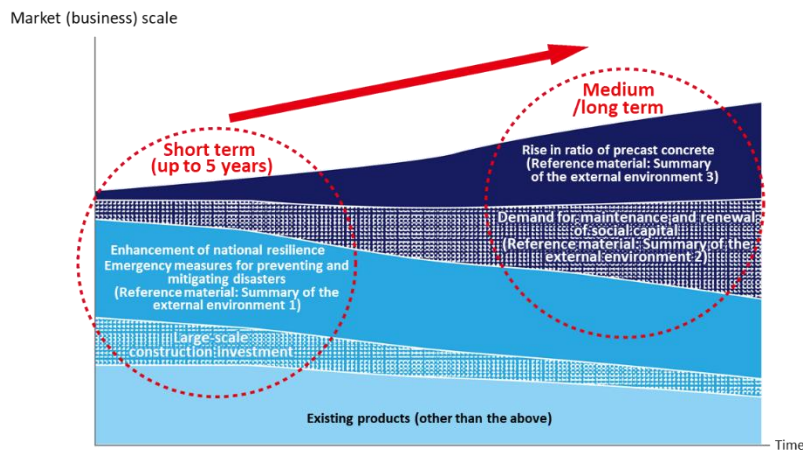
It considers that there is room for streamlining after merger, mainly for production and sales systems.

Under this environment, the target markets of the company are expected to expand in the medium/long term. From the medium/long-term viewpoint, the drivers for market expansion are considered to be “the rise in ratio of precast concrete due to the shortage of manpower” and “the growth of demand for maintenance and renewal of deteriorated social capital.”

As for “the rise in ratio of precast concrete,” the demand for concrete products is expected to grow.

As for “the growth of demand for maintenance and renewal of deteriorated social capital,” they plan to broadly meet the demand by taking advantage of their capabilities of proposing “inspection and reinforcement of infrastructure” in the upstream area and “repair, reinforcement, and renewal” in the downstream area, providing materials and products, and conducting construction.

## Assumed market scale in the medium/long term



(Taken from the reference material of the company)

## (2) Basic policy and positioning of the second mid-term management plan

The company upholds the following basic policy.

To promote the organic growth of the core business by pursuing it further	The company aims to maximize cash flows in the future by enhancing the capacity to generate operating cash flow through the organic growth of the core business.
To grow promising businesses and seize new earning opportunities	For further growth, the company will enhance efforts to nurture promising businesses and seize new earning opportunities (in new areas and categories, launching new products and businesses).
To establish a management base for enabling sustainable growth	Continuously from the previous mid-term plan, the company will improve its management base by tightening group governance and establishing a risk control system, and implement ESG measures, with the aim of improving corporate value in a sustainable manner.

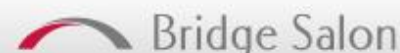
Positioning the period of this mid-term management plan as “the period for strengthening the company’s business and management base for realizing sustainable growth without fail,” the company plans to forge ahead for attaining big hairy audacious goals (BHAGs): commemorate the 10<sup>th</sup> anniversary of establishment in October 2028 and to acquire the greatest brand power as an enterprise that offers reliability and safety.

## (3) Measures and goals in each segment

### ① Concrete business

Outlook for the business environment	<p>*Due to the impact of the novel coronavirus, the outlook for private investment remains uncertain, but public investment will be healthy.</p> <p>*To cope with natural disasters, which are getting graver, flood control basins (rainwater storage tanks) and rainwater drainage facilities will be constructed. To make structure earthquake-proof and cope with the deterioration of infrastructure, “the five-year acceleration campaign for preventing and mitigating disasters and enhancing national resilience” will begin with a total budget of about 15 trillion yen for five years from this fiscal year.</p>
Major measures and policies	<ol style="list-style-type: none"> <li>1. To propose a lineup of high value-added products by utilizing the technological development capacity</li> <li>2. To upgrade the centers for shipping general-purpose products for increasing customer satisfaction level</li> <li>3. To pursue the business of maintaining and renewing existing infrastructure and promote the sales of products for preventing inundation and mitigating disasters and for transportation infrastructure</li> <li>4. To improve the production and shipment efficiencies by integrating factories</li> </ol>

## BRIDGE REPORT



## ② Pile business

Outlook for the business environment	<p>*Due to the impact of the novel coronavirus, private construction investment will be sluggish.</p> <p>*The recovery in this term is estimated to be gentle, and it is assumed that the recovery to the level in the previous term will be achieved around FY 3/23. Meanwhile, it is expected that there will be demand from distribution facilities, warehouses, suburban stores such as drugstores, etc.</p> <p>*From the viewpoint of prevention and mitigation of disasters, the demand for safety of foundations for buildings is growing.</p>
Major measures and policies	<ol style="list-style-type: none"> <li>1. To promote the sales of profitable products (high support piles and SC piles) and promote the selected order receipt for a lineup of less profitable products</li> <li>2. To enhance and promote marketing while coping with the novel coronavirus</li> <li>3. To improve existing construction methods and develop new construction methods</li> </ol>

## ③ Disaster prevention business

Outlook for the business environment	<p>*For measures against natural disasters, which are getting graver and more frequent, including flood control (erosion control), forest conservation in areas where there is a risk of forest disaster, works for preventing landslides on road slopes and embankments, and works for preventing the collapse of slopes adjacent to railways due to torrential rain, “the five-year acceleration campaign for preventing and mitigating disasters and enhancing national resilience” will begin with a total budget of about 15 trillion yen for five years from this fiscal year.</p> <p>*The measures for preventing natural disasters at transportation infrastructure will be strengthened.</p>
Major measures and policies	<ol style="list-style-type: none"> <li>1. To develop new products in the fields of prevention of fall of rocks, landslides, and avalanches</li> <li>2. To improve existing products and enrich the product lineup</li> <li>3. To enhance marketing in the transportation infrastructure field</li> </ol>

## ④ Other businesses

Business	Primary measures
Ceramics business	To enter new industries and growing fields and evolve production technologies Example: radio wave absorbing ceramics
Business of surveys and tests of concrete	To expand the business on inspection of fire cisterns, conduct fundamental research for surveys, and establish technologies
Business of development and sale of systems	To expand business by developing systems for networks, security, and special tasks
RFID business	Sales promotion targeting not only the markets of maintenance and preventive maintenance, but also the entire market of paperless slips/forms.

## (4) Group-wide measures

In order to achieve sustainable growth, the company will establish and strengthen a management base through mainly the following measures.

- \* Redevelopment of programs for developing and recruiting personnel
- \* Establishment of information systems and ICT infrastructure, and promotion of DX
- \* Building of systems for group governance and risk control
- \* Development and enhancement of the business portfolio management function
- \* Establishment of a sustainability promotion system

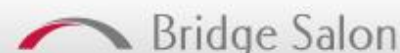
## (5) Financial and investment strategies

It is assumed that the three-year cumulative operating cashflow is 14 billion yen.

For strengthening the core business, growing promising businesses, and seizing new earning opportunities, the company will allocate 9.8 billion yen to “investment in equipment renewal,” “equipment investment for adding high value and enhancing competitiveness,” “investment in R&D,” “investment in DX for improving productivity,” “start-up investment and M&A,” etc.

The company will return 4.2 billion yen to shareholders, with a total return ratio of 30%.

## BRIDGE REPORT

**(6) Investment in R&D and intellectual property**

For evolving business models, the company will invest in R&D actively.

The company will put more energy into cross-sectoral R&D. Based on the collaboration among the industrial, academic, governmental, and private sectors, the company will strengthen its existing businesses and engage in research and development of products and production technologies that would generate revenues in the future.

Targeting clients, the company will establish a new marketing style based on plenty of know-how, experiences, patents, etc.

The company puts importance on “intellectual property” as important managerial resources that support growth and profitability as the output of R&D investment.

By further strengthening the capability to create intellectual property, the company aims to maintain and enhance business competitiveness.

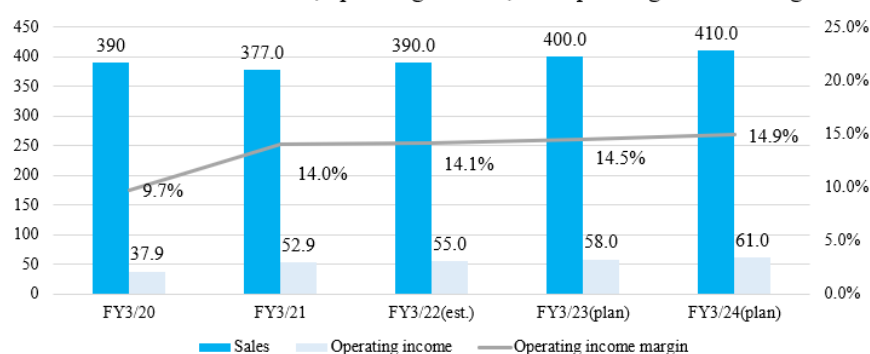
**(7) Numerical goals (Values as of the announcement of the plan)****◎ Company-wide goals**

	FY 3/21	FY 3/22 (est.)	FY 3/23 (plan)	FY 3/24 (plan)	CAGR
Sales	377.0	390.0	400.0	410.0	2.8%
Operating income	52.9	55.0	58.0	61.0	4.9%
Operating income margin	14.0%	14.1%	14.5%	14.9%	-
Ordinary income	56.3	57.0	60.0	63.0	3.8%
Net income	37.5	38.0	40.0	42.0	3.8%

\*Unit: 100 million yen. CAGR means the average annual growth rate during the period from FY 3/21 to FY 3/24. It was calculated by Investment Bridge with reference to the material of the company.

The company aims to keep ROE 10% or higher.

Variations in overall sales, operating income, and operating income margin

**◎ Goals in each segment****\*Concrete business**

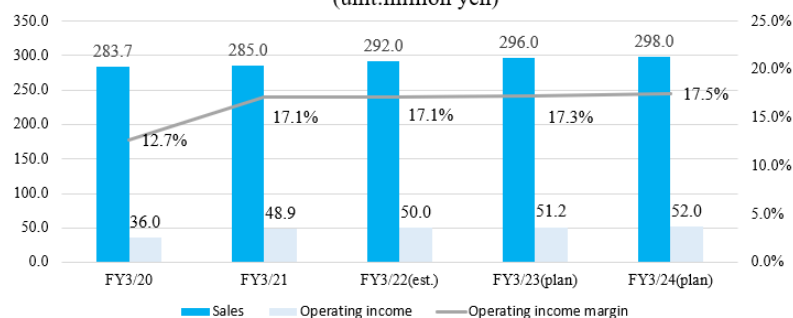
	FY 3/21	FY 3/22 (est.)	FY 3/23 (plan)	FY 3/24 (plan)	CAGR
Sales	285.0	292.0	296.0	298.0	1.5%
Operating income	48.9	50.0	51.2	52.0	2.1%
Operating income margin	17.1%	17.1%	17.3%	17.5%	-

\*Unit: 100 million yen. CAGR means the average annual growth rate during the period from FY 3/21 to FY 3/24. It was calculated by Investment Bridge with reference to the material of the company.

## BRIDGE REPORT



Variations in sales, operating income, and operating income margin of the concrete business  
(unit:million yen)

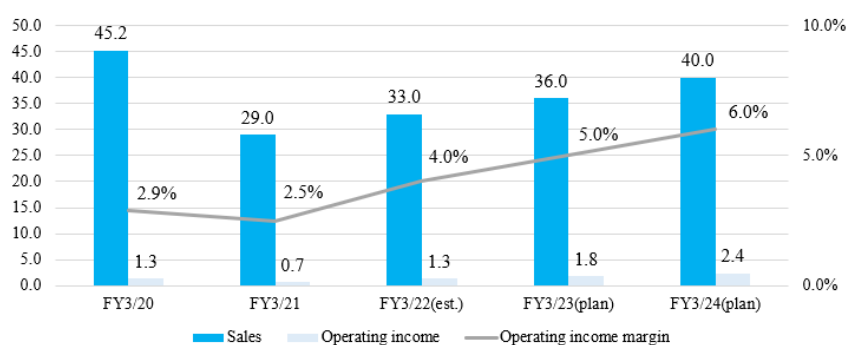


## \*Pile business

	FY 3/21	FY 3/22 (est.)	FY 3/23 (plan)	FY 3/24 (plan)	CAGR
Sales	29.0	33.0	36.0	40.0	11.3%
Operating income	0.7	1.3	1.8	2.4	50.8%
Operating income margin	2.5%	4.0%	5.0%	6.0%	-

\*Unit: 100 million yen. CAGR means the average annual growth rate during the period from FY 3/21 to FY 3/24. It was calculated by Investment Bridge with reference to the material of the company.

Variations in sales, operating income, and operating income margin of the pile business  
(unit:million yen)

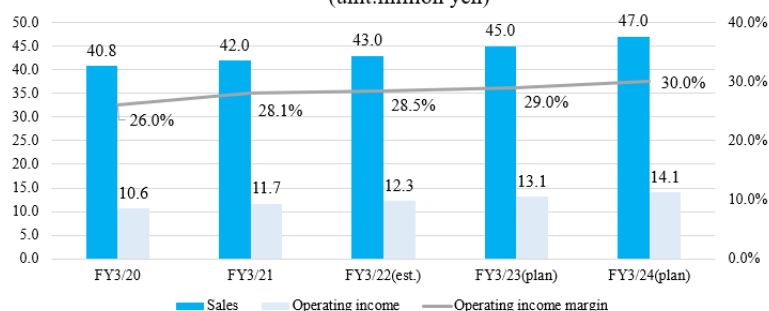


## \*Disaster prevention business

	FY 3/21	FY 3/22 (est.)	FY 3/23 (plan)	FY 3/24 (plan)	CAGR
Sales	42.0	43.0	45.0	47.0	3.8%
Operating income	11.7	12.3	13.1	14.1	6.4%
Operating income margin	28.1%	28.5%	29.0%	30.0%	-

\*Unit: 100 million yen. CAGR means the average annual growth rate during the period from FY 3/21 to FY 3/24. It was calculated by Investment Bridge with reference to the material of the company.

Variations in sales, operating income, and operating income margin of the disaster prevention business  
(unit:million yen)



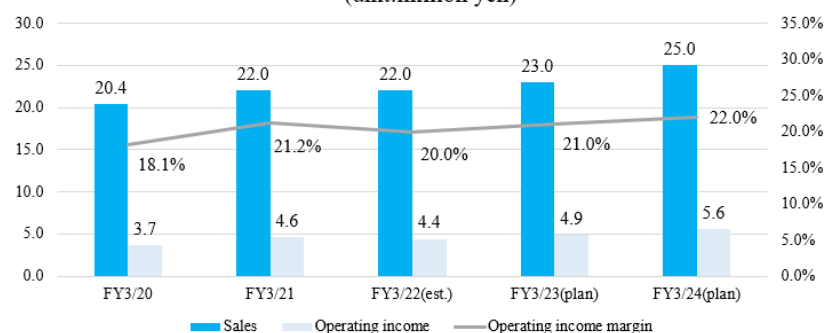
## BRIDGE REPORT

**\*Other business**

	FY 3/21	FY 3/22 (est.)	FY 3/23 (plan)	FY 3/24 (plan)	CAGR
Sales	22.0	22.0	23.0	25.0	4.4%
Operating income	4.6	4.4	4.9	5.6	6.8%
Operating income margin	21.2%	20.0%	21.0%	22.0%	-

\*Unit: 100 million yen. CAGR means the average annual growth rate during the period from FY 3/21 to FY 3/24. It was calculated by Investment Bridge with reference to the material of the company.

Variations in sales, operating income, and operating income margin of other business  
(unit: million yen)





## <Reference2: Regarding Corporate Governance>

### ◎ Organization Type and the Composition of Directors and Auditors

Organization type	Company with audit and supervisory committee
Directors	8 directors, including 3 outside ones

### ◎ Corporate Governance Report

Last updated in December 9, 2021.

#### <Basic policy>

Our company's basic policy regarding corporate governance is to strive to play active roles in management of the company group, and to enhance its corporate governance by establishing strategies and directions for the group, as well as to provide guidance and advice provided for the group companies, based on the recognition of the significance in establishing a corporate governance structure that brings efficient decision-making process, while securing transparency and soundness of the business.

#### <Reasons for Non-compliance with the Principles of the Corporate Governance Code (Excerpts)>

[Subject Code]

The following contents are based on the code after the revision made in June 2021.

Principles	Reasons for not implementing the principles
[Supplementary Principle 2-4 (1) Ensuring Diversity in the Appointment of Core Personnel]	<p>Our company believes that having diversity in human resources and developing such human resources lead to improvement of the medium/long-term corporate value, and actively hires women and mid-career employees.</p> <p>We hire mid-career employees and promote them to management positions by comprehensively considering their skill and experience. On the other hand, we recognize that the number of appointments of women for management positions is still insufficient. Thus, moving forward, we will work on establishing the development of our human resources as well as in-house environment, to increase the ratio of female managers.</p> <p>Since our corporate group's business domain is only in the country, we do not have employment history of foreigners for management positions, however, we base our assessments and appointments on individual's skill and experience comprehensively in accordance with our future expansion of the business domain as well as the scope of our business.</p>
[Supplementary Principle 3-1 (3) Initiatives on Sustainability, etc.]	<p>Our company has been striving to solve social issues through our businesses. In recent years, our company recognizes that sustainability is an important challenge for our management, while the environment surrounding companies has been constantly changing in a great deal, therefore, we established the Sustainability Council in October 2021 for the purpose of strengthening our sustainability initiatives that further serve in both solving social issues and growing our business. We will publish the status of our initiatives on our website and IR Library around next term, while we continue our discussion on building plans and investing in human assets and intellectual properties.</p>

## &lt;Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)&gt;

Principles	Disclosure contents
<Principle 1-4 Strategically held shares>	<p>(1) Our policy concerning strategically held shares Our company policy is to hold shares strategically only if we conclude that such shareholding would contribute to sustainable growth of our group and improvement of our medium/long-term corporate value.</p> <p>(2) Details of evaluation concerning strategically held shares Whether to hold shares strategically shall be evaluated at the Board of Directors meeting on a regular basis from various perspectives on the future prospects of economic rationales in such shareholding (whether benefits and risks in such shareholding would be proportionate to the capital cost), merits in continuing with such shareholding, the future prospects of transactions, etc., and we shall sell the shares that are not deemed appropriate to hold after obtaining sufficient understanding from the business partner companies. In addition, we disclose the details of such evaluation in our financial statements.</p> <p>(3) Standards for exercising voting rights for strategically held shares We exercise voting rights by comprehensively determining whether it would contribute to sustainable growth and the medium/long-term corporate value of the invested companies, under the condition that it would contribute to improving our corporate value.</p>
[Principle 5-1 Policy for constructive dialogue with shareholders]	<p>We recognize that it is important for us to hold constructive dialogue with shareholders and investors aside from general meetings of shareholders to achieve sustainable growth and improve the medium/long-term corporate value, thus we assigned our Business Planning Department to be responsible for IR to handle individual meetings, post our company information on our website, and disclose information by utilizing the voluntary disclosure system in the Tokyo Stock Exchange. For individual meetings, we have established our internal system, sending appropriate personnel among our directors based on shareholders' request and the level of significance of the meeting agenda to handle the meetings.</p> <p>Furthermore, we hold semi-annual financial results briefing in which our executives including our Representative Director and President attend to present the financial results, business strategies, etc.</p>

This report is not intended for soliciting or promoting investment activities or offering any advice on investment or the like, but for providing information only. The information included in this report was taken from sources considered reliable by our company. Our company will not guarantee the accuracy, integrity, or appropriateness of information or opinions in this report. Our company will not assume any responsibility for expenses, damages or the like arising out of the use of this report or information obtained from this report. All kinds of rights related to this report belong to Investment Bridge Co., Ltd. The contents, etc. of this report may be revised without notice. Please make an investment decision on your own judgment.

Copyright (C) Investment Bridge Co., Ltd. All Rights Reserved.