

 President Akihide Tsuchiya	Vertex Corporation (5290)
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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	https://www.vertex-grp.co.jp/

Stock Information

Share Price	Number of shares issued		Total market cap	ROE Act.	Trading Unit
¥1,452	26,326,545 shares		¥38,226 million	12.4%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥40.00	2.8%	¥159.53	9.1x	¥1,190.24	1.2x

* Stock price is as of closing on May 24, 2023. The number of shares issued is the number of outstanding shares as of the end of the most recent quarter, excluding treasury shares. The figures are rounded.

* A 3-for-1 stock split was executed on July 1, 2022. This stock split was taken into account, when calculating dividend yield, PBR and PER.

*ROE is the actual results for FY 3/23, and EPS and DPS are forecasts for FY 3/24.

Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
March 2020 Act.	39,014	3,788	3,959	2,336	87.34	20.00
March 2021 Act.	37,763	5,290	5,635	3,759	142.80	30.00
March 2022 Act.	37,514	6,143	6,434	4,242	160.90	26.27
March 2023 Act.	39,095	5,560	5,837	3,742	140.86	30.00
March 2024 Est.	41,000	6,100	6,300	4,200	159.53	40.00

*Unit: Million yen. The estimated values were provided by the company. Net income is the net income attributable to owners of the parent company. The same applies below.

*A 3-for-1 stock split was executed on July 1, 2022. DPS and EPS are recalculated retroactively back to FY 3/20. The dividend for FY 3/21 includes a commemorative dividend of 10.00 yen/share (30 yen before the 3-for-1 stock split).

This Bridge Report overviews the business performance for the fiscal Year Ended March 2023 and other information for Vertex Corporation.

Table of Contents

[Key Points](#)

[1. Company Overview](#)

[2. Fiscal Year Ended March 2023 Earnings Results](#)

[3. Fiscal Year Ending March 2024 Earnings Forecasts](#)

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

[5. Conclusions](#)

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

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

Key Points

- **In the term ended March 2023, sales increased 4.2% year on year to 39,095 million yen, while operating income decreased 9.5% year on year to 5,560 million yen. The pile business and the disaster prevention business performed well. Thus, sales were generally in line with the company's initial forecast. In terms of profit, although the company is raising sales prices, the impact of soaring raw material prices and lower sales volume than the initial forecast resulted in all levels of profit falling further below the revised earnings forecast.**
- **For the term ending March 2024, the company expects sales to rise 4.9% year on year to 41 billion yen and operating income to grow 9.7% year on year to 6.1 billion yen. The company aims to increase sales and profit from the previous fiscal year despite the business environment continuing to be severe due to soaring material prices and rising logistics costs by reflecting these factors in unit sales prices, further improving the product mix, and reducing costs. The company plans to pay an ordinary dividend of 40.00 yen/share, up 10.00 yen/share from the previous term. The expected dividend payout ratio is 24.2%. In addition to stable ordinary dividends, the company will consider special and commemorative dividends as appropriate and aim for a total return ratio of 30% through the acquisition of treasury shares.**
- **In the term ending March 2024, the company aims to achieve the numerical targets for the final year of the medium-term management plan through the growth of the concrete business. We will pay attention to the progress of the concrete business, such as possible price revisions, the benefits of the stabilization of raw material costs, and the increase in sale volume.**

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.

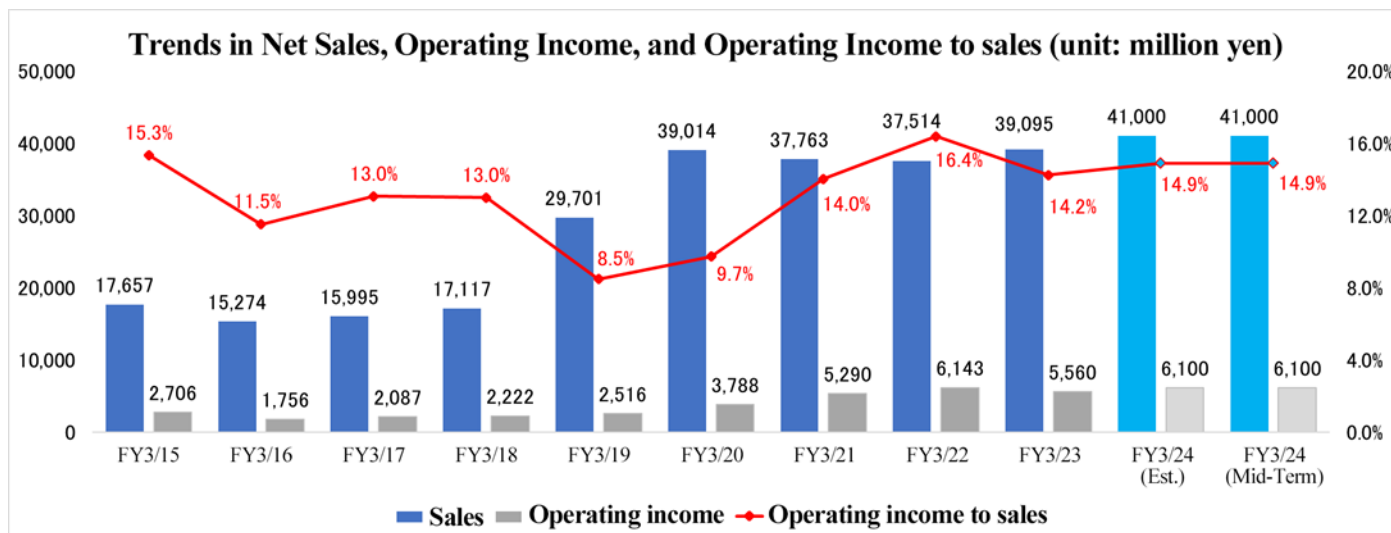
On October 1, 2018, HANEDA ZENITH HOLDINGS CO., LTD. and HOKUKON CO., LTD. (based in Fukui Prefecture) established Vertex Corporation through joint stock transfer (which made HANEDA ZENITH HOLDINGS CO., LTD. and HOKUKON CO., LTD. wholly owned subsidiaries).

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.



*ZENITH HANEDA HOLDINGS in FY15/3-FY18/3, BELTEX CORPORATION in FY19/3

[1-2 Raison d'etre]

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:

◎ 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.”

Thus, 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.

◎ 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.

◎ 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.

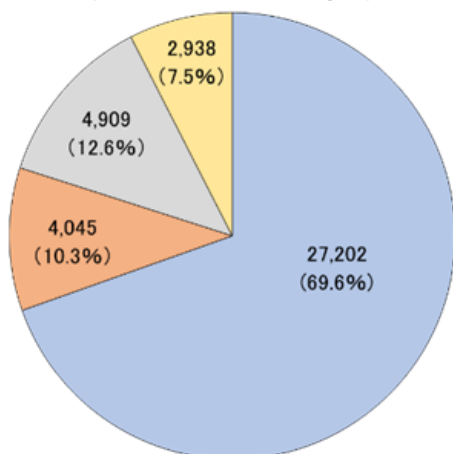
In contrast, the current mainstream construction method is the “on-site construction” method, in which concrete products are manufactured on-site by pouring concrete into wooden or iron molds, assembled at the site, and then hardened.

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.

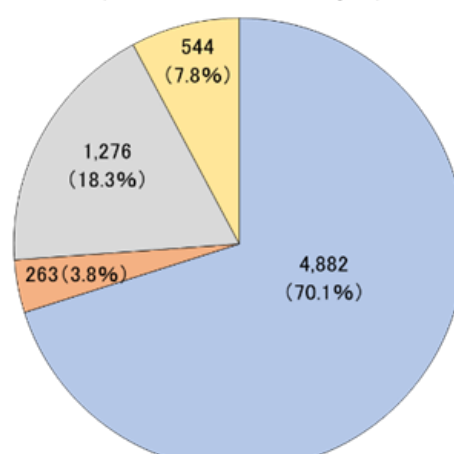
【1-4 Business Details】

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

Sales composition by segment
(FY3/23, unit: million yen)



Operating income composition by segment
(FY3/23, unit: million yen)



■ Concrete Business ■ Pile Business ■ Disaster Prevention Business ■ Other Business

*Sales to external customers

■ Concrete Business ■ Pile Business ■ Disaster Prevention Business ■ Other Business



*Sales to external customers




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.) 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.) PROFLEX CO., LTD. (Saitama Prefecture) Universal Business Planning Co., Ltd. (Fukui Pref.) NX inc. (Tokyo; equity-method affiliate)

【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>

	<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> 
<p>Maintenance</p>	<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> 
<p>Railroad</p>	<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>

	
<p>Housing/development</p>	<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> 

【Pile Business】

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

【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)

【Other Business】

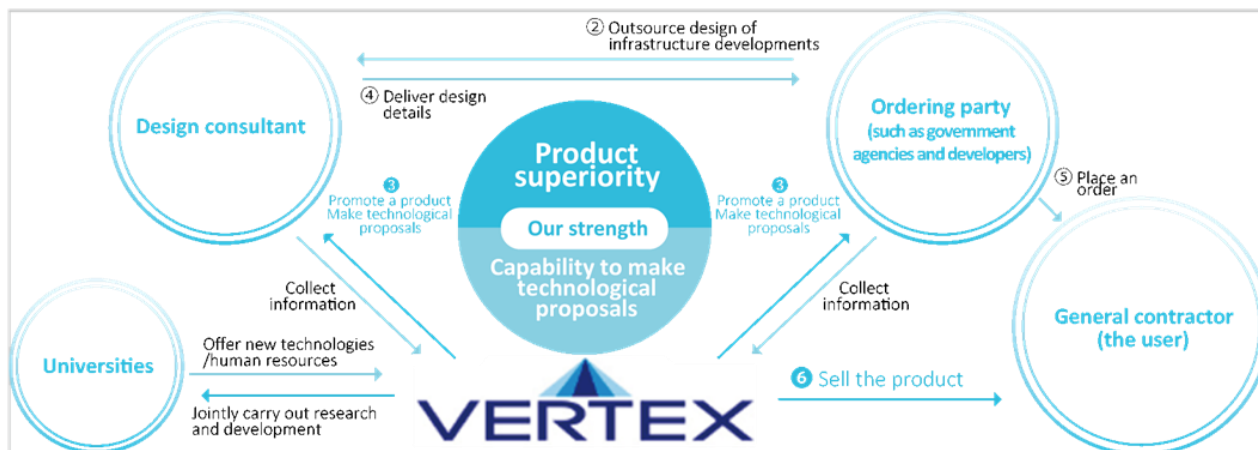
The company engages in various business operations, including to manufacture and sell new ceramic products, rent equipment and sell materials, sell radio frequency identifiers (RFID; non-contact IC tags), conduct investigation and tests of concrete, develop and sell systems, and rent real estate.

【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)

This strength is supported by three key areas: 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.

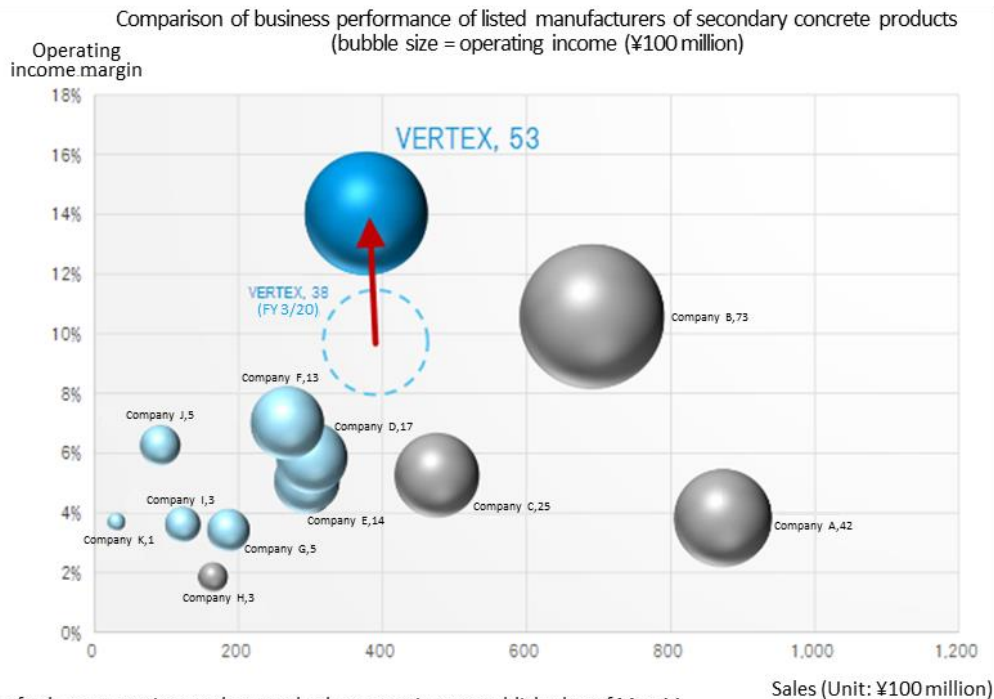
The fact that HANEDA ZENITH CO., LTD. and HOKUKON CO., LTD., which are the predecessor companies of Vertex Co., Ltd., gave their focus on technology seemingly contributes to the competitive superiority of the company that takes pride in its technologies.

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.

◎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.

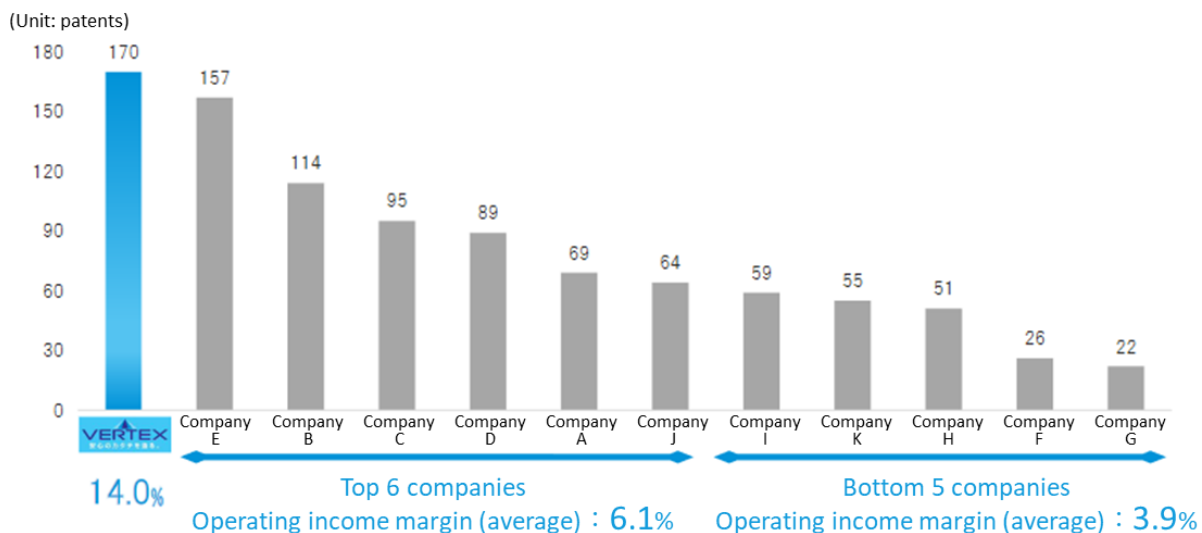


*The values of other companies are the actual values or estimates published as of May 11, 2021 for the fiscal year ended March 2021 (or fiscal year February 2021).

(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)







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

◎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】

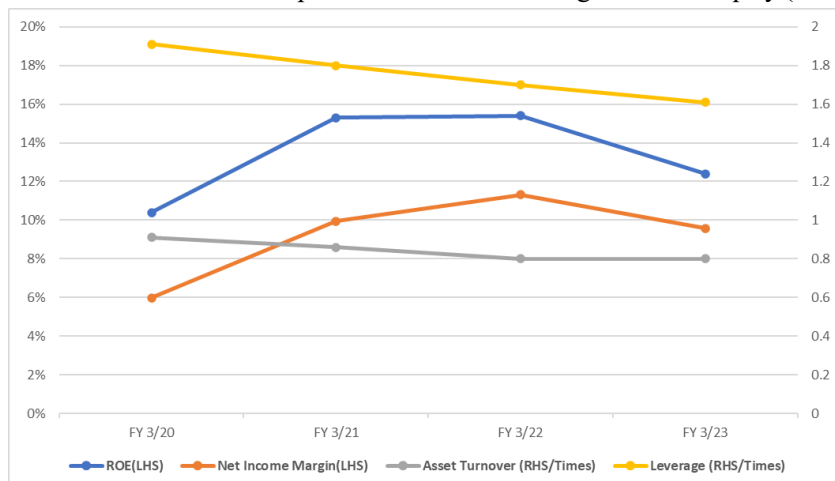
In addition to stable payment of ordinary dividends, the company intends to pay shareholder return through acquisition of treasury shares with an expected total payout ratio being 30%, as well as to consider paying special and commemorative dividends as appropriate.

The company purchased treasury shares worth 549 million yen during the term ended March 2022 and treasury shares worth 766 million yen during the term ending March 2023.

【1-7 Analysis of Return on Equity】

	FY 3/20	FY 3/21	FY 3/22	FY 3/23
ROE (%)	10.4	15.3	15.4	12.4
Net income margin (%)	5.99	9.95	11.31	9.57
Total asset turnover (times)	0.91	0.86	0.80	0.80
Leverage (times)	1.91	1.80	1.70	1.61

ROE for the term ended March 2023 was down 3 points year on year due to a decrease in net income margin and leverage. 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.



*Prepared by Investment Bridge Inc. based on disclosed material.

2. Fiscal Year Ended March 2023 Earnings Results

【(1) Overview of the consolidated results】

	FY 3/22	Ratio to sales	FY 3/23	Ratio to sales	YoY	The estimate at the beginning of FY	Compared to the estimate
Sales	37,514	100.0%	39,095	100.0%	+4.2%	39,000	+0.2%
Gross profit	11,907	31.7%	11,817	30.2%	-0.8%	-	-
SG&A	5,763	15.4%	6,257	16.0%	+8.6%	-	-
Operating income	6,143	16.4%	5,560	14.2%	-9.5%	5,700	-2.4%
Ordinary Income	6,434	17.2%	5,837	14.9%	-9.3%	5,900	-1.1%
Net Income	4,242	11.3%	3,742	9.6%	-11.8%	4,000	-6.4%

*Unit: Million yen.

*The figures include those calculated by Investment Bridge Co., Ltd. as reference values, and may differ from actual values (the same applies hereinafter).

Sales up 4.2% year on year, operating income down 9.5% year on year

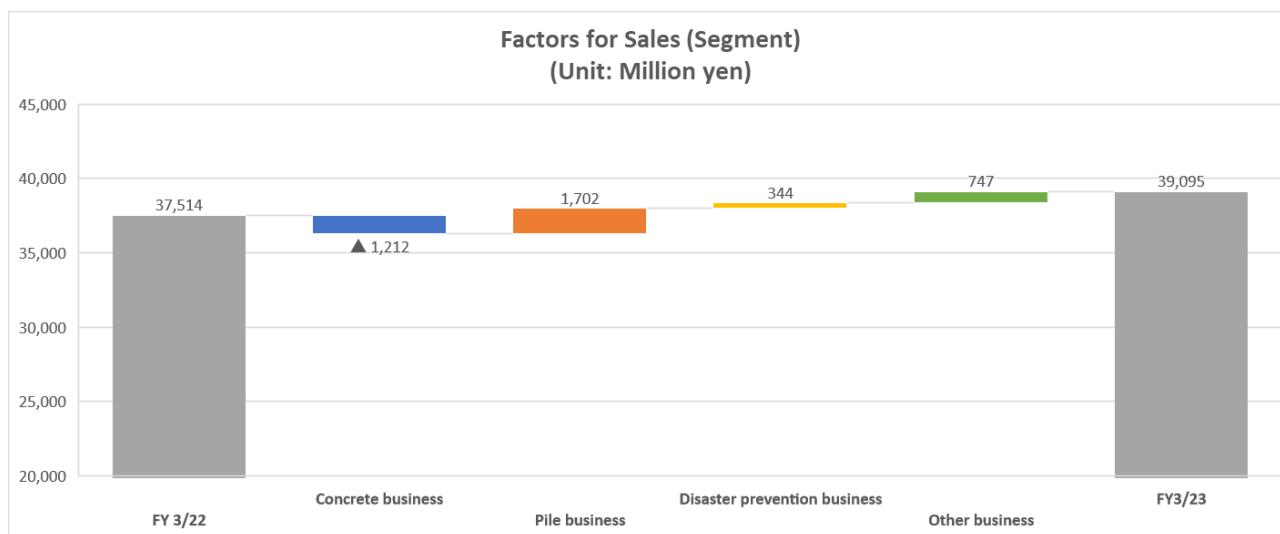
In the term ended March 2023, sales increased 4.2% year on year to 39,095 million yen. The pile and disaster prevention businesses performed well, so sales were generally in line with the company's initial plan.

Operating income decreased 9.5% year on year to 5,560 million yen. Although the company has been raising sales prices, the impact of soaring raw material prices and lower sales volume than the initial forecast resulted in all levels of profit further falling short of the revised earnings forecast. Gross profit margin fell 1.5 points year on year to 30.2%. Regarding product prices, the prices of high-value-added products rose 7% year on year, and those of general-purpose products increased 12% year on year. In addition, the sales ratio of high value-added products such as rainwater storage tanks, S-HOLE, SJ-BOX, and special products (track slabs), which the company has been improving, reached 66%. The ratio of SG&A to sales rose 0.6 points year on year, and operating income margin fell 2.2 points year on year to 14.2%. The company had huge non-operating gains and losses. It recorded a non-operating income of 43 million yen in compensation for income and 57 million yen in compensation for damage. Extraordinary gains included 95 million yen in gain on the transfer of business and 56 million yen in gain on the partial termination of the retirement benefit plan. A loss on the valuation of investment securities of 81 million yen was recorded as an extraordinary loss.

【(2)Trend of each segment】

	FY 3/22	Ratio to sales	FY 3/23	Ratio to sales	YoY
Concrete business	28,414	75.7%	27,202	69.6%	-4.3%
Pile business	2,343	6.2%	4,045	10.3%	+72.6%
Disaster prevention business	4,565	12.2%	4,909	12.6%	+7.5%
Other business	2,190	5.8%	2,938	7.5%	+34.1%
Total sales	37,514	100.0%	39,095	100.0%	+4.2%
Concrete business	5,549	19.5%	4,882	17.9%	-12.0%
Pile business	85	3.6%	263	6.5%	+209.5%
Disaster prevention business	1,194	26.2%	1,276	26.0%	+6.9%
Other business	459	21.0%	544	18.5%	+18.6%
Adjustment amount	-1,144	-	-1,407	-	-
Total operating income	6,143	16.4%	5,560	14.2%	-9.5%

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

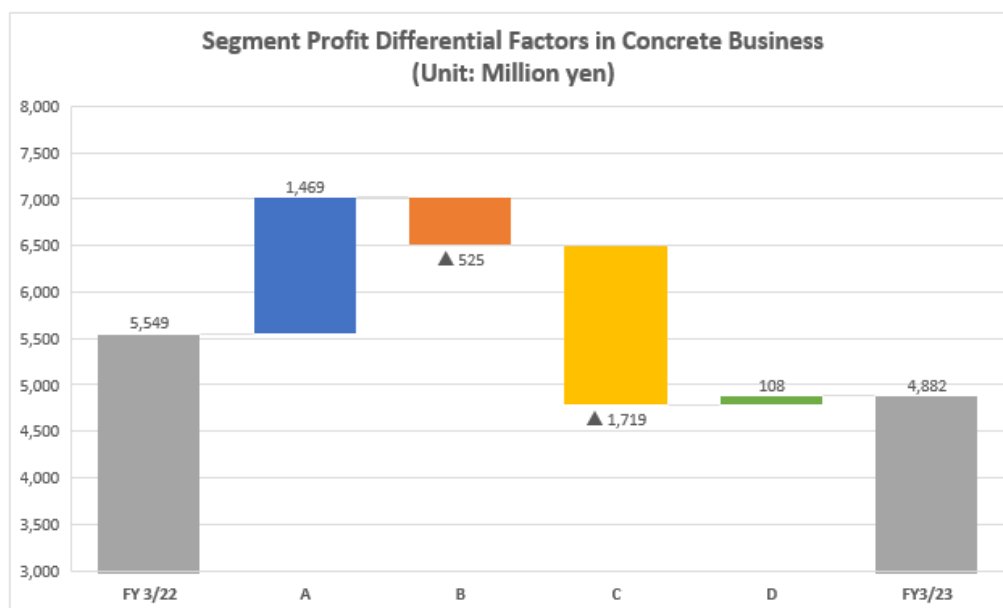


*Prepared by Investment Bridge Inc. based on disclosed material.

◎ **Concrete Business (4.3% YoY decrease in sales, and 12.0% YoY decrease in profit)**

Increasing productivity by improving work processes to cope with chronic labor shortage is a major theme in the construction industry, and the promotion of and demand for precast concrete, which is expected to contribute to labor saving, safety improvement, shorter construction periods, and work style reform at construction sites, have been increasing year by year. In addition, countermeasures against flooding, in which the company has a competitive edge, have been positioned as an urgent issue in government policies for disaster prevention and disaster mitigation, and national resilience. Under these circumstances, the company took measures such as further raising unit sales prices, reviewing the handling of low-margin products, and shifting to high-value-added products. However, sales and profit declined year on year as it could not cover the impact of the price hike of raw materials and the lower sales volume of large projects.

The sales volume of box culverts and special products (categorized as others), which were the main products of large-scale projects in the previous term, decreased. In addition, the main factor behind the decline in profit was the sluggish rate of increase in unit selling prices due to the impact of the product mix within the box culvert. Also, operating income margin fell 1.6 points year on year to 17.9%.



- A: Manufacturing and sales price revision effect
- B: Soaring Raw Material Prices
- C: Impact of increase/decrease in sales volume
- D: Other Factors

*Prepared by Investment Bridge Inc. based on disclosed material.

◎ **Pile Business (Sales increased 72.6% year on year and profit increased 209.5% year on year)**

Compared to the previous fiscal year, when there was a considerable slump in private-sector demand due to the novel coronavirus crisis, demand increased due to a recovery in capital investment motivation centering on private companies. This increase in demand and promoting efficiency by narrowing down sales areas and projects and vitalizing order-receiving activities that focus on the company's strengths as well as various initiatives such as raising sales prices and reducing production costs while paying close attention to trends in raw material prices led to a year-on-year increase in sales and profit. In addition, operating income margin rose 2.9 points year on year to 6.5%.

◎ **Disaster Prevention Business (7.5% YoY increase in sales, and 6.9% YoY increase in profit)**

The government is implementing the "Five-Year Road Program for Disaster Prevention, Mitigation and National Resilience" as countermeasures against intensifying wind and flood damage, sediment disasters, and falling rock disasters. With this tailwind, the company was among the first to work on product development using physical testing and impact and structural analysis software and worked proactively to secure its market share while paying close attention to raw material price fluctuations, which resulted in an increase in sales and profit year on year. Operating income margin fell 0.2 points year on year to 26.0%.

◎ **Others (Sales increased 34.1% year on year, and profit increased 18.6% year on year)**

The company engages in ceramics business, rental business, hydraulic hose-related business, etc. Sales and profits increased year on year due to the acquisition of PROFLEX CO., LTD., which became a wholly owned subsidiary on October 4, 2022. Operating income margin fell 2.5 points year on year to 18.5%.

【(3)Financial position and cash flows】

Main Balance Sheet

	FY 3/22	FY 3/23		FY 3/22	FY 3/23
Cash and Deposits	12,905	11,017	Trade Payables	6,476	6,015
Trade Receivables	12,689	12,720	ST Interest-Bearing Debts	3,205	3,588
Inventories	4,769	5,123	Current Liabilities	13,171	12,901
Current Assets	31,143	29,977	LT Interest-Bearing Debts	836	1,712
Tangible Assets	12,396	12,596	Noncurrent Liabilities	5,052	5,357
Intangible Assets	360	4,105	Net Assets	29,196	31,584
Investment and Other Assets	3,520	3,163	Total Liabilities and Net Assets	47,419	49,843
Total Assets	16,276	19,866	Total interest-bearing debt	4,042	5,301

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

*Interest-bearing debt does not include lease obligations.

Current Assets 29,997	Current Liabilities 12,901
	Non-Current Liabilities 5,357
Non-Current Assets 19,866	Net Assets 31,584

*Prepared by Investment Bridge Inc. based on disclosed material.

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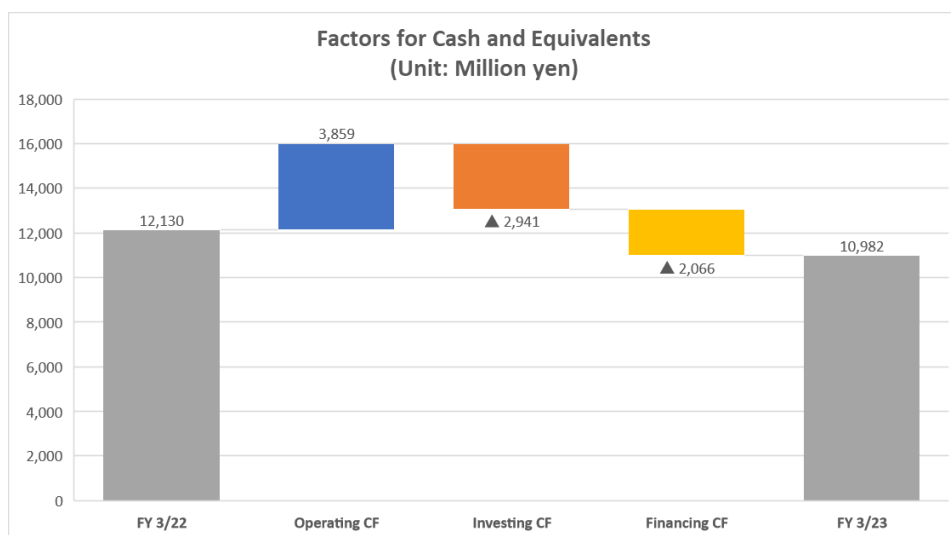


Total assets at the end of march 2023 were 49,843 million yen, up 2,423 million yen from the end of the previous period. On the assets side, goodwill and inventories were the main contributors to the increase, while cash and deposits and deferred tax asset were the main contributors to the decrease. On the liabilities and net assets side, the main factors of increase were short-term and long-term interest-bearing liabilities and retained earnings due to the increase in net profit attributable to shareholders of the parent company, while the main factors of decrease were trade payables, income taxes payable and liabilities for retirement benefits. The equity ratio at the end of march 2023 was 62.9%, up 1.6 points from the end of the previous period.

Cash Flow

	FY 3/22	FY 3/23	Increase/decrease	YoY
Operating CF	4,995	3,859	-1,135	-22.7%
Investing CF	-1,141	-2,941	-1,800	-
Free CF	3,854	918	-2,935	-76.2%
Financing CF	-2,617	-2,066	551	-
Cash and equivalents	12,130	10,982	-1,147	-9.5%

*Unit: Million yen.



*Prepared by Investment Bridge Inc. based on disclosed material.

From a cash flow perspective, the cash inflow from operating activities decreased due to a decrease in retirement benefit liability, a slight decline in trade receivables, and an increase in corporate tax payments. In addition, the cash outflow from investing activities expanded due to the increase in purchase of shares of subsidiaries resulting in change in scope of consolidation. Free cash flow shrank. The cash outflow from financing activities declined due to a decrease in short-term borrowings and an increase in purchase of treasury shares. As a result, the cash position at the end of the period was down 9.5% from the previous period.

【(4) Major Investments (million yen)】

Concrete business	561
Pile business	115
Disaster prevention business	206
Other business	211
Company-wide common (software, etc.)	168
total amount	1,263

【(5)Topics】**◎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. It was established on November 9, 2022 and started operations on April 1, 2023.

◎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.

◎To Acquire Treasury Shares

The company purchased treasury shares, as resolved by the Board of Directors on May 12, 2022, in order to enhance shareholder returns, improve capital efficiency, and implement a flexible capital policy in response to changes in the business environment. The total number of shares purchased was 588,700 at a total cost of 699,950,700 yen.

In addition, the company acquired treasury shares as resolved at the Board of Directors meeting held on March 9, 2023. The total number of shares acquired was 220,000, and the total acquisition price was 298,282,600 yen.

Moreover, at the Board of Directors meeting held on May 11, 2023, they resolved to acquire treasury shares. During the period from May 15, 2023, to July 31, 2023 (scheduled), the company plans to acquire up to 215,000 treasury shares at up to 300,000,000 yen.

◎Adoption of Stock-based Benefit Trust for Employees

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.

The purpose of the buyback was to boost morale and motivate employees to contribute to improving the company's performance and increasing its corporate value over the medium term. In setting up the plan, 134,000 shares of the company's stock (approximately 400 million yen) were acquired on May 30.

◎Acquisition of Shares of PROFLEX CO., LTD. (Making it a Subsidiary)

The company made PROFLEX CO., LTD. a wholly-owned subsidiary on October 4, 2022. Since its establishment in 1970, PROFLEX CO., LTD. has consistently specialized in the maintenance needs of hydraulic hoses used in construction machinery and industrial equipment, and has planned, designed, manufactured, and sold hydraulic hoses and fittings. The company is particularly strong in its lineup of overseas standard products and special products, and has the largest product lineup in the industry due to its continuous accumulation of in-house designed products since its establishment. PROFLEX CO., LTD. is the domestic distributor for Parker Hannifin Corporation, the No. 1 global manufacturer of hydraulic hoses, and sells its products. By incorporating PROFLEX's expertise and technology in hydraulic components and effectively utilizing the Group's customer base and other assets, the company aims to strengthen its ability to meet maintenance needs in both the public and private sectors, thereby enhancing its corporate value on a sustainable basis.

◎ Exhibition

The Vertex Group exhibited at Sewerage Exhibition '22 Tokyo (August 17-20), WICERA Co., Ltd. exhibited at Techno Frontier 2022 (July 20-22), and iB Solution Corporation exhibited at Interop Tokyo 2022 (June 15-17).

◎ Production of Offering Programs

The company produced special TV programs aimed at giving stakeholders a deeper understanding of the company's business.



工場で作成した部材を現場で組み立てるプレキャスト化により工期を短縮。ゲリラ豪雨にも対応する特殊バルブを搭載し機能をアップ、進化した「貯留施設」。



1mを超える巨大な落石にも対応可能とされる、画期的な「落石防護フェンス」。耐久テストと結構度の前に設置される現場を取材。業界の常識を覆す技術とは？

BSテレ東7

災害を前に、
一歩も引かない技術が
この国にはある。

その日のために 今夜 10時

潜入! 防災技術最前線

日本各地を襲う記録的な自然災害。30年以内に70%の確率で起きるとされる巨大地震。いつかくる“その日”に備えて、防災・減災のための技術開発が進む最前線へ。ペルテラスの「貯留施設」やウェザーニューズの「お天気アプリ」など企業や自治体の取り組みに迫ります。



ユーザーからの情報と全国に設置されたアメダスによる膨大なデータをプロが分析。雨雲の動き、雨の降り方を詳細に予測する人気の「お天気アプリ」、その裏面に迫る！



古くは明治時代から、大雨による被害にたびたび見舞われてきた岡山県瀬戸市。下津地区では東日本大震災を機に「自主防災組織」を結成、地道な活動の成果は？



放送日：2022年11月7日(月) 22:00~22:55

(From the company's website)

3. Fiscal Year Ending March 2024 Earnings Forecasts

(1) Earnings Forecasts

	FY 3/23	Ratio to sales	FY 3/24 Est.	Ratio to sales	YoY
Sales	39,095	100.0%	41,000	100.0%	+4.9%
Operating Income	5,560	14.2%	6,100	14.9%	+9.7%
Ordinary Income	5,837	14.9%	6,300	15.4%	+7.9%
Net Income	3,742	9.6%	4,200	10.2%	+12.2%

*Unit: Million yen.

Sales are projected to increase 4.9% year on year, and operating income 9.7% year on year.

To realize its management philosophy of “To build safe society,” the company has formulated a medium-term management plan that will end in the term ending March 2024, which strives to provide peace of mind for the future and further increase its corporate value. In addition, the company will continue to make maximum use of tangible and intangible assets within the group, such as technology, research & development, human resources, and equipment, and sincerely develop and supply innovative products to help solve the problems in the construction industry and Japan.

The company's plan for the term ending March 2024 is a 4.9% year-on-year increase in sales to 41 billion yen and a 9.7% year-on-year increase in operating income to 6.1 billion yen. Although the business environment continues to be severe due to soaring material prices and rising logistics costs, the company aims to increase sales and profits from the previous fiscal year by reflecting this in unit sales prices, further improving the product mix, and working to reduce costs. Operating income margin is expected to rise 0.7 points year on year to 14.9%.

The company plans to offer an ordinary dividend of 40.00 yen/share, up 10.00 yen/share from the previous term. The expected dividend payout ratio is 24.2%. In addition to stable ordinary dividends, the company plans to consider special dividends and commemorative dividends as appropriate and aims for a total return ratio of 30% through the acquisition of treasury shares.

(2) Trend in each segment

	FY 3/23	Composition ratio	FY 3/24 Est.	Composition ratio	YoY
Concrete business	27,202	69.6%	29,080	70.9%	+6.9%
Pile business	4,045	10.3%	3,370	8.2%	-16.7%
Disaster prevention business	4,909	12.6%	4,950	12.1%	+0.8%
Other business	2,938	7.5%	3,600	8.8%	+22.5%
Total sales	39,095	100.0%	41,000	100.0%	+4.9%
Concrete business	4,882	17.9%	5,580	19.2%	14.3%
Pile business	263	6.5%	210	6.2%	-20.4%
Disaster prevention business	1,276	26.0%	1,180	23.8%	-7.6%
Other business	544	18.5%	590	16.4%	+8.3%
Adjustment amount	-1,407	-	-1,460	-	-
Total operating income	5,560	14.2%	6,100	14.9%	+9.7%

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

An increase in sales and profit in the concrete business is expected to contribute to year-on-year sales and profit growth for the entire company. On the other hand, the pile business is expected to see a year-on-year decline in sales and profit.

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. On the other hand, in the term ended March 2023, profit declined due to the impact of soaring raw material prices, and operating income fell short of the company's plans for the second and third years. The company aims to achieve the targets of the final year of the medium-term management plan in the term ending March 2024.

	FY 3/22 Plan.	FY 3/22 Act.	FY 3/23 Plan.	FY 3/23 Act.	FY 3/24 Plan.
Sales	390.0	375.1	400.0	390.9	410.0
Operating Income	55.0	61.4	58.0	55.6	61.0
Operating Profit Margin	14.1%	16.4%	14.5%	14.2%	14.9%
Ordinary Income	57.0	64.3	60.0	58.3	63.0
Net Income	38.0	42.4	40.0	37.4	42.0
ROE	—	15.4%	—	12.4%	10.0% or more

*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

◎Examples of high-value-added products (anti-flooding)

◆ The company installed an underground reservoir at the construction site in Athletes' Village for the Asian Games in Aichi Prefecture (site area: approx. 20 ha). In the project to utilize a former racetrack site for condominiums, commercial facilities, etc., SJ-BOX was used due to its (1) support for high overburden, (2) shortening of a construction period through PCA, and (3) possessing excellent earthquake resistance performance.



(From the company's website)

◎ **Example (anti-flooding)**

◆ Construction work to install a rainwater storage tank in the land readjustment project of north of Hoshida Station in Osaka Prefecture. The M.V.P. system is ideal for sites with high groundwater levels, as it has few cast-in-place sites and is highly watertight. The company provided safety and security to the project that offers high-quality residential land and farmland in the north area of Hoshida Station.



(From the company's website)

◎ **Product Development**

◆ In the disaster prevention business, the company obtained a construction technology review certificate (erosion control technology) for the loop fence type E (measures against landslide disasters).

As a fence for piles that protect against collapsing sediment as a measure for the collapsing of steep slopes, the company obtained Japan's first construction technology review certificate (erosion control technology) from the Sabo & Landslide Technical Center. It is a fence that protects from collapsing sediment that can be constructed even in the back of a private house with no space, where a concrete retaining wall cannot be constructed, and has a small amount of deformation when sediment is captured.



(From the company's website)

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

◎ **Example (countermeasures against deterioration of headworks)**

◆ Construction Work No. 3 for Meishin Hino River Headworks in Hino River District in Shiga Prefecture.

The apron section was constructed with ductal panels as a wear repair for the headworks' sand discharger. Since it is a plant product, construction is possible even in a harsh winter environment. In addition, it has excellent abrasion and impact resistance and is extremely effective as a countermeasure against abrasion. Thus, the company has a wealth of construction experience in national projects.

BRIDGE REPORT



(From the company's website)

◎ Example (measures against snow damage)

◆ In Fukui and Ishikawa Prefectures, non-sprinkling snow-melting panels have been installed on the sidewalks in the squares in front of Hokuriku Shinkansen stations.

The product's name is "Sprinkler-less Snow Melting Panel," and it contributes greatly to creating a safe and secure walking space in the station square, the gateway to snow-covered areas.



(From the company's website)

◎ Making PROFLEX CO., LTD. a Wholly Owned Subsidiary

◆ On October 4, 2022, the company made PROFLEX CO., LTD. a wholly-owned subsidiary. The company aims to sustainably enhance its corporate value by effectively utilizing the customer base and other assets of the company group. The strengths of PROFLEX CO., LTD. are the large number of products in stock, the excellent operation that provides immediate delivery nationwide starting with one item, and the ability to design original crimping machines and in-house planned products. Going forward, the company will accelerate business growth by effectively utilizing the strengths of PROFLEX CO., LTD. and its customer base and other assets to strengthen and stabilize the company's future business portfolio by incorporating maintenance businesses in both the public and private sectors.

◎ Foundation of Vertex Tec Vietnam

Vertex Tec Vietnam started operations in Hanoi, Vietnam, on April 1, 2023. For the time being, the company will mainly carry out design and development tasks. However, in the future, it will conduct market research, promote business development, and establish a system for entering new markets.

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

Vertex Academy, which will serve as the central educational and training institution for the Vertex Group, was established and began operations. In addition, the Human Resources Development Group was established and the educational program was reorganized starting April 2022. 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. In the young employee training, 40 young employees of group companies conducted group learning and group work for seven months from September 2022 to March 2023. In addition, in the new employee training for the fiscal year 2023, a two-week training session was held from April 4, 2023, for new employees and employees who joined the company mid-career through the previous fiscal year.

◎Development of information systems and ICT infrastructure, and promotion of DX

At Vertex, the new core system has been operational since April 2023.

In addition, the personnel and employment system has been in operation since February 2022.

At Vertex Construction, the new core system has been in operation 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 and 2022.

They are preparing it for the fiscal year 2023 as well.

In addition, a strengthening of internal audits is planned, 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 has set up a Sustainability Committee and is promoting further sustainability measures from February 2023 onward.

5. Conclusions

In the first half of FY 3/23, the company's pile and disaster prevention businesses performed well, with sales exceeding the company's initial forecast by 95 million yen.

Operating income, on the other hand, fell 640 million yen short of the company's initial projection due to higher raw material prices.

Regarding the performance in each segment, sales in the concrete business declined 1.212 billion yen year on year, while operating income fell 667 million yen year on year.

At first glance, the concrete business was very sluggish, but this was due to a reaction to the concentration of shipments of large value-added properties in the first half of the previous year.

Compared to the term ended March 2021, the operating income of the concrete business remained almost flat, indicating that the profitability of the concrete business is increasing. In the term ending March 2024, growth in the concrete business will drive growth, and it is expected that the numerical targets for the final year of the medium-term management plan will be achieved. We will focus on the progress of the concrete business in the first half of the term ending March 2024 to see how much it can progress to achieve the medium-term management plan. We would like to pay attention to possible price revisions in the concrete business, the benefits of the raw material prices subsiding, and the sales volume increase.

In addition, a new medium-term management plan is expected to start in the term ending March 2025. We are looking forward to seeing what kind of next medium-term management plan the company will formulate. In the term ending March 2024, it is expected that measures that will serve as hints for the next medium-term management plan will gradually start. We are waiting with anticipation for the future news regarding the company's efforts.

<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 3/22), 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 CO₂ emissions and preserving natural resources), durable, and low-cost

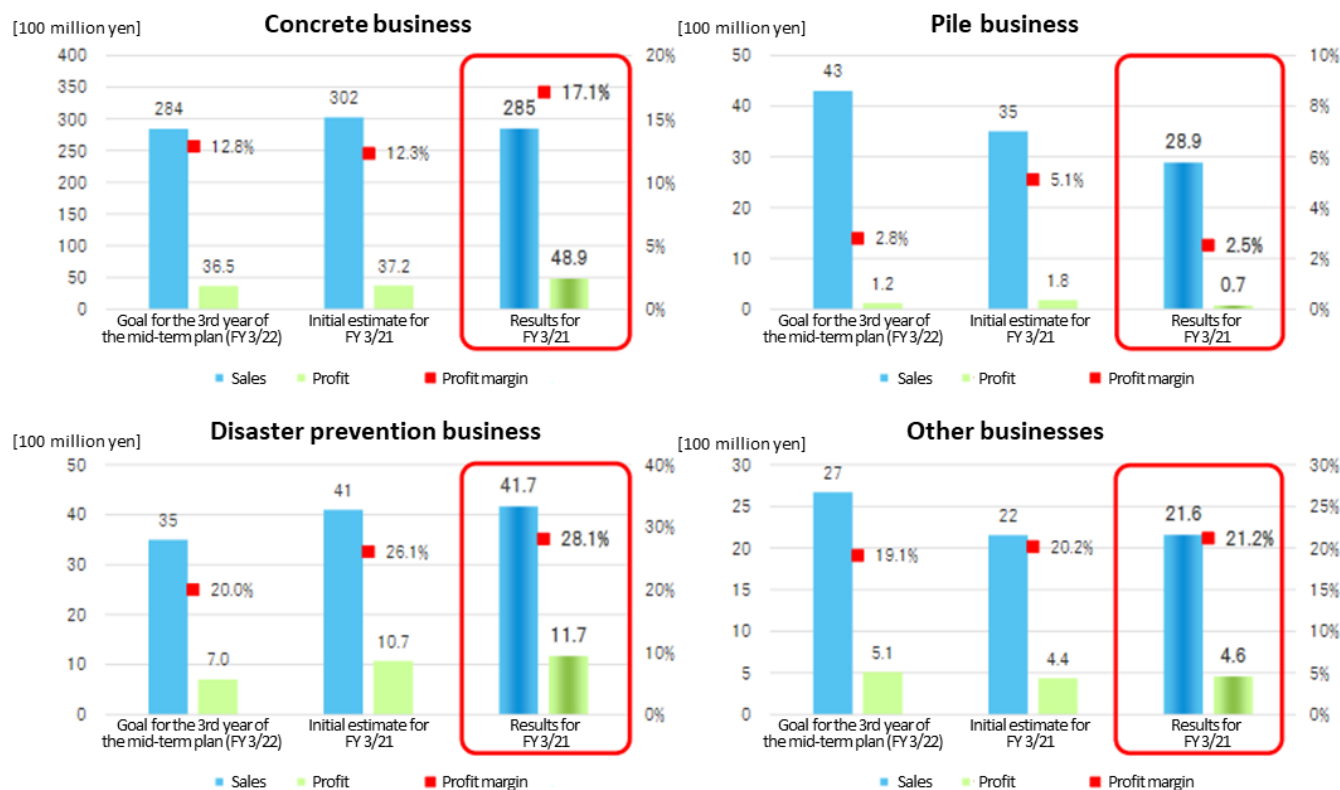
*Slabs for half-precast tracks for next-generation light rail transit (LRT)

*Products for preventing the fall of rocks

(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.

BRIDGE REPORT



(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.

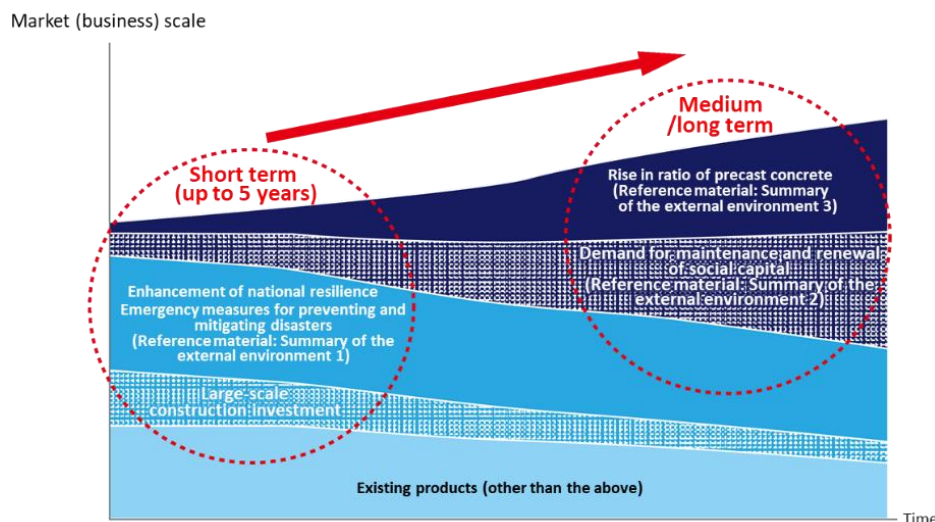
It considers that there is room for streamlining after merger, mainly for production and sales systems.

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 10th 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"> 1. To propose a lineup of high value-added products by utilizing the technological development capacity 2. To upgrade the centers for shipping general-purpose products for increasing customer satisfaction level 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 4. To improve the production and shipment efficiencies by integrating factories

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"> 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 2. To enhance and promote marketing while coping with the novel coronavirus 3. To improve existing construction methods and develop new construction methods

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"> 1. To develop new products in the fields of prevention of fall of rocks, landslides, and avalanches 2. To improve existing products and enrich the product lineup 3. To enhance marketing in the transportation infrastructure field

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%.

(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)

	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.

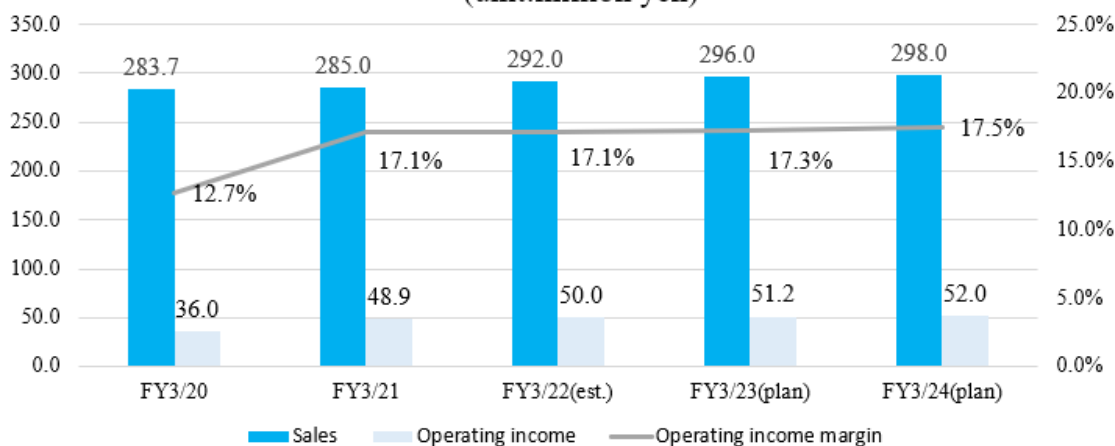
◎ Goals in each segment

*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.

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



BRIDGE REPORT

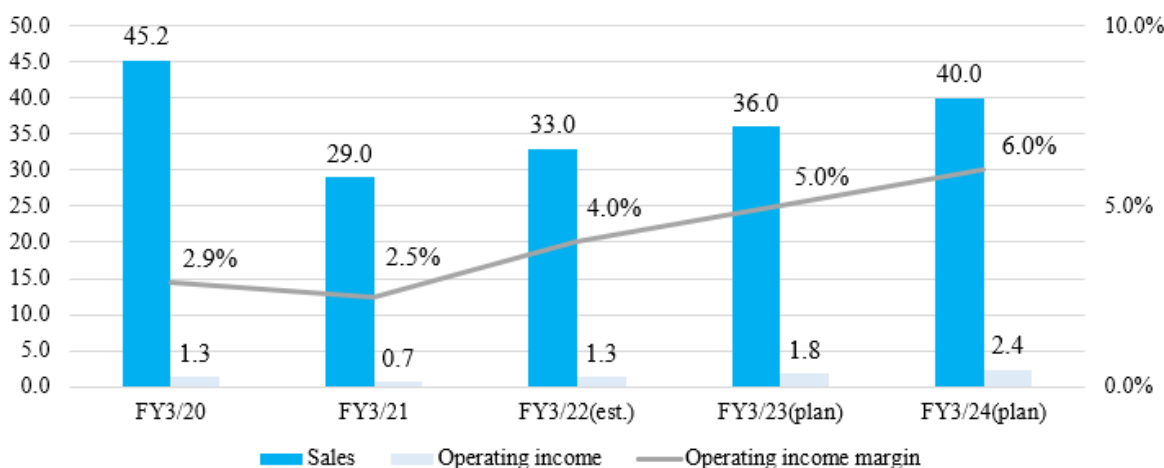


***Pile business**

	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)

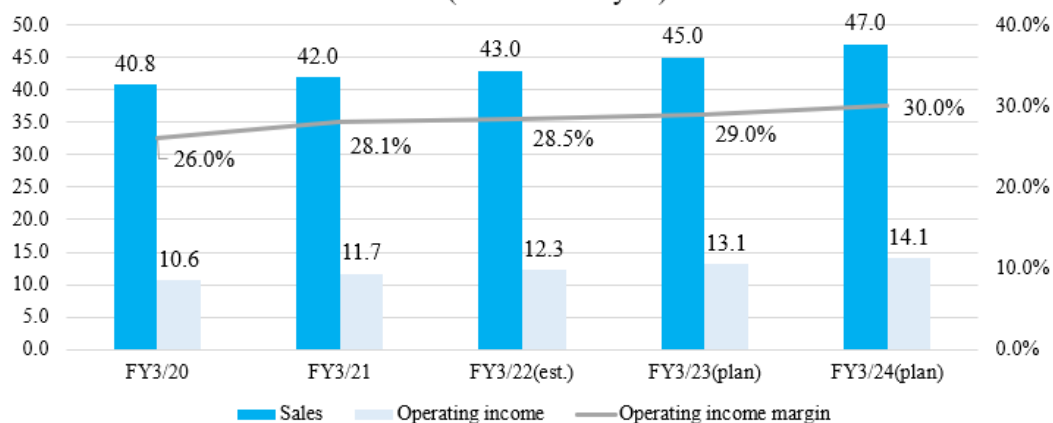


***Disaster prevention business**

	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)



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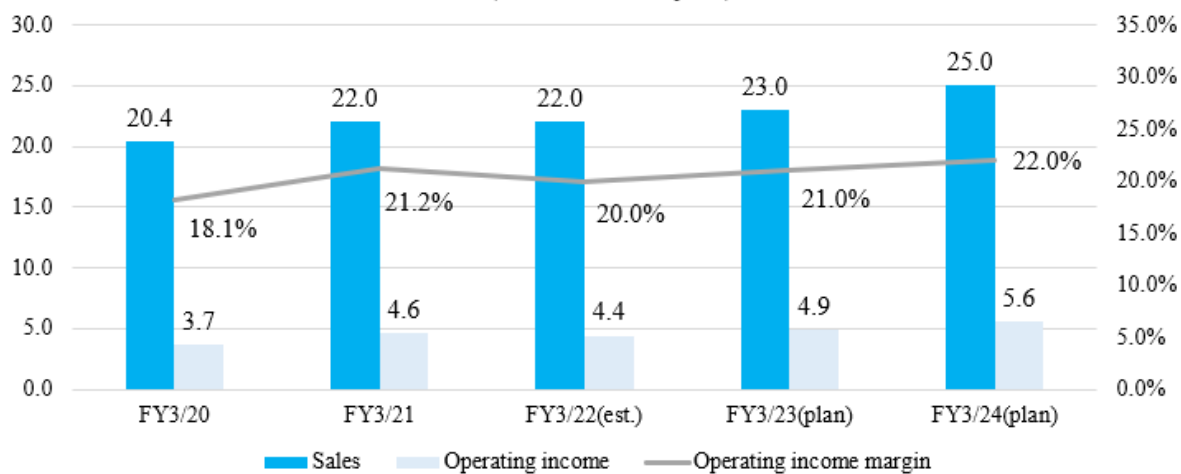


***Other business**

	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 July 27, 2022

<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. We hire mid-career employees and promote them to management positions by comprehensively considering their skill and experience.</p> <p>-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 this term, while we continue our discussion on building plans and investing in human assets and intellectual properties.</p>

<Disclosure Based on the Principles of the Corporate Governance Code (Excerpts)>

Principles	Disclosure contents
<p>【Principle 3-1: Enhancement of disclosure of information】</p>	<p>(i) Management principles, strategies, and plans Our company discloses its management plan and other information on its website.</p> <p>(ii) Basic Approach to Corporate Governance and Basic Policies Our company discloses on its website the guidelines that set forth its basic approach to corporate governance.</p> <p>(iii) Policies and Procedures for the Board of Directors in Determining the Compensation of Senior Management and Directors Remuneration for Directors (excluding Outside Directors) consists of base remuneration as fixed remuneration and stock options as non-monetary remuneration whose number is calculated based on performance indicators ("performance-linked non-monetary remuneration"). In light of their duties, outside directors receive only base remuneration. The standard remuneration ratio for each type of director (excluding directors who are members of the Audit Committee) is as follows: base remuneration: performance-linked non-monetary remuneration (short-term incentives): performance-linked non-monetary remuneration (long-term incentives) = 70:15:15 (if 100% of the performance indicators are achieved). The Compensation Committee deliberates and reports to the Board of Directors on the amount of remuneration for each individual director, and the Board of Directors decides the amount of remuneration by respecting the content of such report. The amount of remuneration for directors who are members of the Audit Committee shall be decided by the Compensation Committee through deliberation and report to all directors who are members of the Audit Committee, and all directors who are members of the Audit Committee shall decide the amount of remuneration after respecting and discussing the contents of such report.</p> <p>(iv) Policies and Procedures for Election and Dismissal of Senior Management and Nomination of Candidates for Directors (Policy) Regarding candidates for Directors who are not Audit and Supervisory Committee members, we appoint personnel with a wide range of perspectives and experience that can contribute to the development of the group, as well as management skills and sense to improve the group's corporate value. Candidates for Directors who are Audit and Supervisory Committee Members are selected from individuals who can fairly audit and supervise the execution of duties by Directors who are not Audit and Supervisory Committee Members based on their extensive experience and knowledge. (Selection Procedures) We established a discretionary Nominating Committee. The Nominating Committee deliberates on proposals for the election and dismissal of directors and makes recommendations on candidates for directors. Based on the respective recommendations, the committee reports to the Audit Committee the proposed candidates for directors who are not Audit Committee members, and the Board of Directors resolves the proposed candidates for directors who are Audit Committee members after obtaining the consent of the Audit Committee.</p> <p>v) Explanation on the Election, Dismissal, and Nomination When Electing and Dismissing Senior Management and Nominating of Candidates for Directors In the case of the election and dismissal of Directors, we will publish in the Reference Document for the Notice of the General Meeting of Shareholders the biographies of the candidates for new directors determined by the Board of Directors based on the recommendation of the Nominating Committee, and the reasons for their election and dismissal. (Management Plan: https://www.vertex-grp.co.jp/ja/ir/management/plan.html) (Corporate Governance Guidelines: https://www.vertex-grp.co.jp/ja/ir/management/governance.html)</p>

BRIDGE REPORT



<p>[Principle 5-1 Policy for constructive dialogue with shareholders]</p>	<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>
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