

 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
¥1,795	25,647,017 shares		¥46,036 million	11.5%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥50.00	2.8%	¥160.55	11.2 x	¥1,309.37	1.4 x

* Stock price is as of closing on May 22, 2024. The number of shares issued is the number of outstanding shares as of the end of FY3/24, 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 and BPS are the actual results for FY 3/24, and EPS and DPS are forecasts for FY 3/25.

Earnings Trends

Fiscal Year	Net Sales	Operating Income	Ordinary Income	Net Income	EPS	DPS
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 Act.	36,833	5,727	5,849	3,728	143.86	40.00
March 2025 Est.	40,000	6,000	6,200	4,050	160.55	50.00

*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 3/21. 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 2024 and other information for Vertex Corporation.

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Key Points

- In the fiscal year ended March 2024, sales decreased 5.8% year on year to 36,833 million yen, while operating income grew 3.0% year on year to 5,727 million yen. Sales decreased in the concrete business, the disaster prevention business, and the pile business, except the other business, so total sales fell below the company's forecast revised on February 8. On the other hand, all kinds of profits exceeded the revised forecasts, thanks to the effects of the rise in selling prices. The sales and profit of the other business increased year on year, due to the acquisition of PROFLEX CO., LTD. as a 100% subsidiary on October 4, 2022.
- For the fiscal year ending March 2025, the company forecasts that sales will grow 8.6% year on year to 40 billion yen and operating income will rise 4.8% year on year to 6 billion yen. By enhancing the sale of existing and new products and adding value to selected products, they aim to increase sales and profit from the previous fiscal year. For dividends, the company plans to pay a common dividend of 50.00 yen/share, up 10.00 yen/share from the previous fiscal year. The expected payout ratio is 31.1%. They will aim to achieve a total payout ratio of 50% or higher, by increasing the dividend amount stably and continuously while targeting a dividend payout ratio of 30%.
- The company formulated the third medium-term management plan for the three years from the fiscal year ending March 2025 to the fiscal year ending March 2027. As the first step to realize VERTEX Vision 2034, they will carry out investment for growth to strengthen the business portfolio, and engage in the regrowth of core businesses with the improved business foundation and the development of new business as a long-term growth driver. We would like to pay attention to the progress of the third medium-term management plan, to see the outcomes of the measures set in the third medium-term management plan, which has been started.

1. Company Overview

The core business of the company is to manufacture and sell a variety of precast concrete, which supports our daily lives.

(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.

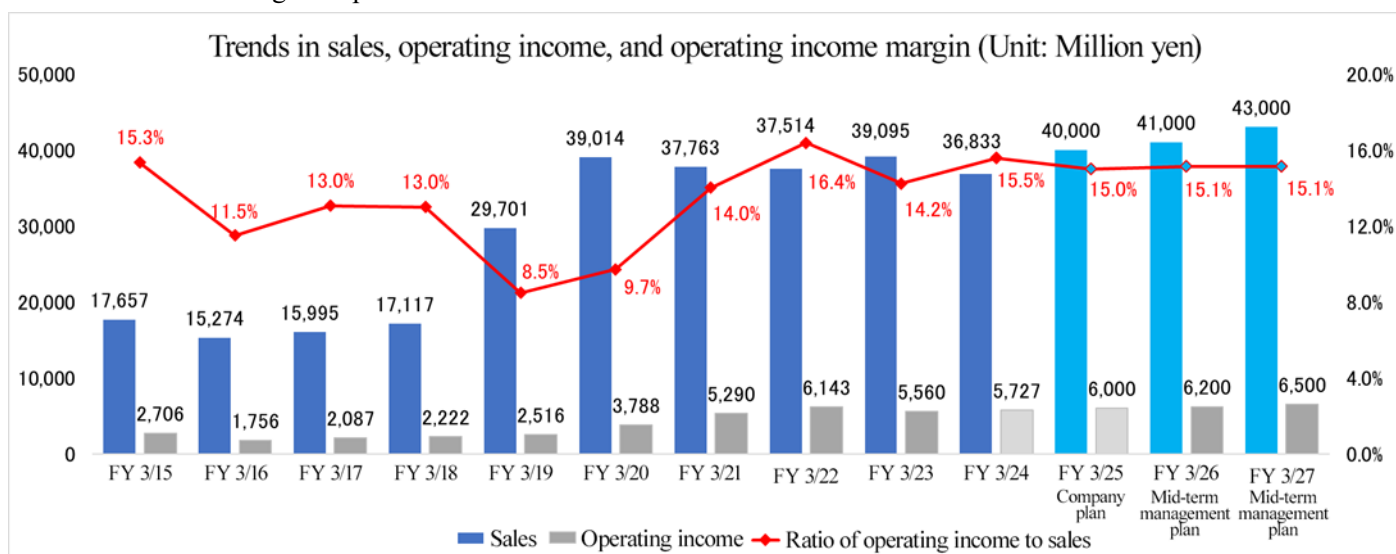
In April 2019, HANEDA ZENITH CO., LTD., as the surviving company, absorbed HANEDA ZENITH HOLDINGS CO., LTD. (a merged company).

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.

(2) Variation in performance

Even after the management integration, they have engaged in the development of the management base and profit generation, so the company keeps growing while securing the highest level of profitability in this industry. From the fiscal year ending March 2025, they will aim to enter the next growth phase.



*ZENITH HANEDA HOLDINGS in FY3/15-FY3/18, Vertex Corporation in FY3/19

(3) Long-term Vision

◎Purpose

With the company’s “one-of-a-kind technology” and “unique ideas,” it aims to provide new forms of security for the future of people around the world.

The corporate group has been creating new value and bringing peace of mind while facing changes in the natural environment and society. As a company that will continue to grow, it will strive to meet difficult needs with its one-of-a-kind technology and unique ideas and contribute to the realization of a sustainable society where people can live with peace of mind no matter where they live. The corporate group will continue to take on the challenge of creating new forms of security for the future of people around the world.

◎VERTEX Vision 2034

The company has formulated the VERTEX Vision 2034 as well as its purpose to achieve in 10 years.

The first medium-term management plan (FY 3/2020-FY 3/2021) was a period to solidify the business and management foundations following the business integration, while the second medium-term management plan (FY 3/2022-FY 3/2024) was a period to strengthen the business and management foundations to ensure sustainable growth. In the subsequent third medium-term management plan (FY 3/2025-FY 3/2027), the company will focus on (1) strengthening the business portfolio, (2) promoting sustainability-oriented management, and (3) strengthening human capital, R&D, and digital transformation. After implementing the subsequent fourth and fifth medium-term management plans (FY 3/2028-FY 3/2033), the company aims to achieve sales of 100 billion yen and an operating income of 15 billion yen by 2034.

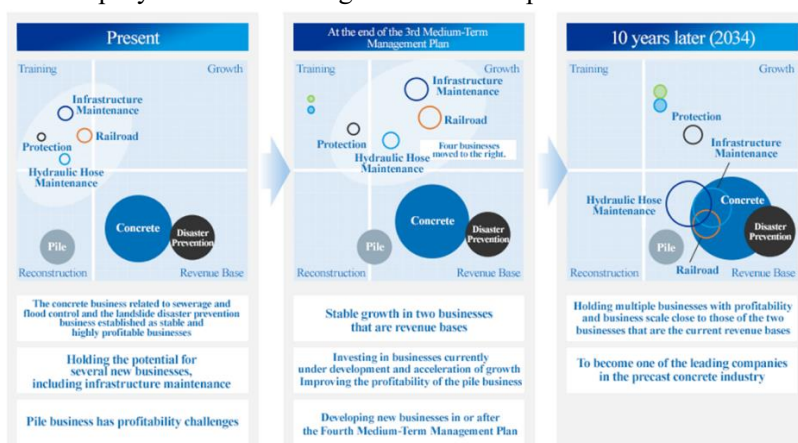
[The ideal state the company wants to realize in 10 years]

The company has also outlined the issues it must address in the next 10 years, such as the declining working population, aging infrastructure, global warming, and intensifying natural disasters, and has defined “the ideal state it wants to realize in 10 years” as a countermeasure against these issues.

The ideal state the company wants to realize in 10 years	Measures
Factory of the Future	In light of the labor shortage, the company is promoting the creation of smart factories through automation and centralized management.
One-stop maintenance	To become a one-stop service provider by taking over the maintenance and management of infrastructure from the upstream
Cast in-situ	Precast concrete is to be precast onsite, instead of being delivered from the factory.
Disaster Prevention with Smart Slopes	To realize smart slope-based disaster prevention by collecting a variety of data from satellites to detect and prevent disasters in advance

[Long-term business portfolio concept]

The company will work to strengthen its business portfolio in order to achieve VERTEX Vision 2034.



(Taken from the reference material of the company)

(4) Market Environment

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

◎Demand for investment in disaster prevention and mitigation remains strong.

Public works-related expenditures, which are important in the construction industry, have remained stable for the past 10 years. In particular, a certain amount is allocated each year for infrastructure repairs and public works. In addition, as the proportion of existing infrastructure that is over 50 years old is projected to increase, it is expected that high levels of demand for investment in disaster prevention and mitigation will continue. In this environment, the company recognizes the importance of enriching its track record and increasing the market share of its products in line with its business model.

(Ratio of major social infrastructure that was constructed more than 50 years ago)

Agricultural drainage channels (approx. 50,000 km, core agricultural irrigation facilities)	2019	2029	-
	50%	67%	-
Road bridges (approx. 730,000 bridges, bridges over 2 m)	2020	2030	2040
	30%	55%	75%
Sewer conduits (total length: approx. 470,000 km)	2020	2030	2040
	5%	16%	35%
Port wharf (approx. 5,000 facilities, water depth -4.5 m or deeper)	2020	2030	2040
	21%	43%	66%
Fire prevention water tanks (approx. 520,000 units)	2020	2025	2035
	35%	40%	58%

(Taken from the reference material of the company)

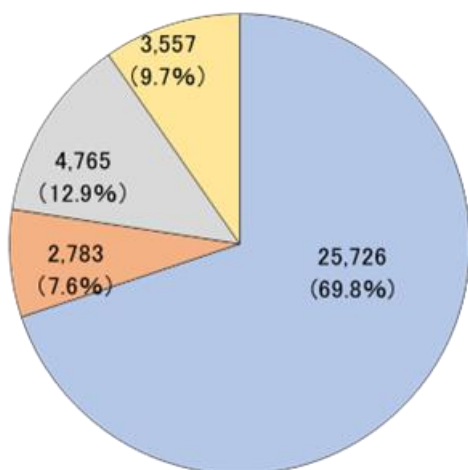
◎Workstyle reform and labor shortages on construction sites: Expansion of precast construction methods

Precast concrete is a concrete product that is manufactured in advance in a factory. It is highly efficient in terms of workability and is expected to be a solution to the labor shortage and rising labor costs on construction sites. On the other hand, casting concrete in-situ is a construction method in which reinforcing bars are assembled at the construction site and ready-mixed concrete is poured. Precast concrete has the advantage of being about 1/2 to 1/5 as efficient in terms of on-site work efficiency as compared to casting concrete in-situ, but the disadvantage is that it must be transported from a factory, which generates restrictions on transport routes and can result in high transport costs depending on the distance. On the other hand, casting in-situ can be flexibly adopted for special and large structures without the restrictions of transport routes, but it also has the disadvantages of being inferior to precast in terms of work efficiency and its quality varies depending on weather conditions and workers. Currently, the majority of construction work is done by casting in-situ due to its economic advantage in terms of direct construction costs, and precast construction accounts for only 13% of the total. However, with the shortage of skilled workers and the need to improve construction efficiency in line with the reform of work styles at construction sites, it is expected that the use of precast construction will become more common in the long term than it is now. If the usage ratio reaches the same level as overseas, the ratio of precast construction methods may exceed 50% in the medium/long term.

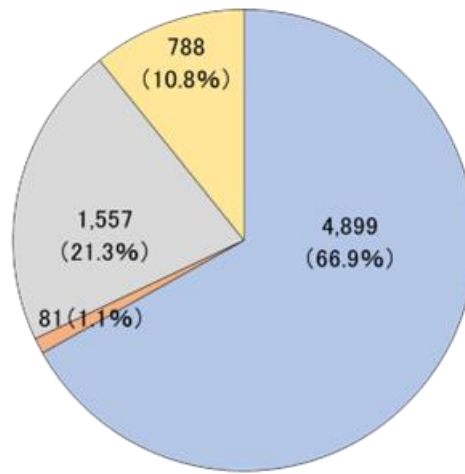
(5) Business Details

The company has four reporting segments, which are Concrete Business, Pile Business, Disaster Prevention Business, and Other Business. The “Disaster Prevention Business” will be renamed “Slope Disaster Prevention Business” in the fiscal year ending March 2025.

Sales composition by segment
(1H FY3/24 unit: million yen)



Operating income composition by segment
(1H FY3/24 unit: million yen)



■ Concrete Business
 ■ Pile Business
 ■ Slope Disaster Prevention Business
 ■ Other Business
 ■ Concrete Business
 ■ Pile Business
 ■ Slope 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 Co., Ltd. (Osaka) Hokukon Product Co.LTD (Fukui Pref.) HOKKAN CONCRETE CO.,LTD. (Gunma Pref.) Kyushu Vertex Co., Ltd. (Fukuoka Pref.)
Pile Business	HOKUKON MATERIAL CO., LTD. (Fukui Pref.)
Slope Disaster Prevention Business	Vertex Co., Ltd. (Tokyo) Vertex Construction Company (Osaka) Kyushu Vertex Co., Ltd. (Fukuoka Pref.)
Other Business	WICERA Co., Ltd. (Gifu Pref.) iB Solution Corporation (Fukui Pref.) PROFLEX CO., LTD. (Saitama Prefecture) NX inc. (Tokyo; equity-method affiliate)

【Concrete Business】

The company manufactures and sells precast concrete. This is the company's main business area, accounting for about 70% of total sales and 67% of total operating income. In particular, the company's mainstay products are those for sewage and flood control, and the company boasts the industry's top performance in this area.

(Each photo is taken from the reference material of the company.)

Name of Business	Overview and Main Products
Products for sewerage and flood control [Core business]	Precast concrete for countermeasures against natural disasters such as inundation and flooding and for the effective use of water resources.   SJ-BOX Rainwater storage tank M.V.P. System
Road-related products [Core business]	Precast concrete used for new roads and the repairs of expressways, etc.   Parapets Arch Culvert
Infrastructure Maintenance [Business in the development stage]	Repair and reinforcement of concrete structures that have been in use for many years.   Weir Repair Fire Cistern Maintenance
Railway-related products [Business in the development stage]	Precast concrete for speedy construction without disrupting operations.   Box Culverts under Railway Tracks Home Door Slabs Made of UFC
Defense-related products [Business in the development stage]	Shelters and other defense-related products.



【Pile Business】

The company is developing a business that produces concrete piles used for building foundations.

<p>[Reconstruction business]</p>	<p>Manufacturing and sale of concrete piles for construction foundations and pile driving.</p>  <p>Concrete Pile</p>
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【Slope Disaster Prevention Business】

The company manufactures and sells products for slope disaster prevention.

<p>[Core business]</p>	<p>A wide lineup of construction methods and products developed in-house through performance verification tests for mountain roads and residential areas where disasters such as falling rocks and landslides are anticipated.</p>   <p>MJ Net Loop Fence</p>
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【Other Business】

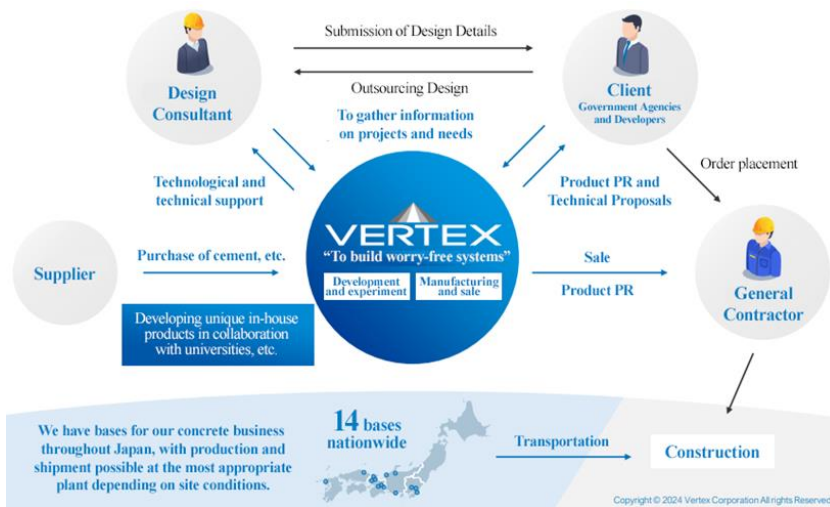
Other businesses include hydraulic hose maintenance and ceramics, which are handled by a group of subsidiaries.

<p>[Business in the development stage]</p>	<p>Planning, development and sale of components of hydraulic equipment</p> <p>Hydraulic Hose Maintenance</p>	<p>Ceramics Business</p> <p>Manufacturing and Sale of Ceramics Products</p>
	<p>Planning, development and sale of components of hydraulic equipment</p> <p>Hydraulic Hose Maintenance</p>	<p>Ceramics Business</p> <p>Manufacturing and Sale of Ceramics Products</p>

(6) Characteristics and Strength

◎Characteristics of the Business Model

Although general contractors are the company's direct customers, this model allows the company to market its products by offering proposals and support to design consultants and clients (government agencies and developers) from the early stages of a project. It is also a model that allows the company to introduce new products to the market ahead of competitors as a measure to address social issues, build a track record as a leading manufacturer, cultivate the market, establish a brand in the field, and increase sales.

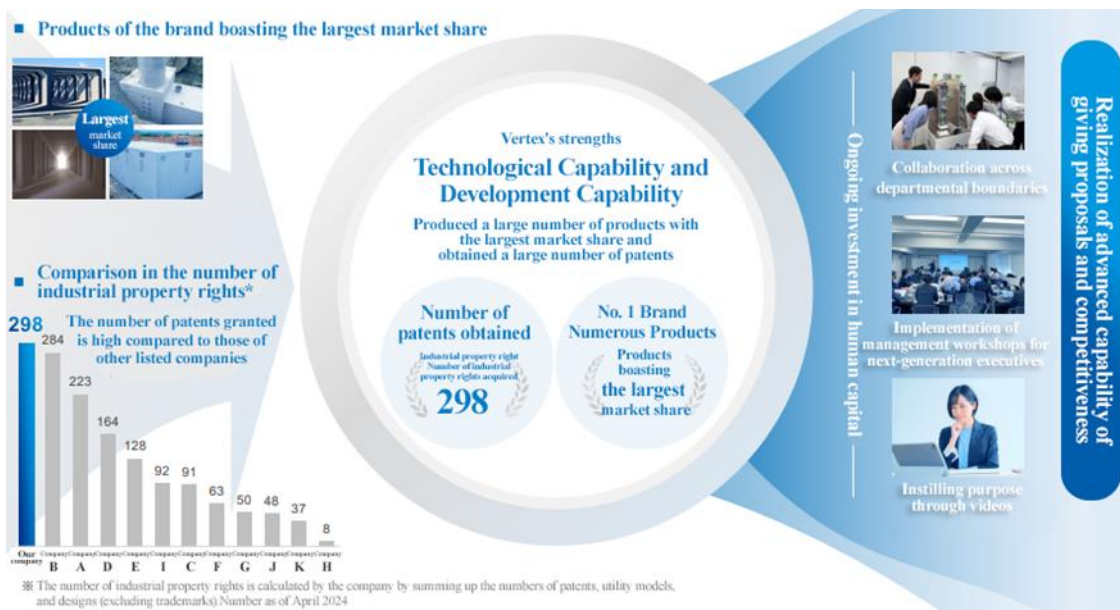


(Taken from the reference material of the company)

◎Strengths

(1) Technical and development capabilities

The company has realized an advanced capability of giving proposals and competitiveness by systematically collaborating with all staff members, including sales and engineering staff, based on the technical and development capabilities shown by the number of patents acquired and the number of products ranked as No. 1 brand products.

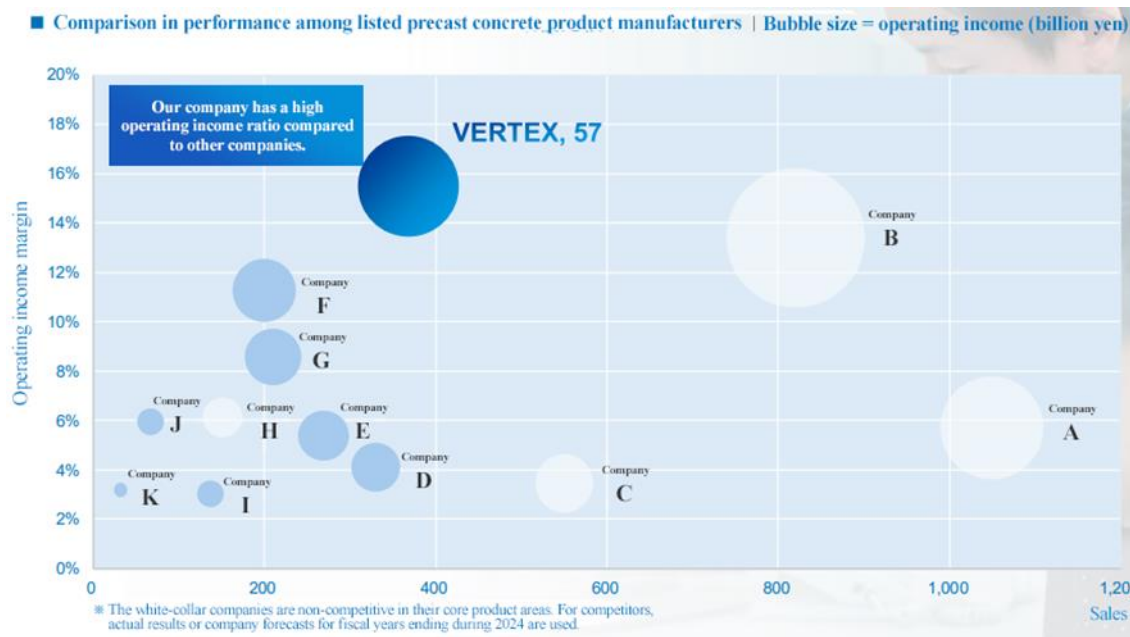


(Taken from the reference material of the company)

(2) Highest profit margin in the industry

By combining technical, development, sales and organizational capabilities, the company has achieved the highest profit margin in the industry.

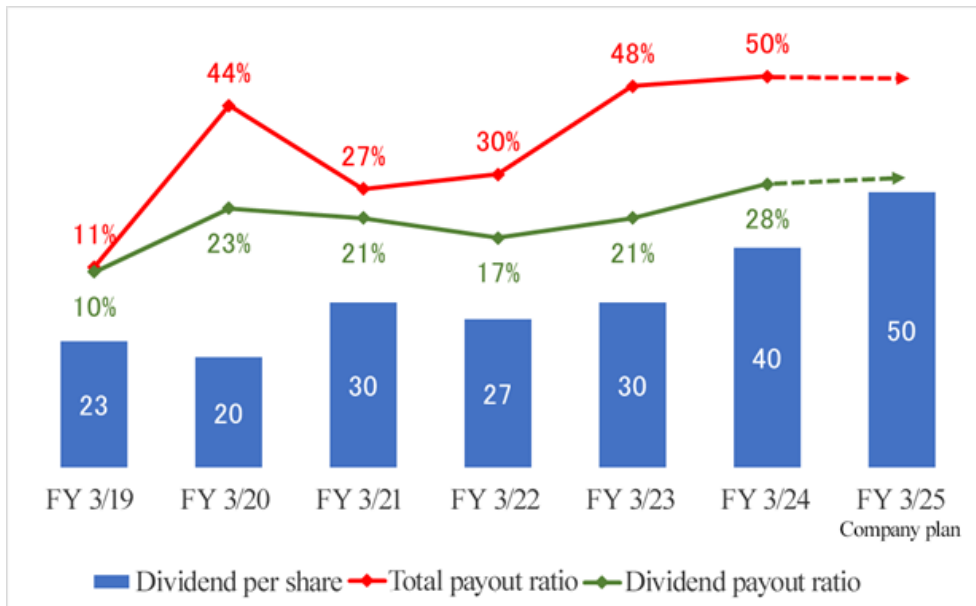
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(Taken from the reference material of the company)

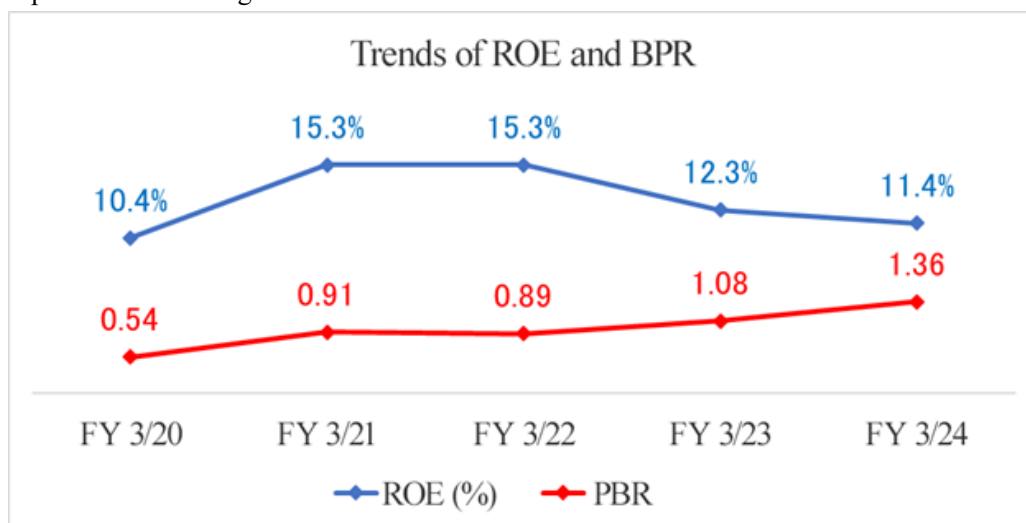
(7) Shareholder Return Policy

The cash generated will be appropriately allocated for further growth and shareholder returns. In the current medium-term management plan, the company plans to continue increasing shareholder returns, with an eye on stable and continuous dividend increases, targeting a dividend payout ratio of 30%, and a policy of flexibly achieving a total return ratio of 50% or higher.



(8) Management that takes capital costs into consideration

The company considers its current cost of capital to be around 8% and continues to aim for long-term ROE improvement and curb capital costs in the long term.



In addition, during the period of the medium-term management plan, the company will be focusing on enhancing its IR activities, such as expanding English-support and disclosure, and will aim to improve corporate value through dialogue with shareholders and investors.

■ Policy for future IR activities



■ Status of Communication with Investors (Fiscal Year Ended March 31, 2024)

Status of Feedback Implementation
Minutes on the content of meetings are produced and reported to all board members as needed.

Conversation Status	Meetings and Briefing Sessions	Major Staff
Individual meetings for analysts and institutional investors	19 Times	Corporate Planning Division (General Manager), Corporate Planning Department (Head of Department)
Domestic Institutional Investors	15 Times	
Overseas Institutional Investors	4 Times	
Financial Results Briefing for Analysts and Institutional Investors	2 Times	President, Director and Head of Corporate Planning Division

(Taken from the reference material of the company)

2. Fiscal Year Ended March 2024 Earnings Results

(1) Overview of the consolidated results

	FY 3/23	Ratio to sales	FY 3/24	Ratio to sales	YoY	The revised estimate at Feb. 8	Compared to the estimate
Sales	39,095	100.0%	36,833	100.0%	-5.8%	37,200	-1.0%
Gross profit	11,817	30.2%	12,173	33.0%	+3.0%	-	-
SG&A	6,257	16.0%	6,446	17.5%	+3.0%	-	-
Operating income	5,560	14.2%	5,727	15.5%	+3.0%	5,500	+4.1%
Ordinary Income	5,837	14.9%	5,849	15.9%	+0.2%	5,720	+2.3%
Net Income Attributable to owners of the parent	3,742	9.6%	3,728	10.1%	-0.4%	3,650	+2.2%

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

*Unit: Million yen.

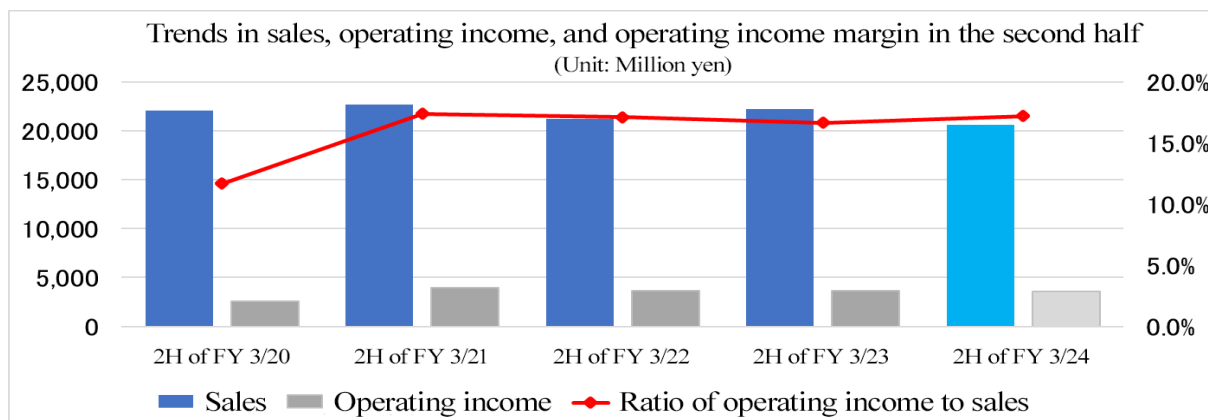
Sales and operating income grew 5.8% and 3.0%, respectively, year on year.

The sales in the fiscal year ended March 2024 were 36,833 million yen, down 5.8% year on year. Sales decreased in the concrete business, the disaster prevention business, and the pile business, except the other business, so total sales fell below the company's forecast revised on February 8.

Operating income grew 3.0% year on year to 5,727 million yen. All kinds of profits exceeded the revised forecasts, thanks to the effects of the rise in selling prices. The sales and profit of the other business increased year on year, due to the acquisition of PROFLEX CO., LTD. as a 100% subsidiary on October 4, 2022. Gross profit margin rose 2.8 points year on year to 33.0%.

Due to the augmentation of personnel expenses, etc., the ratio of SGA increased 1.5 points from the previous fiscal year, but operating income margin grew 1.3 points to 15.5%. In addition, the growth rate of ordinary income fell below that of operating income, and net income declined slightly, due to negative factors, such as the compensation for damage amounting to 54 million yen, which was posted as non-operating expenses, and the loss on retirement of fixed assets amounting to 76 million yen and the impairment loss of 86 million yen, which were posted as extraordinary losses.

Results in the second half



In the second half of the fiscal year ended March 2024, sales and profit declined year on year, but operating income margin rose. Sales, operating income, and operating income margin have been stably high since the second half of the fiscal year ended March 2020.

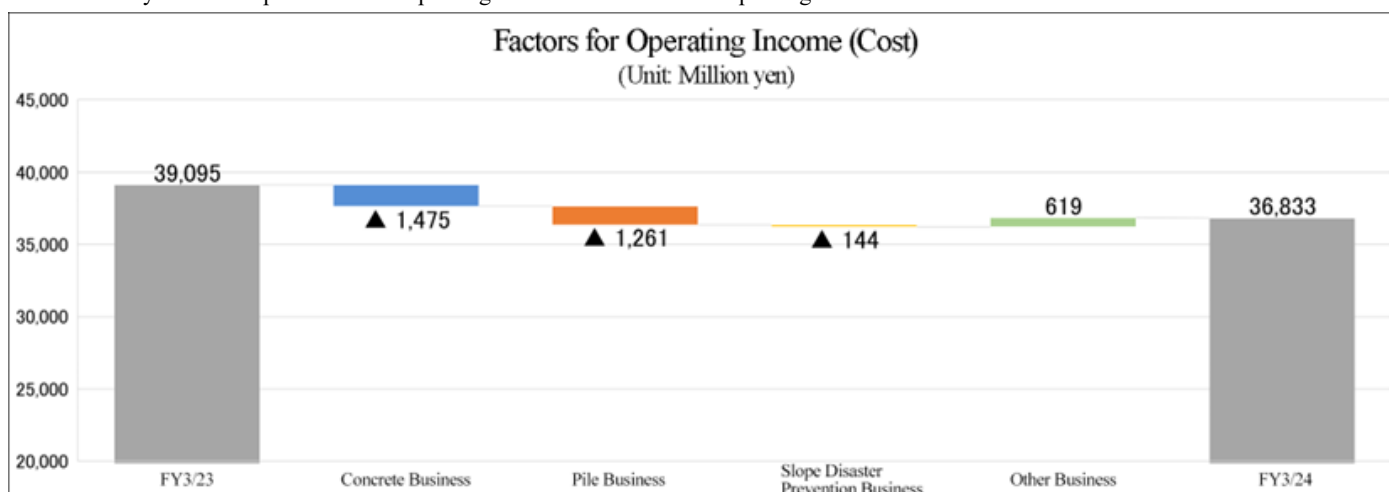
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(2) Trend of each segment

	FY 3/23	Composition ratio	FY 3/24	Composition ratio	YoY
Concrete business	27,202	69.6%	25,726	69.8%	-5.4%
Pile business	4,045	10.3%	2,783	7.6%	-31.2%
Disaster prevention business	4,909	12.6%	4,765	12.9%	-2.9%
Other business	2,938	7.5%	3,557	9.7%	+21.1%
Total sales	39,095	100.0%	36,833	100.0%	-5.8%
Concrete business	4,882	17.9%	4,899	19.0%	+0.3%
Pile business	263	6.5%	81	2.9%	-69.0%
Disaster prevention business	1,276	26.0%	1,557	32.7%	+22.0%
Other business	544	18.5%	788	22.2%	+44.8%
Adjustment amount	-1,407	-	-1,600	-	-
Total operating income	5,560	14.2%	5,727	15.5%	+3.0%

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

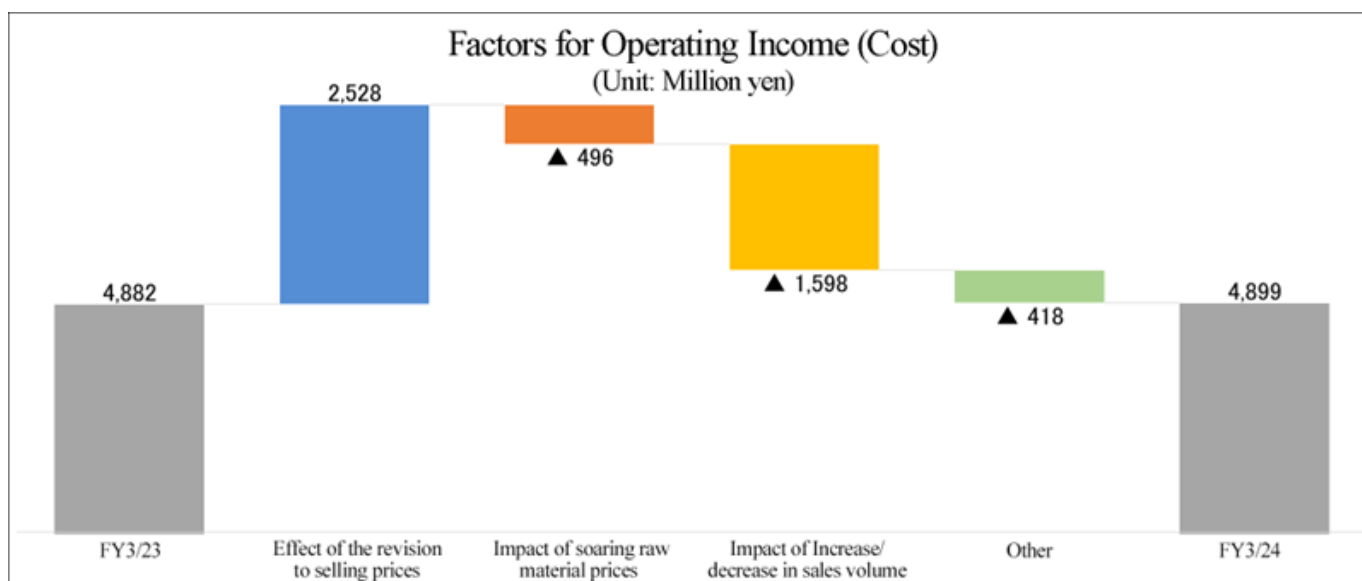


*Prepared by Investment Bridge Inc. based on disclosed material.

◎ Concrete Business (5.4% YoY decrease in sales, and 0.3% YoY increase in profit)

Shipment volume fell below the initial forecast due to the delay in the completion of transactions, which was first expected to be seen in the fiscal year ended March 2024, until the next fiscal year or later, so sales declined 5.4% year on year to 25,726 million yen, but the profit in this segment rose 0.3% year on year to 4,899 million yen, as the company accelerated the shift to high value-added products. In addition, operating income margin increased 1.1 points year on year to 19.0%.

In the fiscal year ended March 2024, the unit price of products in the concrete business increased to 159% compared to the unit price in the fiscal year ended March 2020, which was 100%. This represented an increase of 23 points from the 136% recorded in the fiscal year ended March 2023. In addition, in the fiscal year ended March 2024, sales ratio of high-value-added products such as rainwater storage tanks, S-holes, SJ-BOX, and special products (track slabs), which the company is currently improving their sales, increased to 68% of the total concrete business. (66% in the previous fiscal year).



The effect of the revision to selling prices (2,528 million yen) is composed of the effect for value-added products (1,708 million yen) and the effect for general-purpose products (820 million yen). Unit selling price rose 17.2% from the previous fiscal year. The increase rates of unit prices of manholes, rainwater storage tanks, etc. rose. In addition, the decrease in sales volume (1,598 million yen) is attributable to the decrease of sales volume of box culverts and general-purpose goods due to the delay in construction in multiple large-scale projects.

◎ **Pile Business (Sales declined 31.2% year on year and profit decreased 69.0% year on year)**

The company made efforts to receive orders by streamlining business operations and utilizing their strengths while focusing on specific regions and transactions, but the demand in target regions was sluggish, so sales declined 31.2% year on year to 2,783 million yen. The profit in this segment dropped 69.0% year on year to 81 million yen, due to the decline in sales and the skyrocketing of raw material prices. In addition, operating income margin declined 3.6 points to 2.9%.

◎ **Disaster Prevention Business (2.9% YoY decrease in sales, and 22.0% YoY increase in profit)**

To cope with the storms and floods, which are becoming more serious, the Japanese government is proceeding with “The Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience,” so there is an upward trend. However, in the fiscal year ended March 2024, sales decreased 2.9% year on year to 4,765 million yen, as some transactions were delayed compared with the initial forecast. The profit in this segment rose 22.0% year on year to 1,557 million yen, thanks to the improvement in production efficiency through the decentralization of production bases in addition to the hike of selling prices since the previous year in response to the skyrocketing of raw material prices. In addition, operating income margin rose 6.7 points year on year to 32.7%.

◎ **Others (Sales increased 21.1% year on year, and profit increased 44.8% year on year)**

Thanks to the effects of acquisition of PROFLEX CO., LTD. as a 100% subsidiary on October 4, 2022, sales grew 21.1% year on year to 3,557 million yen and profit rose 44.8% year on year to 788 million yen. Operating income margin rose 3.7 points year on year to 22.2%.

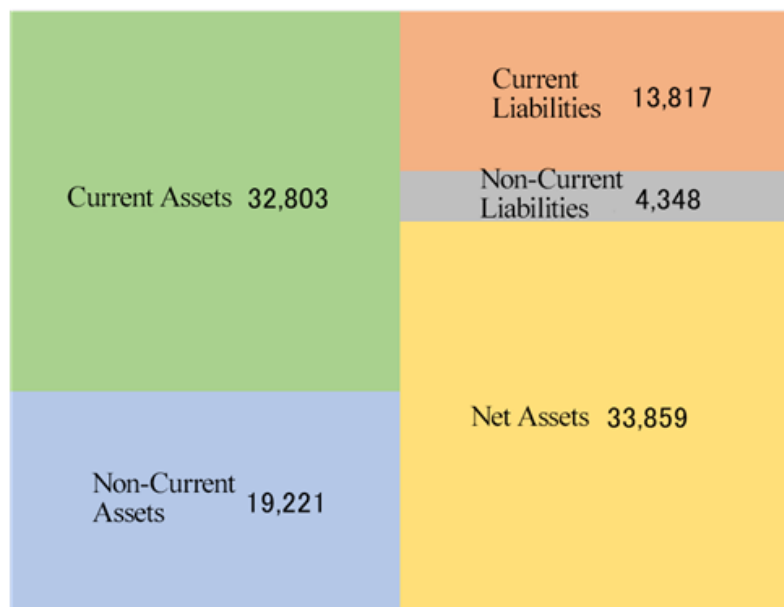
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**(3) Financial position and cash flows****Main Balance Sheet**

	Mar. 2023	Mar. 2024		Mar. 2023	Mar. 2024
Cash and Deposits	11,017	13,921	Trade Payables	6,015	7,145
Trade Receivables	12,720	13,283	ST Interest-Bearing Debts	3,591	3,296
Inventories	5,123	4,904	Current Liabilities	12,901	13,817
Current Assets	29,977	32,803	LT Interest-Bearing Debts	1,714	1,458
Tangible Assets	12,596	12,538	Noncurrent Liabilities	5,357	4,348
Intangible Assets	4,105	3,784	Net Assets	31,584	33,859
Investment and Other Assets	3,163	2,898	Total Liabilities and Net Assets	49,843	52,024
Total Assets	19,866	19,221	Total interest-bearing debt	5,301	4,755

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

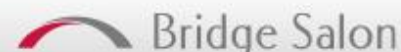
*Interest-bearing debt include lease obligations.



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

The total assets as of the end of March 2024 stood at 52,024 million yen, up 2,181 million yen from the end of the previous fiscal year. Regarding assets, cash & deposits, accounts receivable, investment securities, etc. contributed to the increase of assets, while inventory assets, goodwill, deferred tax assets, etc. decreased assets. Regarding liabilities and net assets, the major factors in increasing them were accounts payable, income taxes payable, retained earnings due to the increase in net income attributable to shareholders of the parent company, etc., while the major factors in decreasing them were short-term and long-term debts, liabilities for retirement benefits, the acquisition of treasury shares, etc. The capital-to-asset ratio as of the end of March 2024 stood at 64.5%, up 1.6 points from the end of the previous fiscal year.

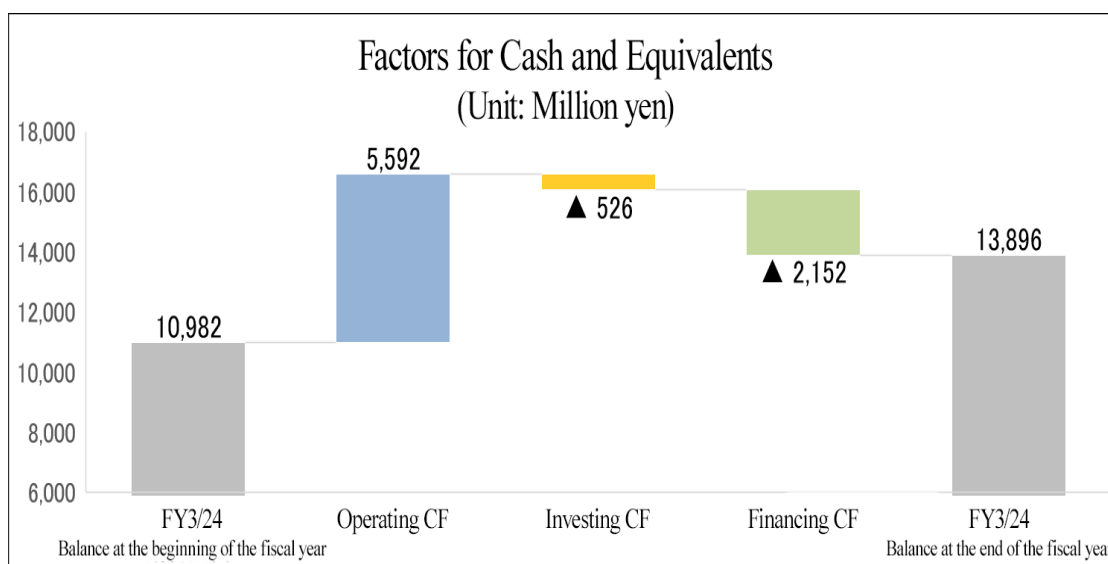
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Cash Flow

	FY 3/23	FY 3/24	YoY	
Operating CF	3,859	5,592	+1,732	+44.9%
Investing CF	-2,941	-526	+2,415	-
Free CF	918	5,066	+4,148	+451.7%
Financing CF	-2,066	-2,152	-86	-
Cash and equivalents	10,982	13,896	+2,914	+26.5%

*Unit: Million yen.



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

In terms of cash flows, the cash inflow from operating activities increased due to the shrinkage of the decrease in liabilities for retirement benefits, the augmentation of accounts payable, the decline in payment of income taxes, etc. The cash outflow from investing activities shrank due to the decrease in expenditure for acquiring the shares of subsidiaries resulting in the change in the scope of consolidation, so the surplus of free cash flow expanded. On the other hand, the cash outflow from financing activities augmented due to the decreases in short-term and long-term debts, etc. As a result, the cash position at the end of the fiscal year was up 26.5% from the previous fiscal year.

(4) Major Investments (unit: million yen)

Concrete business (formwork, machinery, etc.)	685
Pile business (machinery, etc.)	44
Disaster prevention business (machinery, etc.)	20
Other (ceramic molds, factory repair, etc.)	293
Group-wide business (establishment of mission-critical systems, etc.)	173
Total	1,217

The company invested in the equipment for producing formwork, machinery, and molds for manufacturing products and equipment for producing ceramics.

(5) Shareholder return**◎ Dividend**

The company plans to pay a dividend of 40 yen/share, and payout ratio is expected to be 27.8%.

◎To Acquire Treasury Shares

The company continuously purchased treasury shares, in order to enhance shareholder returns, improve capital efficiency, and implement a flexible capital policy in response to changes in the business environment.

Date of resolution by the Board of Directors to repurchase treasury shares	Total number of shares acquired	Total acquisition cost
May 12, 2022	588,700 shares	699,950,700 yen
March 9, 2023	220,000 shares	298,282,600 yen
May 11, 2023	202,000 shares	299,993,200 yen
November 9, 2023	328,500 shares	499,861,900 yen
Date of resolution by the Board of Directors to repurchase treasury shares	Total number of shares to be acquired	Total value of future acquisitions
May 10, 2024	420,000 shares	800,000,000 yen

3. Fiscal Year Ending March 2025 Earnings Forecasts**(1) Earnings Forecasts**

	FY 3/24	Ratio to sales	FY 3/25 Est.	Ratio to sales	YoY
Sales	36,833	100.0%	40,000	100.0%	+8.6%
Operating Income	5,727	15.5%	6,000	15.0%	+4.8%
Ordinary Income	5,849	15.9%	6,200	15.5%	+6.0%
Net Income Attribute to Owners of Parent	3,728	10.1%	4,050	10.1%	+8.6%

*Unit: Million yen.

Sales are projected to increase 8.6% year on year, and operating income 4.8% year on year.

On April 1, 2024, the company set the purpose of “offering new forms of peace of mind to the future of people around the world with ‘one-of-a-kind technology’ and ‘unique ideas.’” In order to attain this purpose, the company formulated “the long-term vision VERTEX Vision 2034” to achieve in 10 years by 2034 and “the third medium-term management plan” for the period from 2024 to 2026. By implementing the management strategy set in the “the third medium-term management plan” without fail, they aim to ensure the peace of mind and improve corporate value further.

For the fiscal year ending March 2025, the company forecasts that sales will grow 8.6% year on year to 40 billion yen and operating income will rise 4.8% year on year to 6 billion yen. By enhancing the sale of existing and new products and adding value to selected products, they aim to increase sales and profit from the previous fiscal year, amid the harsh business environment, including the skyrocketing of prices of materials and the augmentation of distribution costs. Operating income margin is projected to decline 0.5 points year on year to 15.0%.

For dividends, the company plans to pay a common dividend of 50.00 yen/share, up 10.00 yen/share from the previous fiscal year. The expected payout ratio is 31.1%. They will aim to achieve a total payout ratio of 50% or higher, by increasing the dividend amount stably and continuously while targeting a dividend payout ratio of 30%.

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(2) Trend in each segment

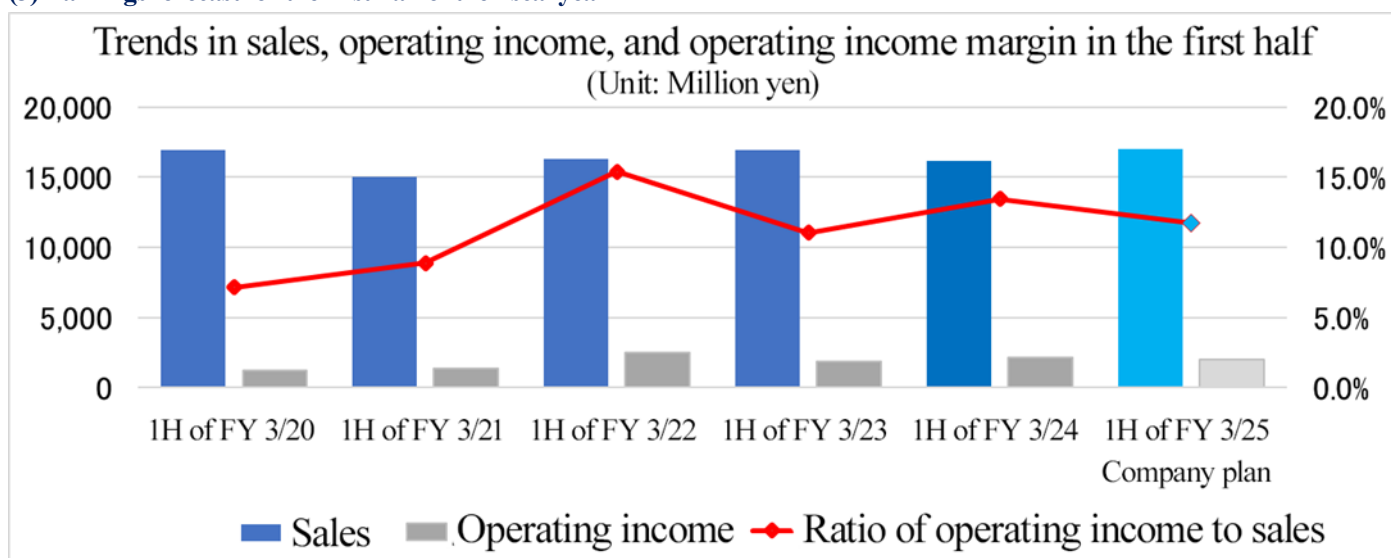
	FY 3/24	Composition ratio	FY 3/25 Est.	Composition ratio	YoY
Concrete business	25,726	69.8%	28,500	71.3%	+10.8%
Pile business	2,783	7.6%	3,000	7.5%	+7.8%
Slope disaster prevention business	4,765	12.9%	5,000	12.5%	+4.9%
Other business	3,557	9.7%	3,500	8.8%	-1.6%
Total sales	36,833	100.0%	40,000	100.0%	+8.6%
Concrete business	4,899	19.0%	5,350	18.8%	+9.2%
Pile business	81	2.9%	150	5.0%	+83.1%
Slope disaster prevention business	1,557	32.7%	1,350	27.0%	-13.3%
Other business	788	22.2%	820	23.4%	+3.9%
Adjustment amount	-1,600	-	-1,670	-	-
Total operating income	5,727	15.5%	6,000	15.0%	+4.8%

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

* The disaster prevention business was renamed the slope disaster prevention business in the fiscal year ending March 2025.

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 slope disaster prevention business is expected to see an increase in sales and a decrease in profit from the previous fiscal year.

(3) Earnings forecast for the first half of the fiscal year



The performance of the company tends to be better in the second half of each fiscal year. For the first half, the company conservatively expects that sales will grow year on year, but operating income will decline and operating income margin will drop year on year.

4. Review of the Second Mid-term Management Plan

(1) Numerical results

The sales and profit in the final fiscal year (ended March 2024) of the plan fell below the initial targets, due to the stagnation of construction, which is difficult for the company to control. For the three years of the plan, the company achieved the goals as a whole. The company considers that their performance is healthy from the viewpoints of the number of transactions and the revenue from each transaction. In addition, operating income margin and ROE exceeded the forecasts thanks to the improvement in profitability.

	FY 3/22 Plan.	FY 3/22 Act.	FY 3/23 Plan.	FY 3/23 Act.	FY 3/24 Plan.	FY 3/24 Act.
Sales	390.0	375.1	400.0	390.9	410.0	368.3
Operating Income	55.0	61.4	58.0	55.6	61.0	57.2
Operating Profit Margin	14.1%	16.4%	14.5%	14.2%	14.9%	15.5%
Ordinary Income	57.0	64.3	60.0	58.3	63.0	58.4
Net Income	38.0	42.4	40.0	37.4	42.0	37.2
ROE	—	15.4%	—	12.4%	10.0% or more	11.5%

*Unit: 100 million yen.

(2) Evaluation of the basic policy

The company considers that they implement respective measures set in the second medium-term management plan as planned.

Measure 1: To pursue the core business to promote organic growth	【Completed as planned】
<ul style="list-style-type: none"> ◆The company increased the average spending per product by improving the product lineup, increasing the ratio of competitive products, etc. ◆The company established systems and structures that can generate profit stably, by improving profit margin in each major business. 	
Measure 2: To nurture growing businesses and increase new earning opportunities	【Completed as planned】
<ul style="list-style-type: none"> ◆In the infrastructure maintenance field, the company developed a structure for offering one-stop services for the upstream and downstream of the supply chain. ◆In the railway field, the company started providing one-of-a-kind products through the collaborative research and development with railway and construction business operators. ◆The company acquired PROFLEX CO., LTD., which conducts the business of maintaining hydraulic hoses as a 100% subsidiary, and expanded its target regions. 	
Measure 3: To develop a management base for enabling sustainable growth	【Completed as planned】
<ul style="list-style-type: none"> ◆The company redeveloped programs for personnel development and recruitment. (Establishment and operation of Vertex Academy, establishment of a personnel development group, redevelopment of educational programs, etc.) ◆The company improved information systems and ICT infrastructure by upgrading mission-critical systems and employment systems, and promoted digital transformation (DX). 	

5. Conclusions

The sales and profit in the final fiscal year of the second medium-term fell below the initial targets, due to the stagnation of construction, which is difficult for the company to control. The goals for the three years have been attained as a whole. This can be said to be satisfactory. The company considers that it has completed the three priority measures: (1) to pursue the core business to promote organic growth, (2) to nurture growing businesses and increase new earning opportunities, and (3) to develop a management base for enabling sustainable growth as planned. Furthermore, the company strove to improve profitability by raising the unit selling prices of products and increasing the ratio of high value-added products, so the ROE and operating income margin in the final fiscal year of the plan exceeded the initial forecasts. The second medium-term management plan bore much fruit. Then, the company formulated the third medium-term management plan for the three years from the fiscal year ending March 2025 to the fiscal year ending March 2027. As the first step for realizing VERTEX Vision 2034, the company will conduct investment for strengthening the business portfolio, and strive to regrow the core business with an improved business foundation and nurture a new business as a long-term growth driver. In the concrete business, which is positioned as their core business, they will enhance the sale of existing and new products, add more value to selected products, and streamline operations by consolidating and closing some concrete factories. In the slope disaster prevention business, they will continue the sales promotion of products, conduct R&D, and add value to products for measures against landslides and rockfalls. Furthermore, they will invest in the growing businesses of infrastructure maintenance, railway, defense, and hydraulic hose maintenance. In the infrastructure maintenance business, they will concentrate on the businesses related to fire cisterns, for which the company boasts the largest share in the market of installation of fire cisterns, and farm irrigation, to enhance sale. In the railway business, they will cement the cooperation with general contractors and railway business operators, and develop products to meet customer needs by utilizing new materials owned by the company. In the hydraulic hose maintenance business, they will apply the business models that were successful in the Kanto region to other regions. The company has attained their goals as they promised, and we are looking forward to seeing how their efforts will pay off. The progress of the third medium-term management plan, which has been started, is noteworthy.

In the period of the third medium-term management plan, the company plans to conduct M&A actively within the budget of 10 to 15 billion yen. They have no choice but to carry out M&A, in order to expand their business with more growth potential. The possible target companies of M&A are enterprises that could strengthen the functions of their existing business and expand the business in peripheral areas, enterprises that possess products and services for their growing business, and so on. We would like to keep an eye on the progress of M&A with expectation.

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

The company has formulated its third medium-term management plan covering the three-year period from the fiscal year ending March 2025 to the fiscal year ending March 2027.

As a plan for the first fiscal year based on VERTEX Vision 2034, the company plans to achieve 43 billion in organic sales and 6.5 billion in operating income. As the first step toward achieving 100 billion in sales and 15 billion in operating income in the future, the company will make growth investments to strengthen its business portfolio and work to regrow its core businesses, and nurture new businesses that will serve as a long-term growth driver.

【Numerical goals】

(7) Numerical goals (Values as of the announcement of the plan)

	FY 3/24 (Act.)	FY 3/25 (Mid-term management plan)	FY 3/26 (Mid-term management plan)	FY 3/27 (Mid-term management plan)	3-year Cumulative total	Vision 2034
Sales	368	400	410	430	1,240	1,000
Operating income	57	60	62	65	187	150
ROE	11%	-	-	14%	-	20%

*Unit: 100 million yen.

【Priority Items】

Strengthening the business portfolio

◆Core business - Concrete and slope disaster prevention

Aiming for stable profit expansion in line with market growth.

◆Growing business - Maintenance, railway, defense, and hydraulic hose maintenance

To make investments for growth with a view to making these domains the focus of the company in the future.

Strengthening promotion of human capital, R&D and DX

Promoting sustainability-oriented management

◎Measures for core businesses


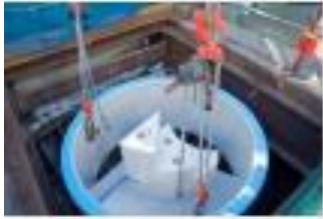
【Concrete Business】

The company will further strengthen its core business, which is the concrete business, in the area of rainwater flood prevention, where the market environment is healthy. The product portfolio has been established through the previous medium-term business plan, and the company will work to increase sales and profit by strengthening sales and adding more value to its products.

(Main efforts)

◆Strengthening the sales of existing and new products

<New products in the concrete business>

Vortex valve		Spiral hole	
A device that controls the flow rate from the storage tank according to the water level without power, improving the storage capacity of rainwater harvesting facilities by up to 20% compared to conventional methods.		A manhole that allows rainwater to fall in a spiral along the inner wall, avoiding noise and vibration and allowing it to flow smoothly into the outflow pipe.	


- ◆Further adding value to selected products
- ◆Improving efficiency through consolidation and closure of concrete plants

The company has begun consolidating or closing factories and bases owned through past business integrations. In light of the problem with logistics in 2024 and market trends, the company will work to respecify the range of transportation from each plant and improve efficiency.

[Slope Disaster Prevention Business]

In recent years, awareness of disaster prevention and mitigation and national resilience has been on the rise as a measure against natural disasters that have become increasingly severe. In addition, more measures are to be taken to strengthen national resilience. In this environment, the company will continue to work on expanding sales of products for measures against landslides and rockfalls, while engaging in further research and development and value-adding activities.

<Main Products>

Loop Fence Landslide prevention, debris flow and driftwood prevention	
<ul style="list-style-type: none"> ◆High maintainability ◆Flexible placement by adjusting cable mounting position ◆To withstand soil, falling rocks, and snow accumulation 	

◎Measures for Growing Businesses

The company will promote investments in the infrastructure, railroad, defense, and hydraulic hose maintenance in the concrete business as domains to be focused on in the future. By the end of the third medium-term management plan, the company aims to achieve total sales of approximately 8 billion yen.

Business	Main measures
Infrastructure maintenance	<ul style="list-style-type: none"> ◆Strengthen sales by focusing on fire protection water tanks and agricultural water use, which have the largest share of the installation market ◆Expand and deepen the customer base through one-stop services, including investigation, diagnosis, maintenance and management
Railway	<ul style="list-style-type: none"> ◆The company will cement the collaboration among itself, general contractors, and railway operators, and utilize its new materials to promote product development that meets customer needs.
Hydraulic hose maintenance	<ul style="list-style-type: none"> ◆PROFLEX, which will become a wholly owned subsidiary in 2023, has the advantage of excellent operations with an abundance of product numbers in stock and the ability to immediately deliver any quantities from a single unit nationwide, as well as the ability to design its own original caulking machines. The company will horizontally expand its business model, which has already been successful in the Kanto region by leveraging its strengths, to other regions.

◎M&A Strategy

In addition to organic growth, the company aims to strengthen and expand its business portfolio through M&A.

Strategic investment budget for M&A for the medium-term management plan period
<ul style="list-style-type: none"> ◆The M&A investment budget is expected to be 10 to 15 billion yen, and a strategic M&A investment budget will be set up mainly using debt financing.
Internal structure for strengthening M&A
<ul style="list-style-type: none"> ◆Increase the quantity and quality of project information by strengthening M&A-related personnel ◆Quantity: Collect project information using all channels ◆Quality: Build good relationships and aim to collect high-quality information

Direction for target companies of M&A

- ◆ Companies that are expected to strengthen existing businesses and expand into peripheral areas based on disaster prevention, disaster mitigation, and national land resilience
- ◆ Companies that have products and services to offer to the growing businesses selected by the company (infrastructure maintenance, railways, and defense)
- ◆ Companies that provide strong products and services to government agencies
- ◆ Companies with businesses that are expected to strengthen and expand their business portfolio (businesses that can leverage the strengths of existing businesses and generate synergies)

[Envisioned growth in existing businesses and growth through M&A]

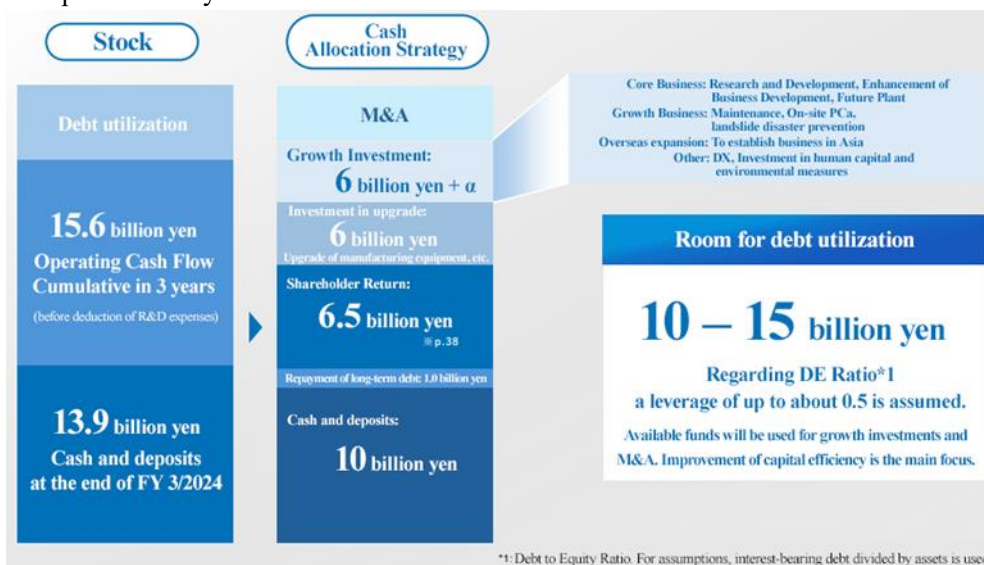
During the period of the third medium-term management plan, while there is great potential for sales growth through M&A, it is expected that profit will mainly come from organic growth (no profit contribution is expected in the initial stage of M&A, but improvements are expected during the PMI phase).



(Taken from the reference material of the company)

◎Financial Strategy

The company has formulated a cash allocation plan for the current medium-term plan with the aim of achieving a balance sheet focused on capital efficiency.



(Taken from the reference material of the company)

[Details of investments for growth and upgrade]

In addition to the usual R&D and capital investments, the company has set an investment budget with an eye on “the ideal state it wants to achieve in 10 years.”

<Investment for growth: 6 billion yen + α>	
Research and development, digital transformation and AI [1.5 to 2.5 billion yen]	<ul style="list-style-type: none"> ◆ Strengthen efforts in new materials development and innovative production technologies ◆ Productivity and business model innovation through DX and AI
Realizing the Mirai (Future) Business [1.5 to 2.5 billion yen]	<ul style="list-style-type: none"> ◆ Strengthen efforts to realize the Mirai (Future) Business (online PCa, new material development and development of smart products)
Realizing the Factory of the Future [2.5 to 4 billion yen]	<ul style="list-style-type: none"> ◆ Strengthen efforts to realize the Factory of the Future (production DX, AI and next-generation production optimization systems)
Others [0.5 to 1 billion yen]	<ul style="list-style-type: none"> ◆ Strengthen efforts for growth, including environmental measures (CO₂ reduction), human capital management, and overseas expansion

<Investment for upgrade: 6 billion yen>	
Production facilities [4 billion yen]	<ul style="list-style-type: none"> ◆ Improve competitiveness by strengthening the production base and improving cost and production efficiency
Technology development [1 billion yen]	<ul style="list-style-type: none"> ◆ Improve profitability by improving existing products and developing new products based on customer needs
Software and system related [1 billion yen]	<ul style="list-style-type: none"> ◆ Improve business operations through software and systems

<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 February 8, 2024

<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)>

Principles	Reasons for not implementing the principles
[Supplementary Principle 2-4 (1) Ensuring Diversity in the Appointment of Core Personnel]	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. While we promote mid-career hires to management positions based on a comprehensive evaluation of their skills and experience, we recognize that the number of female hires to management positions is currently insufficient, partly because there are few female employees in the civil engineering industry. To increase the number of female employees, we have set the ratio of new female hires at 50% or higher, and we will strive to develop human resources and improve the internal environment to increase the ratio of female employees as our core human resources in the future. 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.
【Supplementary Principle 4-11-3: Analysis and Evaluation of Effectiveness of the Board of Directors as a whole】	Analysis and evaluation of the effectiveness of the Board of Directors as a whole and its disclosure will be considered in the future.

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

Principles	Disclosure contents
【Principle 3-1: Enhancement of disclosure of information】	(i) Management principles, strategies, and plans Our company discloses its management plan and other information on its website. (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. (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.

	<p>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 director, and the Board of Directors respects and decides the amount of remuneration based on the report of the Committee.</p> <p>The compensation of directors who are members of the Audit Committee shall be decided by the Compensation Committee after deliberation and report to all directors who are members of the Audit Committee, and all directors who are members of the Audit Committee shall respect and discuss the content of such report.</p> <p>(iv) Policies and Procedures for Election and Dismissal of Senior Management and Nomination of Candidates for Directors (Policy)</p> <p>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.</p> <p>(Selection Procedures) We established a discretionary Nominating Committee.</p> <p>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</p> <p>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.</p> <p>(Management Plan; https://www.vertex-grp.co.jp/ja/ir/management/plan.html)</p> <p>(Corporate Governance Guidelines: https://www.vertex-grp.co.jp/ja/ir/management/governance.html)</p>
<p>[Supplementary Principle 3-1-3: Initiatives for Sustainability]</p>	<p>In order to realize our management philosophy (brand vision) "To build safe society," we recognize that one of our management challenges is to balance "contributing to the realization of a sustainable society" and "achieving sustainable corporate growth," and we will identify issues of materiality and promote specific measures and goal-setting.</p> <p>We will continue to strengthen our efforts to realize a sustainable society and aim to be a company that earns the satisfaction and trust of society and stakeholders through the creation of new value. Please refer to our website for details of our sustainability initiatives and disclosures based on the TCFD.</p> <p>(Our website: https://www.vertex-grp.co.jp/ja/sustainability.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. In addition to disclosing information through the voluntary disclosure of the Tokyo Stock Exchange, we have established an internal system in which individual interviews are handled by appropriate persons selected from among the directors depending on the shareholder's wishes and the importance of the content of the interview.</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>
<p>Measures for realizing business administration conscious of capital costs and share price (under discussion)】</p>	<p>Our company analyzes the current situation to grasp capital costs, etc. and discusses the formulation and disclosure of plans. Regarding concrete plans for realizing business administration conscious of capital costs and share price, we plan to announce them while formulating the next medium-term management plan.</p>

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