

 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
¥1,955	25,214,042 shares		¥49,293 million	11.5%	100 shares
DPS Est.	Dividend yield Est.	EPS Est.	PER Est.	BPS Act.	PBR Act.
¥50.00	2.6%	¥159.97	12.2x	¥1,309.37	1.5x

* Stock price is as of closing on November 26, 2024. The number of shares issued is the number of outstanding shares as of the end of 2Q of FY3/25, 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, PER and PBR.

*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	159.97	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 second quarter of the fiscal year ending March 2025 and other information for Vertex Corporation.

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Key Points

- In the first half of the fiscal year ending March 2025, sales grew 11.2% year on year to 18,006 million yen and operating income rose 12.5% year on year to 2,450 million yen. Sales and operating income increased year on year in all business segments, except the slope disaster prevention business. In particular, the concrete business and the pile business contributed to the growth of sales and profit. In the first half, sales and all kinds of profits exceeded the initial forecasts. This is attributable to the mis-entry of some transactions and the timing of order placement.
- As the second quarter has ended, there has been no revision to the company's forecast for the fiscal year ending March 2025, and it is forecast 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. In the first half of the fiscal year ending March 2025, performance exceeded the forecast, but for the second half, there are concerns over the delay in order placement and construction, so the full-year forecast has not been revised. 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.
There is no revision to their plan 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 31.3%. The company will aim to increase the dividend amount stably and continuously to achieve a dividend payout ratio of 30% and a total payout ratio of 50% or higher in a swift, flexible manner.
- In the first half of the fiscal year ending March 2025, we saw the development of slider joint parapets that can be used for specific works for upgrading expressways, the adoption of the M. V. P. system for measures against flood inundation, etc. in the concrete business. We also saw the adoption of Type D of the loop fence in the slope disaster prevention business, etc. In addition, we saw the adoption of Ductal Form (40 mm thick) for aseismic reinforcement of bridges in the infrastructure maintenance business, and the adoption of the foundation engineering method for a platform with lightweight precast C-shaped concrete blocks for setting new movable fences in the railway business. New products with high added value have been developed by the company steadily. We would like to pay attention to the progress toward the completion of the third medium-term management plan in the second half of the fiscal year ending March 2025.

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.

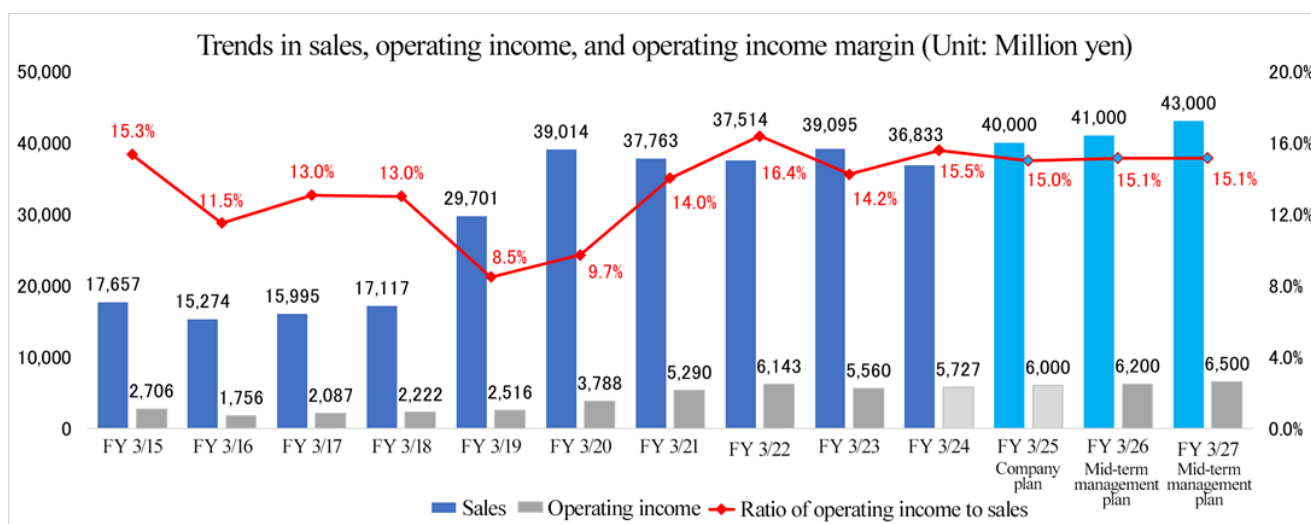
In April 2019, HANEDA ZENITH CO., LTD., as the surviving company, absorbed HANEDA ZENITH HOLDINGS CO., LTD. (a merged company).

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 Corporation 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 from FY 3/19

(3) Long-term Vision

◎ Purpose

We offer new forms of security for the future of people worldwide with our unique ideas and one-of-a-kind technologies.

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 3/20-FY 3/22) was a period to solidify the business and management foundations following the business integration, while the second medium-term management plan (FY 3/22-FY 3/24) was a period to strengthen the business and management foundations to ensure sustainable growth. In the subsequent third medium-term management plan (FY 3/25-FY 3/27), 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 3/28-FY 3/33), the company aims to achieve sales of 100 billion yen and an operating income of 15 billion yen by 2034.

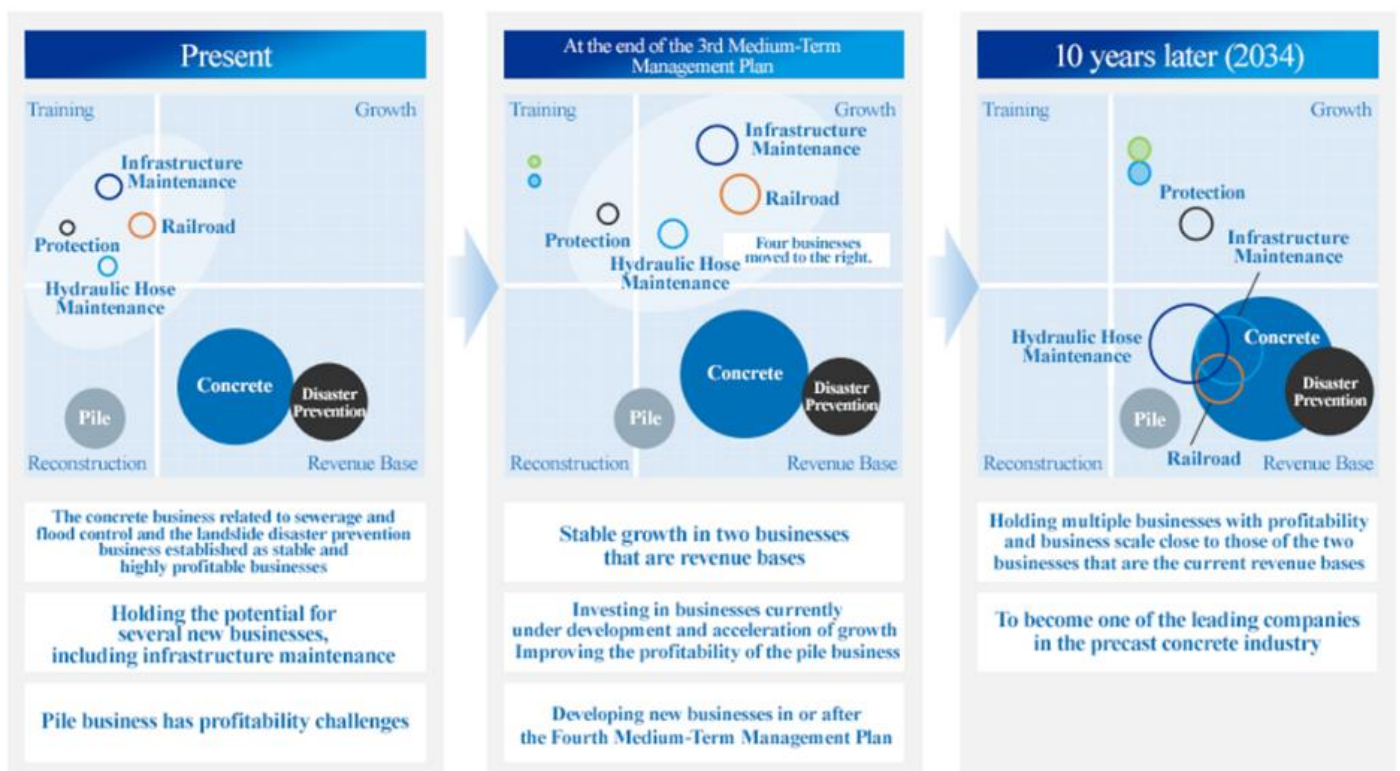
[The ideal state the company wants to realize in 10 years]

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
MIRAI Factory	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
Be precast ON-SITE	Precast concrete is to be precast onsite, instead of being delivered from the factory.
Smart Slope Disaster Prevention	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)

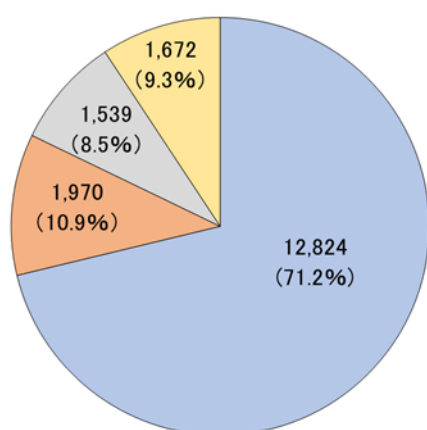
◎ **Workstyle reform and labor shortages on construction sites: Expansion of precast construction methods**

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.

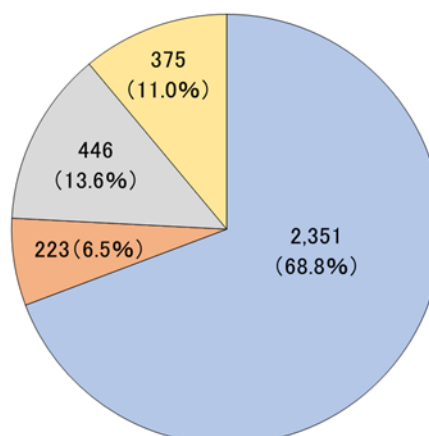
Sales composition by segment
(1H FY3/25 unit: million yen)



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

*Sales to external customers

Operating income composition by segment
(1H FY3/25 unit: million yen)



■ Concrete Business ■ Pile 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]


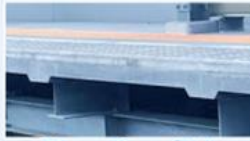
The company manufactures and sells precast concrete. This is the company's main business area, accounting for about 71% of total sales and 96% of total operating income. In particular, the company's mainstay products are those for sewage and flood control, and the company boasts the industry's top performance 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]	<p>Precast concrete for countermeasures against natural disasters such as inundation and flooding and for the effective use of water resources.</p>  <p>SJ-BOX</p>  <p>Rainwater storage tank M.V.P. System</p>
Road-related products [Core business]	<p>Precast concrete used for new roads and the repairs of expressways, etc.</p>  <p>Parapets</p>  <p>Arch Culvert</p>
Infrastructure Maintenance [Business in the development stage]	<p>Repair and reinforcement of concrete structures that have been in use for many years.</p>  <p>Weir Repair</p>  <p>Fire Cistern Maintenance</p>
Railway-related products [Business in the development stage]	<p>Precast concrete for speedy construction without disrupting operations.</p>

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	<div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>Box Culverts under Railway Tracks</p> </div> <div style="text-align: center;">  <p>Home Door Slabs Made of UFC</p> </div> </div>
<p>Defense-related products [Business in the development stage]</p>	<p>Shelters and other defense-related products.</p>



[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> <div style="text-align: center;">  <p>Concrete Pile</p> </div>
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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> <div style="display: flex; justify-content: space-around;"> <div style="text-align: center;">  <p>MJ Net</p> </div> <div style="text-align: center;">  <p>Loop Fence</p> </div> </div>
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[Other Business]

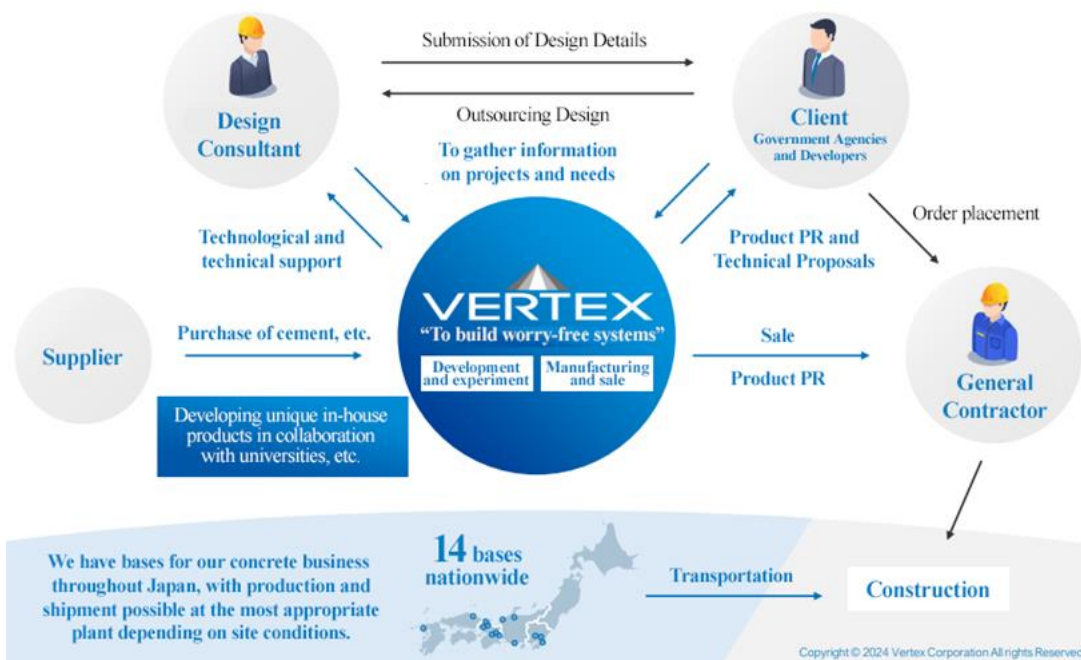
Other businesses include hydraulic hose maintenance and ceramics, which are handled by a group of subsidiaries.

<p>[Business in the development stage]</p>	<div style="display: grid; grid-template-columns: 1fr 1fr; gap: 10px;"> <div style="text-align: center;">  <p>Hydraulic Hose Maintenance</p> </div> <div style="text-align: center;">  <p>Ceramics Business Manufacturing and Sale of Ceramics Products</p> </div> <div style="text-align: center;">  <p>RFID Business Sales of RFID and Inspection Systems</p> </div> <div style="text-align: center;">  <p>Development and Sale of Systems</p> </div> </div>
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(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.

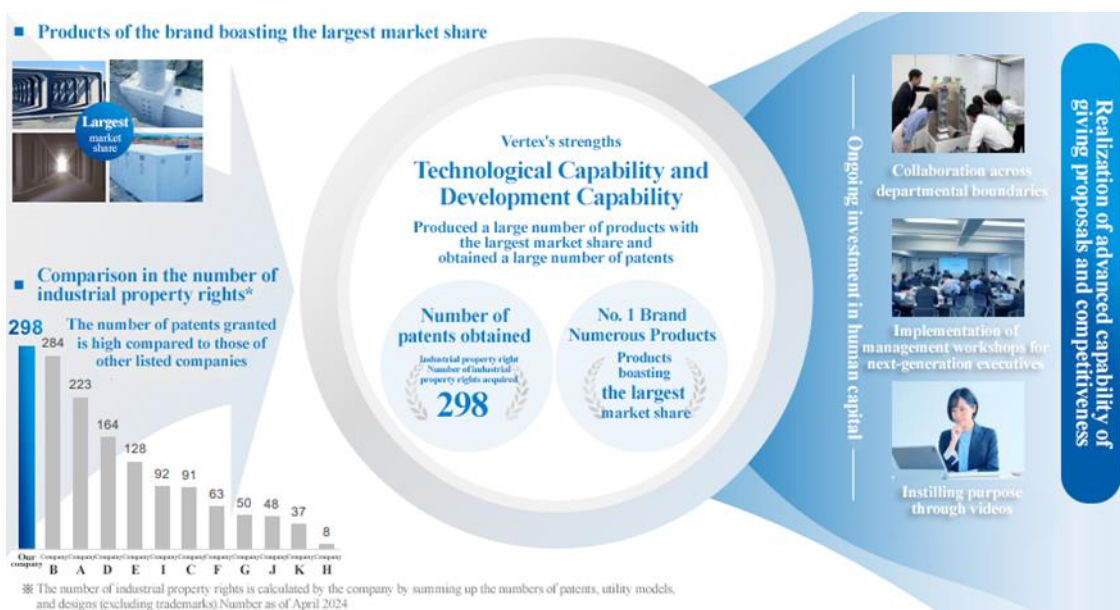


(Taken from the reference material of the company)

◎ Strengths

(1) Technical and development capabilities

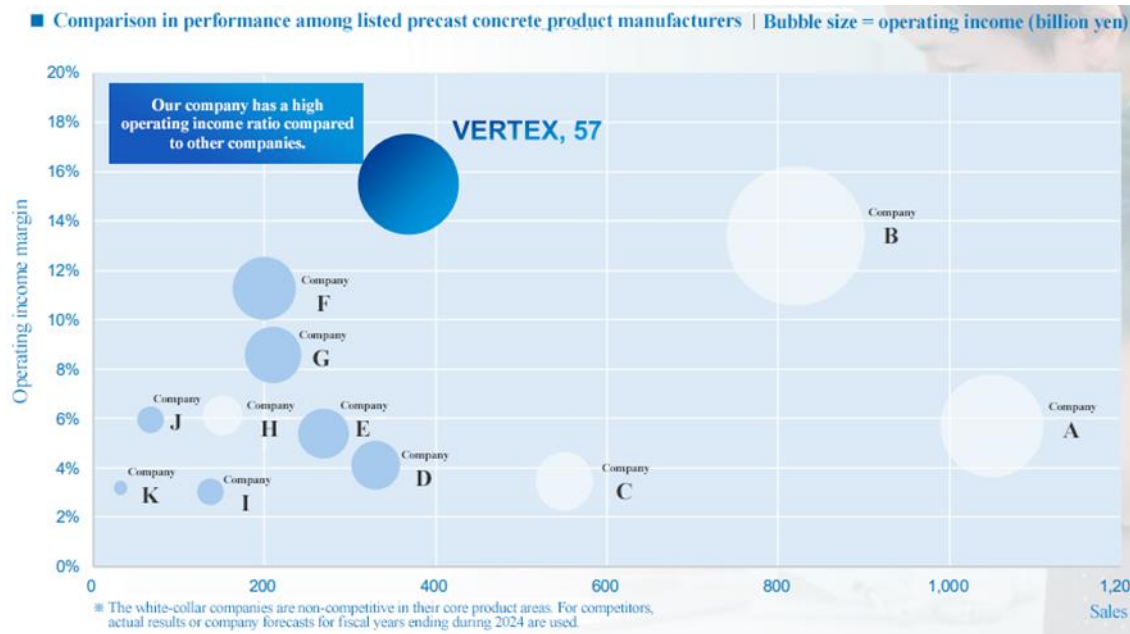
The company has realized an advanced capability of giving proposals and competitiveness by systematically collaborating with all staff members, including sales and engineering staff, based on the technical and development capabilities shown by the number of patents acquired and the number of products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



(Taken from the reference material of the company)

(2) Highest profit margin in the industry

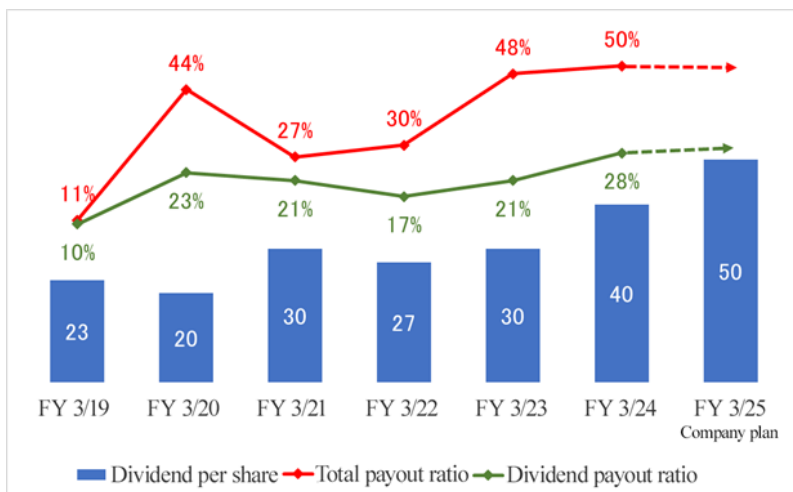
By combining technical, development, sales and organizational capabilities, the company has achieved the highest profit margin in the industry.



(Taken from the reference material of the company)

(7) Shareholder Return Policy

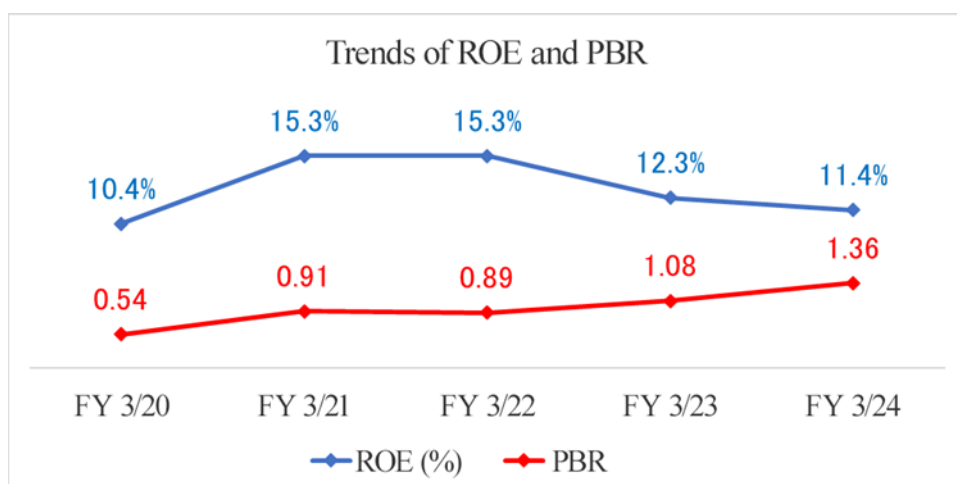
The cash generated will be appropriately allocated for further growth and shareholder returns. In the current medium-term management plan, the company plans to continue increasing shareholder returns, with an eye on stable and continuous dividend increases, targeting a dividend payout ratio of 30%, and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

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

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

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. Second Quarter of the Fiscal Year Ending March 2025 Earnings Results

(1) Overview of the consolidated results

	1H FY 3/24	Ratio to sales	1H FY 3/25	Ratio to sales	YoY	The company's forecast	Compared to the forecast
Sales	16,192	100.0%	18,006	100.0%	+11.2%	17,000	+5.9%
Gross profit	5,512	34.0%	6,043	33.6%	+9.6%	-	-
SG&A	3,333	20.6%	3,592	20.0%	+7.8%	-	-
Operating income	2,178	13.5%	2,450	13.6%	+12.5%	2,000	+22.5%
Ordinary Income	2,230	13.8%	2,539	14.1%	+13.9%	2,100	+20.9%
Interim Net Income	1,326	8.2%	1,451	8.1%	+9.5%	1,400	+3.7%

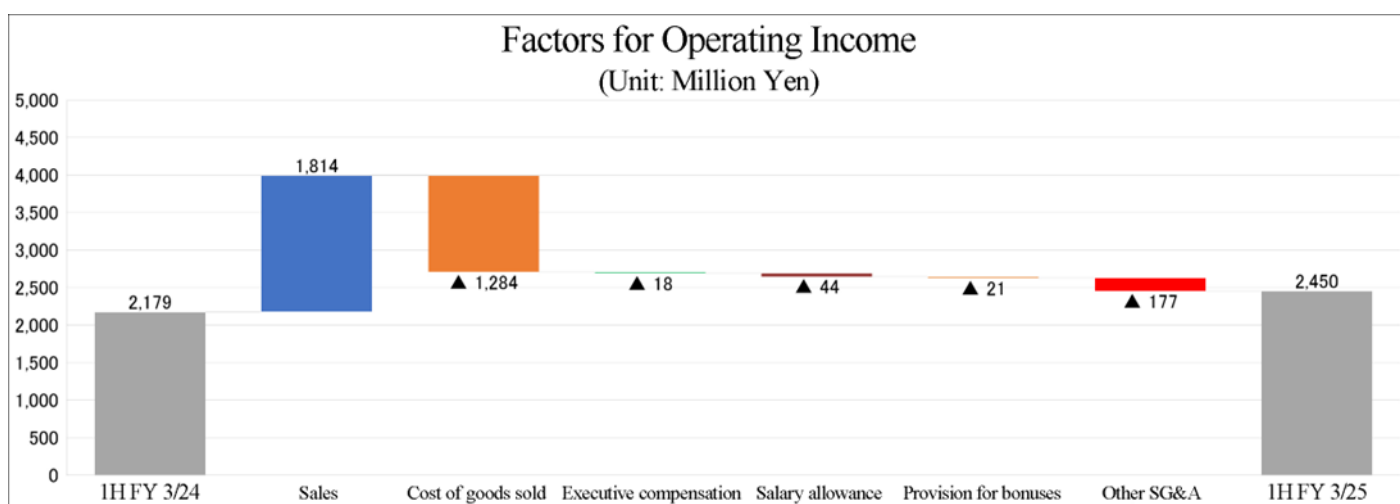
*The figures include those calculated by Investment Bridge Co., Ltd. as reference values, and may differ from actual values (the same applies hereinafter).

*Unit: Million yen.

Sales and operating income grew 11.2% and 12.5%, respectively, year on year.

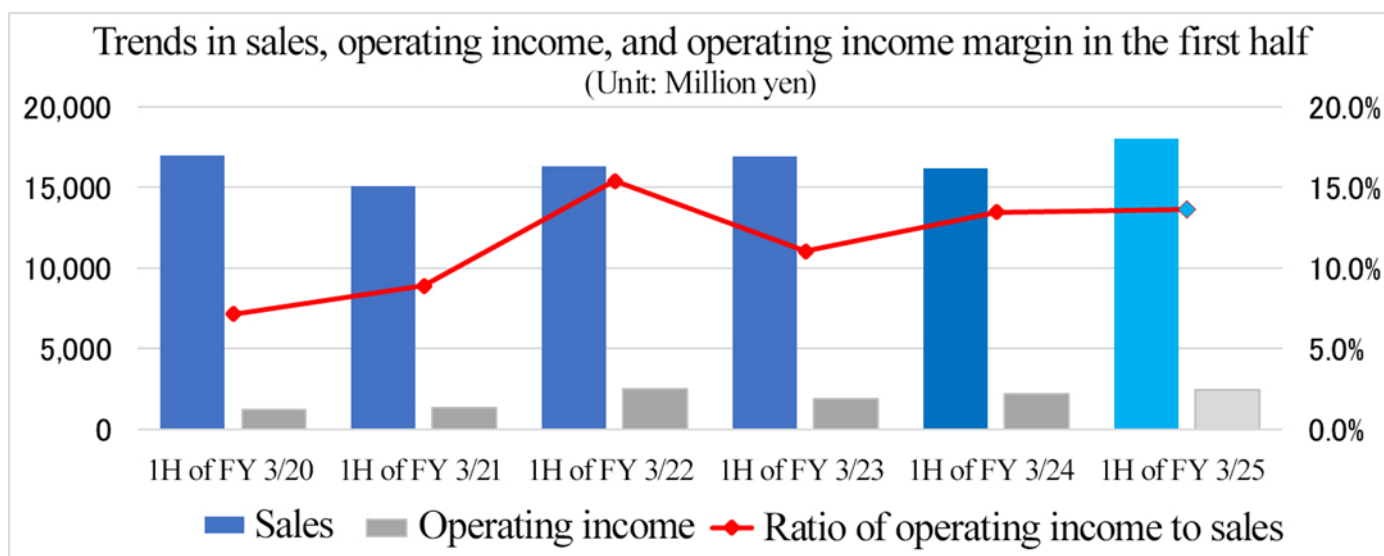
In the first half of the fiscal year ending March 2025, sales grew 11.2% year on year to 18,006 million yen, exceeding the initial forecast of the company by 5.9% as sales increased in the concrete, pile, and other businesses, except the slope disaster prevention business.

Operating income rose 12.5% year on year to 2,450 million yen, exceeding the initial forecast of the company by 22.5% as profit rose in the concrete, pile, and other businesses, except the slope disaster prevention business. Gross profit margin declined 0.4 points year on year to 33.6%. Operating income margin rose 0.1 points year on year to 13.6%, as personnel expenses, etc. augmented, but SGA ratio decreased 0.6 points year on year. In addition, costs for compensation for damage, which were posted as non-operating expenses in the same period of the previous year, decreased from 47 million yen to 4 million yen in the first half of the fiscal year ending March 2025, so the increase rate of ordinary income exceeded that of operating income. On the other hand, a loss on retirement of fixed assets of 21 million yen and an impairment loss of 306 million yen, which were posted as extraordinary losses, were major negative factors, so interim net income fell below the increase rate of operating income. In the first half, sales and all kinds of profits exceeded the forecasts, due to the mis-entry of some transactions and the timing of posting.



*Prepared by Investment Bridge Co., Ltd. based on disclosed material.

Results in the first half



In the first half of the fiscal year ending March 2025, sales and profit grew year on year, and operating income margin rose 0.1 points year on year to 13.6%. Sales, operating income, and operating income margin have been stably high.

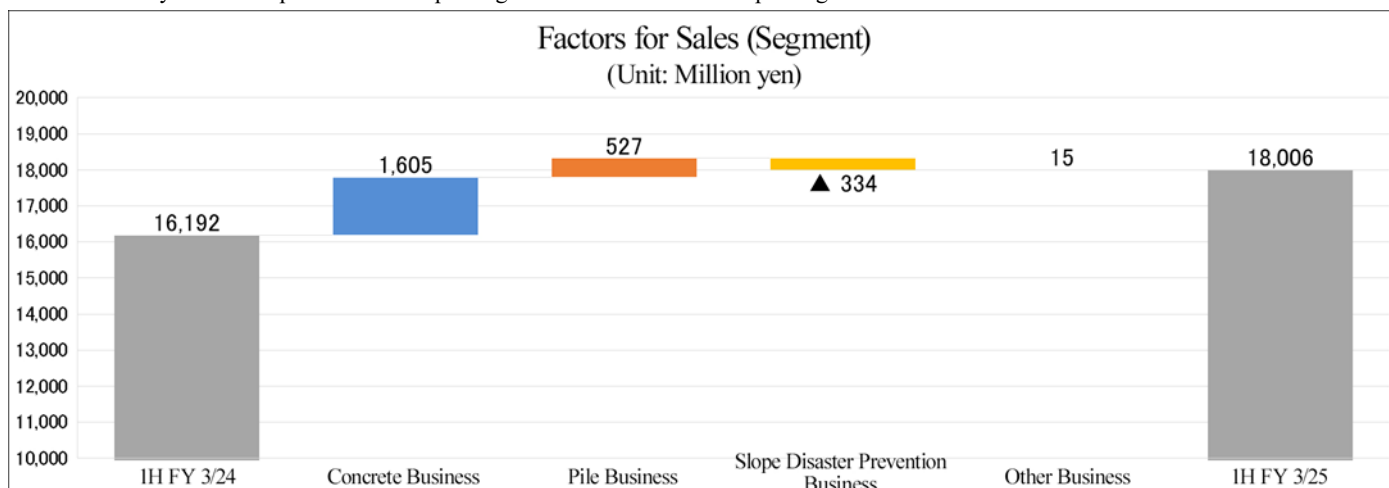
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(2) Trend of each segment

	1H FY 3/24	Composition ratio	1H FY 3/25	Composition ratio	YoY
Concrete business	11,218,933	69.3%	12,824,541	71.2%	+14.3%
Pile business	1,443,428	8.9%	1,970,572	10.9%	+36.5%
Slope disaster prevention business	1,873,768	11.6%	1,539,493	8.5%	-17.8%
Other business	1,656,528	10.2%	1,672,328	9.3%	+1.0%
Total sales	16,192,659	100.0%	18,006,936	100.0%	+11.2%
Concrete business	2,053,687	18.3%	2,351,714	18.3%	+14.5%
Pile business	46,012	3.2%	223,034	11.3%	+384.7%
Slope disaster prevention business	591,536	31.6%	446,282	29.0%	-24.6%
Other business	299,828	18.1%	375,905	22.5%	+25.4%
Adjustment amount	-812,216	-	-946,518	-	-
Total operating income	2,178,949	13.5%	2,450,418	13.6%	+12.5%

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



*Prepared by Investment Bridge Co., Ltd. based on disclosed material.

◎ **Concrete Business (Sales and profit grew 14.3% and 14.5%, respectively, year on year.)**

Sales grew 14.3% year on year to 12,824 million yen and profit rose 14.5% year on year to 2,351 million yen, as the shipment of large-scale transactions for rainwater storage tanks in the Kyushu region was favorable. In addition, operating income margin was 18.3%, unchanged from the same period of the previous year.

◎ **Pile Business (Sales and profit grew 36.5% and 384.7%, respectively, year on year.)**

Sales increased 36.5% year on year to 1,970 million yen and profit rose 384.7% year on year to 223 million yen, as continued projects that were postponed in the previous fiscal year and new projects scheduled at the beginning of the fiscal year progressed steadily and costs were reflected in selling prices smoothly. In addition, operating income margin rose 8.1 points year on year to 11.3%.

◎ **Slope Disaster Prevention Business (Sales and profit declined 17.8% and 24.6%, respectively, year on year.)**

Sales dropped 17.8% year on year to 1,539 million yen and profit declined 24.6% year on year to 446 million yen, as the order placement expected in the second quarter was delayed. In addition, operating income margin decreased 2.6 points year on year to 29.0%.

◎ **Others (Sales and profit grew 1.0% and 25.4%, respectively, year on year.)**

Sales rose 1.0% year on year to 1,672 million yen and profit increased 25.4% to 375 million yen, as they received orders steadily in the hydraulic hose maintenance business although the performance of the ceramics business and the business of development and sale of systems was sluggish. In addition, operating income margin rose 4.4 points year on year to 22.5%.

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**(3) Financial position and cash flows****Financial position**

	Mar. 2024	Sep. 2024		Mar. 2024	Sep. 2024
Cash and Deposits	13,921	13,693	Trade Payables	7,145	6,343
Trade Receivables	13,283	11,033	ST Interest-Bearing Debts	3,294	2,786
Inventories	4,904	5,529	Current Liabilities	13,817	11,723
Current Assets	32,803	30,945	LT Interest-Bearing Debts	1,458	1,316
Tangible Assets	12,538	11,591	Noncurrent Liabilities	4,348	4,060
Intangible Assets	3,784	3,586	Net Assets	33,859	33,147
Investment and Other Assets	2,898	2,807	Total Liabilities and Net Assets	52,024	48,931
Noncurrent Assets	19,221	17,985	Total interest-bearing debt	4,752	4,102

*Unit: Million yen. Trade receivables include electronically recorded ones, while trade payables include electronically recorded ones. Interest-bearing debt include lease obligations.



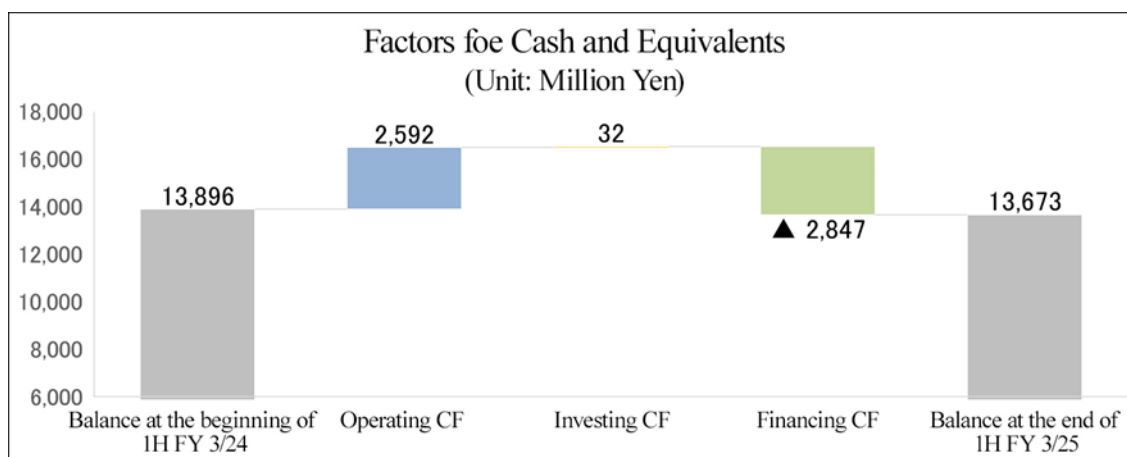
*Prepared by Investment Bridge Co., Ltd. based on disclosed material.

The total assets as of the end of September 2024 stood at 48,931 million yen, down 3,093 million yen from the end of the previous fiscal year. Major factors in increasing assets include inventory assets, while major factors in decreasing assets include accounts receivable, land, and goodwill. Major factors in increasing liabilities and net assets include reserve for bonuses and retained earnings due to the increase in interim net income attributable to shareholders of the parent company. Major factors in decreasing liabilities and net assets include accounts payable, short-term and long-term interest-bearing liabilities, income taxes payable, and liabilities for retirement benefits. The capital-to-asset ratio as of the end of September 2024 stood at 67.2%, up 2.7 points from the end of the previous fiscal year.

Cash Flow

	1H FY 3/24	1H FY 3/25	YoY	
Operating CF	3,701	2,592	-1,108	-30.0%
Investing CF	-611	32	643	-
Free CF	3,089	2,624	-464	-15.0%
Financing CF	-1,634	-2,847	-1,213	-
Cash and equivalents as of the end of the interim period	12,437	13,673	1,235	+9.9%

*Unit: Million yen.



*Prepared by Investment Bridge Co., Ltd. based on disclosed material.

In terms of cash flows, the cash inflow from operating activities shrank due to the decrease in accounts payable, the increase in payment of income taxes, etc. In addition, due to the revenue from business transfer, the cash flow from investment activities turned positive, but the surplus of free cash flow declined. The cash outflow from financial activities augmented, due to the decrease in short-term debt, the augmentation of treasury shares, etc. As a result, the cash position as of the end of the first half of the fiscal year ending March 2025 was up 9.9% year on year.

(4) Major Investments and Earnings Performance (unit: million yen)

Acquisition of tangible fixed assets	-489	Tools, equipment, fixtures (formwork), etc. of Vertex Co., Ltd.
Revenue from sale of tangible fixed assets	+46	Sale of idle land of Vertex Co., Ltd., etc.
Revenue from business transfer	+468	Sale of the business of HOKKAN CONCRETE CO., LTD.
Acquisition of intangible fixed assets	-35	Development of software to be used in Vertex Co., Ltd.

(5) Shareholder return

◎ Policy for shareholder return (Period of the current medium-term management plan: FY 3/25 to FY 3/27)

- ◆ Dividend payout ratio: 30%
- ◆ Total payout ratio: 50% or higher

◎ Dividend

The company plans to pay a dividend of 50 yen/share, and payout ratio is expected to be 31.3%.

◎ 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.

- ◆ Acquisition period: (1) May 14 to July 22, (2) August 13 to October 11
- ◆ Total acquisition price: 1.3 billion yen ((1) 800 million yen, (2) 500 million 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	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 “We offer new forms of security for the future of people worldwide with our unique ideas and one-of-a-kind technologies.” 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.

As the second quarter has ended, there has been no revision to the company’s forecast for the fiscal year ending March 2025, and it is forecast 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%. In the first half of the fiscal year ending March 2025, performance exceeded the forecast, but for the second half, there are concerns over the delay in order placement and construction, so the full-year forecast has not been revised. 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.

There is no revision to their plan 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 31.3%. The company will aim to increase the dividend amount stably and continuously to achieve a dividend payout ratio of 30% and a total payout ratio of 50% or higher in a swift, flexible manner.

(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.

BRIDGE REPORT



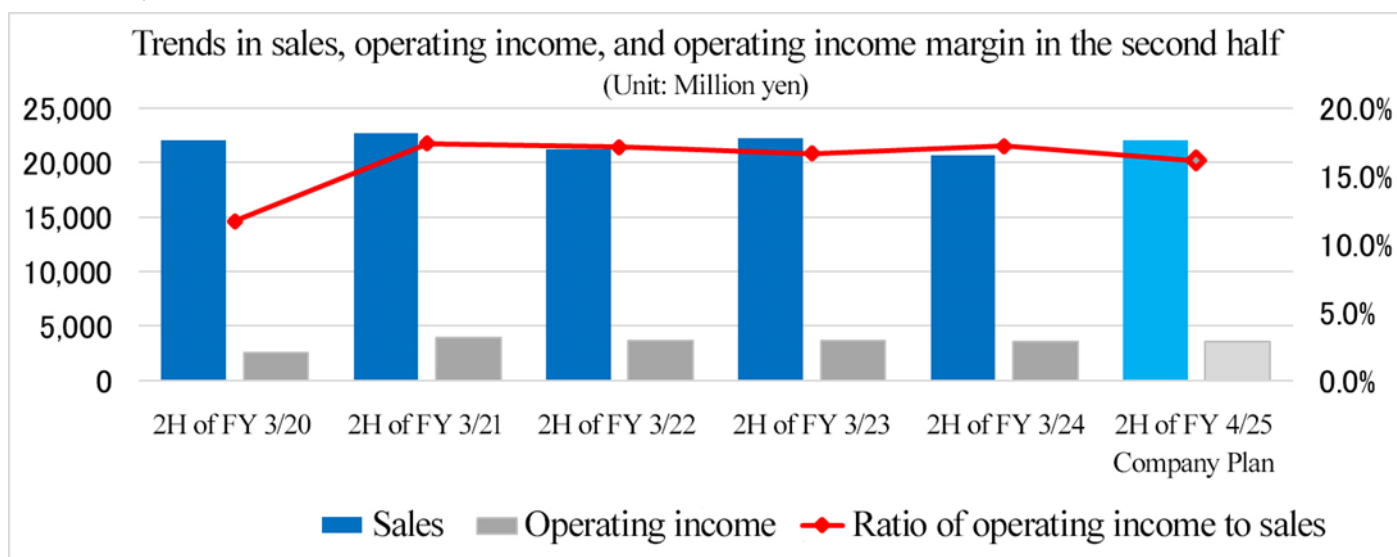
(3) Progress rate and earnings forecast for the second half of the fiscal year

	1H FY 3/25 (Act.)	FY 3/25 (Plan)	Progress rate
Sales	18,006	40,000	45.0%
Operating Income	2,450	6,000	40.8%
Ordinary Income	2,539	6,200	41.0%
Net Income Attribute to Owners of Parent	1,451	4,050	35.8%

*Unit: Million yen.

	Sales			Operating Income		
	1H FY 3/25 (Act.)	FY 3/25 (Plan)	Progress rate	1H FY 3/25 (Act.)	FY 3/25 (Plan)	Progress rate
Concrete Business	12,824	28,500	45.0%	2,351	5,350	44.0%
Pile Business	1,970	3,000	65.7%	223	150	148.7%
Slope Disaster Prevention Business	1,539	5,000	30.8%	446	1,350	33.1%
Other Business	1,672	3,500	47.8%	375	820	45.8%
Adjustment	-	-	-	-946	-1,670	-
Total	18,006	40,000	45.0%	2,450	6,000	40.8%

*Unit: Million yen.



For the second half of the fiscal year ending March 2025, the company conservatively forecasts that sales will grow year on year, but operating income will be unchanged from the previous fiscal year, and operating income margin will decline year on year. In the first half, performance exceeded the forecast, but there are concerns over the delay in order placement and construction in the second half, so the full-year forecast has been left unchanged. In addition, it is projected that the number of transactions recorded in the third quarter will be smaller than usual, and sales and operating income will be larger in the fourth quarter.

4. Progress of the Third Mid-Term Management Plan

For the first phase of VERTEX Vision 2034, it is forecast that sales will be 43 billion yen and operating income will be 6.5 billion yen, when the effects of exchange rate fluctuations, etc. are excluded. As the first step for achieving sales of 100 billion yen and an operating income of 15 billion yen, the company will invest in the fortification of the business portfolio and engage in the development of new business, which will drive the regrowth and long-term growth of their core business based on the established business foundation.

[Numerical goals]

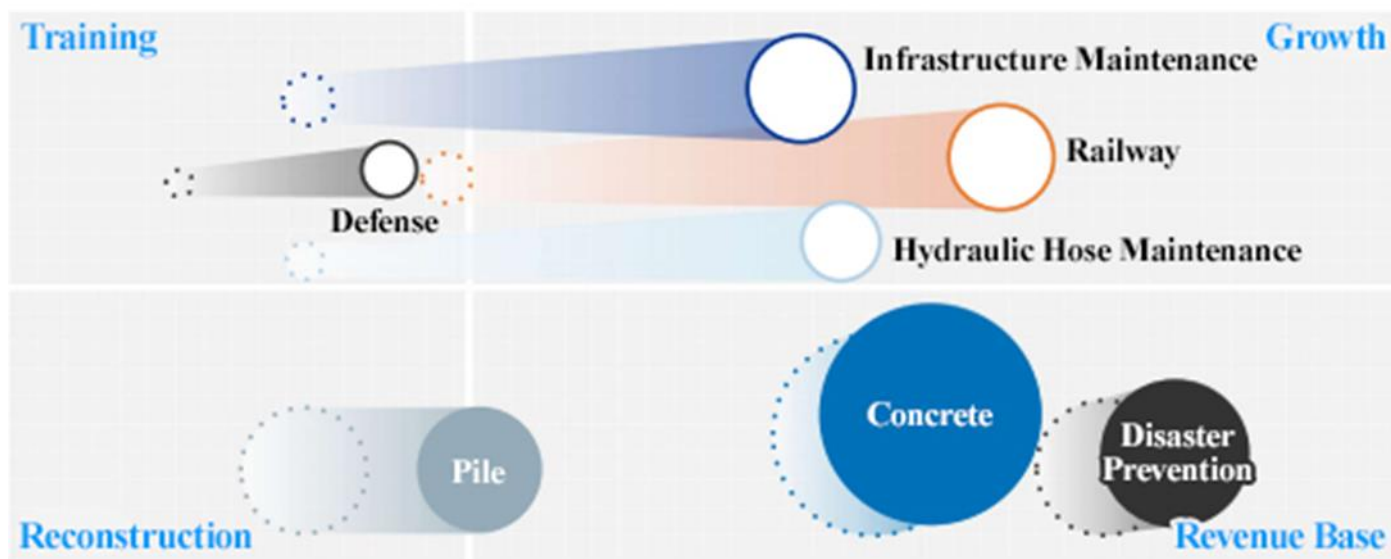
Numerical goals (as of the announcement of the plan)

	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]

Fortification of the business portfolio
<ul style="list-style-type: none"> ◆Infrastructure business — Concrete and slope disaster prevention The company aim to increase revenues stably while considering the market growth. ◆Business they will nurture — Maintenance, railway, defense, and hydraulic hose maintenance The company will invest in the future priority domains for growth.
Enhancement of human capital, R&D, and DX
Promotion of sustainability-oriented business administration



(Taken from the reference material of the company)

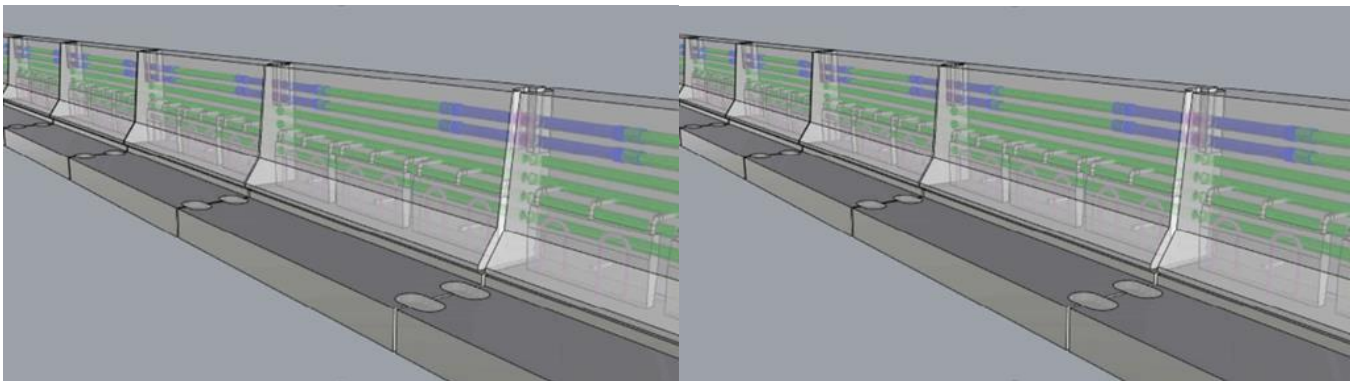
① Progress of the project for improving the business portfolio

<Initiatives for infrastructure business>

[Concrete business]—Enhancement of sale of existing products and new products

◆Development of “slider joint parapets,” which are precast parapets that can be used for specific works for upgrading expressways, in cooperation with Kumagai Gumi Co., Ltd.

For attaching conventional precast parapets, special materials are required, and it takes labor and time, because there is a great deal of on-site work. In addition, the holes for blocking out concrete need to be filled with mortar, degrading the aesthetic aspect, and water penetrates via those holes, deteriorating the product. These problems have been solved by slider joint parapets, which have no holes for blocking out concrete at either side and can be jointed just by sliding and inserting steel pipe joints.



(Taken from the reference material of the company)

◆Exhibition at Highway Technology Fair 2024 (September 26-27)

The company exhibited slider joint parapets at Highway Technology Fair 2024, which was held at Tokyo Big Sight. Visitors highly evaluated the installability, waterproofness, and aesthetic aspect of the product, so the company has received inquiries from many clients.



(Taken from the reference material of the company)

◎ Introduction of a case of the concrete business (1) (Measures against flood inundation)

The product was adopted for construction of Shimofugo Stormwater Reservoir in the public sewerage system of Toyama Prefecture. The water supply and sewage bureau of Toyama City plans to construct an underground stormwater tank for preventing flood inundation, in response to the increase of stormwater runoff due to urbanization. Since groundwater level is very high at the construction site, the M. V. P. system, which is significantly watertight, was adopted. As its specs, inner height is 4.5 m and capacity is 4,100 m³.



(Taken from the reference material of the company)

◎ Introduction of a case of the concrete business (2) (Measures against flood inundation)

The product was adopted for constructing a stormwater storage facility at Kochino High School in Konan City, Aichi Prefecture. The M. V. P. system was adopted in order to mitigate the damage by submergence and inundation, which have recently occurred due to torrential rain, in the area surrounding Kochino High School. Its inner height is 3.5 m and its capacity is 4,080 m³.



(Taken from the reference material of the company)

◎ Introduction of a case of the slope disaster prevention business (measures against the collapse of slopes)

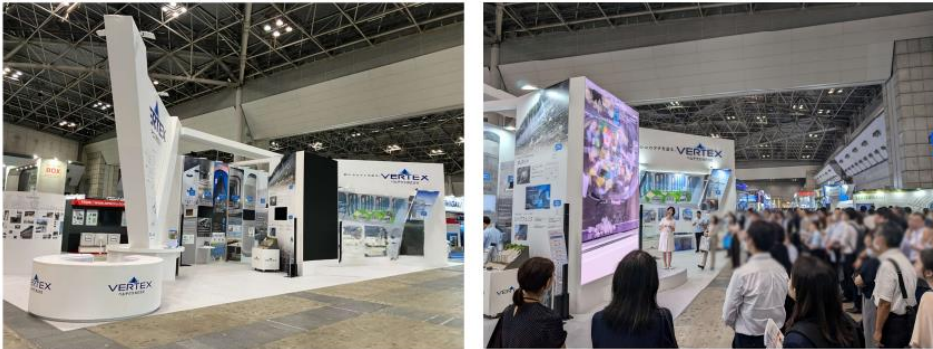
The product was adopted for emergency restoration after the disaster in the Haki district of Oita Expressway in 2023. As the piling at the east and west sides of a tunnel became impossible, early restoration was considered for the purpose of preventing the damage to the main line due to the runoff of the remaining sediment on the slope. Then, Type D of the loop fence was adopted by Kyushu Branch of West Nippon Expressway Company Limited.



(Taken from the reference material of the company)

◆Exhibition at Sewage Works Exhibition Tokyo 2024 (July 30 to August 2)

The company exhibited their products at Sewage Works Exhibition Tokyo 2024, which was held at Tokyo Big Sight. The company showcased their products under the themes of river basin management, local torrential rain, making structures quake-resistant, anti-disaster toilets, and maintenance, and introduced disaster prevention technologies, which can be used for preventing flood inundation and sediment runoff, to visitors.



(Taken from the reference material of the company)

◆Integration and closure of some factories in the concrete business

Seeing the market trend, the company will integrate or close some factories, for the purposes of optimizing factory distribution and streamlining manufacturing processes.

Considering the market trend, they integrated and closed some factories for the purposes of optimizing factory distribution and streamlining production processes.



(Taken from the reference material of the company)

<Measures for businesses they are developing>

The company is investing in the infrastructure maintenance, railway, defense, and hydraulic hose maintenance businesses, which will be their priority domains, in the concrete business.

Initiatives in the businesses they are developing

Infrastructure Maintenance	Railway	Hydraulic Hose Maintenance Business	Defense
<p>Largest share in the installation market No.1</p> <p>To enhance the sale of products while concentrating on the fire cistern field, where the company has the largest share, and the farm irrigation field</p> <p>To increase customers and further attend to existing customers through one-stop services, including surveys, assessment, maintenance, and management</p>	<p>To develop products that meet the needs of customers by utilizing the new materials of Vertex</p>	<p>To connect the motors for construction machinery</p> <p>To connect the motors for pressing machines</p> <p>Strengths of Proflex, which became a fully owned subsidiary of Vertex in 2023</p> <p>Excellent operations for delivering products from plenty of inventory to every corner of Japan with the minimum order quantity being one product</p> <p>Original swaging machine Capability of designing in-house products</p> <p>To apply the business models that became successful through the utilization of their strengths in the Kanto region to other regions</p>	<p>G-con evacuation shelter</p> <p>Precast explosive magazine</p> <p>Response to the global situation surrounding Japan</p>

(Taken from the reference material of the company)

◎ Introduction of a case of the infrastructure maintenance business (reinforcement of existing fire cisterns)

The firefighting headquarters of the road construction department of a city in Hyogo Prefecture placed orders for surveys, design, and reinforcement of existing fire cisterns at the same time, and the spring support (reinforcement) method and the hyper simple sheet F (waterproofing) method were adopted.



(Taken from the reference material of the company)

◎ Introduction of a case in the infrastructure maintenance business (reinforcing bridges to make them quake-resistant)

The company proposed Ductal Form for reducing the weight of a member with a thickness of 150 mm, and 96 sheets of Ductal Form (40 mm thick) were adopted.



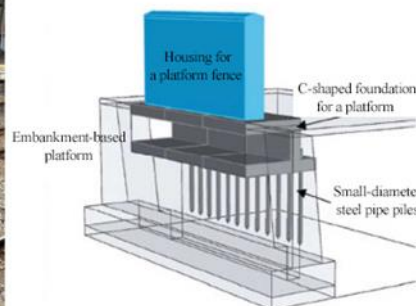
(Taken from the reference material of the company)

◎ **Introduction of a case in the railway business**

Tobu Railway Co., Ltd. (client: Kajima Corporation) adopted lightweight precast C-shaped concrete blocks for setting new movable fences (51 units with a height of 0.6 m) at Tōbu-Nerima Station. They were adopted for reinforcing the existing platform slabs for setting platform doors, and contributed to the streamlining of works as they are lightweight.



※ The photo shows a state before the installation of platform doors



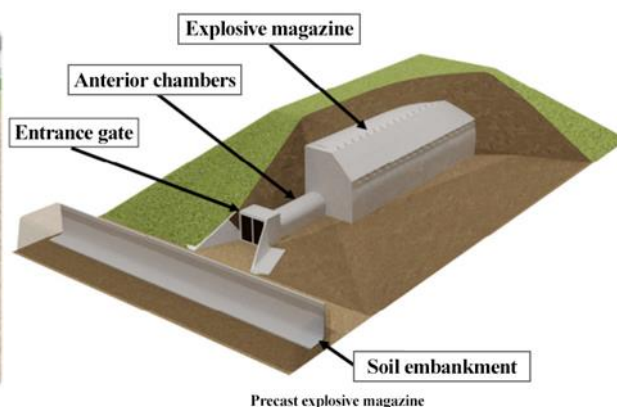
(Taken from the reference material of the company)

◎ **Initiatives in the defense business**

The company introduced their own technologies at the 18th Military Engineering Technology Fair held by Japan Society of Defense Facility Engineers. The company possesses the special technology called G-con, which can block radiation. The company proposed underground G-con shelters. The company also proposed a precast gunpowder magazine, which is a large precast concrete warehouse for storing gunpowder. The company has already constructed the precast gunpowder magazine at several places, and are expected to receive more orders.



G-con evacuation shelter (underground)



Precast explosive magazine

(Taken from the reference material of the company)

② Progress of the project for enhancing human capital, R&D, and DX

◎ Initiative (1): to hold “Vertex Profit Doubling Seminar”

For strengthening the company’s revenue base further, the company held “Vertex Profit Doubling Seminar,” where President Tsuchiya himself gave a lecture. The seminar was held in Tokyo, Nagoya, and Osaka, and attended by a total of 260 people. Its purpose is to have employees realize that profit will increase significantly if the sales mix of existing products is optimized, and promote employees to acquire strategic skills and bring out their potential.



(Taken from the reference material of the company)

◎ Initiative (2): to hold academic training

The company has finished the new employee training titled “Program for Developing Next-generation Employers and Executives,” which was held while inviting external lecturers for about 1 year with the aim of developing employees with the mindset for business administration.



(Taken from the reference material of the company)

◎ Initiative (3): to start the installation of VERTEX Talk, a generative AI tool for employees

The company proceeded with the development of a generative AI solution in cooperation with the associate professor Takafumi Nakanishi of Faculty of Data Science, Musashino University, and started the installation of VERTEX Talk, a generative AI tool for supporting the streamlining of in-house business operations, in September 2024. They will cement the relationships and create new value by streamlining business operations and developing chatbots by utilizing the generative AI technology, promote the drastic evolution of the entire corporate group, and open up new possibilities for the future.

③ Promotion of sustainability-oriented business administration

◎ Initiative for the environment (1)

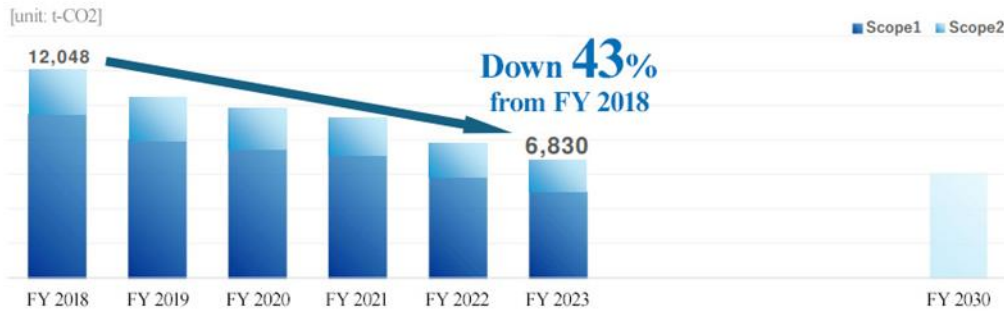
Through the shift to products with high added value, the gasification of steam boiler fuel, etc., they will steadily reduce Scope 1 and Scope 2 CO₂ emissions, and accelerate the reduction of CO₂ emissions by adopting the manufacturing method that does not require steam curing.

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Target reduction amount of Scope-1 and Scope-2 CO2 emissions

2030 **2050**
 Down **50%** from FY 2018 **To achieve carbon neutrality**



※ Scope-1 and Scope-2 CO2 emissions are those of Vertex Corporation.

(Taken from the reference material of the company)

◎ Initiative for the environment (2)

By shifting to products with high added value and utilizing the technology based on LL-crete, they attained the goal of reducing Scope 3 CO₂ emissions by 2030 earlier than expected. The company will further reduce CO₂ emissions by utilizing the LL-crete technology and cement-free concrete.

Target reduction amount of Scope-3 CO2 emissions

2030 **2050**
 Down **40%** from FY 2018 **To achieve carbon neutrality**



※ Scope-3 CO2 emissions are those of Vertex Corporation.

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(Taken from the reference material of the company)

5. Conclusions

The financial results of the company in the first half of the fiscal year ending March 2025 were favorable, as sales grew 11.2% year on year and operating income rose 12.5% year on year. The performance in the first half exceeded the forecast, due to the mis-entry of some transactions and the timing of posting. There are concerns over the delay in order placement and construction in the second half, so the initial full-year forecast has been left unchanged. In addition, it is projected that the number of transactions recorded in the third quarter will be smaller than usual, and sales and operating income will be more concentrated in the fourth quarter than usual. In the construction industry, there are growing concerns over the delay in order placement and construction due to the skyrocketing of material prices and the shortage of manpower caused by the problems expected in 2024. We would like to pay attention to the trend of their performance in the second half, to see whether they can survive the industrial environment with an uncertain outlook, receive orders by utilizing their own technologies, and achieve performance exceeding the full-year forecast. In the first half, sales and profit grew in all business segments, except the slope disaster prevention business, which saw decreases in sales and profit. This is due to the delay in order placement scheduled in the second quarter. While the risks of natural disasters are augmenting, the demand for slope disaster prevention is expected to grow stably in the fields of measures against landslides, rockfalls, etc. The company forecasts that sales will grow 4.9% year on year and operating income will decline 13.3% year on year in the slope disaster prevention business in the current fiscal year. We would like to pay attention to the improvement in the slope disaster prevention business, to see whether they can make up for the delay in the first half and reach the full-year forecast.

Currently, the third medium-term management plan, whose period is 3 years until the fiscal year ending March 2027, is ongoing. 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 current fiscal year is the first year of the third medium-term management plan, and in the first half of the fiscal year ending March 2025, we saw the development of slider joint parapets that can be used for specific works for upgrading expressways, the adoption of the M. V. P. system for measures against flood inundation, etc. in the concrete business. We also saw the adoption of Type D of the loop fence in the slope disaster prevention business, etc. In addition, we saw the adoption of Ductal Form (40 mm thick) for aseismic reinforcement of bridges in the infrastructure maintenance business, and the adoption of the foundation engineering method for a platform with lightweight precast C-shaped concrete blocks for setting new movable fences in the railway business. New products with high added value have been developed by the company steadily. We would like to pay attention to the progress toward the completion of the third medium-term management plan in the second half of the fiscal year ending March 2025, to see whether they can produce healthy results in the second half, too.

<Reference 1: 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]

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>

<p>Loop Fence</p> <p>Landslide prevention, debris flow and driftwood prevention</p>	
<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
<ul style="list-style-type: none"> ◆ 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]

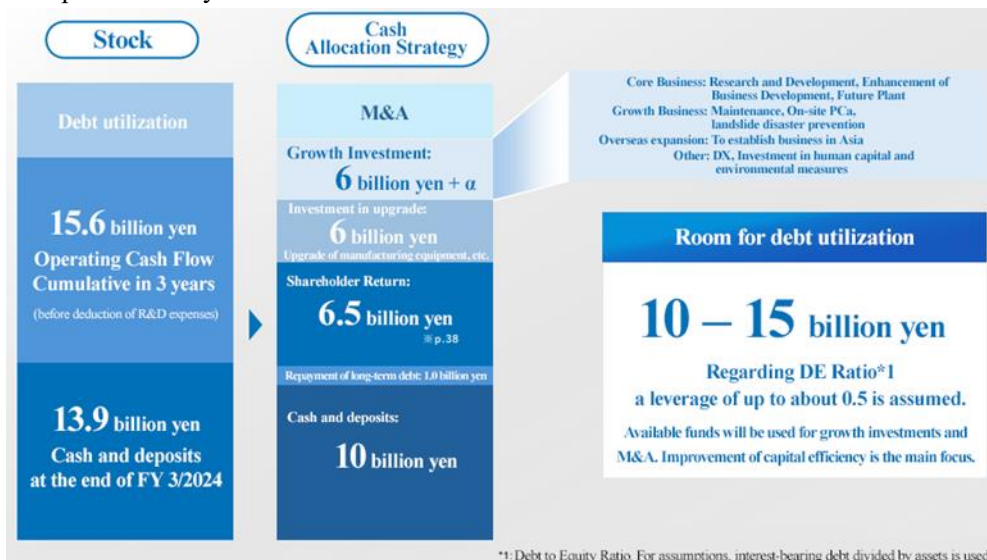
During the period of the third medium-term management plan, while there is great potential for sales growth through M&A, it is expected that profit will mainly come from organic growth (no profit contribution is expected in the initial stage of M&A, but improvements are expected during the PMI phase).



(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.



*1: Debt to Equity Ratio. For assumptions, interest-bearing debt divided by assets is used.

(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]	◆ 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]	◆ 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]	◆ Strengthen efforts for growth, including environmental measures (CO ₂ reduction), human capital management, and overseas expansion

<Investment for upgrade: 6 billion yen>	
Production facilities [4 billion yen]	◆ Improve competitiveness by strengthening the production base and improving cost and production efficiency
Technology development [1 billion yen]	◆ Improve profitability by improving existing products and developing new products based on customer needs
Software and system related [1 billion yen]	◆ Improve business operations through software and systems

<Reference 2: Regarding Corporate Governance>

◎ Organization Type and the Composition of Directors and Auditors

Organization type	Company with audit and supervisory committee
Directors	8 directors, including 4 outside ones

◎ Corporate Governance Report

Last updated in July 1, 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>

Vertex Corporation follows all of the principles of the Corporate Governance Code.

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

Principles	Disclosure contents
[Principle 3-1: Enhancement of disclosure of information]	<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, etc. (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. 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) 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.</p>

	<p>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)</p> <p>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</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) (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>
<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 Public Relations and IR Office in the 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]</p>	<p>For information on our initiatives for realizing business administration conscious of capital cost and share price, please refer to the third medium-term management plan in our website.</p> <p>(The third medium-term management plan: https://www.vertex-grp.co.jp/ja/ir/library/midplan/main/00/teaserItems1/07/linkList/00/link/3nd_midterm-plan.pdf)</p>

BRIDGE REPORT



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