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Consolidated Financial Results for the Year Ended March 31, 2023 [Japanese GAAP]

May 11, 2023

Company name: Vertex Corporation
 Stock exchange listing: Tokyo
 Code number: 5290
 URL: <https://www.vertex-grp.co.jp>
 Representative: Akihide Tsuchiya, Representative Director and President
 Contact: Hisao Komukai, General Manager, Accounting Division
 Phone: +81-3-3556-2801
 Scheduled date of Annual General Meeting of Shareholders: June 29, 2023
 Scheduled date of commencing dividend payments: June 30, 2023
 Scheduled date of filing annual securities report: June 30, 2023
 Availability of supplementary briefing material on annual financial results: Yes
 Schedule of annual financial results briefing session: Yes (for institutional investors and analysts)

(Amounts of less than one millions of yen are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2023	39,095	4.2	5,560	(9.5)	5,837	(9.3)	3,742	(11.8)
March 31, 2022	37,514	(0.7)	6,143	16.1	6,434	14.2	4,242	12.9

(Note) Comprehensive income: Fiscal year ended March 31, 2023: ¥ 3,778 million [(10.3) %]
 Fiscal year ended March 31, 2022: ¥ 4,213 million [7.7%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
	Yen	Yen	%	%	%
Fiscal year ended March 31, 2023	140.86	138.93	12.4	12.0	14.2
March 31, 2022	160.96	159.27	15.4	13.7	16.4

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2023: ¥ (5) million
 Fiscal year ended March 31, 2022: ¥ (15) million

(Note) The company conducted a three-for-one stock split of common stocks as of July 1, 2022. The "Basic earnings per share" and the "Diluted earnings per share" are calculated based on the assumption that the said stock split was conducted at the beginning of the previous consolidated fiscal year.

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	49,843	31,584	62.9	1,190.24
March 31, 2022	47,419	29,196	61.3	1,076.98

(Reference) Equity: As of March 31, 2023: ¥ 31,334 million
 As of March 31, 2022: ¥ 29,045 million

(Note) The company conducted a three-for-one stock split of common stocks as of July 1, 2022. The "Net assets per share" is calculated based on the assumption that the said stock split was conducted at the beginning of the previous consolidated fiscal year.

(Note) The company conducted a three-for-one stock split of common stocks as of July 1, 2022. The "Total number of issued shares at the end of the period", the "Number of treasury shares at the end of the period" and the "Average number of shares outstanding during the period" are calculated based on the assumption that the said stock split was conducted at the beginning of the previous consolidated fiscal year.

* This summary of consolidated Financial Results is outside the scope of an audit by a certified public accountant or an audit corporation.

* Statement regarding the proper use of financial forecasts and the other special remarks

The Statements contained in this document are based on the various assumptions and do not constitute any guarantee of definite promise the projections of future performance or related policies will actually be realized.

Consolidated Financial Statements

Consolidated Balance Sheets

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	12,905,546	11,017,795
Notes and accounts receivable - trade, and contract assets	9,871,147	8,975,402
Electronically recorded monetary claims - operating	2,818,635	3,745,533
Costs on construction contracts in progress	250,403	186,056
Merchandise and finished goods	3,916,875	4,194,105
Work in process	129,945	149,399
Raw materials and supplies	722,884	779,880
Other	536,304	949,219
Allowance for doubtful accounts	(8,394)	(20,194)
Total current assets	31,143,349	29,977,199
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,785,408	12,259,265
Accumulated depreciation	(9,102,437)	(9,369,969)
Buildings and structures, net	2,682,971	2,889,295
Machinery, equipment and vehicles	11,601,694	10,825,934
Accumulated depreciation	(10,599,813)	(9,893,614)
Machinery, equipment and vehicles, net	1,001,880	932,320
Tools, furniture and fixtures	7,565,718	7,071,752
Accumulated depreciation	(7,076,491)	(6,562,058)
Tools, furniture and fixtures, net	489,227	509,693
Land	8,135,977	8,207,403
Leased assets	94,963	94,963
Accumulated depreciation	(83,149)	(90,722)
Leased assets, net	11,813	4,240
Construction in progress	74,236	53,623
Total property, plant and equipment	12,396,107	12,596,577
Intangible assets		
Goodwill	-	3,603,383
Other	360,122	502,490
Total intangible assets	360,122	4,105,874
Investments and other assets		
Investment securities	1,147,190	1,199,537
Long-term loans receivable	26,308	12,794
Retirement benefit asset	115,041	-
Deferred tax assets	1,267,493	1,002,656
Other	1,140,399	1,118,335
Allowance for doubtful accounts	(176,049)	(169,608)
Total investments and other assets	3,520,383	3,163,715
Total non-current assets	16,276,612	19,866,167
Total assets	47,419,962	49,843,366

(Thousands of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,983,538	2,793,591
Electronically recorded obligations - operating	3,493,166	3,221,729
Short-term borrowings	2,450,000	3,150,000
Current portion of long-term borrowings	755,678	438,804
Lease liabilities	11,202	2,393
Income taxes payable	1,226,579	874,123
Provision for bonuses	471,101	466,831
Other	1,780,481	1,954,024
Total current liabilities	13,171,748	12,901,500
Non-current liabilities		
Long-term borrowings	836,709	1,712,723
Provision for share awards	-	167,809
Lease liabilities	1,556	2,185
Deferred tax liabilities	781,919	755,528
Retirement benefit liability	2,086,281	1,219,337
Deferred tax liabilities for land revaluation	650,951	650,951
Provision for loss on closing of plants	90,050	90,050
Asset retirement obligations	382,425	382,584
Other	222,116	376,192
Total non-current liabilities	5,052,011	5,357,364
Total liabilities	18,223,759	18,258,864
Net assets		
Shareholders' equity		
Share capital	3,000,000	3,000,000
Capital surplus	1,535,868	1,710,170
Retained earnings	25,161,031	28,183,879
Treasury shares	(2,002,540)	(2,947,117)
Total shareholders' equity	27,694,359	29,946,932
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	131,211	168,125
Revaluation reserve for land	1,219,799	1,219,799
Total accumulated other comprehensive income	1,351,010	1,387,924
Share acquisition rights	150,832	249,645
Total net assets	29,196,202	31,584,502
Total liabilities and net assets	47,419,962	49,843,366

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Net sales	37,514,660	39,095,303
Cost of sales	25,607,161	27,277,524
Gross profit	11,907,498	11,817,779
Selling, general and administrative expenses	5,763,596	6,257,160
Operating profit	6,143,902	5,560,619
Non-operating income		
Interest income	537	363
Dividend income	36,846	34,520
Consulting fee income	40,000	40,000
Reversal of allowance for doubtful accounts	23,020	2,291
Compensation income	-	43,094
Compensation for damage income	-	57,056
Gain on sale of scraps	94,836	43,455
Other	173,231	138,973
Total non-operating income	368,474	359,756
Non-operating expenses		
Interest expenses	27,787	26,928
Share of loss of entities accounted for using equity method	15,913	5,185
Settlement of contract cancellation	-	15,715
Other	33,680	34,595
Total non-operating expenses	77,381	82,424
Ordinary profit	6,434,995	5,837,950
Extraordinary income		
Gain on sale of non-current assets	85,905	9,184
Gain on sale of investment securities	-	325
Gain on sale of businesses	-	95,486
Gain on partial termination of retirement benefit plan	-	56,253
Total extraordinary income	85,905	161,251
Extraordinary losses		
Loss on sale of non-current assets	632	176
Loss on retirement of non-current assets	8,920	15,775
Loss on sale of shares of subsidiaries and associates	28,417	-
Loss on sale of investment securities	-	102
Loss on valuation of investment securities	-	81,148
Loss on revision of retirement benefit plan	91,383	-
Total extraordinary losses	129,353	97,203
Profit before income taxes	6,391,548	5,901,998
Income taxes - current	2,150,241	1,913,501
Income taxes - deferred	(821)	246,470
Total income taxes	2,149,420	2,159,971
Profit	4,242,127	3,742,026
Profit attributable to owners of parent	4,242,127	3,742,026

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Profit	4,242,127	3,742,026
Other comprehensive income		
Valuation difference on available-for-sale securities	(28,375)	36,913
Total other comprehensive income	(28,375)	36,913
Comprehensive income	4,213,752	3,778,940
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	4,213,752	3,778,940

Consolidated Statements of Changes in Equity

For the fiscal year ended March 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,000,000	4,448,599	21,708,509	(4,362,661)	24,794,447
Changes during period					
Dividends of surplus			(788,665)		(788,665)
Profit attributable to owners of parent			4,242,127		4,242,127
Purchase of treasury shares				(558,595)	(558,595)
Disposal of treasury shares		(673,236)		679,221	5,985
Cancellation of treasury shares		(2,239,495)		2,239,495	-
Change in scope of equity method			(940)		(940)
Net changes in items other than shareholders' equity					-
Total changes during period	-	(2,912,731)	3,452,521	2,360,120	2,899,911
Balance at end of period	3,000,000	1,535,868	25,161,031	(2,002,540)	27,694,359

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total accumulated other comprehensive income		
Balance at beginning of period	159,587	1,219,799	1,379,386	74,863	26,248,697
Changes during period					
Dividends of surplus					(788,665)
Profit attributable to owners of parent					4,242,127
Purchase of treasury shares					(558,595)
Disposal of treasury shares					5,985
Cancellation of treasury shares					-
Change in scope of equity method					(940)
Net changes in items other than shareholders' equity	(28,375)		(28,375)	75,969	47,593
Total changes during period	(28,375)	-	(28,375)	75,969	2,947,504
Balance at end of period	131,211	1,219,799	1,351,010	150,832	29,196,202

For the fiscal year ended March 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,000,000	1,535,868	25,161,031	(2,002,540)	27,694,359
Changes during period					
Dividends of surplus			(719,178)		(719,178)
Profit attributable to owners of parent			3,742,026		3,742,026
Purchase of treasury shares				(1,169,252)	(1,169,252)
Disposal of treasury shares		174,302		224,675	398,977
Cancellation of treasury shares					-
Change in scope of equity method					-
Net changes in items other than shareholders' equity					-
Total changes during period	-	174,302	3,022,848	(944,577)	2,252,573
Balance at end of period	3,000,000	1,710,170	28,183,879	(2,947,117)	29,946,932

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Total accumulated other comprehensive income		
Balance at beginning of period	131,211	1,219,799	1,351,010	150,832	29,196,202
Changes during period					
Dividends of surplus					(719,178)
Profit attributable to owners of parent					3,742,026
Purchase of treasury shares					(1,169,252)
Disposal of treasury shares					398,977
Cancellation of treasury shares					-
Change in scope of equity method					-
Net changes in items other than shareholders' equity	36,913		36,913	98,812	135,726
Total changes during period	36,913	-	36,913	98,812	2,388,299
Balance at end of period	168,125	1,219,799	1,387,924	249,645	31,584,502

Consolidated Statements of Cash Flows

(Thousands of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	6,391,548	5,901,998
Depreciation	821,377	906,595
Amortization of goodwill	-	138,591
Increase (decrease) in allowance for doubtful accounts	(53,059)	5,359
Increase (decrease) in provision for bonuses	5,393	(19,697)
Increase (decrease) in provision for share awards	-	167,809
Increase (decrease) in retirement benefit liability	17,566	(887,573)
Interest and dividend income	(37,384)	(34,884)
Interest expenses	27,787	26,928
Share of loss (profit) of entities accounted for using equity method	15,913	5,185
Foreign exchange losses (gains)	(150)	(175)
Loss (gain) on sale and retirement of non-current assets	(76,353)	6,766
Loss (gain) on sale of businesses	-	(95,486)
Loss (gain) on sale of investment securities	28,417	(222)
Loss (gain) on valuation of investment securities	-	81,148
Decrease (increase) in trade receivables	903,300	131,241
Decrease (increase) in inventories	(588,360)	38,814
Increase (decrease) in trade payables	(43,043)	(552,785)
Other, net	(410,772)	471,134
Subtotal	7,002,180	6,290,749
Interest and dividends received	42,384	39,884
Interest paid	(26,368)	(26,287)
Income taxes paid	(2,022,917)	(2,444,417)
Net cash provided by (used in) operating activities	4,995,279	3,859,928
Cash flows from investing activities		
Decrease (increase) in time deposits	91,999	739,999
Purchase of investment securities	(55,840)	(81,498)
Proceeds from sale of investment securities	38,641	6,224
Purchase of property, plant and equipment	(1,569,583)	(1,409,200)
Proceeds from sale of property, plant and equipment	348,829	83,156
Purchase of intangible assets	(130,689)	(15,072)
Purchase of shares unconsolidated subsidiaries	-	(13,755)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(2,457,899)
Proceeds from sale of businesses	-	167,060
Loan advances	-	(3,290)
Proceeds from collection of loans receivable	17,944	17,667
Other, net	117,634	24,977
Net cash provided by (used in) investing activities	(1,141,062)	(2,941,629)

(Thousands of yen)

	For the fiscal year ended March 31, 2022	For the fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	79,000	(1,130,000)
Proceeds from long-term borrowings	2,860	1,323,070
Repayments of long-term borrowings	(1,345,866)	(763,930)
Repayments of lease liabilities	(9,167)	(8,179)
Purchase of treasury shares	(558,595)	(770,468)
Proceeds from disposal of treasury shares	985	193
Proceeds from exercise of employee share options	4	-
Dividends paid	(787,094)	(716,912)
Net cash provided by (used in) financing activities	(2,617,873)	(2,066,226)
Effect of exchange rate change on cash and cash equivalents	150	175
Net increase (decrease) in cash and cash equivalents	1,236,494	(1,147,751)
Cash and cash equivalents at beginning of period	10,893,928	12,130,422
Cash and cash equivalents at end of period	12,130,422	10,982,670