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Consolidated Financial Results for the Year Ended March 31, 2022 [Japanese GAAP]

May 12, 2022

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, 2022
 Scheduled date of commencing dividend payments: June 30, 2022
 Scheduled date of filing annual securities report: June 30, 2022
 Availability of supplementary briefing material on annual financial results: Yes
 Schedule of annual financial results briefing session: Yes

(Amounts of less than one million yen are rounded down)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (April 01, 2021 to March 31, 2022)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 31, 2022	37,514	(0.7)	6,143	16.1	6,434	14.2	4,242	12.9
March 31, 2021	37,763	(3.2)	5,290	39.6	5,635	42.3	3,759	60.9

(Note) Comprehensive income: Fiscal year ended March 31, 2022: ¥ 4,213 million [7.7%]
 Fiscal year ended March 31, 2021: ¥ 3,914 million [79.3%]

	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
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2022	482.89	477.82	15.4	13.7	16.4
March 31, 2021	428.41	425.25	15.3	12.8	14.0

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended March 31, 2022: ¥ (15) million
 Fiscal year ended March 31, 2021: ¥ 0 million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of	Million yen	Million yen	%	Yen
March 31, 2022	47,419	29,196	61.3	3,230.95
March 31, 2021	46,265	26,248	56.6	2,986.87

(Reference) Equity: As of March 31, 2022: ¥ 29,045 million
 As of March 31, 2021: ¥ 26,173 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended	Million yen	Million yen	Million yen	Million yen
March 31, 2022	4,995	(1,141)	(2,617)	12,130
March 31, 2021	4,223	(397)	(638)	10,893

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
March 31, 2021	-	-	-	90.00	90.00	788	21.0	3.3
March 31, 2022	-	-	-	80.00	80.00	719	16.6	2.6
Fiscal year ending March 31, 2023 (Forecast)	-	-	-	25.00	25.00		15.5	

(Note) The company's Board of Directors has resolved on May 12, 2022 to conduct a three-for-one split of each share of common stock held by shareholders, effective July 1, 2022. The dividends forecast above for the fiscal year ending March 31, 2023 is considering the effect of this stock split. For details of the stock split, please refer to the "Notice Regarding Stock Split and Partial Revision of the Articles of Incorporation related to stock split."

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 01, 2022 to March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Six months ended September 30, 2022	16,400	0.5	2,050	(18.5)	2,150	(18.7)	1,450	(18.0)	53.77
Full year	39,000	4.0	6,200	0.9	6,500	1.0	4,350	2.5	161.30

(Note) The company's Board of Directors has resolved on May 12, 2022 to conduct a three-for-one split of each share of common stock held by shareholders, effective July 1, 2022. The basic earnings per share forecast above for the fiscal year ending March 31, 2023 is considering the effect of this stock split.

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

New - (Company name: -)

Exclusion: 1 (Company name: Hokukon Co., Ltd.)

As of April 1, 2021, an absorption-type of merger was conducted with Vertex Co., Ltd., previously known as Haneda Zenith Co., Ltd., as the surviving company and Hokukon Co., Ltd. as the dissolved company.

(2) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(3) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2022: 10,184,450 shares

March 31, 2021: 11,684,450 shares

2) Total number of treasury shares at the end of the period:

March 31, 2022: 1,194,715 shares

March 31, 2021: 2,921,498 shares

3) Average number of shares during the period:

Fiscal Year ended March 31, 2022: 8,784,933 shares

Fiscal Year ended March 31, 2021: 8,774,351 shares

* 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 other special remarks

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

Consolidated Financial Statements

Consolidated Balance Sheets

(Thousand yen)

	As of March 31,2021	As of March 31,2022
Assets		
Current assets		
Cash and deposits	11,761,051	12,905,546
Notes and accounts receivable - trade	10,340,865	-
Notes and accounts receivable - trade, and contract assets	-	9,871,147
Electronically recorded monetary claims - operating	3,252,219	2,818,635
Costs on construction contracts in progress	114,520	250,403
Merchandise and finished goods	3,486,887	3,916,875
Work in process	166,281	129,945
Raw materials and supplies	664,059	722,884
Other	607,891	536,304
Allowance for doubtful accounts	(17,067)	(8,394)
Total current assets	30,376,708	31,143,349
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,135,420	11,785,408
Accumulated depreciation	(9,093,699)	(9,102,437)
Buildings and structures, net	2,041,720	2,682,971
Machinery, equipment and vehicles	11,211,010	11,601,694
Accumulated depreciation	(10,464,405)	(10,599,813)
Machinery, equipment and vehicles, net	746,604	1,001,880
Tools, furniture and fixtures	7,385,435	7,565,718
Accumulated depreciation	(6,938,700)	(7,076,491)
Tools, furniture and fixtures, net	446,735	489,227
Land	8,379,035	8,135,977
Leased assets	95,215	94,963
Accumulated depreciation	(74,904)	(83,149)
Leased assets, net	20,310	11,813
Construction in progress	247,453	74,236
Total property, plant and equipment	11,881,861	12,396,107
Intangible assets	280,604	360,122
Investments and other assets		
Investment securities	1,219,688	1,147,190
Long-term loans receivable	43,555	26,308
Retirement benefit asset	98,802	115,041
Deferred tax assets	1,276,107	1,267,493
Other	1,308,776	1,140,399
Allowance for doubtful accounts	(220,435)	(176,049)
Total investments and other assets	3,726,493	3,520,383
Total non-current assets	15,888,959	16,276,612
Total assets	46,265,667	47,419,962

(Thousand yen)

	As of March 31,2021	As of March 31,2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,322,002	2,983,538
Electronically recorded obligations - operating	3,197,746	3,493,166
Short-term borrowings	2,371,000	2,450,000
Current portion of long-term borrowings	1,316,741	755,678
Lease liabilities	11,157	11,202
Income taxes payable	1,130,710	1,226,579
Provision for bonuses	465,708	471,101
Other	2,375,861	1,780,481
Total current liabilities	14,190,926	13,171,748
Non-current liabilities		
Long-term borrowings	1,618,652	836,709
Lease liabilities	10,768	1,556
Deferred tax liabilities	813,104	781,919
Retirement benefit liability	2,068,715	2,086,281
Deferred tax liabilities for land revaluation	650,951	650,951
Provision for loss on closing of plants	90,050	90,050
Asset retirement obligations	382,237	382,425
Other	191,563	222,116
Total non-current liabilities	5,826,043	5,052,011
Total liabilities	20,016,969	18,223,759
Net assets		
Shareholders' equity		
Share capital	3,000,000	3,000,000
Capital surplus	4,448,599	1,535,868
Retained earnings	21,708,509	25,161,031
Treasury shares	(4,362,661)	(2,002,540)
Total shareholders' equity	24,794,447	27,694,359
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	159,587	131,211
Revaluation reserve for land	1,219,799	1,219,799
Total accumulated other comprehensive income	1,379,386	1,351,010
Share acquisition rights	74,863	150,832
Total net assets	26,248,697	29,196,202
Total liabilities and net assets	46,265,667	47,419,962

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended March 31,2021	For the fiscal year ended March 31,2022
Net sales	37,763,068	37,514,660
Cost of sales	26,514,400	25,607,161
Gross profit	11,248,667	11,907,498
Selling, general and administrative expenses	5,958,022	5,763,596
Operating profit	5,290,645	6,143,902
Non-operating income		
Interest income	754	537
Dividend income	32,434	36,846
Consulting fee income	40,000	40,000
Reversal of allowance for doubtful accounts	26,624	23,020
Reversal of provision for loss on closing of plants	47,922	-
Subsidy income	133,509	-
Gain on sale of scraps	37,727	94,836
Other	141,237	173,231
Total non-operating income	460,209	368,474
Non-operating expenses		
Interest expenses	40,799	27,787
Share of loss of entities accounted for using equity method	96	15,913
Loss on mothballing of operation	28,361	-
Other	46,035	33,680
Total non-operating expenses	115,293	77,381
Ordinary profit	5,635,562	6,434,995
Extraordinary income		
Gain on sale of non-current assets	151,005	85,905
Gain on sale of investment securities	346	-
Gain on bargain purchase	20,356	-
Total extraordinary income	171,708	85,905
Extraordinary losses		
Loss on sale of non-current assets	22,645	632
Loss on retirement of non-current assets	10,232	8,920
Loss on sale of shares of subsidiaries and associates	31,668	28,417
Loss on valuation of investment securities	2,475	-
Loss on revision of retirement benefit plan	-	91,383
Impairment losses	223,390	-
Total extraordinary losses	290,412	129,353
Profit before income taxes	5,516,858	6,391,548
Income taxes - current	1,858,520	2,150,241
Income taxes - deferred	(100,724)	(821)
Total income taxes	1,757,796	2,149,420
Profit	3,759,061	4,242,127
Profit attributable to owners of parent	3,759,061	4,242,127

Consolidated Statements of Comprehensive Income

(Thousand yen)

	For the fiscal year ended March 31,2021	For the fiscal year ended March 31,2022
Profit	3,759,061	4,242,127
Other comprehensive income		
Valuation difference on available-for-sale securities	154,981	(28,375)
Total other comprehensive income	154,981	(28,375)
Comprehensive income	3,914,042	4,213,752
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,914,042	4,213,752

Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31,2021

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,000,000	4,457,517	18,506,921	(4,210,814)	21,753,625
Changes during period					
Dividends of surplus			(531,676)		(531,676)
Profit attributable to owners of parent			3,759,061		3,759,061
Purchase of treasury shares				(206,606)	(206,606)
Disposal of treasury shares		(8,918)		22,105	13,187
Cancellation of treasury shares					-
Change in scope of equity method				32,654	32,654
Reversal of reserve for tax purpose reduction entry of land			(25,797)		(25,797)
Net changes in items other than shareholders' equity					-
Total changes during period	-	(8,918)	3,201,587	(151,847)	3,040,822
Balance at end of period	3,000,000	4,448,599	21,708,509	(4,362,661)	24,794,447

	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	4,606	1,219,799	1,224,405	36,754	23,014,785
Changes during period					
Dividends of surplus					(531,676)
Profit attributable to owners of parent					3,759,061
Purchase of treasury shares					(206,606)
Disposal of treasury shares					13,187
Cancellation of treasury shares					-
Change in scope of equity method					32,654
Reversal of reserve for tax purpose reduction entry of land					(25,797)
Net changes in items other than shareholders' equity	154,981		154,981	38,108	193,090
Total changes during period	154,981	-	154,981	38,108	3,233,912
Balance at end of period	159,587	1,219,799	1,379,386	74,863	26,248,697

For the fiscal year ended March 31,2022

(Thousand 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)
Reversal of reserve for tax purpose reduction entry of land					-
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)
Reversal of reserve for tax purpose reduction entry of land					-
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

Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended March 31,2021	For the fiscal year ended March 31,2022
Cash flows from operating activities		
Profit before income taxes	5,516,858	6,391,548
Depreciation	1,082,365	821,377
Impairment losses	223,390	-
Gain on bargain purchase	(20,356)	-
Increase (decrease) in allowance for doubtful accounts	(26,025)	(53,059)
Increase (decrease) in provision for bonuses	(2,490)	5,393
Increase (decrease) in retirement benefit liability	8,457	17,566
Increase (decrease) in provision for loss on closing of plants	(166,625)	-
Interest and dividend income	(33,188)	(37,384)
Interest expenses	40,799	27,787
Share of loss (profit) of entities accounted for using equity method	96	15,913
Foreign exchange losses (gains)	(112)	(150)
Loss (gain) on sale and retirement of non-current assets	(118,127)	(76,353)
Loss (gain) on sale of investment securities	31,321	28,417
Decrease (increase) in trade receivables	(158,177)	903,300
Decrease (increase) in inventories	(52,826)	(588,360)
Increase (decrease) in trade payables	(698,082)	(43,043)
Other, net	151,204	(410,772)
Subtotal	5,778,480	7,002,180
Interest and dividends received	38,588	42,384
Interest paid	(41,025)	(26,368)
Income taxes paid	(1,552,871)	(2,022,917)
Net cash provided by (used in) operating activities	4,223,172	4,995,279
Cash flows from investing activities		
Decrease (increase) in time deposits	797	91,999
Purchase of investment securities	(600)	(55,840)
Proceeds from sale of investment securities	162,262	38,641
Purchase of property, plant and equipment	(938,014)	(1,569,583)
Proceeds from sale of property, plant and equipment	444,108	348,829
Purchase of intangible assets	(126,667)	(130,689)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	36,085	-
Loan advances	(450)	-
Proceeds from collection of loans receivable	19,144	17,944
Other, net	6,056	117,634
Net cash provided by (used in) investing activities	(397,277)	(1,141,062)

(Thousand yen)

	For the fiscal year ended March 31,2021	For the fiscal year ended March 31,2022
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	270,000	79,000
Proceeds from long-term borrowings	1,260,000	2,860
Repayments of long-term borrowings	(1,419,241)	(1,345,866)
Repayments of lease liabilities	(14,386)	(9,167)
Purchase of treasury shares	(206,606)	(558,595)
Proceeds from disposal of treasury shares	-	985
Proceeds from exercise of employee share options	17	4
Dividends paid	(528,559)	(787,094)
Net cash provided by (used in) financing activities	(638,776)	(2,617,873)
Effect of exchange rate change on cash and cash equivalents	112	150
Net increase (decrease) in cash and cash equivalents	3,187,231	1,236,494
Cash and cash equivalents at beginning of period	7,706,697	10,893,928
Cash and cash equivalents at end of period	10,893,928	12,130,422