

道からはじまる街づくり

Fiscal year ended March 31, 2023

Financial Results Briefing

May 25, 2023



日本道路株式会社

(Securities code: 1884)

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道からはじまる街づくり



Central Nippon Expressway Company Limited: Pavement repair work for Higashi-meihan Expressway between Nagoya-nishi IC and Yokkaichi



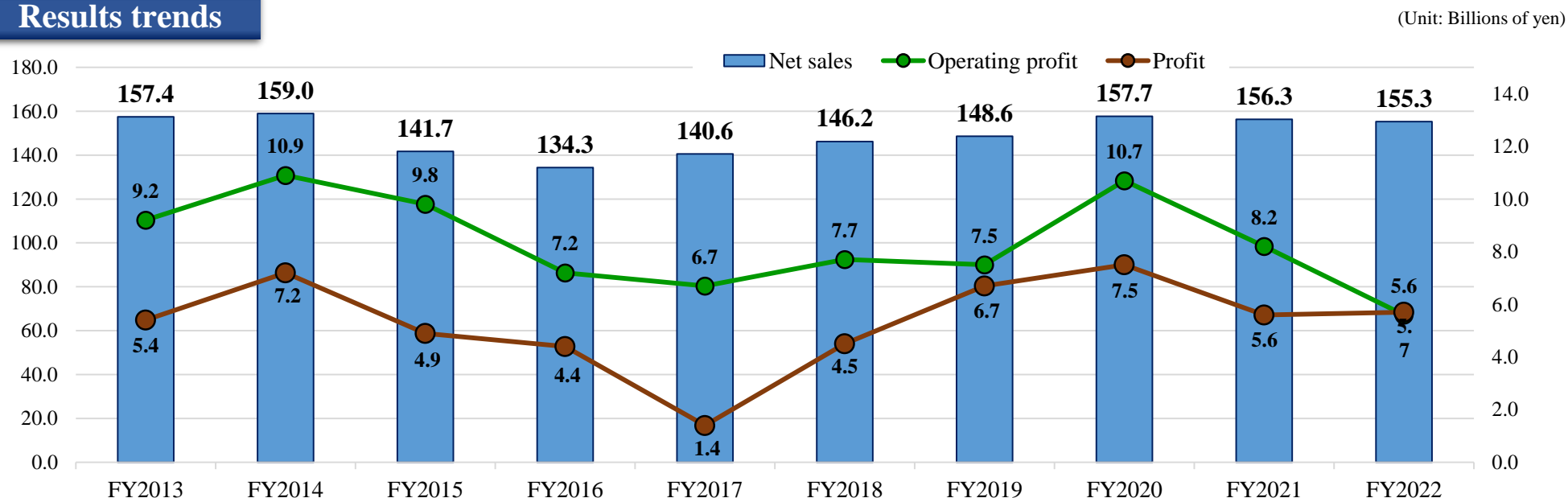
<Business environment and results trends for the fiscal year ended March 31, 2023>

Business environment

The Japanese economy in FY2022 showed signs of recovery, despite the progression of the depreciation of the yen and geopolitical factors such as the situation in Ukraine.

In the construction industry, the main business of the Group, while government construction investment continued to remain above 20 trillion yen and there were signs of recovery in private sector construction investment mainly in manufacturing, capital investment for corporations remained cautious.

Results trends



<Financial results for the fiscal year ended March 31, 2023>

- FY2020: Recorded record high profit (consolidated)
- FY2021: Profits declined owing to higher crude oil prices (consolidated)
- FY2022: Operating profit and ordinary profit lower owing to higher crude oil prices
Final profits slightly higher due to gain on sale of investment securities (consolidated)

(Unit: Millions of yen)

<Consolidated>	FY2020 results		FY2021 results		FY2022 results		YoY change
Orders received (Construction business)	136,764		120,340		127,896		6.3%
Total net sales	157,796		156,379		155,353		(0.7)%
Gross profit	12.2%	19,298	10.9%	16,968	9.7%	15,059	(11.3)%
Selling, general and administrative expenses	5.4%	8,521	5.7%	8,765	6.0%	9,363	6.8%
Operating profit	6.8%	10,776	5.2%	8,202	3.7%	5,695	(30.6)%
Ordinary profit	7.2%	11,293	5.5%	8,582	3.8%	5,920	(31.0)%
Profit	4.8%	7,598	3.6%	5,667	3.7%	5,704	0.6%

<Non-consolidated>	FY2020 results		FY2021 results		FY2022 results		YoY change
Orders received (Construction business)	118,602		105,591		112,337		6.4%
Total net sales	134,938		135,113		135,142		0.0%
Gross profit	11.4%	15,354	9.8%	13,303	8.6%	11,573	(13.0)%
Selling, general and administrative expenses	5.2%	7,038	5.4%	7,310	5.8%	7,855	7.4%
Operating profit	6.2%	8,315	4.4%	5,993	2.8%	3,717	(38.0)%
Ordinary profit	6.5%	8,705	4.7%	6,287	2.9%	3,901	(37.9)%
Profit	4.4%	5,931	3.1%	4,175	3.3%	4,448	6.5%

<Business results trends by segment (1): Construction business>

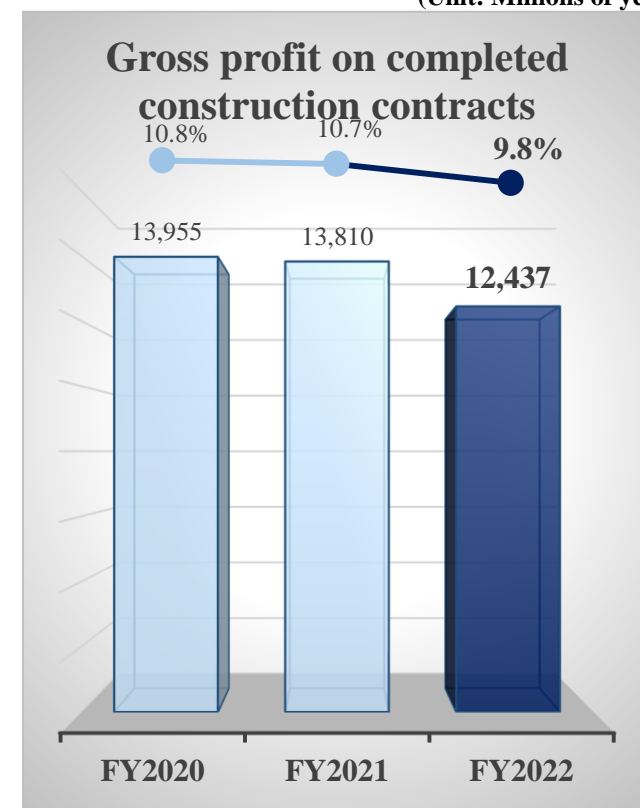
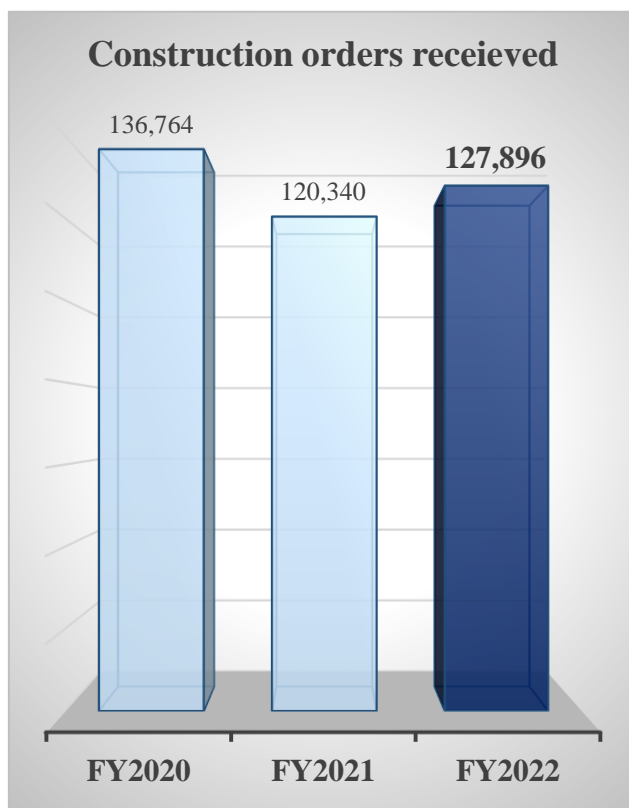
[Construction business] [Consolidated]

(Unit: Millions of yen)

<Consolidated>	Construction orders received	Net sales of completed	Gross profit on completed construction contracts	
FY2020	136,764	128,997	10.8%	13,955
FY2021	120,340	129,532	10.7%	13,810
FY2022	127,896	126,743	9.8%	12,437

- Construction orders received: Orders for Ministry of Defense and other government were strong
- Net sales of completed construction contracts: Lower due to fewer completions at the beginning of the fiscal year resulting from lower construction carried forward from the previous fiscal year
- Gross profit on completed construction contracts: Profits down due to effects of higher crude oil prices and a decline in construction profitability

(Unit: Millions of yen)



[Construction orders received (1)] [Non-consolidated]

Construction orders received by construction type

(Unit: Millions of yen)

Construction type	FY2020		FY2021		FY2022	
	Results	YoY change	Results	YoY change	Results	YoY change
Pavement construction	81,379	9.8%	72,106	(11.4)%	73,201	1.5%
Civil works construction	35,567	0.1%	32,999	(7.2)%	38,426	16.4%
Construction	1,655	60.8%	485	(70.7)%	709	46.1%
Total	118,602	7.2%	105,591	(11.0)%	112,337	6.4%

- FY2020: Government construction orders strong, primarily from NEXCO (Pavement)
: Received order for Kyoto Racecourse construction (2.2 billion yen) in JV with Shimizu Corporation (Civil works)
- FY2021: Orders for NEXCO and central government construction were weak (Pavement)
: No orders for large-scale projects (Civil works)
- FY2022: Owing to large-scale development construction, etc. (Civil works)

Key construction orders in FY2022

Client	Name of construction project	Location
Ministry of Land, Infrastructure, Transport and Tourism Chugoku Regional Development Bureau	FY2022 construction work of Shizuma Nima-Road Oya District pavement	Shimane
East Nippon Expressway Company Limited	Tohoku Expressway FY2023 paving construction work within Sendai	Miyagi, Iwate
Ministry of Defense, Kyushu Defense Bureau	Tsuiki Air Base (4) apron maintenance works and other construction	Fukuoka
Toyota Mobility Service Co., Ltd.	Toyota Rent a Car Akabane Station Shop new building construction (tentative)	Tokyo
Shimizu Corporation	Floor slab replacement works of Sugaya Viaduct on Tomei Expressway	Shizuoka

[Construction orders received (2)] [Non-consolidated]

Construction orders received by client

(Unit: Millions of yen)

Client		FY2020			FY2021			FY2022		
		Results		YoY change	Results		YoY change	Results		YoY change
Government construction orders received										
Ratio	Government total	42%	49,738	57.8%	32%	33,592	(32.5)%	35%	38,892	15.8%
Civil construction orders received										
Ratio	Civil total	58%	68,863	(13.0)%	68%	71,999	4.6%	65%	73,445	2.0%
Government and civil total										
Total orders received		118,602		7.2%	105,591		(11.0)%	112,337		6.4%

- FY2020: Government construction orders strong, primarily from NEXCO (Government)
: Weak due to effects of COVID-19 (project delays, etc.) (Civil)
- FY2021: Orders for NEXCO and central government construction were weak (Government)
: Recovery trend YoY amid spread of COVID-19 (Civil)
- FY2022: Strong government orders including Ministry of Defense (Government)
: Although companies remain cautious for capital expenditures, secured orders on par with the previous fiscal year (Civil)

[Construction orders received (3)]
[Non-consolidated]

- Automotive-related construction: Pavement construction for test courses and plants
- Sports-related construction: Sports facilities construction such as various stadiums, school grounds, and tennis courts
- Logistics-related construction: Pavement construction for logistics facilities

Construction orders by three priority sectors

(Unit: Millions of yen)

Sector	FY2020		FY2021		FY2022	
	Results	YoY change	Results	YoY change	Results	YoY change
Automotive-related construction	3,984	5.6%	2,515	(36.9)%	2,133	(15.2)%
Sports-related construction	1,445	(15.5)%	3,385	134.3%	2,551	(24.6)%
Logistics-related construction *1	4,158	212.6%	5,656	36.0%	7,326	29.5%
Total	9,587	40.7%	11,556	20.5%	12,010	3.9%

*1: Logistics-related construction includes other indirect orders in addition to direct orders.

Key orders received in FY2022 in three priority sectors

Sector	Client	Name of construction project	Location
Automotive-related construction	Subaru Corporation	(Izumi) Off-premises parking lot maintenance construction	Ora-gun, Gunma
	Mazda Motor Corporation	Nakanoseki Pool surface repair 2022	Hofu-shi, Yamaguchi
	Toyota Mobility Service Co., Ltd.	Toyota Rent a Car Akabane Station Shop new building construction (tentative)	Kita-ku, Tokyo
Sports-related construction	Asia University	Hinode Campus redevelopment plan phase 3 construction	Hinode-machi, Tokyo
	Denso Corporation	Takatana Track and Field Grounds artificial turf update construction	Anjo-shi, Aichi
	Riseisha Educational Corporation	Riseisha College of Sports Minoh Campus artificial turf conversion construction	Minoh-shi, Osaka
Logistics-related construction	Senko Co., Ltd.	Senko Chiba Branch Sodegaura Bulk Container Center area expansion construction (tentative)	Sodegaura-shi, Chiba
	Kao Corporation	Iwatsuki Logistics Center pavement repair construction	Saitama-shi, Saitama
	Daiichi Freight System, Inc.	Daiichi Freight System, Inc. distribution facility pavement renewal construction	Utsunomiya-shi, Tochigi

[Net sales of completed construction contracts] [Non-consolidated]

Net sales of completed construction contracts by construction type

(Unit: Millions of yen)

Construction type	FY2020		FY2021		FY2022	
	Results	YoY change	Results	YoY change	Results	YoY change
Pavement construction	78,805	6.1%	76,352	(3.1)%	74,695	(2.2)%
Civil works construction	31,982	8.1%	36,042	12.7%	35,910	(0.4)%
Construction	1,290	44.8%	800	(38.0)%	679	(15.1)%
Total	112,078	7.0%	113,195	1.0%	111,285	(1.7)%

- FY2020: Completion of NEXCO construction was steady (Pavement)
- FY2021: Completion of large-scale projects on hand was steady (Construction)
- FY2022: Lower due to fewer completions at the beginning of the fiscal year resulting from lower construction carried forward from the previous fiscal year

Key construction contracts completed in FY2022

Client	Name of construction project	Location
Ministry of Land, Infrastructure, Transport and Tourism Hokkaido Development Bureau	New Chitose Airport North taxiway outside construction	Hokkaido
Central Nippon Expressway Company Limited	Construction work for Shin Tomei Expressway expansion to six lanes between Surugawan-Numazu SA and Shin-Fuji IC	Shizuoka
Japan Racing Association	Kyoto Racecourse maintenance works (horse-riding areas)	Kyoto
Japan Automobile Research Institute	ADAS testing ground construction	Ibaraki
Asia University	Hinode Campus redevelopment plan phase 3 construction	Tokyo

[Construction carried forward to next period] [Non-consolidated]

Construction carried forward to next period by construction type

(Unit: Millions of yen)

Construction type	FY2020		FY2021		FY2022	
	Results	YoY change	Results	YoY change	Results	YoY change
Pavement construction	47,218	5.8%	42,836	(9.3)%	41,342	(3.5)%
Civil works construction	22,981	18.5%	19,836	(13.7)%	22,352	12.7%
Construction	654	126.3%	339	(48.1)%	370	9.0%
Total	70,854	10.1%	63,012	(11.1)%	64,065	1.7%

- FY2020: Government construction, primarily from NEXCO, carried forward (Pavement)
: Kyoto Racecourse construction, received in a JV with Shimizu Corporation, carried forward (Civil works)
- FY2021: Decline as NEXCO orders were weak (Pavement)
: Lower as large-scale projects on hand were completed (Civil works)
- FY2022: Large-scale development construction, etc. carried forward (Civil works)

Key construction carried forward to next period in FY2022

Client	Name of construction project	Projected completion date
Ministry of Land, Infrastructure, Transport and Tourism Chugoku Regional Development Bureau	FY2022 construction work of Shizuma Nima-Road Oya District pavement	2024/2/1
East Nippon Expressway Company Limited	Tohoku Expressway FY2023 paving construction work within Sendai	2025/6/1
Ministry of Defense, Kyushu Defense Bureau	Tsuiki Air Base (4) apron maintenance works and other construction	2024/10/1
Toyota Mobility Service Co., Ltd.	Toyota Rent a Car Akabane Station Shop new building construction (tentative)	2023/9/1
Shimizu Corporation	Floor slab replacement works of Sugegaya Viaduct on Tomei Expressway	2025/5/1

[Overseas businesses]

Orders received at overseas local subsidiaries

(Unit: Millions of yen)

Company name	FY2020		FY2021		FY2022	
	Results	YoY change	Results	YoY change	Results	YoY change
Thai Nippon Road Co., Ltd.	1,512	8.7%	1,130	(25.3)%	874	(22.7)%
Nippon Road(M)Sdn. Bhd.	1,168	(6.2)%	715	(38.8)%	2,216	210.0%
Total	2,680	1.6%	1,845	(31.2)%	3,090	67.5%

- Although the Southeast Asia region is in a recovery phase from COVID-19, momentum for projects orders remains in a sluggish state
- Thai Nippon Road Co., Ltd. was expecting orders for phase 4 construction of the New Automotive and Tire Quality Test Course from the Thai Industrial Standards Institute, but the project was carried forward

Key orders received

Company name	Category	FY2021	FY2022
Thai Nippon Road Co., Ltd.	Name of construction project	Phase 3 of construction of New Automotive and Tire Quality Test Course	Phase 1 of construction of CAV Test Course
	Client	Thai Industrial Standards Institute	Thai Ministry of Science and Technology
Nippon Road(M)Sdn. Bhd.	Name of construction project	New construction for Dash Highway	Silk Highway four-lane widening construction
	Client	Gagasan Maya	Gagasan Maya

[Thailand] Phase 1 of construction of CAV Test Course



<CAV>

With the aim of joining the ranks of a developed market, Thailand will construct a test course for connected autonomous vehicles (CAV) as a business venture within its Eastern Economic Corridor (EEC) that will enable a shift to high value-added industries.

The Company has received an order for test course construction from the Thai Ministry of Science and Technology, with construction currently underway. (Completion scheduled for 5/26/2023)

[Malaysia] Silk Highway four-lane widening construction



<Business results trends by segment (2)>

[Material sales business]

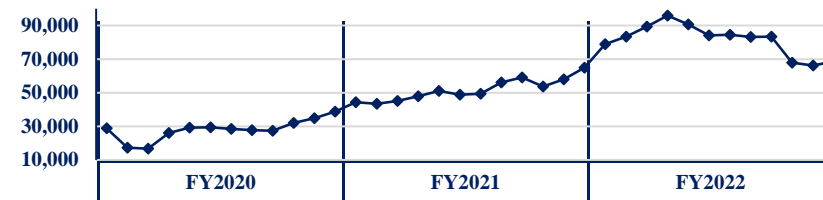
(Units: Thousands of tons, millions of yen)

<Consolidated>	Total industry volume	Manufactured	Share	Net sales of finished goods	Gross profit - finished goods	
FY2020	39,396	2,564	6.5%	21,209	20.0%	4,240
FY2021	38,728	2,440	6.3%	20,217	9.2%	1,866
FY2022	36,727	2,375	6.5%	22,076	5.7%	1,259

• FY2022: Higher crude oil prices caused gross profit to decline

Trends in crude oil prices

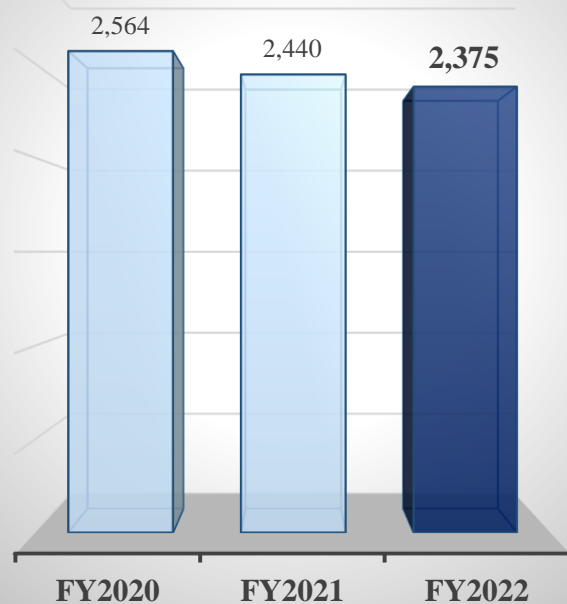
(Unit: Yen per ton)



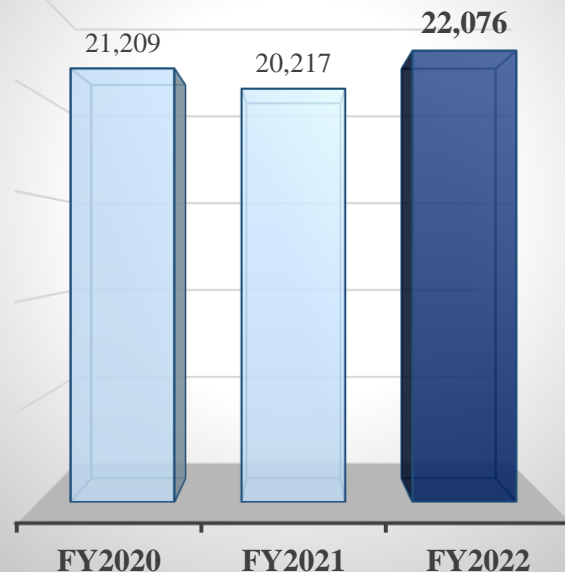
*Adjusted Dubai crude oil FOB price (dollars per barrel).
Yen per ton calculated by multiplying the exchange rate (TTS) and then multiplying by 1000/159 (conversion to tons)

s: Thousands of tons, millions of yen)

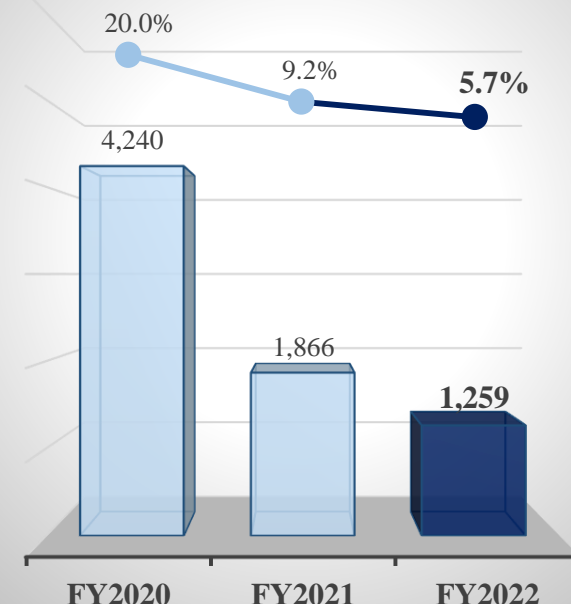
Manufactured volume



Net sales of finished goods



Gross profit - finished goods



<Business results trends by segment (3)>

[Leasing business, etc.]

(Unit: Millions of yen)

<Consolidated>	Sales in leasing business and other	Gross profit - leasing business and other	
FY2020	7,589	14.5%	1,102
FY2021	6,630	19.5%	1,291
FY2022	6,533	20.8%	1,361

ND Leasing System Co., Ltd.

Comprehensive leasing business, sale of various materials, development and sale of computer software, sale of office equipment
*FY2021: Net sales down due to change in revenue recognition standards

NDIC Co., Ltd.

Insurance agency business

Sports Media Inc.

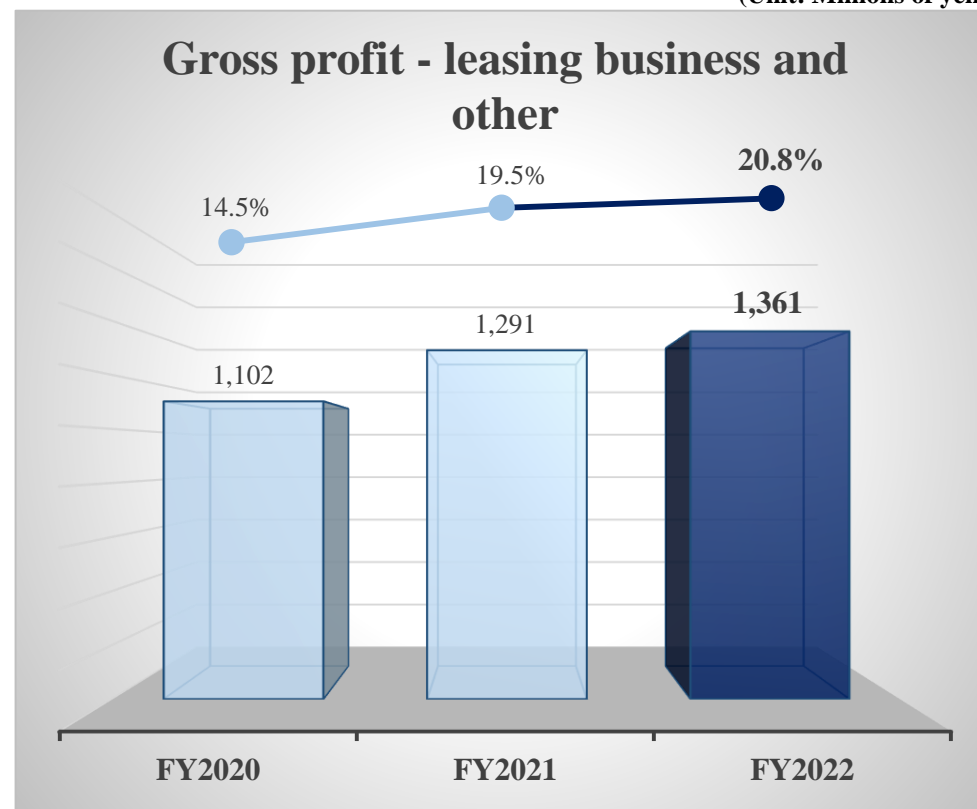
Planning and operation of sports facilities, etc.

(Unit: Millions of yen)

Sales in leasing business and other

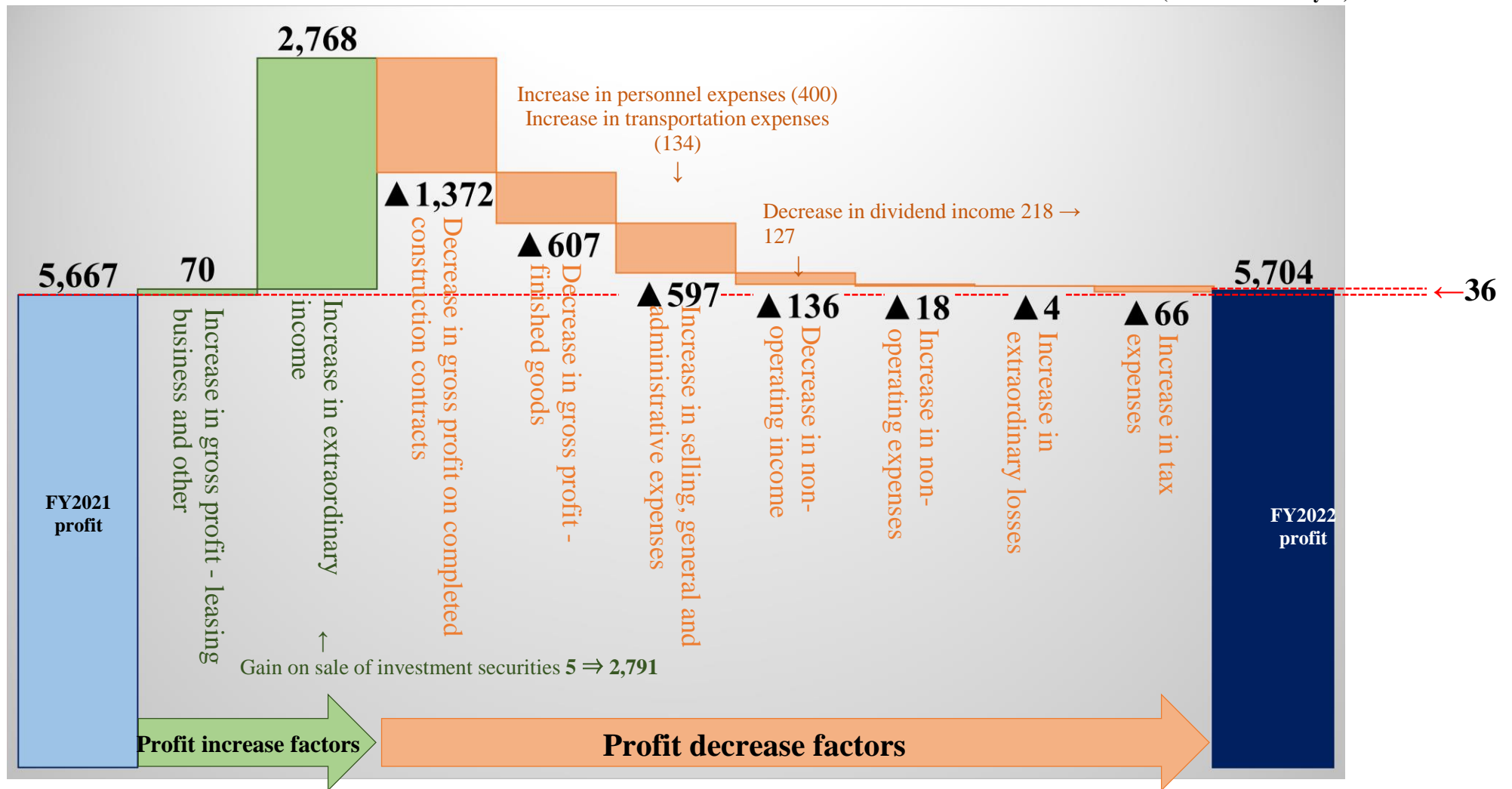


Gross profit - leasing business and other



<Analysis of factors affecting profit>

(Unit: Millions of yen)



<Balance sheet for the fiscal year ended March 31, 2023>

	FY2020	FY2021	FY2022	YoY change
Assets				
Current assets	111,019	110,142	112,989	2,846
Cash and deposits	36,691	30,158	38,159	8,000
Notes receivable, accounts receivable from completed construction contracts, electronically recorded monetary claims - operating, and other	60,978	67,898	62,325	-5,573
Lease receivables and investments in leases	8,686	8,726	8,332	-393
Inventories	2,314	1,284	1,364	79
Other	2,347	2,075	2,807	732
Non-current assets	41,898	42,051	38,860	-3,190
Property, plant and equipment	33,623	33,805	33,947	142
Buildings and structures	20,978	21,497	21,390	-106
Machinery, vehicles, tools, furniture and fixtures	38,585	39,120	39,777	657
Assets for lease	4,079	4,037	4,129	91
Land	16,491	17,697	17,701	4
Construction in progress	373	47	1,511	1,463
Accumulated depreciation	-46,884	-48,595	-50,564	-1,968
Intangible assets	517	1,320	1,950	630
Investments and other assets	7,757	6,925	2,962	-3,963
Investment securities	6,989	6,085	1,326	-4,759
Other	768	840	1,636	796
Total assets	152,917	152,194	151,850	-344

(Unit: Millions of yen)

	FY2020	FY2021	FY2022	YoY change
Liabilities				
Current liabilities	55,483	51,102	47,146	-3,956
Notes payable, accounts payable for construction contracts, electronically recorded obligations - operating, and other	38,603	38,134	38,339	205
Short-term borrowings	5,500	3,000	100	-2,900
Provisions	398	282	299	16
Other	10,980	9,685	8,407	-1,278
Non-current liabilities	5,200	6,084	7,794	1,710
Long-term borrowings	4,200	5,200	6,600	1,400
Retirement benefit liability	548	522	940	418
Other	452	362	253	-108
Total liabilities	60,684	57,187	54,941	-2,246
Net assets				
Shareholders' equity	89,810	93,240	97,103	3,863
Share capital	12,290	12,290	12,290	0
Capital surplus	14,540	14,524	14,524	0
Retained earnings	64,657	66,425	70,291	3,866
Treasury shares	-1,677	0	-2	-2
Accumulated other comprehensive income	2,291	1,627	-340	-1,968
Non-controlling interests	131	138	146	7
Total net assets	92,233	95,006	96,909	1,902
Total liabilities and net assets	152,917	152,194	151,850	-344

<Cash flows statement for the fiscal year ended March 31, 2023>

(Unit: Millions of yen)

	FY2020	FY2021	FY2022	YoY change
Opening balance of cash and cash equivalents	35,052	36,691	30,158	-6,534
Cash flows from operating activities	8,155	2,360 *1	10,918	8,557
Cash flows from investing activities	-4,904	-5,140 *2	307	5,448
Cash flows from financing activities	-1,584	-3,788	-3,349	439
Net increase (decrease) in cash and cash equivalent	1,638	-6,533	7,970	14,503
Ending balance of cash and cash equivalents	36,691	30,158	38,129	7,970

[Key reasons for YoY changes]

*1: Decrease (increase) in trade receivables of 12,281 million yen

*2: Proceeds from sale of investment securities such as sale of parent company shares of 4,977 million yen

Financial results forecast for the fiscal year ending March 31, 2024

<Financial results forecast for the fiscal year ending March 31, 2024>

- Despite uncertainty stemming from the rise in raw material prices and overseas conditions, the Company projects the Japanese economy during the next consolidated fiscal year to recover due to the reclassification of COVID-19 as a Class V Infectious Disease and an increase in personal consumption aided by wage increases as well as capital investment for corporations.

(Unit: Millions of yen)

<Consolidated>	FY2021 results		FY2022 results		FY2023 forecasts		YoY change
Orders received (Construction business)	120,340		127,896		140,000		9.5%
Gross profit	156,379		155,353		164,000		5.6%
Operating profit	5.2%	8,202	3.7%	5,695	6.1%	10,000	75.6%
Ordinary profit	5.5%	8,582	3.8%	5,920	6.2%	10,100	70.6%
Profit	3.6%	5,667	3.7%	5,704	4.0%	6,500	14.0%

<Measures by segment (1)>

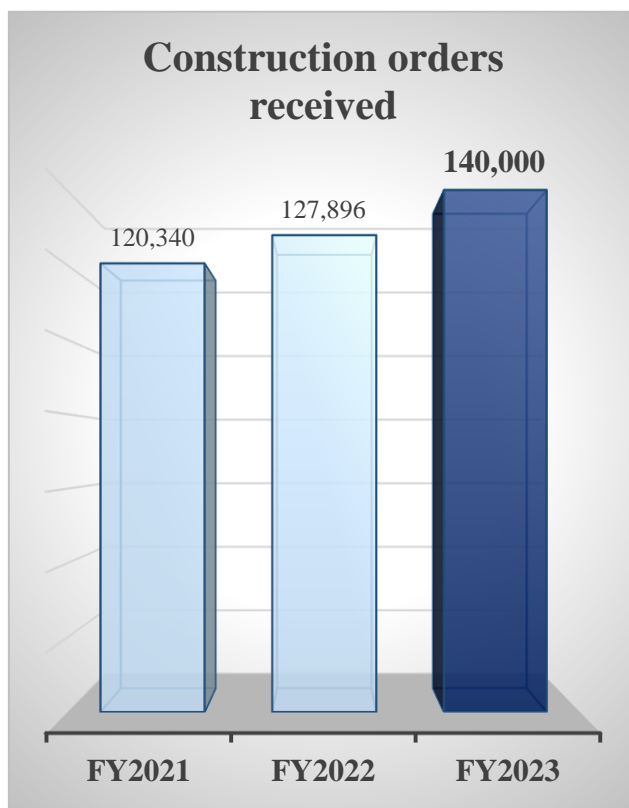
[Construction business]

(Unit: Millions of yen)

<Consolidated>	Construction orders received	Net sales of completed	Gross profit on completed construction contracts	
FY2021	120,340	129,532	10.7%	13,810
FY2022	127,896	126,743	9.8%	12,437
FY2023	140,000	132,300	11.3%	15,000

- Construction orders received: Firmly secure volume for projects on hand with orders for large-scale government projects in the first half
- Net sales of completed construction contracts: Secure gross profit on completed construction contracts in combination with completing construction carried forward from the previous year
- Gross profit on completed construction contracts: Improve profitability to secure a construction profit margin of 11.3%

(Unit: Millions of yen)



<Measures by segment (2)>

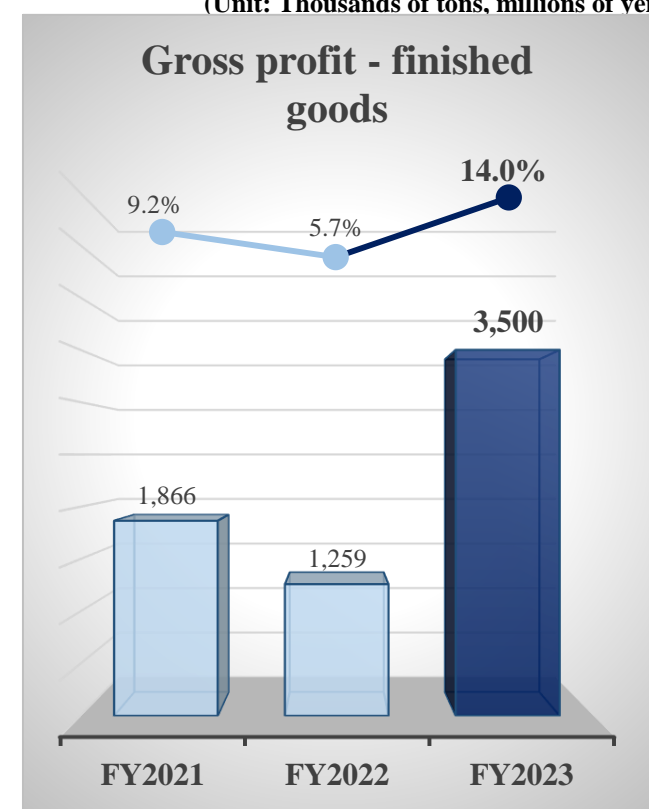
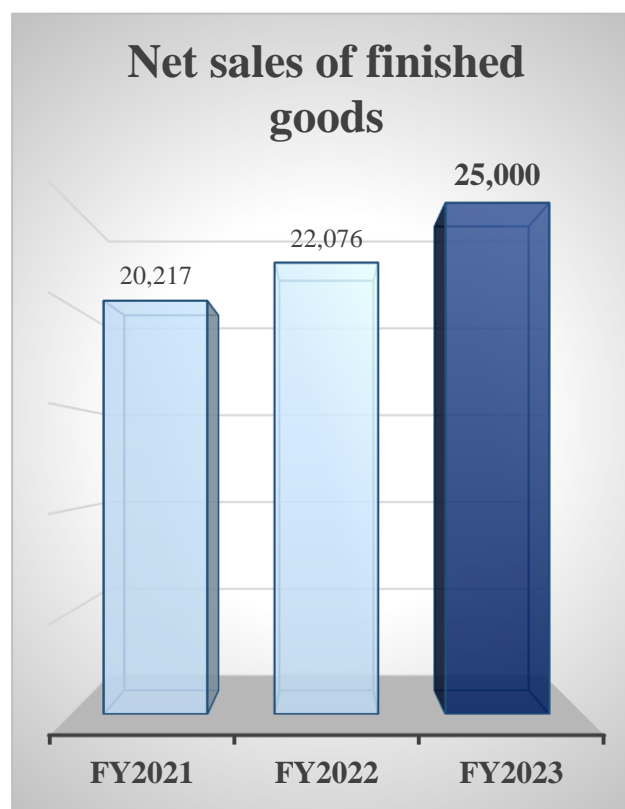
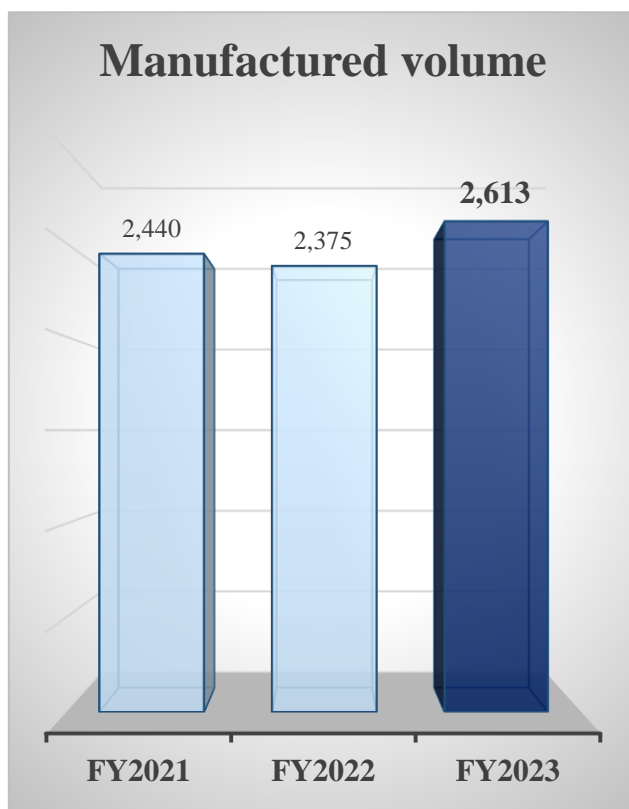
[Material sales business]

(Units: Thousands of tons, millions of yen)

<Consolidated>	Total industry volume	Manufactured	Shares	Net sales of finished goods	Gross profit - finished goods	
FY2021	38,728	2,440	6.3%	20,217	9.2%	1,866
FY2022	36,727	2,375	6.5%	22,076	5.7%	1,259
FY2023	37,500	2,613	7.0%	25,000	14.0%	3,500

- Prices of key materials (asphalt) and electricity will be passed on to clients
- Increase share: Standalone construction sales, internal sales based on area strategies in cooperation with regional paving companies, and securing manufactured volume for external sales

(Unit: Thousands of tons, millions of yen)



<Measures by segment (3)>

[Leasing business, etc.]

<Consolidated>	(Unit: Millions of yen)	
	Sales in leasing business and other	Gross profit - leasing business and other
FY2021	6,630	19.5% 1,291
FY2022	6,533	20.8% 1,361
FY2023	6,700	22.4% 1,500

ND Leasing System

NDIC

Sports Media

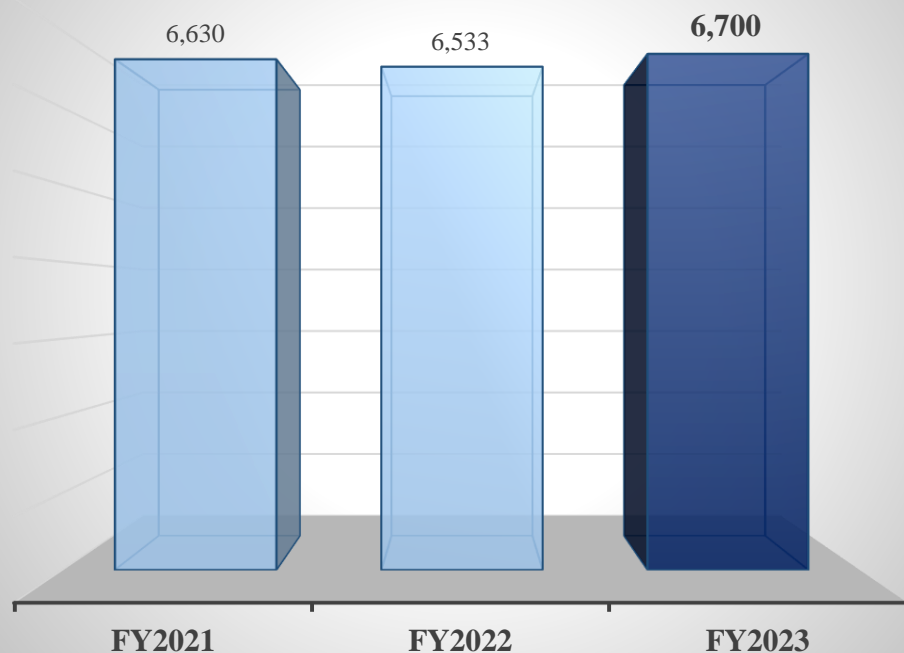
Leasing business (Expand sales of internally developed vehicles such as Desk Car, Toilet Car, and "Multi-Job Car" mobile administrative vehicle with comfort toilet)

Expand sales of life insurance

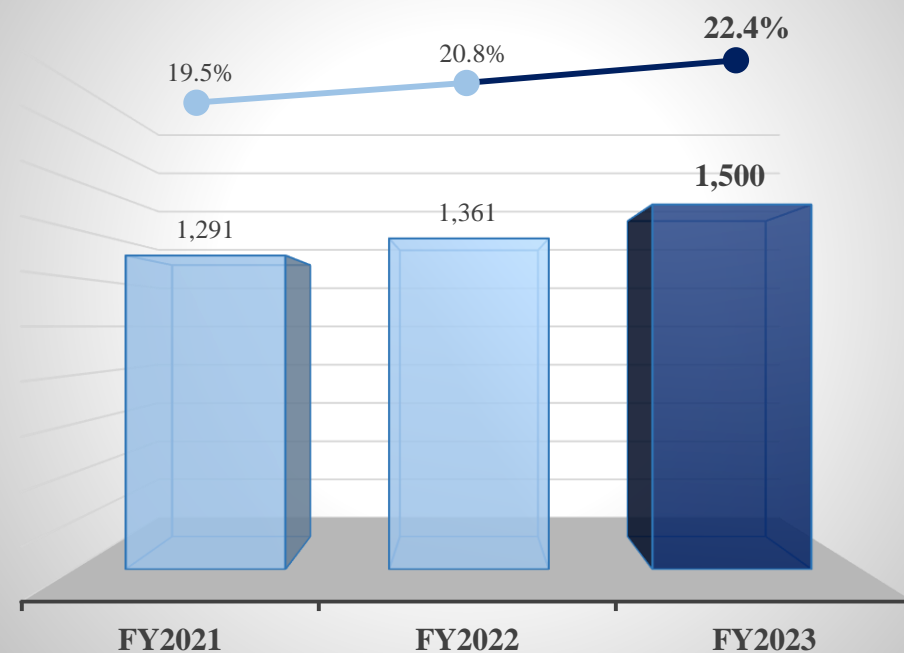
Participate in new PPP projects related to health maintenance promotion facilities

(Unit: Millions of yen)

Sales in leasing business and other

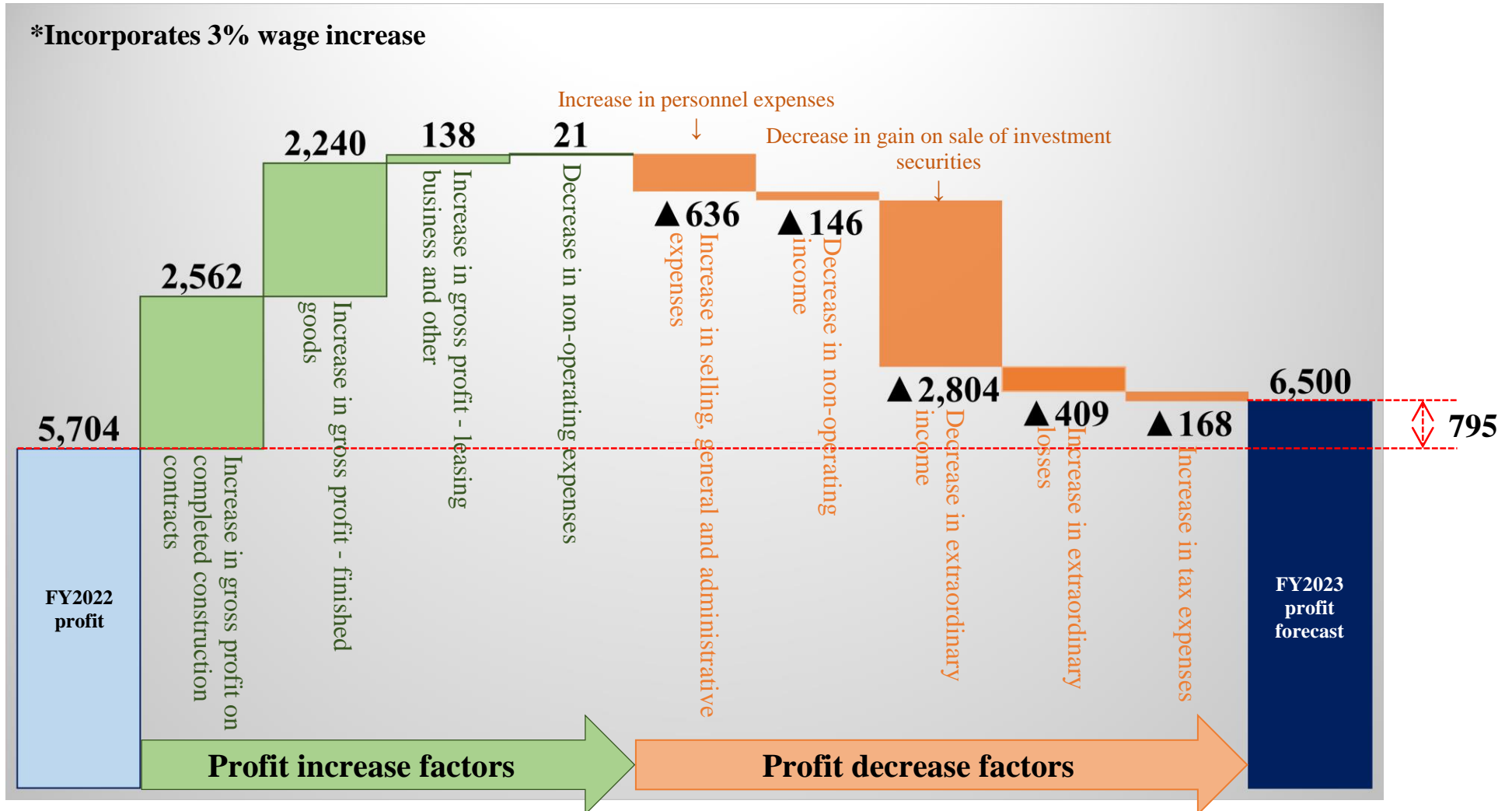


Gross profit - leasing business and other



<Analysis of factors affecting profit forecasts for the fiscal year ending March 31, 2024>

(Unit: Millions of yen)



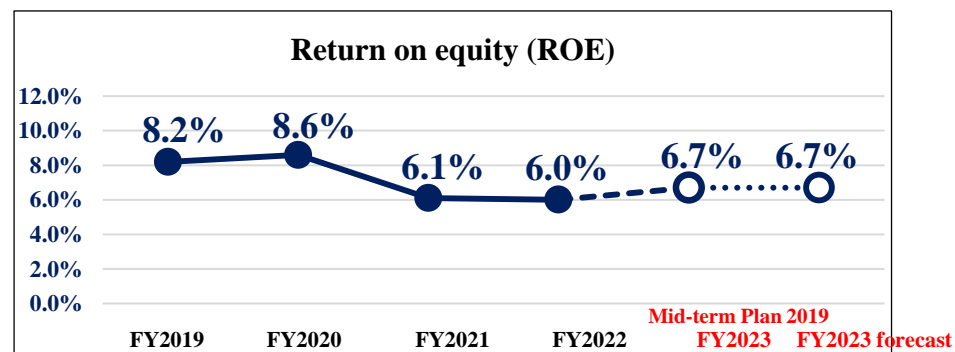
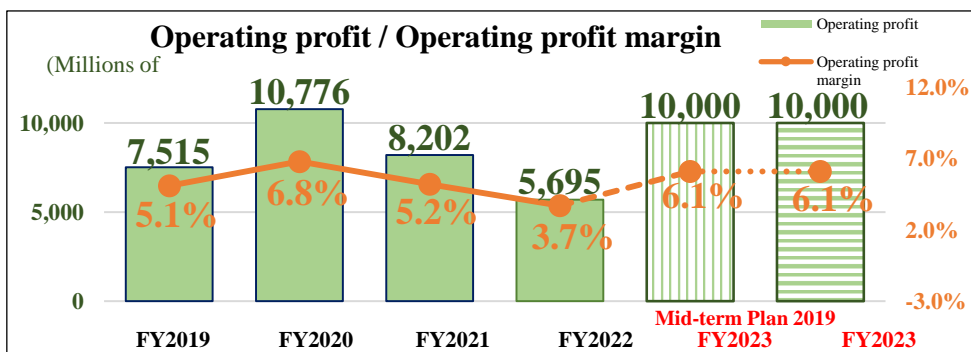


<State of progress in Mid-term Management Plan 2019>

[Management target figures (Consolidated)]

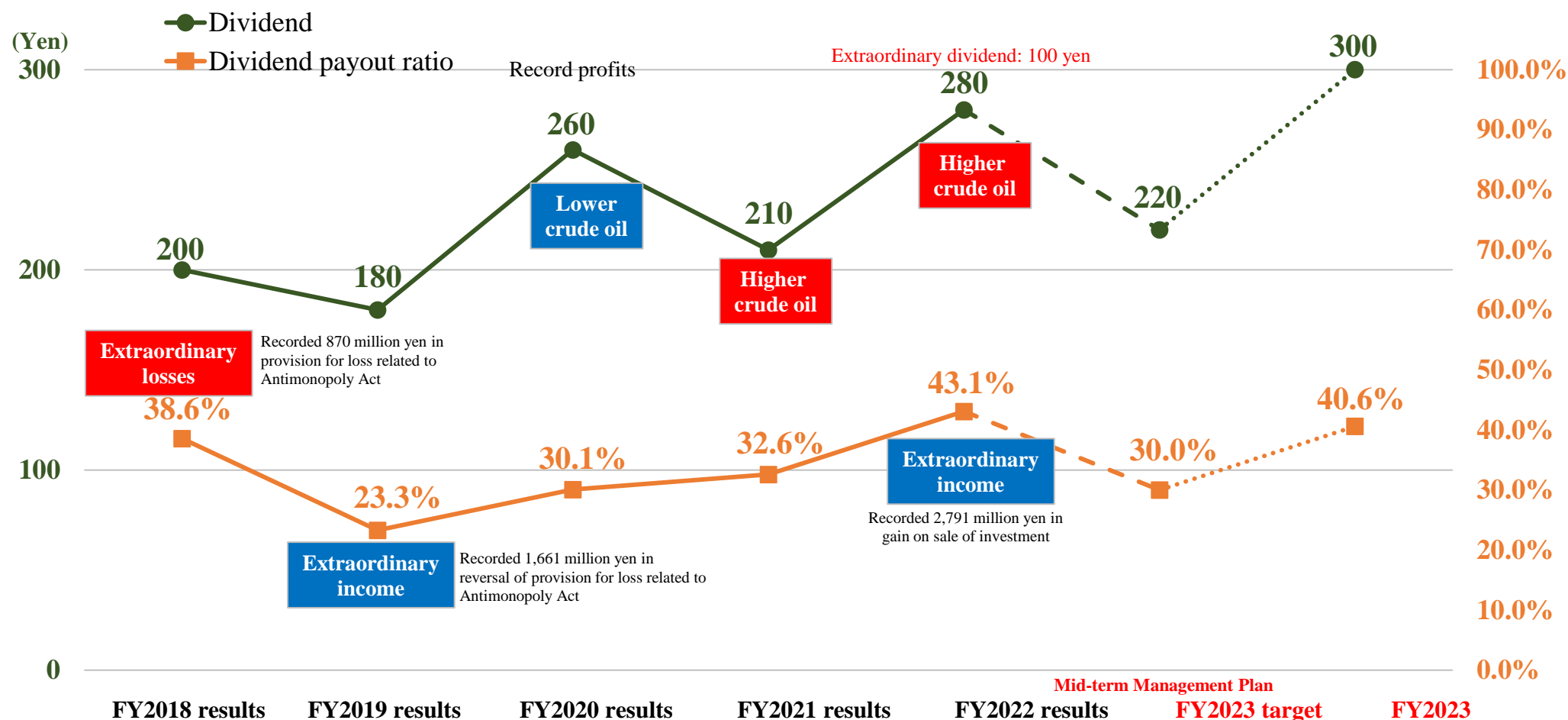
• Measures in response to the six key issues highlighted in Mid-term Management Plan 2019 are progressing steadily. In FY2023, the final year of Mid-term Management Plan 2019, despite uncertainty stemming from the rise in raw material prices and overseas conditions, the Company expects a recovery due to the reclassification of COVID-19 as a Class V Infectious Disease and an increase in personal consumption aided by wage increases as well as capital investment for corporations, in line with targets in Mid-term Management Plan 2019.

										Mid-term Plan 2019		(Unit: Millions of yen)	
	FY2019 results		FY2020 results		FY2021 results		FY2022 results		Progress	FY2023 target		FY2023 forecast	
Construction orders received	126,322		136,764		120,340		127,896		93.4%	137,000		140,000	
Net sales of completed construction contracts	120,250		128,997		129,532		126,743		95.3%	133,000		132,300	
Net sales of finished goods	20,955		21,209		20,217		22,076		93.9%	23,500		25,000	
Sales in leasing business and other	7,493		7,589		6,630		6,533		87.1%	7,500		6,700	
Total net sales	148,699		157,796		156,379		155,353		94.7%	164,000		164,000	
Operating profit	5.1%	7,515	6.8%	10,776	5.2%	8,202	3.7%	5,695	57.0%	6.1%	10,000	6.1%	10,000
Profit	4.6%	6,792	4.8%	7,598	3.6%	5,667	3.7%	5,704	87.8%	4.0%	6,500	4.0%	6,500
ROE	8.2%		8.6%		6.1%		6.0%		—	6.7%		6.7%	
Dividend payout ratio	180 yen	23.3%	260 yen	30.1%	210 yen	32.6%	280 yen	43.1%	—	220 yen	30.0%	300 yen	40.6%



<About dividend policy>

- The Company's basic policy for our shareholders is to maintain stable dividends and appropriate profit distribution.
- Dividends for FY2023, the final fiscal year of Mid-term Management Plan 2019, are planned to be 300 yen (consolidated dividend payout ratio of 40.6%) versus the target of 220 yen (consolidated dividend payout ratio of 30%) when formulating the plan.



<Capital expenditures>

h investment targets] Total amount: 40.0 billion yen (Five-year cumulative from FY2019-2023) *Does not include capital expenditures for the leasing (Unit: Millions of yen)

	FY2019-2022		FY2023			FY2019-2023
	Cumulative execution amount	Execution progress	Plan	Cumulative execution forecast	Cumulative target execution progress	Cumulative targets
Construction business investment	*1 4,317	43.2%	*5 3,840	8,157	*9 81.6%	10,000
Material sales business base maintenance investment	*2 7,416	30.9%	*6 1,680	9,096	*10 37.9%	24,000
Sales base environmental maintenance investment	*3 2,204	55.1%	*7 630	2,834	*11 70.9%	4,000
Information investment in systems, etc.	*4 2,103	105.2%	*8 350	2,453	*12 122.7%	2,000
Total	16,042	40.1%	6,500	22,542	56.4%	40,000

◇Key factors

(Unit: Millions of yen)

(Unit: Millions of yen)

*1: Multipurpose complex

2,555

*5: Multipurpose complex

3,100

*2: Urban AP (Osaka: Senboku Rinkai AP)

1,624

*6: Related to partial updates for existing AP

*3 Moved Kyushu Branch

360

*7: Maintenance of nationwide sales bases, etc.

Rebuilt Shikoku Branch

320

*8: Updated core system

300

*4: Updated core system

1,731

◇About projected differences with Mid-term Management Plan 2019 targets

*9: Due to M&A not occurring

*10: Due to establishment of urban AP in the Kanto/Chubu region not occurring

*11: Due to changing from company-owned to lease upon moving base location

*12: Due to core system update expenses increasing

As a member of the Shimizu Group

Creating new value through synergies with Shimizu



Creating new value

SYNERGY



Special Committee

Consisting of three Independent Outside Directors, this advisory body was established in compliance with the Corporate Governance Code. From among direct transactions between Shimizu Corporation, the parent company, and wholly-owned subsidiaries, the Committee deliberates on and considers whether or not significant transactions and actions create a conflict of interest between the controlling shareholder and minority interests from the viewpoint of protecting the interests of minority interests. The Committee then provides advice and counsel to the Board of Directors.

Strengthen alliances

Joint ventures in civil engineering X Increase private-sector orders

清水建設

- Floor slab replacement construction for large bridges
- Large development construction
- Renewable energy-related construction
- Cooperation in overseas projects
- Private-sector sales network

NICHIDO

Challenge in new sectors

- Expand business scope
- Further improve technician skills
- Increase high-quality direct orders
- Contribute to orders, sales, and profit

Utilize resources

R&D / DX response X Secure, train, and exchange human resources

清水建設

- Latest ICT technologies
- Technological expertise
- Human resources

NICHIDO

- Develop and introduce new technologies
- Develop new construction methods
- Improve operational efficiency
- DX response (Strengthen core systems and information security)

Achieve carbon neutrality by 2050

Reduce costs

Improve working environments (workstyle reform)

Promote ESG management

Subcommittee activities underway at both companies for "Creating new value" → Ongoing

(1) Overall civil engineering subcommittee (Including overseas)

Bid on projects such as NEXCO floor slab replacement construction and large-scale development construction in JV with Shimizu Corporation



[FY2022 results]

- Received order for Urban Renaissance Agency: Kyudai Hakozaki Area Urban Planning Road Development and other construction
- *No results from NEXCO floor slab replacement construction

(2) Private-sector sales strengthening

Expand private-sector orders (direct orders) in cooperation with sales divisions at Shimizu



[FY2022 results]

- Submitted 30 estimates → Received 14 orders with a total value of 770 million yen
- *Order target for FY2023 → 1,700 million yen

(3) R&D cooperation structure subcommittee

Consider possibilities for mutual use of existing technologies held by both companies



Joint development of "biochar" (Please see the following page)

<Synergies as the Shimizu Group>

Example of construction by joint venture with Shimizu Corporation

Name of construction project: Kyoto Racecourse maintenance works (horse-riding areas)

Client: Japan Racing Association (JRA)



☆Construction actively used ICT* to achieve highly efficient and high-quality construction

☆By creating a construction structure utilizing the strengths of each JV participant, the synergistic effects from the alliance ensured that the project was completed on schedule

* Information and Communication Technology



Example of joining technological development with Shimizu Corporation

- ✓ Began joint development of decarbonizing pavement technology that stores carbon within asphalt by utilizing the CO₂ trapping properties of biochar
- ✓ A synergy of the Company's asphalt composite manufacturing technology and Shimizu Corporation's biochar mixture expertise for construction materials gained in the concrete sector















☆By using biochar (sawdust charcoal) as a substitute for sand or stone dust, carbon is trapped within the mixture

☆1kg can absorb and trap 2.3kg of CO₂

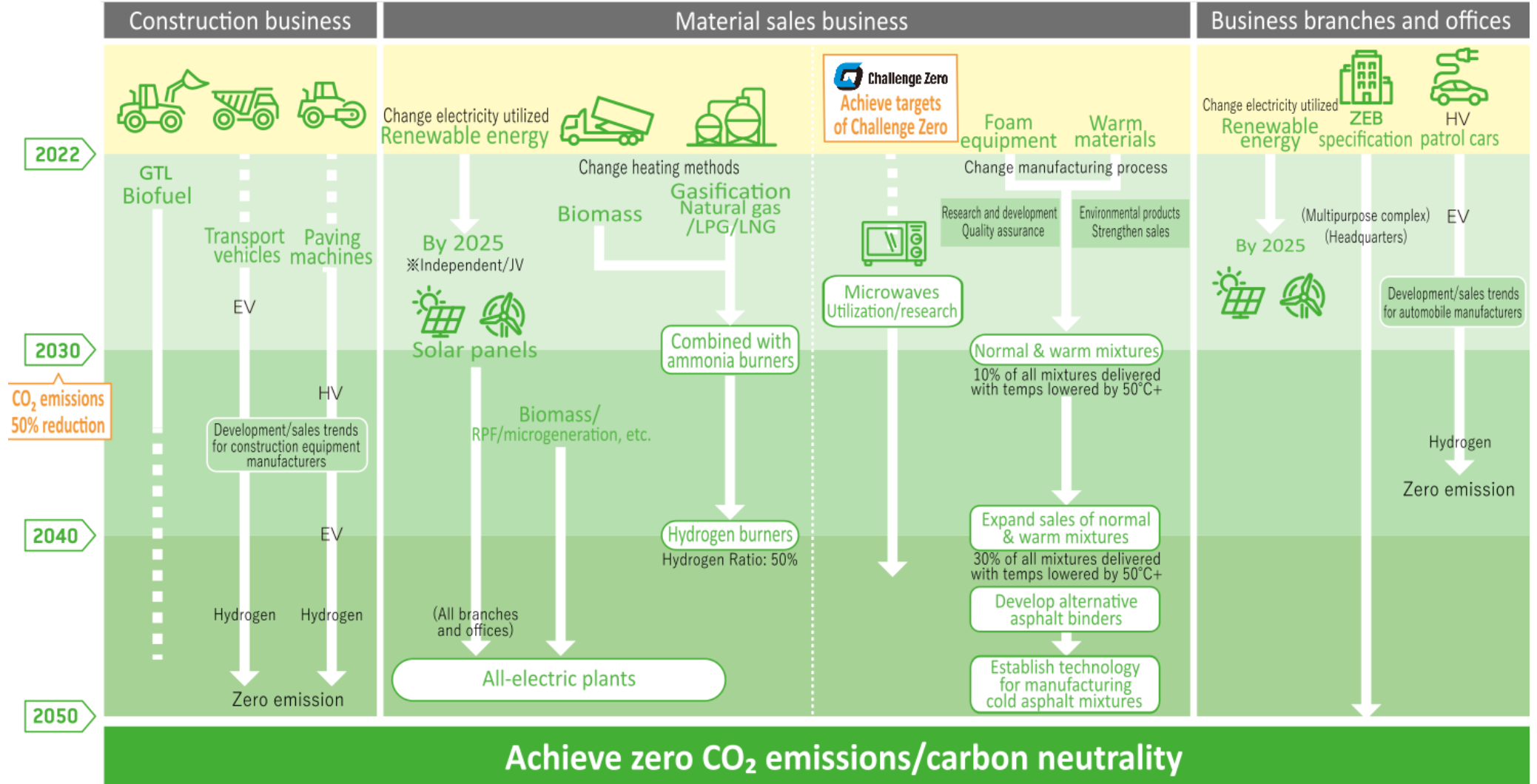
Reference materials



Nippon Road Group's measures to reduce environmental

Nippon Road Group's measures	Previous results / Progress	Website
 <p>Nichido Blue & Green Vision 2050</p>	<p>Our Responsibility: Preserving a bountiful & beautiful earth for the next generation Contribute to sustainable roads and urban development by reducing negative environmental impact. Formulating an "Environmental Vision" for environmental issues that the Group must resolve by 2050, we established three Standards of Conduct: "Achieving carbon neutrality," "Establishing a recycling-oriented society," and "Considering biodiversity." 2021/8/1</p>	
 <p>[Eco-First]</p>	<p>With the objective of advancing measures as an environmentally-advanced company, companies declare their commitment to the Minister of the Environment regarding environmental preservation initiatives in areas including global warming countermeasures, waste and recycling response, and ecosystem preservation. Under the program, the Minister of the Environment then certifies qualified companies as environmentally-advanced companies. The Company was the first Eco-First certified company in the road pavement industry. 2022/2/1</p>	
 <p>[Task Force on Climate-related Financial Disclosures]</p>	<p>The Company has endorsed the recommendations of the TCFD and joined the TCFD Consortium. Based on the TCFD disclosure standards, the Company published its Integrated Report 2021 on its website. 2021/10/1</p>	
 <p>[CDP]</p>	<p>After completing the CDP climate change questionnaire, the Company was awarded a "B" score, indicating its management level. 2022/12/1</p>	
 <p>[Challenge Zero]</p>	<p>The Company declared its participation in the "Challenge Zero (Challenge Net Zero Carbon Innovation)," a concept promoted by the Japan Business Federation (KEIDANREN) in aiming to realize a decarbonized society via a long-term development theme of "Low-temperature Mixing Technology of Asphalt Pavement Material That Does Not Use Fossil Fuel," a further evolution of our warm mix technology. 2020/6/1</p>	
 <p>[30 by 30]</p>	<p>With the objective of achieving the "30 by 30 targets," which are an international target that aims to preserve 30% of the land and sea by 2030, the Ministry of the Environment has taken the lead of this voluntary organization comprised of companies, regional governments, and organizations. The decision was made to participate in this alliance as a measure to further advance the "Considering Biodiversity Standard of Conduct," one of the Environmental Visions. 2022/3/1</p>	

Roadmap to achieving carbon neutrality in 2050



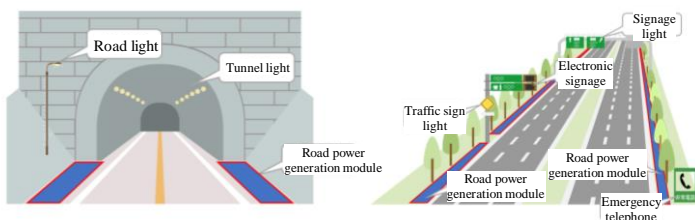
Solar power generating pavement: Technology for using renewable energy on roads



By embedding solar power panels on road surfaces, this pavement technology enables effective use of roads as new "places to generate power"

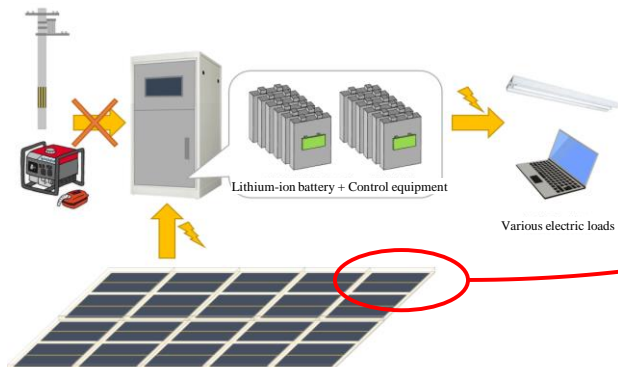
<Expected effects>

- Placing solar power panels on road surfaces enables of road management costs such as road lighting, traffic and electronic signage
- Also possible to use as emergency power supplies during disasters through fuel cell charging



Uses for solar power generation pavement (Conceptual image of

<Conceptual image of solar power generation pavement>



<Examples of solar power pavement construction>

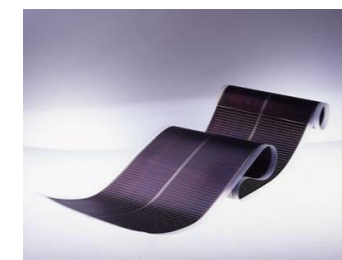
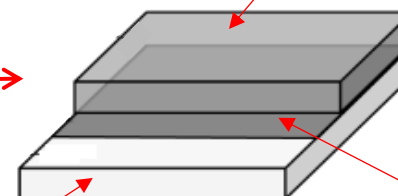


<Solar power generation pavement>

<Solar power generation panel>

Hard plastic
Silica-based slip resistance
processing

Hard plastic



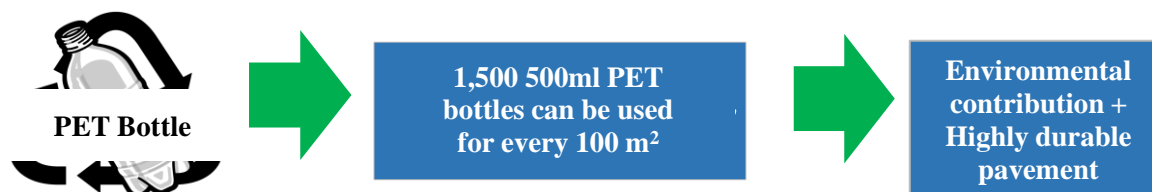
Solar power generation sheet

PET Ascon series: Environmentally-conscious reuse technology for waste PET materials



An advanced pavement material that chemically processes collected waste PET materials and enables environmental contribution and higher pavement durability through addition to asphalt mixture.

An asphalt mixture that uses commercialized Newtlac (NT-5000)*, which contains chemically processed waste PET materials, as its asphalt modifier.
Since it reuses waste PET, this contributes to reducing environmental burden.



<Construction example> BRT Hikoboshi Line on the JR Hitahikosan Line (Kyushu Railway Company)



<Conceptual image of waste PET cycle>



Over 284,000 m² in construction area nationwide was achieved as of March 31, 2023



Made good use of about 3.18 million 500ml PET bottles



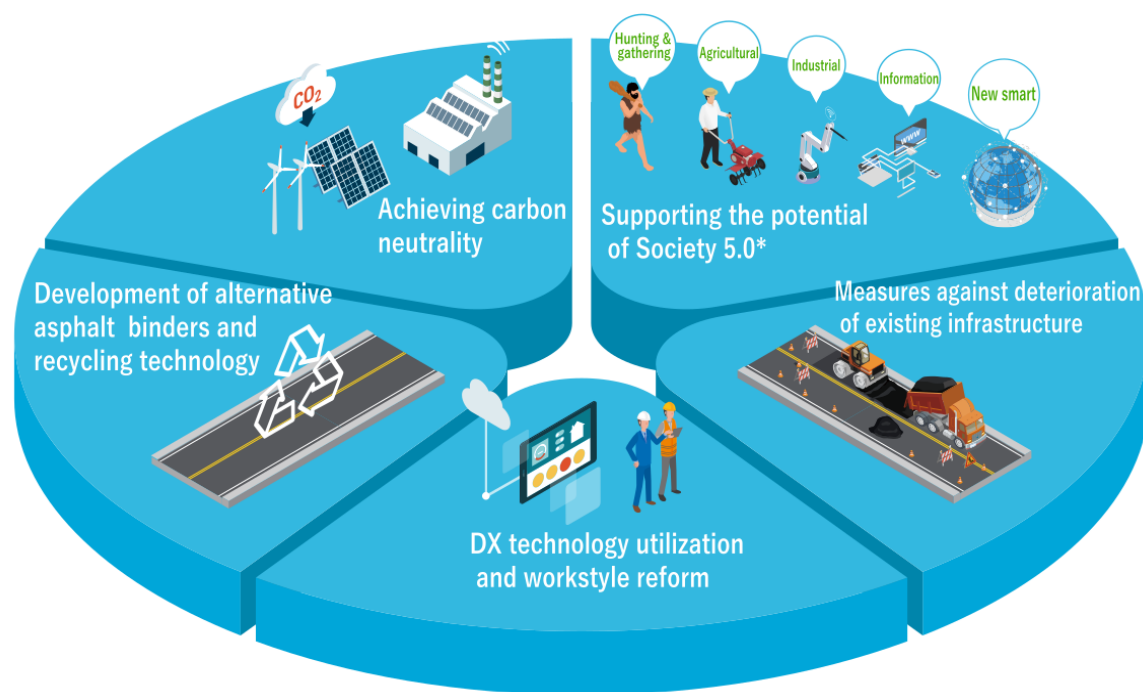
*"NT-5000" waste PET modifier (Kao Corporation) won the "Minister of the Environment Award" at the 50th Environmental Awards

PET Ascon

[Nichido Mirai Tech-Plan 2050]

NIPPON ROAD believes that, based on the corporate slogan of "Urban development starting with roads," paving technology has the ability to challenge the various issues faced by society and contribute to unlocking the sustainable urban development of the future. On top of environmental issues such as achieving carbon neutrality by 2050 and resource recycling, the shortage of skilled workers due to the low birth rate and aging population poses a significant issue for the construction industry and the social infrastructure which it supports. In seeking to deal with these issues, a full-scale commitment must be made to advancing technology and improving productivity and safety at construction sites through the use of digital technology, including automation and labor saving in construction work through the development and introduction of construction robots, and improvement of technologies for reducing CO2 emissions and enhancing recycling capabilities. At the same time, the social environment surrounding people and vehicles is also seeing major changes as a result of the advancement of mobility technology.

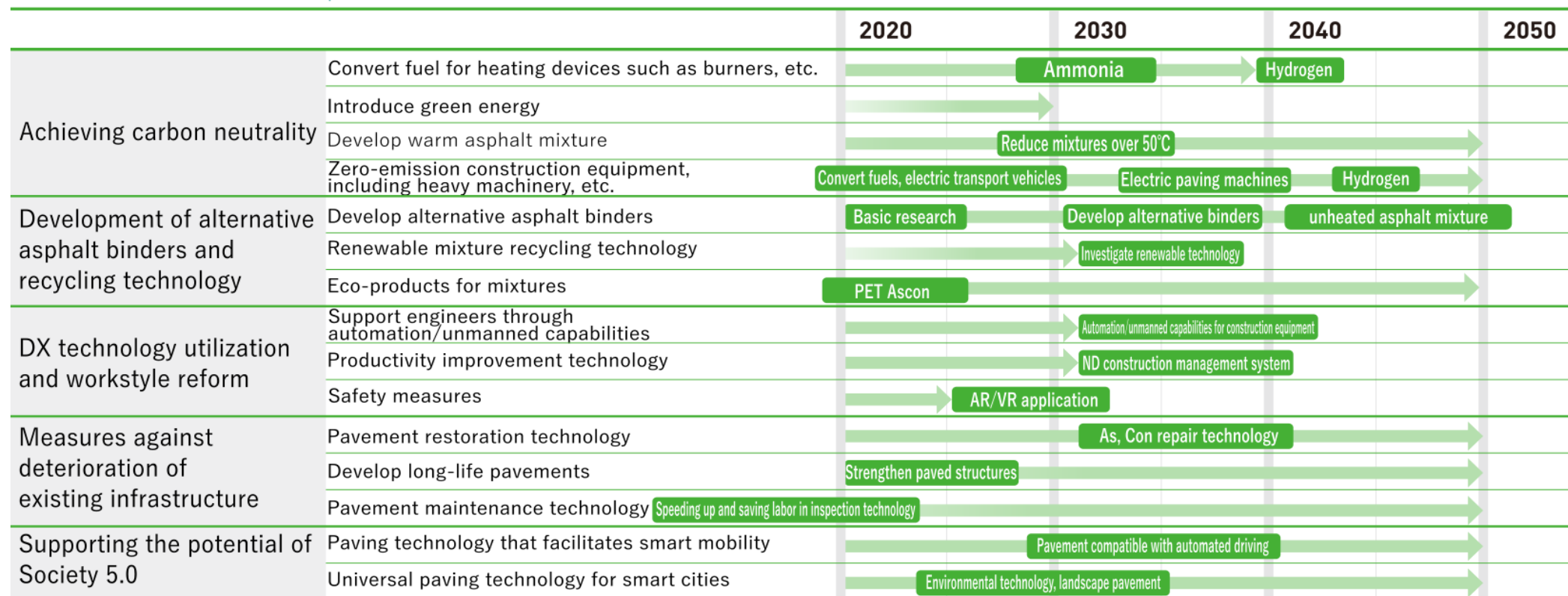
In order for the Company to respond to these issues with our inherent technological capabilities, we have established the medium to long term technology development plan "Nichido Mirai Tech-Plan 2050." NIPPON ROAD will continue to engage in research and development in facing the target year of the SDGs in 2030 and shifting toward 2050 as we generate new value for people and the functions of society at large.



※ Society5.0

A human-centered society that balances economic advancement with the resolution of social problems by a system that

Roadmap of “Nichido Mirai Tech-Plan 2050”

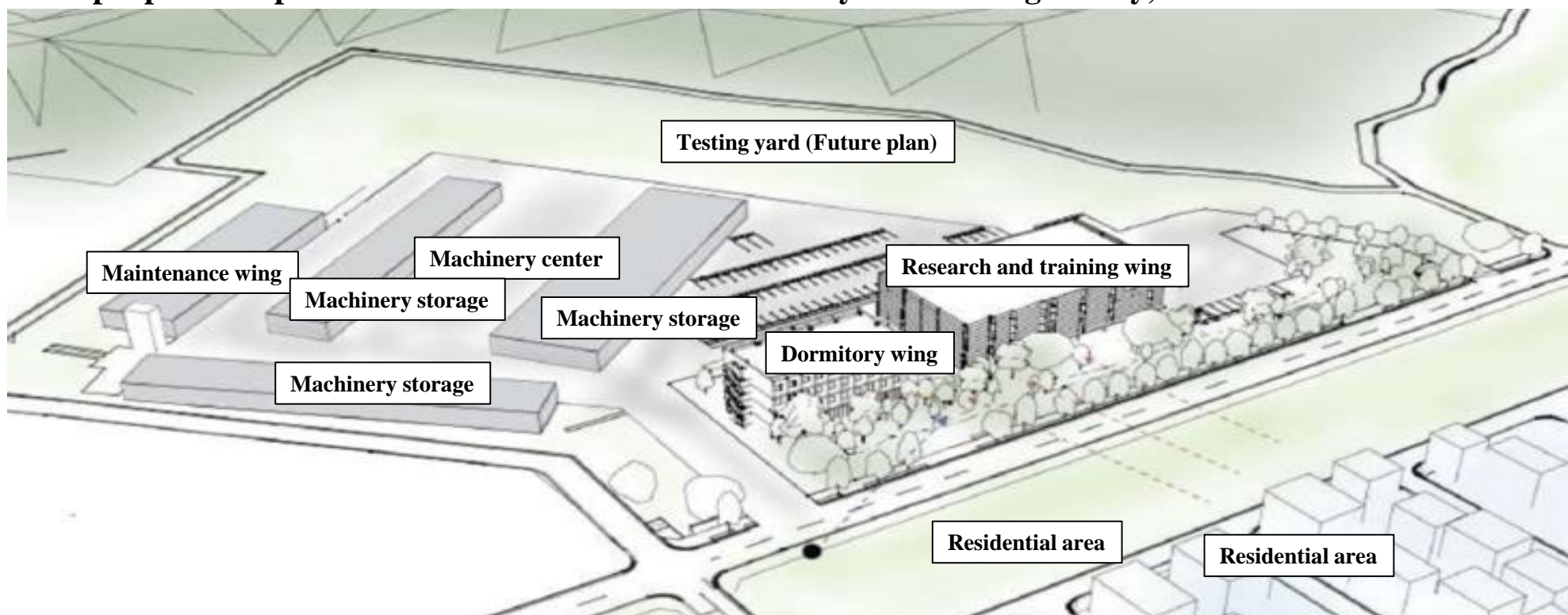


Multipurpose complex construction plans

[Multipurpose complex that combines a research laboratory and training facility, etc.]



Multipurpose complex that combines a research laboratory and training facility, Begins operation in April 2024 onward



Facility overview

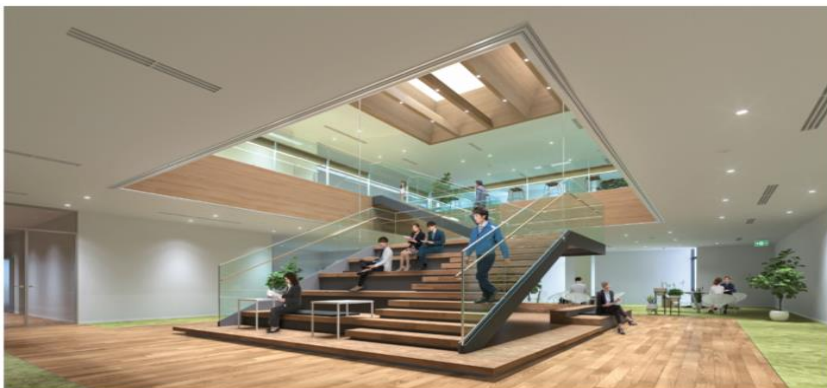
Location	Otsuno, Tsuchiura-shi, Ibaraki
Total area	41,434m ²
Structure, scale, total floor area	
Research and training wing	Steel frame, 3 floors above ground, 3,723 m ²
Dormitory wing	Steel reinforced concrete, 3 floors above ground (50 guest rooms), 1,716 m ²
Maintenance wing	Steel frame, 2 mezzanine, 1,074 m ²
Each machinery storage (3)	Slide roof tent, Steel frame, 1 floor above ground, 3,253 m ²

- 1 A training facility that enables timely employee training through placing a technology research laboratory alongside a machinery center
- 2 Showrooms, etc., for construction methods and products demonstrating the Company's technological abilities to clients
- 3 Environmentally-conscious facility that promotes energy creation and energy conservation with the aim of obtaining ZEB certification
- 4 Aim to be the symbol of "Otsuno Hills," which will serve as its base

About use of lumber made in Yusuhara-cho, Kochi

The Company uses lumber from Yusuhara-cho in a multipurpose complex that is currently under construction. There is a partnership agreement in place between Yusuhara-cho and the Company under the "Creating Forests in Cooperation with Environmentally-advanced Companies Business."

The lumber used is cedar, and it will be used in the stairwell of the research and training wing and the guardrails of the dormitory wing.



Stairwell, Research and training wing



Guardrails, Dormitory wing

View of multipurpose complex construction (As of May 2023)



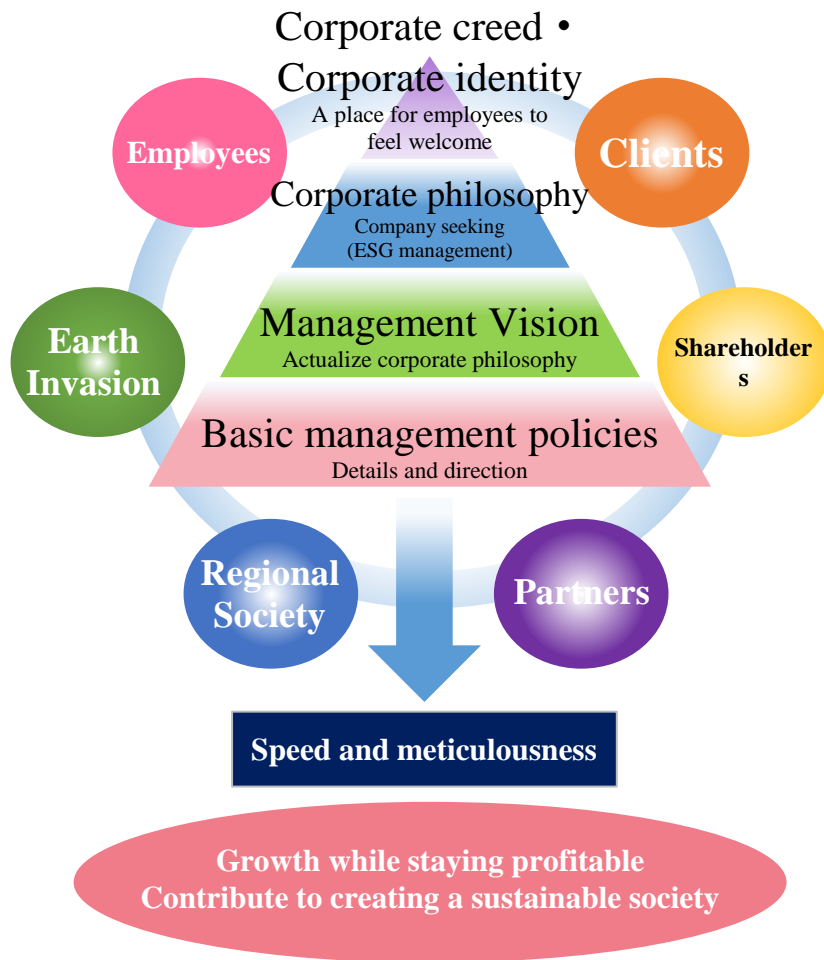
<Corporate overview>

Name of Company	THE NIPPON ROAD CO., LTD.
Date Established	March 10, 1929
Headquarters	6-5, Shimbashi 1-chome, Minato-ku, Tokyo 105-0004, Japan
Representative	Toshiyuki Ishii, Representative Director and President
Paid Up Capital	12,290.26 million yen
Number of Employees	1,660
Stock Exchange	Tokyo Stock Exchange Prime Market
Total Number of Authorized Shares	38,000,000 shares
Total Number of Issued Shares	8,789,268 shares
Share Unit	100 shares

*As of March 31, 2023 (Representative and Stock Exchange are as of May 25)



<Corporate philosophy>



[Corporate creed]

"Inventive improvement" "Harmonious fellowship" "Enhancing trust"

"The Analects and the Abacus" (Shimizu Corporation corporate creed)

[Corporate identity]

Use inventiveness to work toward improving technologies and improving operations
Recognize our responsibilities, planning carefully and continuing steady execution
With sincerity, work toward mutual harmony and preserving norms
Create bright workplaces and happy homes with healthy bodies and minds
Contribute to society by concentrating on work and helping society grow

[Corporate philosophy]

By advancing ESG management, become a company that is trusted by society and viewed as indispensable while also contributing to creating a sustainable society

[Management vision]

"A company that cares for its employees"
"Contribute to society through road construction"
"Enriching corporate governance"

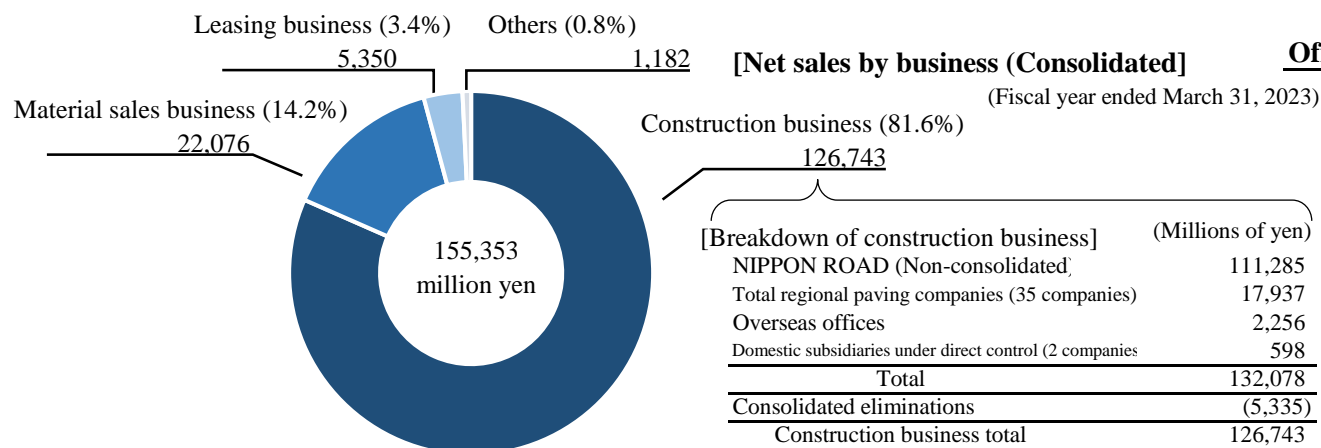
[Basic management policies]

With "speed and meticulousness" as our motto, use unmatched technological abilities to work toward becoming an SDGs company that contributes to "road creation" and "neighborhood creation"

<NIPPON ROAD Group's businesses>

[Main businesses]

Construction business	Developing and laying pavement and engaging in engineering, building and other business involved in overall construction
Material sales business	Manufacturing asphalt and emulsion and engaging in other business involved in production, sales and recycling of pavement and materials
Leasing business	Engaging in the leasing business of vehicles and equipment for office work
Others	Engaging in the real estate business, development and sales of computer software, sales of office work equipment, operating insurance agencies, planning and administration of sports facilities, and other businesses



[Business branches and offices]

Headquarters	Minato-ku, Tokyo
Technical Research Laboratory	Ota-ku, Tokyo
Tokyo Machine Center	Tsukuba-shi, Ibaraki

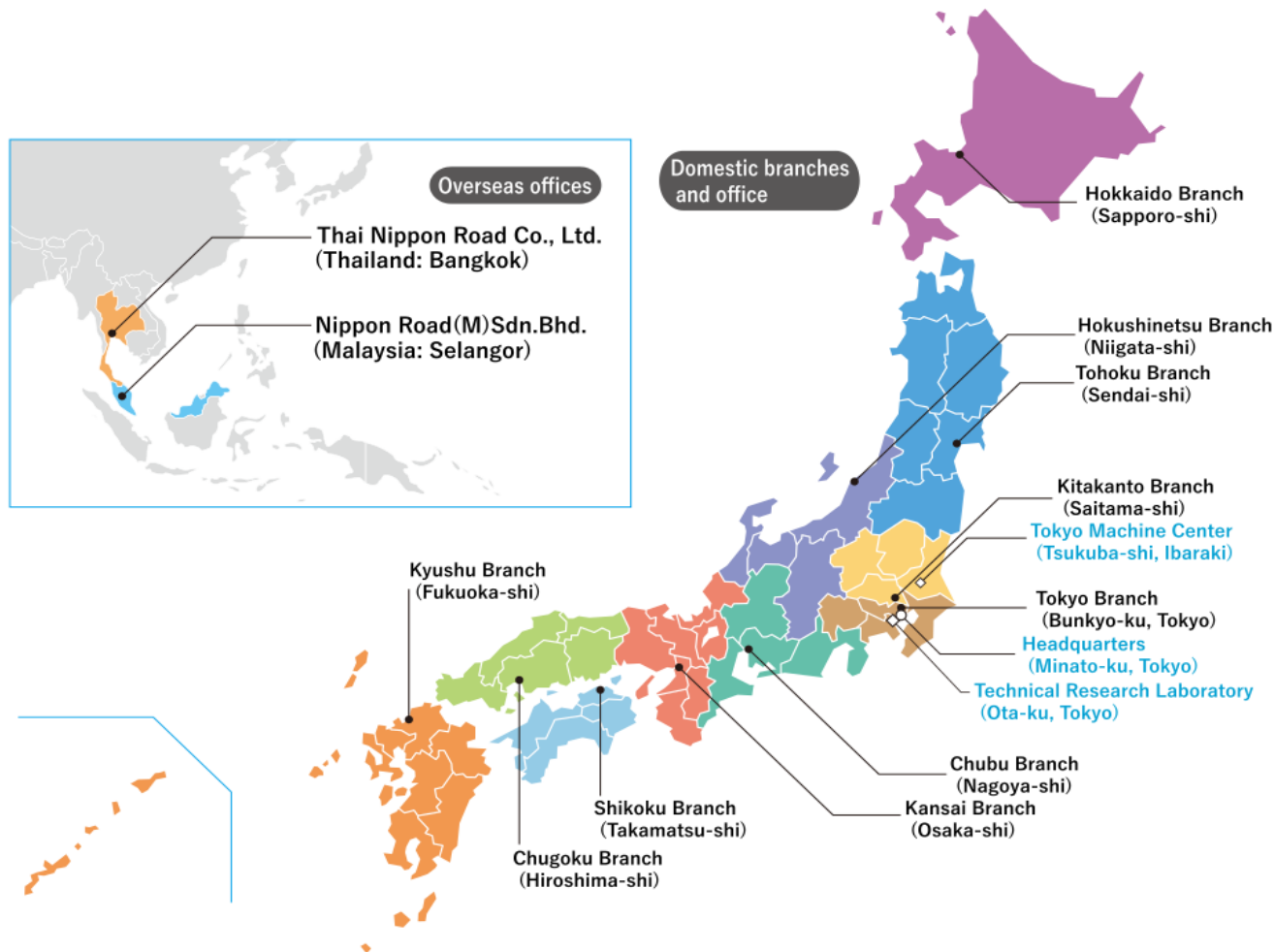
Branches	Tokyo Branch	Bunkyo-ku, Tokyo
	Kitakanto Branch	Saitama-shi, Saitama
	Chubu Branch	Nagoya-shi, Aichi
	Kansai Branch	Osaka-shi, Osaka
	Shikoku Branch	Takamatsu-shi, Kagawa
	Chugoku Branch	Hiroshima-shi, Hiroshima
	Kyushu Branch	Fukuoka-shi, Fukuoka
	Hokushinetsu Branch	Niigata-shi, Niigata
	Tohoku Branch	Sendai-shi, Miyagi
	Hokkaido Branch	Sapporo-shi, Hokkaido

Offices	51 business offices, 25 sub-branches, 20 construction offices, 89 manufacturing and sales bases
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[Affiliates] Within scope of consolidation

Regional paving companies	... 35 companies
Domestic subsidiaries under direct control	... 5 companies
Overseas subsidiaries under direct control	... 2 companies
Others	... 2 companies

Summary of branches and offices



<Domestic subsidiaries under direct control>

- ND Leasing System Co., Ltd.
Comprehensive leasing business, sale of various materials, development and sale of computer software, sale of office equipment
- NDIC Co., Ltd.
Insurance agency business
- Sports Media Inc.
Planning and operation of sports facilities, etc.
- Kankyoryokka Co., Ltd.
Landscaping business

<Regional paving companies>

With the objective of strengthening NIPPON ROAD's non-consolidated construction structure, the Company has been successively creating "regional paving companies" across Japan since around 1993. At the time, almost all projects were subcontracting projects from NIPPON ROAD, but as time went on, owing to the trend of stronger regional requirements for public works construction (local production and local consumption), these companies have taken root in their communities. At present, with more clearly defined uniqueness, the companies have developed into "regional paving companies," and as of March 31, 2022, there are 35 such companies nationwide. Each regional paving company has an office next to a business office of NIPPON ROAD.



Future-oriented declaration

Towards the 100th anniversary of our founding, we declare that all officers and employees of the Nippon Road Group will work together to strive for creativity, to quickly read the changes of the times, and to become a company that is needed to create a sustainable society.

Statements in this document regarding matters concerning future plans, initiatives, and business results of the Nippon Road Group are based on assumptions and opinions that are determined by the Company and predicated on information available at the current point in time. Future business results may differ from the Company's projections due to a wide variety of factors, such as future changes in the business environment.

Inquiries

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Corporate Planning Department

Telephone: +81-3-3571-3626