THE NIPPON ROAD CO., LTD. Fiscal Year Ended March 31, 2025 Financial Results Briefing Summary

Date and Time: Thursday, May 22, 2025 at 1:00 PM – 1:30 PM
Attendees: Toshiyuki Ishii, Representative Director and President
Masakazu Hyodo, Representative Director and Senior Managing Officer
Kaoru Ito, Director and Senior Managing Officer
Delivery method: Online

Financial results overview for the fiscal year ended March 31, 2025

Financial results for the fiscal year ended March 31, 2025

(Refer to page 2 of the Financial Results Briefing Material)

Compared to the previous fiscal year, orders received decreased, while total net sales and gross profit increased. Consolidated operating profit, ordinary profit, and profit increased by around 25% to 27% year-on-year.

Construction Business

(Refer to page 3 of the Financial Results Briefing Material)

Consolidated construction orders received was ¥138.0 billion (down ¥5.5 billion year-on-year) as the Company promoted the acquisition of high-quality orders amid a robust backlog of construction on hand carried forward.

Net sales of completed construction contracts was ¥133.4 billion (up ¥1.9 billion year-on-year) due to steady progress in construction.

Gross profit on completed construction contracts was ¥17.2 billion (up ¥2.7 billion year-on-year), driven by improved profitability in large-scale projects after order receipt, appropriate price pass-through that reflects rising personnel and raw material costs, and enhanced management focused on project profitability. The gross profit margin on completed construction contracts increased by 1.9 percentage points.

(Refer to page 4 of the Financial Results Briefing Material)

For non-consolidated construction orders received in FY2024, orders for building construction increased significantly due to large-scale project wins. On the other hand, orders for pavement and civil works construction each decreased by ¥5.0 billion or more. As a result, the total amounted to ¥117.4 billion (down 8.9% year-on-year).

(Refer to page 5 of the Financial Results Briefing Material)
For non-consolidated construction orders received by client in FY2024, orders for public construction decreased by 18.2%, and private construction decreased by 2.8% year-on-year. Due to the decrease in public construction orders, the order ratio of public construction to private construction was 36% to 64%.

(Refer to page 6 of the Financial Results Briefing Material)
Continuing from the previous mid-term management plan, the Company is focusing on “Automotive-related construction,” “Sports-related construction,” and “Logistics-related construction” as the three priority sectors in the Mid-term Management Plan 2024. For non-consolidated construction orders by these sectors in FY2024, while orders for sports-related construction decreased year-on-year, automotive- and logistics-related construction saw significant growth of 101% and 59%, respectively. Logistics-related construction includes not only direct orders but also indirect orders received through client recommendations. As a result, the total increased by 47.3% year-on-year.

(Refer to page 7 of the Financial Results Briefing Material)
Non-consolidated net sales of completed construction contracts in FY2024 increased in total by 0.4% year-on-year, supported by initiatives such as strengthening the construction execution structure.

(Refer to page 8 of the Financial Results Briefing Material)
Non-consolidated construction carried forward to next period in FY2024 increased in total by 1.4% year-on-year, as building construction increased despite slight decreases in pavement and civil works construction.

Overseas businesses

(Refer to page 9 of the Financial Results Briefing Material)
In FY2024, total orders received at the two overseas local subsidiaries in Thailand and Malaysia increased significantly by 211% year-on-year. This growth was largely driven by orders received for large-sale test course projects in Thailand.

Manufacturing & Sales Business

(Refer to page 10 of the Financial Results Briefing Material)
The total industry volume in FY2024 was 33,600 thousand tons, showing a significant decrease compared to the previous year. Meanwhile, the Company’s manufactured volume slightly decreased to 2,309 thousand tons, but its market share rose by 0.2 percentage points to 6.9% from the previous fiscal year.

Net sales of finished goods increased by approximately 7%, but gross profit - finished goods decreased by 1.7 percentage points year-on-year due to the inability to fully pass on surging raw material and energy costs to sales prices.
Crude oil prices in yen per ton started to rise in the latter half of FY2021, and remain at a high level after achieving a peak in the first half of FY2022. The Company considers it necessary to continue passing on increased costs of electricity, crude oil, and personnel to customers.

Co-creation Business

(Refer to page 11 of the Financial Results Briefing Material)
This segment mainly represents the business performance of the Company's subsidiaries, which include ND Leasing System Co., Ltd, NDIC Co., Ltd., and Sports Media Inc. Net sales were maintained through leasing, insurance agency, and other businesses, resulting in a gross profit level comparable to the previous year.

Analysis of factors affecting profit

(Refer to page 12 of the Financial Results Briefing Material)
Although gross profit decreased in both the Manufacturing & Sales Business and the Co-creation Business, gross profit - construction significantly exceeded the previous fiscal year's level, contributing to an increase in profit.

Consolidated balance sheets for the six months ended September 30, 2024

(Refer to page 13 of the Financial Results Briefing Material)
As for assets, total assets amounted to ¥156,741 million (up ¥6,815 million year-on-year).
As for liabilities, total liabilities amounted to ¥51,980 million (up ¥2,268 million year-on-year).
As for net assets, total net assets amounted to ¥104,761 million, while total liabilities and net assets amounted to ¥156,741 million (up ¥6,815 million year-on-year).

Financial results forecast for the fiscal year ending March 31, 2026

Construction Business

(Refer to page 15 of the Financial Results Briefing Material)
The Company forecasts consolidated orders received to be ¥138,000 million (flat year-on-year), total net sales to be ¥167,000 million (up 1.6% year-on-year), operating profit to be ¥9,400 million (down 5% year-on-year), ordinary profit to be ¥9,500 million (down 6.3% year-on-year), and profit to be ¥6,100 million (down 3.5% year-on-year).

There has been a renewed recognition of the importance of formulating a Medium-term Plan for National Resilience and developing infrastructure, and corporate capital investment is expected to remain firm, despite uncertainty stemming from the rise in raw material prices and overseas conditions. Accordingly, the Company forecasts financial results on par with the previous fiscal year.

(Refer to page 16 of the Financial Results Briefing Material)
Consolidated forecast for FY2025 includes: construction orders received of ¥138,000 million (flat year-on-year), net sales of completed construction contracts of ¥136,500 million (up 2.2% year-on-year), gross profit on completed construction contracts of ¥16,700 million (down 3.3% year-on-year), and gross profit margin on completed construction contracts of 12.2% (down 0.7 percentage points year-on-year).
While orders received are expected to remain flat year-on-year, net sales of completed construction contracts are planned to increase due to a strong backlog of construction carried forward from the previous fiscal year.
Although not expecting profit improvement from large-scale construction as seen in FY2024, the Company will maintain the management structure revised in FY2023 and continue pursuing profit-conscious order acquisition and thorough construction management to achieve its plan.

Manufacturing & Sales Business

(Refer to page 17 of the Financial Results Briefing Material)
The total industry volume for FY2025 is forecasted to be 33,500 thousand tons (down 0.3% year-on-year).
Although the order environment is expected to remain severe, the Company aims to continue passing on costs to sales prices at the right timing and to further enhance value-added services including environmentally-friendly services. As a result, the Company forecasts its manufactured volume to be 2,343 thousand tons (up 1.4% year-on-year), achieving a market share of 7.0% (up 0.1 percentage points year-on-year).
The Company also forecasts net sales of finished goods to be ¥23,000 million (down 2.7% year-on-year), gross profit - finished goods to be ¥2,450 million (up 18% year-on-year), and gross profit margin - finished goods to be 10.7% (up 1.9 percentage points year-on-year).
Due to fluctuations in crude oil prices and exchange rates, as well as rising transportation and personnel expenses, the outlook for price pass-through for asphalt mixture remains unclear. Although growth in mixture manufactured volume cannot be viewed optimistically, demand for the recycling business to collect and reuse asphalt and concrete waste is expected to expand further in the future. The Company will aim to improve profits by focusing on the recycling business as well, including utilization of new recycling technologies.

Co-creation Business

(Refer to page 18 of the Financial Results Briefing Material)

In addition to the existing business portfolio focused on the leasing business, the Company is promoting new business development with multiple stakeholders through M&As and expansion of PPP/PFI business to achieve further growth.

The Company forecasts consolidated sales in Co-creation Business to be ¥7,500 million (up 4.3% year-on-year), gross profit to be ¥1,650 million (up 17.2% year-on-year), and gross profit margin to be 22% (up 2.4 percentage points year-on-year).

Analysis of factors affecting profit

(Refer to page 19 of the Financial Results Briefing Material)

While the Company anticipates increases in SG&A expenses due to wage hikes and other factors, and does not expect to see the same level of improvement in gross profit on completed construction contracts from large-scale construction as in the previous fiscal year, it plans to maintain profits at a level comparable to the previous year. This will be achieved through improved profits in the Manufacturing & Sales Business, including the recycling business, and in the Co-creation Business, driven by business expansion.

Progress of Mid-term Management Plan 2024

(Refer to page 20 of the Financial Results Briefing Material)

1. Ensuring thorough compliance (compliance with laws and regulations, etc.)

• Improper asphalt mixture

In FY2024, compliance issues in the paving industry became a widely discussed topic.

Although the Company did not manufacture any improper asphalt mixture, we were involved in a case during the same period in which construction was carried out using "asphalt mixture that was mistakenly shipped." As a result, the incident was classified as substandard work and the Company received suspension of designated contractor status for one month from the Kanto Regional Development Bureau of the Ministry of Land, Infrastructure, Transport and Tourism. We are committed to developing our company-wide quality assurance framework to prevent the recurrence of such errors.

(Refer to page 21 of the Financial Results Briefing Material)

1. Ensuring thorough compliance (compliance with laws and regulations, etc.)

• Risk management system

The Company has established internal control through mechanisms that monitor various processes, including bidding procedures. In addition, through internal bodies such as the Business Risk Management Committee, we ensure thorough information sharing and monitoring.

(Refer to page 22 of the Financial Results Briefing Material)
2. Improving quality and profitability of service provision [Construction Business]
As a revenue enhancement measure, the Company has been promoting direct orders, which have stably accounted for 50% or more, contributing to securing high-quality projects and improving profitability. We also believe that our sales efforts in the three priority sectors for private companies, including the use of our proprietary construction methods, are beginning to show positive results. We feel that the advancement of these initiatives is translating into improved earnings.

(Refer to page 23 of the Financial Results Briefing Material)
2. Improving quality and profitability of service provision [Construction Business]
Within the Group companies, regional paving companies are actively working to secure independent projects, rather than solely serving as subcontractors for NIPPON ROAD. In addition, the establishment of new companies and M&A activities aimed at strengthening construction execution structure are gradually progressing, thereby reinforcing the foundation for growth.

(Refer to page 24 of the Financial Results Briefing Material)
2. Improving quality and profitability of service provision [Manufacturing & Sales Business]
Despite the decline in domestic asphalt mixture production volume and the challenging environment for implementing price pass-throughs, the Company has maintained a certain level of production volume. At the same time, we are advancing environmentally conscious initiatives in line with the plan. Regarding the recycling business, where demand is expanding, we are improving profitability by implementing appropriate price pass-throughs, while also focusing on the utilization of new technologies such as *surimomi* aggregate.

(Refer to page 25 of the Financial Results Briefing Material)
2. Improving quality and profitability of service provision [Co-creation Business]
As for the Co-Creation Business, the Company is building a framework that contributes to business expansion and improved profitability across a wide range of fields by incorporating companies such as a block manufacturer that uses thinned wood as raw material and a long-established tennis club into the Group.

(Refer to page 26 of the Financial Results Briefing Material)
3. Shifting from workstyle reform to satisfaction reform
4. Promoting DE&I
To support future business expansion, we are advancing initiatives ahead of schedule, including securing essential talent and developing various aspects of the working environment. The personnel system reform aimed at promoting employee diversity and improving treatment was implemented one year earlier than originally planned, with operations starting in FY2025. A group-wide review is also scheduled to be carried out in phases.

(Refer to page 27 of the Financial Results Briefing Material)
<Synergistic effects with Shimizu Corporation>
In addition to the four key issues, collaboration with our parent company, Shimizu Construction, is gradually taking shape.
In private-sector construction projects, the use of Shimizu Construction's client network has led to a notable increase in direct orders. In public-sector construction, JVs have started to yield results that are expected to lead to future opportunities. Moreover, in the research and technology development field, collaborative efforts across a wide range of fields are generating more activities that lead to commercialization.

(Refer to page 28 of the Financial Results Briefing Material)
<Initiatives to improve corporate value>
We present the progress of our three-year capital investment, along with the trends in dividends, stock price, ROE, and PBR.

(Refer to page 29 of the Financial Results Briefing Material)
<Challenges toward achieving the plan>
In the Construction Business, we will continue to propose appropriate prices and construction periods, while providing high-quality services based on a thorough adherence to the three actuals ("Sangen Shugi"). In addition, we aim to strengthen our construction execution structure through M&A activities, leading to sustainable growth.
In the Manufacturing & Sales Business, we will continue to implement price pass-through efforts, while developing initiatives that link infrastructure durability improvement and environmental burden reduction measures to added value. We also aim to enhance profitability by strengthening the recycling business, where demand is strong.

In the Co-creation Business, we aim to expand our business domains and scale through the promotion of M&As and PPP/PFI projects. At the same time, we are committed to creating new strengths through collaboration with a wide range of stakeholders, thereby contributing to the group-wide business development.

<Closing remarks>

The Company is expected to become a wholly owned subsidiary of Shimizu Corporation through its tender offer and will be delisted from the Tokyo Stock Exchange Prime Market. As we look ahead to our 100th anniversary in 2029 and beyond, we will continue to support society through technology and work toward becoming a company that protects prosperous lifestyles and human lives. We sincerely ask for your continued understanding and support.

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