

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.



NIPPON ROAD Group Integrated Report 2022



道からはじまる街づくり

日本道路株式会社

6-5, Shimbashi 1-chome, Minato-ku, Tokyo
105-0004, Japan



As an environmentally advanced company, we are working to realize a sustainable global environment.

Minister of the Environment Certified Eco-First Company



The Nippon Road Group participates in the "Fun to Share Declaration".



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NIPPON ROAD Group's Businesses

The NIPPON ROAD Group has established branch offices across Japan, participating in the construction of landmark structures and features nationwide and contributing to the development of local infrastructure. Additionally, we have worked to expand our business throughout Southeast Asia, contributing to the development of social infrastructure for every county in which we operate. Our business areas go beyond the construction business to include operations in the material sales business, leasing business, and insurance agency business, and we are committed to ensuring that companies throughout the entire Group are devoted to ESG and the SDGs.

Main Businesses

1



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



3



Leasing business

Engaging in the leasing business of vehicles and equipment for office work



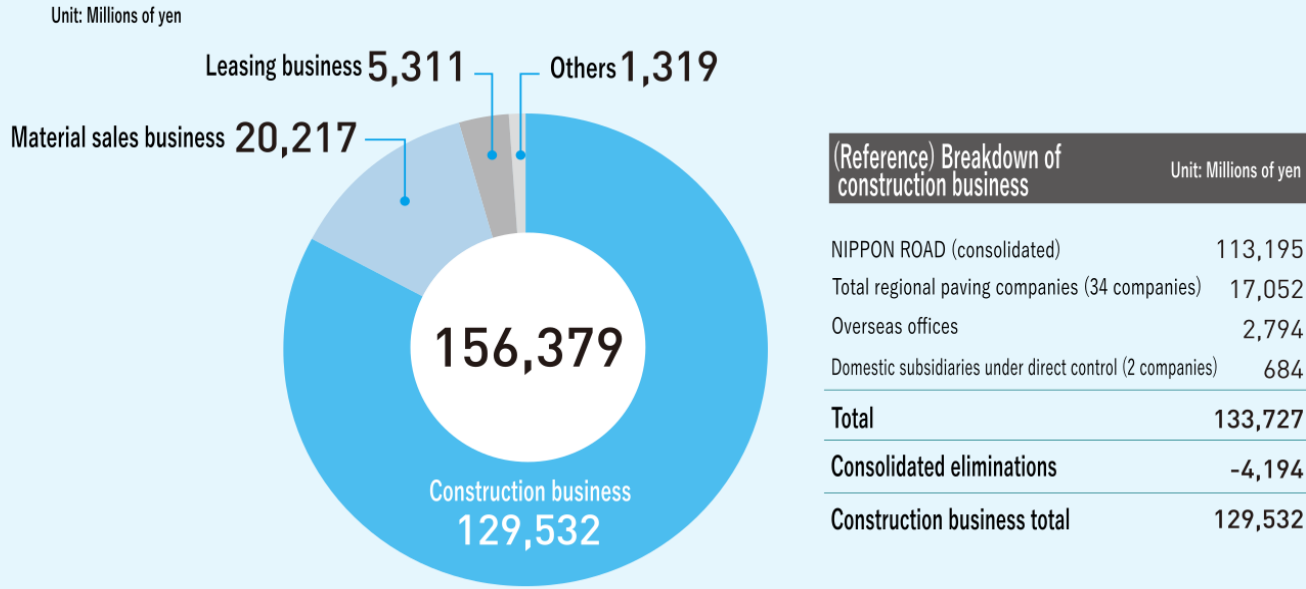


Others

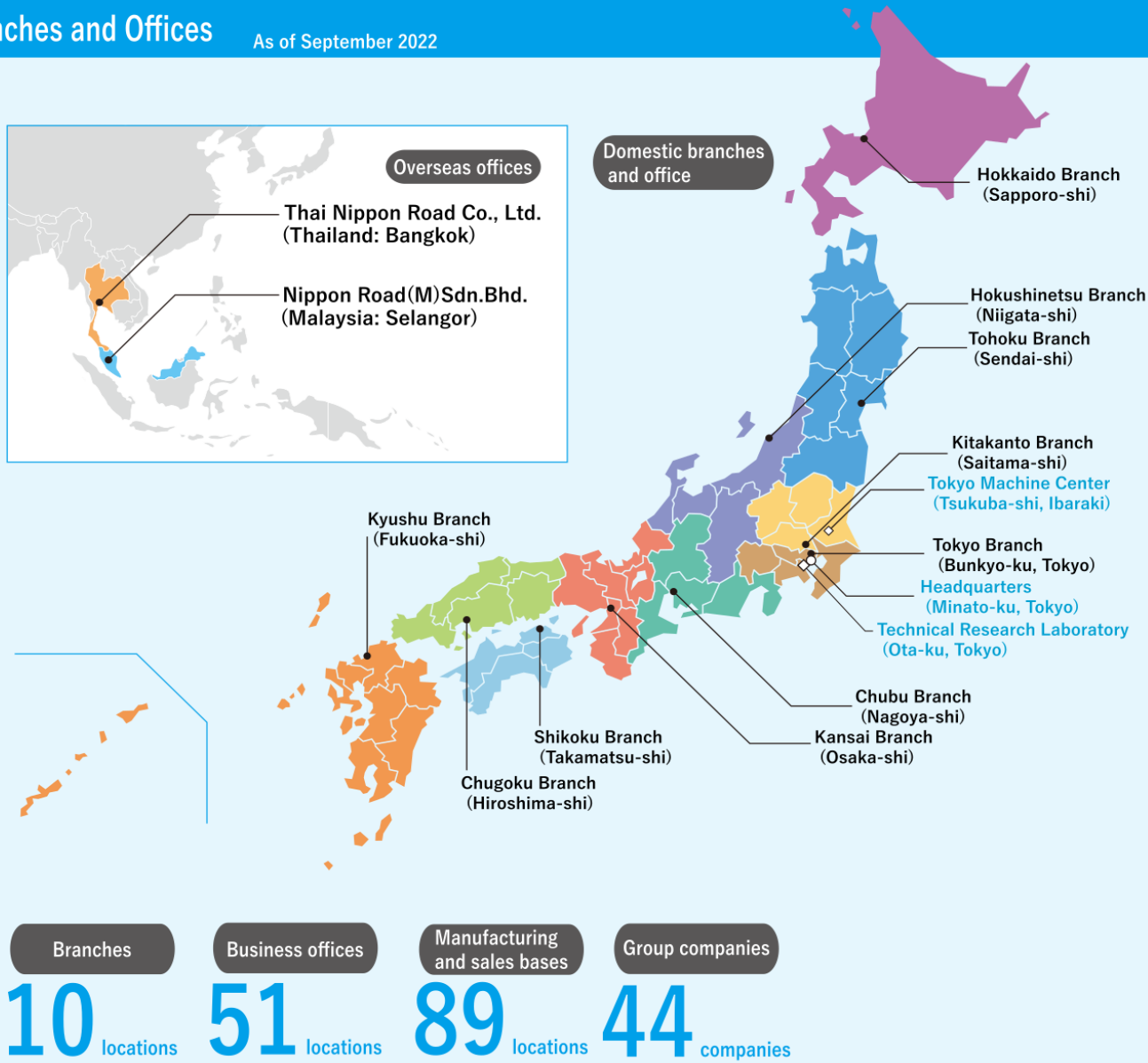
Engaging in the real estate business, development and sales of computer software, sales of office work equipment, operating insurance agencies, planning and administration of sports facilities, and other businesses



Net Sales by Business (Consolidated) Fiscal year ended March 31, 2022



Branches and Offices As of September 2022



TOP MESSAGE

Engage in technological exploration on the behalf
of maintaining sincerity in road construction

Representative Director and President
THE NIPPON ROAD CO., LTD.

Toshiyuki Ishii

Making a Fresh Start as a Consolidate Subsidiary of Shimizu Corporation

–You were appointed Representative Director and President in April 2022. Tell us about your aspirations as the new President.

Ishii: I am both honored and humbled to accept the baton for the grand responsibility of leading NIPPON ROAD, a company founded in 1929 with more than 90 years of history, from former President Hisamatsu. The NIPPON ROAD Group has endeavored to maintain high-quality roads and urban development based on the technology we have developed as a representative company of the road pavement industry.

It was under these circumstances that the decision was made to become a consolidated subsidiary of Shimizu Corporation on March 29, 2022, embarking on a fresh start under this new structure. We will continue to pass on NIPPON ROAD's DNA as a company known for its technology while contributing to the progress of society by seeking to further strengthen our alliances and manifesting synergies that connect to expanding business areas for both companies.

What will change for the NIPPON ROAD Group?

Ishii: We will be focusing on demonstrating the full potential of this collaborative effort by seeking to share information and exchange human resources for initiatives in every relevant field while effectively utilizing the resources available to each company to expand our business areas and improve profitability in an efficient manner. The Group has grown to a significant extent primarily through receiving orders from government agencies, but through our addition as a member of the Shimizu Group, we will be able to leverage the Shimizu Group's robust sales network in the private sector and expand our sales activities across a widening range of projects and increasing opportunities to receive orders directly from private-sector customers.

In addition, by forming joint ventures (JVs) with Shimizu Corporation for large-scale construction projects, we expect to expand the scale of our business and improve the skills of our engineers. Furthermore, we will actively exchange human resources in technical research, machinery, and management departments, and endeavor to enhance productivity and efficiency, improve working environments, promote ESG management, and strengthen compliance and governance, including initiatives to promote DX (digital transformation).

Even after becoming a consolidated subsidiary of Shimizu Corporation the Company will continue to preserve the autonomy of its management by remaining listed (on the Tokyo Stock Exchange: Prime Market) in seeking to improve the Group's corporate value. As a publicly listed company, we will uphold an even greater sense of urgency in our management by conducting direct dialogues with our shareholders and investors and undertaking other relevant measures.

Addressing Six Key Issues to Contribute to Building a Sustainable Society

–What are your views on the recent business environment and the Company's performance in the current fiscal year?

Ishii: In fiscal 2021, gross sales were down 0.9% year on year to ¥156,379 million and operating profit was down 23.9% year on year to ¥8,202 million, falling short of planned figures. In particular, the price of asphalt, the main component in asphalt mixtures, soared as a result of the rise in crude oil prices, and not passing on the price of asphalt mixtures made a significant impact on performance. In fiscal 2022, we remain concerned about the impact of soaring crude oil and asphalt prices due to the situation in Ukraine and depreciation of the yen, and still consider the outlook for the future to be in a state of uncertainty.

Amid these circumstances, in the construction business, we will continue to focus on securing a reliable amount of on-hand construction work primarily for large-scale government projects. In addition, in the material sales business, we will follow our area strategy to secure production volumes and request forward motion on passing on price increases. Although we have been conservative in our full-year forecast for profit, we have set ambitious internal targets and consider the full-year forecast to be an absolute minimum level to reach. Despite the current harsh management environment, we will strive to achieve ever-higher standards in performance.

– Explain the progress of the mid-term management plan.

Ishii: In the Mid-term Management Plan 2019 (FY2019-2023) which was launched in 2019, we have set our sights on accomplishing the SDGs by 2030, aiming to contribute to the creation of a sustainable society. We have identified six key issues, represented by our commitment to increasing private-sector orders, improving the operating profit ratio, promoting workstyle reform, establishing health & safety targets, establishing environmental targets, and ensuring thorough compliance, as our growth strategy and are making progress on initiatives for working toward achieving these targets.

Fiscal 2022, the fourth year of the Plan, will continue to be subject to the concerns present in fiscal 2021 with regard to soaring crude oil and asphalt prices and progress made on passing on the price increases, and as mentioned previously, we will remain conservative in our full-year forecast as a result. For fiscal 2023, the final fiscal year of the Plan, we believe that the price trends for main components are particularly difficult to forecast. Be that as it may, given our accomplishment in reaching record-high profits in fiscal 2020, we believe that we can achieve our targets if the Group's officers and employees all work together to these ends. As such, we are not considering any revision of the Plan's targets for fiscal 2023, the final fiscal year of the Mid-term Management Plan, at the current point in time.



Conceptual rendering of Tsuchiura Techno Park (tentative name) scheduled to open in April 2024

Of the six key issues, our first and foremost priority is, as a matter of course, promoting workstyle reform. Reducing long working hours has proved to be an exceedingly troublesome issue due to the human resources shortage, customer support requirements, etc., despite our initial engagement with the matter in concert with the formulation of the Mid-term Management Plan 2019 and the fact that awareness has been spreading within the Group. The Group will adopt a system for limiting the maximum number of overtime hours which includes penalties for non-compliance from April 2024, and in the current fiscal year, we have established a working group at the headquarters to address this issue with a top-down approach.

As an investment in growth and human resources, the Group is constructing the Tsuchiura Techno Park (tentative name), a facility in Tsuchiura-shi, Ibaraki that will span over a total floor area of 40,000 m2. The multipurpose complex will feature a Technical Research Laboratory for the research and development of road paving technology, a Machine Center for the development and maintenance of road paving machine , a Test Yard for further testing and demonstrating these technologies, and a Training Center that is able to provide long-term accommodations for studying and passing down paving technology. Based on the concept of defining NIPPON ROAD as a company known for its technology, we are aiming to launch operations by April 2024. We expect this location will serve as a training ground for both new employees as well as the Group’s engineers.

“Environment” as an Opportunity for Transitioning to a Recycling-Oriented Society

– What are NIPPON ROAD’s strengths?

Ishii: Our extensive record of achievements and experience receiving orders and undertaking numerous large-scale projects, including the construction of new developments in addition to maintenance and repair projects, from central government agencies such as the various branches of NEXCO and the Ministry of Land, Infrastructure, Transport and Tourism has been written into the code of the Group’s DNA. In the medium term, as detailed in the “Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience,” the government has issued a series of measures to accelerate the effort to build national resilience over the five-year period leading up to fiscal 2025. The Group will continue to maintain a policy to receive a consistent schedule of orders for projects from NEXCO and central government agencies. In addition to the high-quality technology that we have developed through the series of achievements and experiences that make up our corporate record,



I personally believe that our true strength lies in our ability to provide both public and private-sector customers with our unique brand of trust built through paying close attention to their needs to create improved results.

– Tell us about your views on ESG management.

Ishii: First, I’d like to discuss “governance.” Naturally, we will continue to focus on thorough compliance, as we have up to this point, but to accompany our transition to a consolidated subsidiary of Shimizu Corporation, we will establish a Special Committee which consists of Independent Outside Directors to serve as an advisory body to the Board of Directors from the perspective of protecting minority shareholders. The Special Committee will deliberate and investigate significant transactions and conduct that may cause a conflict of interests with Shimizu Corporation and provide appropriate supervision in turn.

Next, in regard to “environment,” we formulated the Group’s environmental vision “Nichido Blue & Green Vision 2050” in August 2021. In line with the preparation of this environmental vision, we have established our Standards of Conduct built on the three pillars of achieving carbon neutrality, establishing a recycling-oriented society, and considering biodiversity.

In addition, we issued our Eco-First Commitments to the Minister of the Environment in February 2022 and attained certification as the first Eco-First Company in the road pavement industry. We believe that “environment” will be a key word in defining the future that presents a material opportunity for the Group. Ensuring the Group’s officers and employees maintain a correct understanding of the three Standards of Conduct and take it upon themselves to work toward resolving issues, we will enable the Company to provide new environmental value to our stakeholders while still contributing to a sustainable global environment.

In our commitment to achieve carbon neutrality, one primary topic is the issue of reducing the high level of CO2 emissions in the material sales business. The Group has prepared a roadmap that clarifies initiatives to be implemented and the necessary timelines for the construction business, material sales business, and business branches and offices toward achieving carbon neutrality by 2050.*1 Going forward, we will continue to manage progress and brush up our roadmap for these initiatives in aiming to achieve our targets.

In our commitment to establish a recycling-oriented society, we have continued to maintain a recycle rate of almost 100% with recycled aggregate made from crushed asphalt and concrete blocks, but we are dedicated to further promoting resource recycling through adopting innovative new approaches.

In our commitment to considering biodiversity, while the Group itself is engaging in ecosystem conservation by adopting the Environment Check Sheet (ISO) at the work sites of the construction business and material sales business, all branches of the Company are also participating in activities related to ecosystem conservation.

Finally, in regard to “society,” from the perspective of human capital, we will adopt the promotion of diversity management in reviewing our human resource system along with implementing workstyle reforms as we promote efforts for accepting technical interns from abroad at regional paving companies. We will proceed to strengthen cooperation with Shimizu Corporation in each area to ensure that these initiatives are implemented in an efficient manner.

–What is your message for stakeholders?

Ishii: Amid this social environment in which we are experiencing drastic changes, we believe it is necessary to adopt a long-term perspective in investing in the environment, research and development, and human resources in seeking to improve corporate value. However, this requires profits be generated to enable these investments. In order to ensure that we are able to attain these profits, we will continue to earn the trust of our clients and improve customer satisfaction by providing high-quality construction with advanced technology while connecting our efforts to corporate development through excellence in management and meeting our stakeholders’ expectations. In addition, we will take a variety of approaches to actively communicating our business strategies and other initiatives enacted on the behalf of raising corporate value. As we celebrate the 100th anniversary of the founding of NIPPON ROAD in 2029, reach the target year of the SDGs in 2030, and move further on into the future, we will aim to maintain a devotion to the SDGs as we contribute to building a sustainable society by actively taking on new challenges and utilizing our unwavering technological capabilities.

*1 Refer to pages 14 and 49 for more details on this roadmap.

Toshiyuki Ishii

Representative Director and President
THE NIPPON ROAD CO., LTD.

Source of Value Creation NIPPON ROAD Group's Technology

The push to develop electric vehicles that do not emit CO₂ and other next generation automobiles is accelerating in the movement toward becoming a decarbonized society. Experts say that the automobile industry has entered a once-in-a-century period of profound transformation with the advent of automated driving that has been enabled by cutting-edge technology such as AI and IoT. Among these advancements, the potential of automated driving technology is attracting a great deal of attention. NIPPON ROAD is supporting the expansion of a new mobility society through a selection of technologies, aiming to build eco-friendly roads that allow people and vehicles to coexist in harmony.

The Company believes that we have an important responsibility not just to develop new paving technology and methods to meet the wide variety of needs presented by society, but to pass the paving technology that we have cultivated on to the next generation. NIPPON ROAD will contribute to the realization of a sustainable society by developing both technology and people.



Overhead view of the ADAS Testing Site



Status of earthwork



Deploying vertical conveyor to improve smoothness

Automobile Research & Development Test Course (Japan Automobile Research Institute)

The Shirosato Test Center in Ibaraki maintained by the Japan Automobile Research Institute (JARI) is a benchmark estate for the development of cutting-edge technology in the automobile industry as a test course that features a wide selection of unique tracks.

The ADAS*1 Testing Site, which was completed in July 2022, is a fan-shaped test site that extends 300m in transverse direction, 500m in longitudinal direction that has been designed to acquire data on aspects of automated driving including automatic emergency braking, lane keeping assist systems and speed regulators as a course for testing and researching advanced safety technology for automobiles. Looking forward to the arrival of a new mobility society, many companies with vested interest in automobiles are holding high expectations for the potential presented by the ADAS Testing Site's track. The Company launched construction on this test course, a project that required advanced specifications that are different from ordinary roads, in November 2020, focusing on meeting the needs of the customer by implementing high-precision construction techniques utilizing ICT technology from the initial earthworks phase. At the ADAS Testing Site, the smoothness standard*2 for the straight-oriented track was "0.7 mm or less," which is a

strict specification that exceeds even the requirements for newly constructed expressways. With these requirements in mind, the Company sought to construct a higher quality of test course by employing an AF-NAV system, utilizing asphalt mixture vertical conveyors and three axle tandem roller which are not used in ordinary paving operations, and other original work site innovations, and was able to deliver a test course that provided a high degree of smoothness that surpassed the required standard.

*1 ADAS (Advanced Driver-Assistance Systems) are any of a group of electronic technologies that provide assistance to drivers operating automobiles through features that enhance driver safety and comfort, such as detecting nearby obstacles and gathering other information about the vehicle's surroundings, alerting drivers with accurate displays or warnings and assuming control of the vehicle from the driver if necessary. These systems are being developed as a method to prevent road accidents by minimizing human error.

*2 "Smoothness" is an index utilized to evaluate the degree to which a paved surface is uneven. The surface smoothness of an ordinary road is 62.4 mm or less.

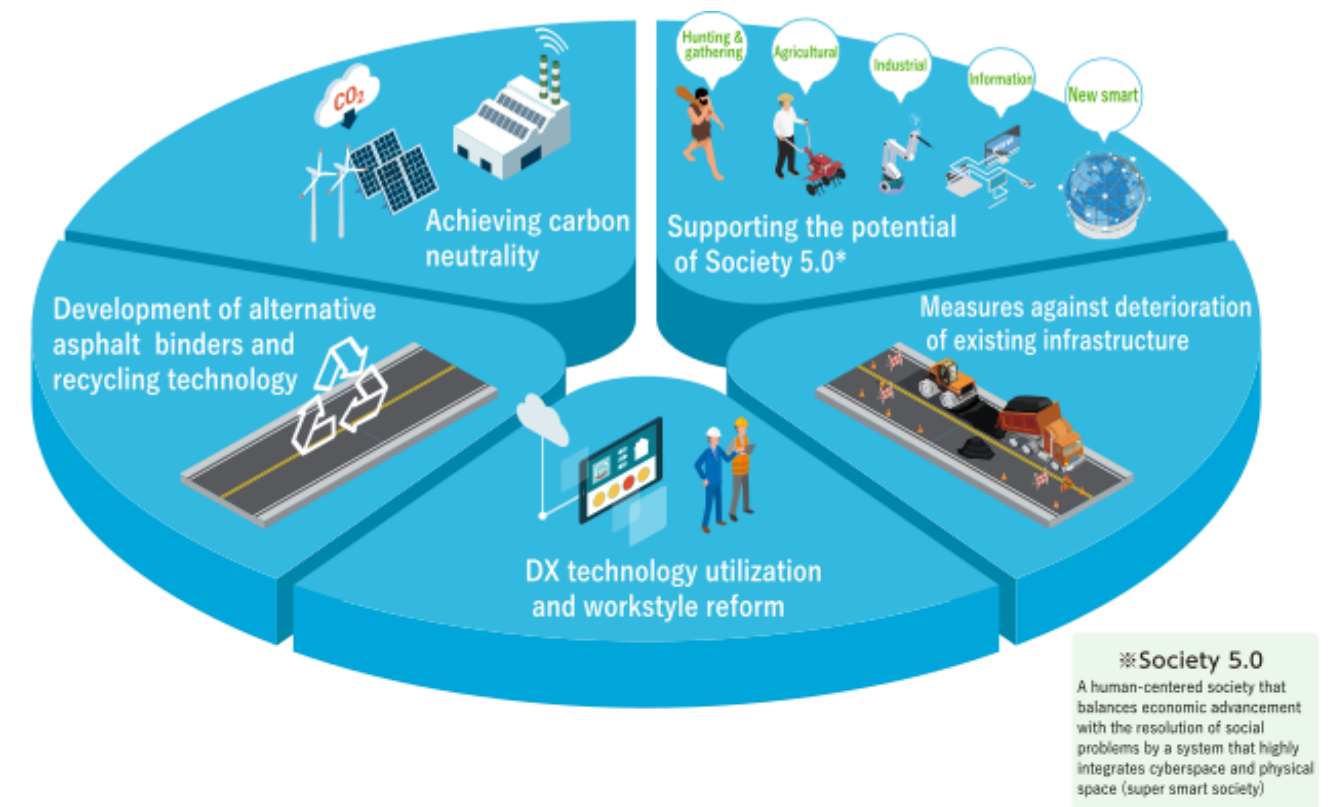
Project overview

Project	Construction of New ADAS Testing Site
Location	Shirosato Test Center, Japan Automobile Research Institute located at Takabeta, Osaka, Shirosato-machi, Higashiibaraki-gun, Ibaraki
Construction period	From October 31, 2020 to June 30, 2022
Client	Japan Automobile Research Institute
Details	Tree extraction: 27,000 m ² Earth excavation and embankment : 300,000 m ³ Slope trimming: 40,000 m ² Drainage system: 4,500 m Course pavement: 29,000 m ²

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.



Roadmap of "Nichido Mirai Tech-Plan 2050"

		2020	2030	2040	2050
Achieving carbon neutrality	Convert fuel for heating devices such as burners, etc.		Ammonia	Hydrogen	
	Introduce green energy				
	Develop warm asphalt mixture		Reduce mixtures over 50°C		
	Zero-emission construction equipment, including heavy machinery, etc.	Convert fuels, electric transport vehicles	Electric paving machines	Hydrogen	
Development of alternative asphalt binders and recycling technology	Develop alternative asphalt binders	Basic research	Develop alternative binders	Cold asphalt mixture	
	Renewable mixture recycling technology		Investigate renewable technology		
	Eco-products for mixtures	PET Ascon			
	Support engineers through automation/unmanned capabilities		Automation/unmanned capabilities for construction equipment		
DX technology utilization and workstyle reform	Productivity improvement technology		ND construction management system		
	Safety measures		AR/VR application		
	Pavement restoration technology		As. Con repair technology		
	Develop long-life pavements	Strengthen paved structures			
Measures against deterioration of existing infrastructure	Pavement maintenance technology	Speeding up and saving labor in inspection technology			
	Paving technology that facilitates smart mobility		Pavement compatible with automated driving		
	Universal paving technology for smart cities		Environmental technology, landscape pavement		

Overseas Businesses (Thailand and Malaysia) – “Technology” building economic infrastructure in Southeast Asia –

We established local subsidiaries in Thailand and Malaysia in 1989, and since then have contributed to the development of infrastructure such as airports and expressways in each country.

Thailand



Completed national projects with ICT construction; acquired international certification

This project was designed around one of the targets of “Thailand 4.0,” a national strategy of Thailand, in seeking to develop a next-generation automotive industry. As part of the large-scale construction project to build a national automotive and tire test course spanning over an expansive 190 ha area (about 40 times the size of Tokyo Dome), Thai Nippon Road Co., Ltd. received orders for the first phase (test track for measuring ISO noise emission) and the second phase (braking surface, test hill, steering pad, dynamic platform) of construction in quick succession. This was the first overseas project to be completed using ICT construction, prompting the Company to acquire international certification. In 2021, orders were also received for the third phase of construction for an access road, connecting bridge, electrical equipment and drainage system, which were completed in August 2022.

Project	Construction of New Automotive and Tire Quality Test Course (Phase 3) <input checked="" type="checkbox"/> Utilities Package
Location	Sanam Chai Khet District, Chachoengsao, Thailand
Client	TISI (Thai Industrial Standards Institute)
Construction period	From May 2021 to August 2022
Project overview	Constructing bridge and electrical equipment, installing drainage system

Malaysia



Over 30 years of experience in private infrastructure

In Malaysia, private involvement is encouraged in the operation of infrastructure such as expressways. Nippon Road(M)Sdn.Bhd. has more than 30 years of experience operating in Malaysia, with the construction, widening, and maintenance of the North-South Expressway (NSE) serving as one of its core projects. This project revolves around the SUKE elevated expressway (length: 24.4 km) developed to accommodate increasing traffic congestion around Greater Kuala Lumpur. The Company ensured thorough quality and safety measures in the laying asphalt on concrete slab on elevated sections and widening and renovating the existing roadways passing underneath.

Project	Construction of New Sungai Besi-Ulu Kelang Elevated Expressway (SUKE) (CB3 & CB4)
Location	Ulu Kelang, Selangor, Malaysia
Client	Cantilever Bumi Sdn. Bhd. (prime contractor)
Construction period	From April 2017 to December 2021
Project overview	Laying new asphalt pavement and installing drainage system

As a Member of the Shimizu Group

NIPPON ROAD Group became a consolidated subsidiary of Shimizu Corporation on March 29, 2022, and has embarked on a fresh start under this new structure as a member of the Shimizu Group. It will continue to pass on NIPPON ROAD’s DNA as a company known for its technology, a reputation cultivated for more than 90 years since its foundation, while contributing to the progress of the Group and society at large by seeking to further strengthen alliances and manifesting synergies that connect to expanding business areas for both companies.

Creating new value through synergies with Shimizu Corporation

Shimizu Corporation has adopted the principles in “The Analects and the Abacus” as the basic compass by which it manages business in its corporate credo. This work contains the teachings of Eiichi Shibusawa, the industrialist who helped build the foundations of Japan’s modern economic system, which expresses his worldview of economics united with ethics. Shimizu Corporation operates the construction business with the building construction business and civil engineering business in Japan and overseas, is expanding the real estate development business, engineering business, LCV business*1, and emerging frontier business*2 in non-construction businesses, and has adopted “Today’s Work, Tomorrow’s Heritage” as its corporate slogan.

The Group will seek to share information and exchange human resources with Shimizu Corporation for initiatives in every relevant field moving forward. By effectively utilizing the resources available to each company, we will demonstrate the full potential of becoming a member of the Shimizu Group, expand our business areas and improve profitability to create new value from this win-win relationship.

*1 LCV (Life Cycle Valuation) business: Respond to customer needs, utilize renewable energy, IoT, etc. to provide comprehensive services and solutions including investment and partnerships
*2 Emerging frontier business: Business development in promising future markets such as space, ocean and harmony with nature, and venture investment in next generation technology



Corporate Governance

NIPPON ROAD has, under the management philosophy of “upholding our reputation as a company that society both trusts and wishes to persevere while continuing to contribute to the creation of a sustainable society through the promotion of ESG management,” established the NIPPON ROAD Basic Policy of Corporate Governance and adopted an ongoing commitment to enhancing corporate governance in order to achieve sustainable growth and improve corporate value in the medium and long term as well as contribute to our shareholders’ willingness to maintain ownership of the Company’s shares over the long term.

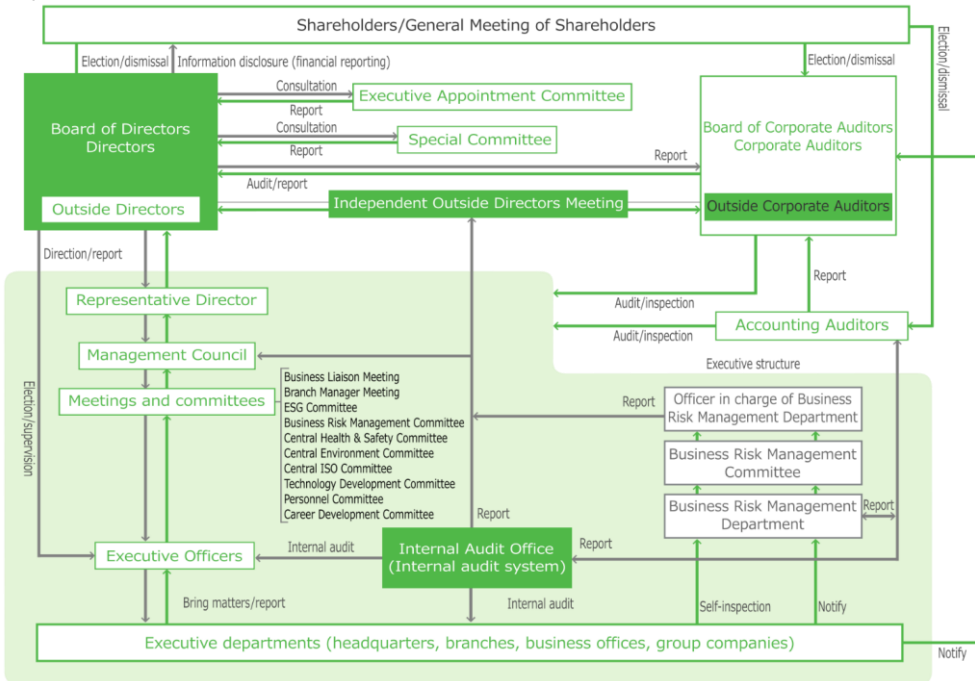
Basic Policy of Corporate Governance

The Company’s basic policy on corporate governance is to prepare and establish internal systems that ensure the rights and equal treatment of our shareholders as well as respect our relationships with stakeholders, ensure transparency through the timely disclosure of relevant information related to management, and provide continuous supervision of management with structures such as the Board of Directors and the Board of Corporate Auditors, from the perspective of ensuring sound, transparent, and efficient management.

Overview of Corporate Governance Structure

The Board of Directors has been entrusted by shareholders to promote efficient and effective corporate governance for all shareholders who seek to enhance their own interests through maximizing corporate value in the medium and long term, and to these ends, assumes responsibility for seeking sustainable growth for the Company and maximizing corporate value in the medium and long term in turn. In addition, at least two Outside Directors who present no risk of conflicts of interest with ordinary shareholders are appointed to enhance the objectivity and neutrality of the management supervisory function of the Board of Directors. The Company has adopted the structure of a company with a board of Corporate Auditors. The Board of Corporate Auditors consists of four Corporate Auditors, one of whom is a Standing Inside Corporate Auditor well versed in corporate operations, and with at least one of the four Corporate Auditors possessing appropriate knowledge of finances, accounting, and legal matters. In addition to the Standing Inside Corporate Auditor, three Outside Corporate Auditors (including one Standing Outside Corporate Auditor and one Corporate Auditor who is designated as Independent Outside Directors) are appointed to establish a structure that enables the management supervisory function to be demonstrated to the fullest extent from an independent outside perspective that is objective and neutral while still maintaining an understanding of all corporate operations.

[Corporate Governance Structure]



As of June 24, 2022

[Expertise possessed by directors]

Name	Position at the Company	Areas of expertise expected by the Company							
		Corporate management and management strategy	Knowledge of the industry (technological and sales)	Global experience	DX and research and development	Finances and accounting	Legal matters, compliance, and risk management	Human resources, labor, and personnel development	Sustainability
Toshiyuki Ishii	Representative Director President	●	●	●	● (ICT)			●	●
Toyoji Sone	Representative Director Executive Vice President	●		●		●	●	●	●
Kaoru Ito	Director Senior Managing Officer		●	●				●	●
Toshihiko Kasai	Director Executive Officer				● (ICT/DX)	●			●
Taku Matsumoto	Outside Director					●	●		
Nozomu Morimura	Outside Director	●		●			●		

Note: The above list includes the areas each director can best exercise their expertise in light of their respective experience, and is not meant to be a comprehensive list of all forms of expertise they may possess.

[Directors and Corporate Auditors’ activities and reasons for appointment, etc. in FY2021]

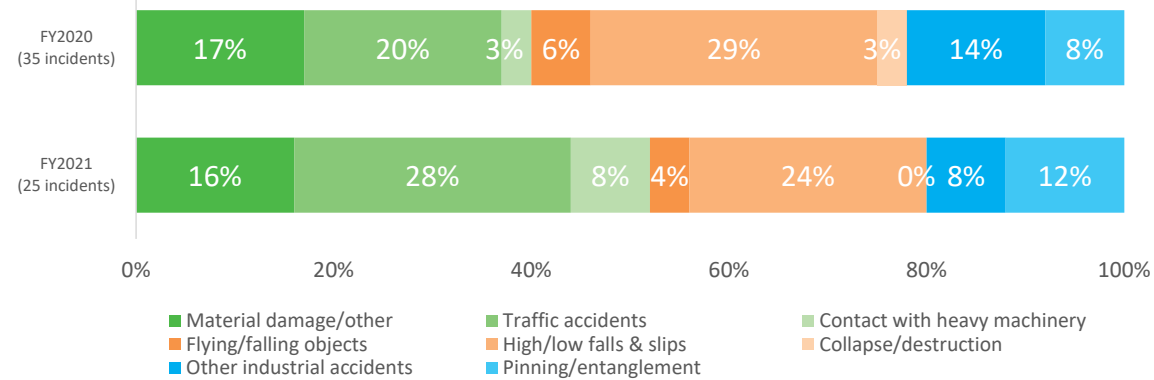
Name	Position at the Company		Record of Attendance at Board of Directors/Corporate Auditors Meetings	Years of Office	Reasons for Appointment, etc.
Toshiyuki Ishii	Representative Director President		11 times out of 11	6 years	Since joining the Company, he has been involved in the Company’s construction business, and possesses abundant experience and highly specialized knowledge gained through his experience on work sites. He fulfills his responsibilities with leadership and determination that he exercises with the goal of improving the Group’s corporate value.
Toyoji Sone	Representative Director Executive Vice President		11 times out of 11	2 years	While working at Shimizu Corporation, he worked as a Managing Officer in charge of Finance & Accounting, among other positions, and in 2020 he was appointed to be Director and Senior Managing Officer of the Company. He possesses broad experience and an abundance of specialized knowledge regarding finances and management in the construction industry.
Kaoru Ito	Director Senior Managing Officer		11 times out of 11	3 years	Since joining the Company, he has been involved in the Company’s construction business, and possesses abundant experience and highly specialized knowledge gained through his experience on work sites. He has a record of achievements having supervised the Business Department as the General Manager of Business Division .
Toshihiko Kasai	Director Executive Officer		9 times out of 9*	1 year	He has served as General Manager of the Corporate Planning Department as well as President of a subsidiary of the Group, thus granting him significant experience and expertise regarding management.
Taku Matsumoto	Outside Director	Outside Independent	11 times out of 11	3 years	He possesses significant experience, expertise and an independent standpoint obtained through his work as an attorney, and is expected to fulfill his role in improving the transparency and supervisory functions of the Board of Directors while providing accurate recommendations based on his objective and professional knowledge.
Nozomu Morimura	Outside Director	Outside Independent	—	Newly appointed	He possesses substantive experience and expertise as a manager of listed corporations, and it has been determined that his qualifications for supervising management from a neutral and objective standpoint while maintaining a high degree of independence will assist him in improving the transparency and supervisory functions of the Board of Directors.
Yasunori Kusuda	Standing Corporate Auditor		9 times out of 9* 10 times out of 10*	1 year	He has served as General Manager of the Corporate Planning Department as well as President of a subsidiary of the Group, and possesses significant experience and expertise regarding corporate management. It has been determined that he is qualified to audit the execution of duties by Directors from an objective and fair standpoint.
Yoshinari Dendo	Standing Outside Corporate Auditor	Outside	9 times out of 9* 10 times out of 10*	1 year	While working at Shimizu Corporation, he worked as Executive Officer and General Manager of the Human Resources Dept., and possesses significant experience and expertise regarding the construction industry. It has been determined that he is qualified to audit the execution of duties by Directors.
Hidemi Fujino	Part-time Outside Corporate Auditor	Outside Independent	11 times out of 11 12 times out of 12	2 years	It has been determined that he is qualified to audit the execution of duties by Directors from an objective and neutral standpoint as an Outside Corporate Auditor by leveraging his significant experience with finances and taxation as a certified public tax accountant.
Yuichi Yamamori	Part-time Outside Corporate Auditor	Outside	9 times out of 9* 10 times out of 10*	1 year	It has been determined that he is qualified to audit the execution of duties by Directors from an objective and neutral standpoint as an Outside Corporate Auditor by leveraging his high degree of knowledge cultivated through his broad business experience at financial institutions, etc.

*Record of attendance since taking office in June 2021

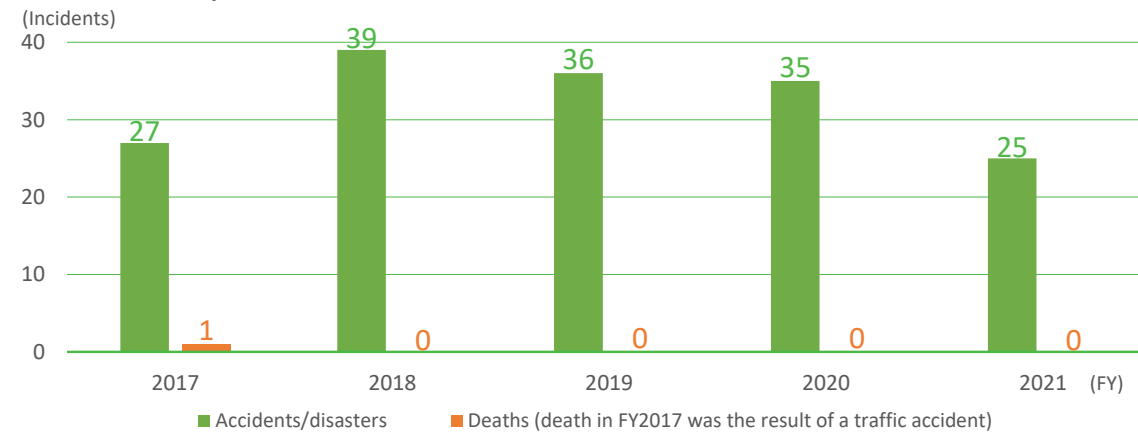
Efforts for occupational health and safety

In order to provide high-quality construction, products, and services, we believe that it is important to protect the lives and health of workers and to create a safe and secure work environment. We aim to achieve zero fatalities, serious accidents, and public accidents under our basic management policy of "thorough safety first".

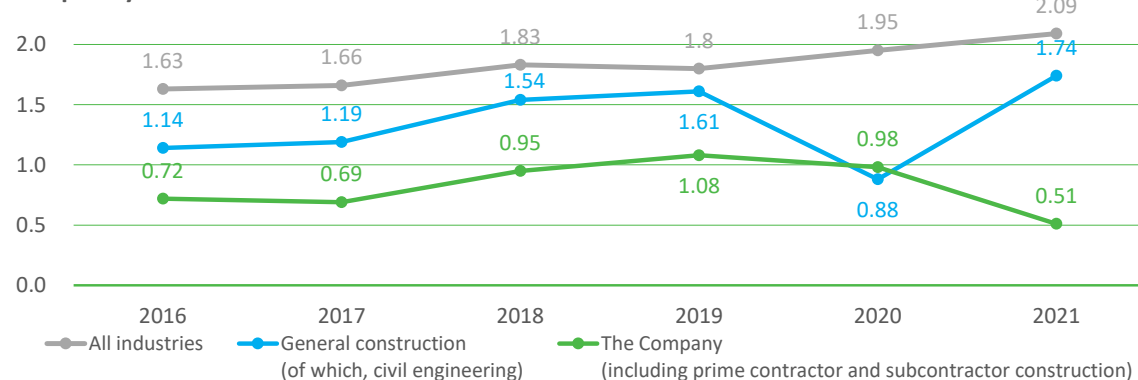
Breakdown of accidents & disasters by cause



Rate of accidents/disasters



Frequency of industrial accidents



※All industries and general construction (of which, civil engineering) aggregated as one or more days of suspended operations in the calendar year
The Company (including prime contractor and subcontractor construction) aggregated as four or more days of suspended operations in the fiscal year (April to March)

Source: "Survey on Industrial Accidents in 2021," Ministry of Health, Labour and Welfare

Utilizing Human Capital

At the NIPPON ROAD Group, we consider our people to be our most important asset, and no matter how far technology advances, we believe that recognizing the fact that human power is directly connected to on-site capabilities is both necessary and essential for providing high-quality construction, products, and services. We are working on various measures to bring out the full potential of each individual's abilities and create sustainable corporate value.

Respecting Human Rights and Promoting Diversity

In April 2022, we formulated the Basic Human Rights Policy of the NIPPON ROAD Group with the aim of creating a lively and energetic workplace where each officer and employee recognizes diversity in terms of gender, age, nationality, disabilities, etc., and respects the human rights of all stakeholders. The Company has been working on harassment prevention centered around our basic philosophy and guideline on compliance identified in the statement "Respect for the Human Rights and Lifestyles of All People." Moving forward, we will continue to inspire a corporate culture that revolves around respecting human rights under this Policy as we strive to create work environments where employees can feel healthy and safe in both physical and mental senses.

Basic Human Rights Policy

1. Guarantee occupational health and safety

We will endeavor to ensure the health and safety of all workers by creating a comfortable workplace environment and improving working conditions.

2. Limit overwork and reduce overtime hours

We will endeavor to limit overwork and reduce overtime hours as we promote work-life balances with consideration for the health and wellbeing of all workers.

3. Prevent harassment

We will work to create safe and comfortable workplace environments that refuse to tolerate harassment and are defined by mutual respect by and for all workers.

4. Prohibit child labor and forced labor

We will not condone child labor or forced labor in any form.

5. Prohibit discrimination

We prohibit any discrimination based on race, gender, nationality, sexual orientation, gender identity, disabilities, etc., and will endeavor to ensure fair treatment in all recruiting and employment.

Communicating about situations involving human rights

The Group has prepared the "Guidelines for Preventing Harassment and Human Rights Violations" to compose responses to situations that may include complex circumstances involving violations of human rights and various types of harassment, such as sexual harassment and power harassment, and delivers guidance and education on these subjects by providing appropriate training, etc. In addition, we have established both internal and external counseling hotlines and accept outside reports and consultations via the Company's website. After conducting an investigation to confirm the facts of internal reports and consultations, the Company will subsequently take suitable measures to prevent recurrence as necessary, which may include employee reassignment, providing psychological care for victims, reprimanding perpetrators, etc.

Employing people with disabilities

The Company actively hires new employees with the goal of retaining them in fitting positions after they are recruited, and do so through efforts that include accepting applications for practical internships and training and providing workplace environments which can accommodate the needs presented by each individual's disability.

Employment rate
*As of June 1, 2022

3.3%
(Legally mandated
employment rate: 2.3%)

Promoting international employees, accepting technical interns

The Company maintains fairness and impartiality in the hiring process without discrimination based on nationality, and international employees play an active role in central departments of our headquarters and on the front lines at work sites.

Under the Technical Intern Training Program, eight regional paving companies in the Kitakanto, Tohoku, and Hokkaido regions have accepted a total of 23 technical interns (as of August 2022), and preparations are being made to accept technical interns at regional paving companies in the Chubu and Kansai regions as well. We believe that providing interns the opportunity to acquire technical skills at the Group and return to participate actively in their home countries allows us to contribute to the training of human resources and economic advancement in developing countries.



Environmental Vision

Our Responsibility

Preserving a bountiful & beautiful earth for the next generation

– Contribute to sustainable roads and urban development by reducing negative environmental impact –

In addressing the current environmental issues, people all around the world are primarily focusing on efforts to prevent global warming. In Japan, the government has pledged to become carbon neutral by 2050, and companies will find it necessary and essential to engage with this decarbonized society in their business activities. In August 2021, the NIPPON ROAD Group formulated the environmental vision “Nichido Blue & Green Vision 2050,” setting its sights on the year 2050.

Nichido Blue & Green Vision 2050

“Nichido Blue & Green Vision 2050” sets forth the Group’s Standards of Conduct, which is built on the three pillars of establishing a recycling-oriented society and considering biodiversity in addition to achieving carbon neutrality. The Company is dedicated to providing environmental value to all stakeholders while still contributing to a sustainable global environment by ensuring the Group’s officers and employees maintain a correct understanding of these Standards of Conduct and take it upon themselves to work toward resolving issues.

In maintaining our status as a company that promotes sustainable “urban development starting with roads” far into the future, in order to respond to the multifaceted impact of climate change and contribute to realizing a decarbonized society by 2050, in accordance with our Standards of Conduct, we are committed to reducing CO2 emissions that result from our business activities.



50% reduction by 2030
(Compared to FY2013)

Carbon neutrality by 2050

In addition, we will ensure that waste produced in all business activities is sorted appropriately and further promote the 3Rs in fulfilling our responsibility to pass on the blessings of Earth’s limited natural resources to the next generation. Likewise, we are committed to understanding the value of biodiversity and the importance of conservation, and fully engage in activities related to ecosystem conservation so that we may impart that benefit to the next generation.

As an Environmentally-Advanced Company



In February 2022, the NIPPON ROAD Group was certified by the Ministry of the Environment as the first Eco-First Company in the road pavement industry. Under the Eco-First Program, companies declare their commitment to conducting advanced and unique business activities that lead the industry in the field of the environment as their Eco-First Commitments, which are certified by the Minister of the Environment. The NIPPON ROAD Group will implement four initiatives in adhering to the Eco-First Commitments in concert

with following the environmental vision as an environmentally-advanced company, and continue to fulfill our responsibility to pass on a sustainable society to the next generation.

Eco-First Commitments

- 1 Promote reduction of total CO2 emissions through business activities and contribute to achieving carbon neutrality and a decarbonized society by 2050.
- 2 Contribute to establishment of a society further oriented around recycling through reduction of waste generation and technology development.
- 3 Ensure due consideration to the conservation of biodiversity and ecosystems in all business activities while promoting initiatives that emphasize coexisting harmoniously with nature.
- 4 Guarantee each officer and employee engages in environmental conservation activities in striving to remain a company that values “people,” “society” and the “environment.”



Certification ceremony
Left: Tokutaro Nakai, Vice-Minister of the Environment (at time of picture)
Right: Hiromitsu Hisamatsu, Representative Director and President (at time of picture)

Achieving Carbon Neutrality

Fuel, etc. consumption

Item			Department		Type							
					Heavy oil		City gas		Diesel fuel		Electricity	
					FY2020	FY2021	FY2020	FY2021	FY2020	FY2021	FY2020	FY2021
Major energy consumption	Manufacturing and sales departments	Manufacture of mixtures and renewable materials	22,305kl	20,418kl	2,575 thousand m³	2,568 thousand m³	1,683kl	20,418kl	43,990 MWh	45,050 MWh		
	Construction departments	Construction work	—	—	—	—	872kl	905kl	—	—		
	Administration and management departments	Office operations	—	—	10 thousand m³	10 thousand m³	430kl	509kl	4,510 MWh	4,720 MWh		
	Total		22,305kl	20,418kl	2,585 thousand m³	2,578 thousand m³	2,985kl	2,918kl	48,500 MWh	49,770 MWh		

CO2 emissions

Item	Department	Details	CO2 emissions		(Reference) Compared to FY2013	
			FY2020	FY2021	FY2020	FY2021
CO2 emissions	All	Reduce fuel consumption Reduce energy consumption	94,513t-CO2	89,492t-CO2	-20.7%	-24.9%

Challenge Zero Roadmap



"Challenge Zero" initiatives

Among the businesses of the Company, the material sales business in particular suffers from a high level of CO2 emissions, and there is an imperative need to improve on this business in order to work toward achieving carbon neutrality by 2050.

Warm Mix Asphalt (WMA) pavement is a generic term for technology that allows manufacturers to produce asphalt mixtures for use at construction sites or during construction work at temperatures that are about 30° C lower than conventional methods. This technology is able to reduce fuel consumption amounts and CO2 emissions at the same time. The Company is working to further advance this innovation by developing heating methods that use electricity energy (microwaves)

instead of fossil fuels, aiming toward the future target of enabling the production of asphalt mixtures with zero CO2 emissions. This long-term initiative is the primary theme that the Company has committed itself to in “Challenge Zero (Challenge Net Zero Carbon Innovation),” a concept promoted by the Japan Business Federation (KEIDANREN) in aiming to realize a decarbonized society, and we are taking on this challenge through a collaborative relationship with industry, government, and academia toward the development of “Low-temperature Mixing Technology of Asphalt Pavement Material That Does Not Use Fossil Fuel.”

TCFD

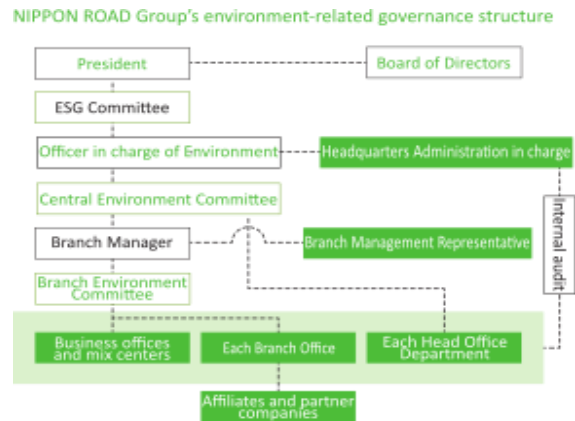
Identifying the Impact of Climate Change and Disclosing Information



The NIPPON ROAD Group considers the need to adopt measures for climate change to be one of the most important management issues it faces from the perspective of ESG management. The Company will appropriately identify and analyze the transitional and physical risks and opportunities presented by climate change and reflect the relevant countermeasures in management and business strategies. Furthermore, the Company has determined that the disclosure of this information to our stakeholders will lead to improving corporate value and sustainable growth, and has endorsed the Recommendations of TCFD and joined the TCFD Consortium in October 2021.

Governance/Risk Management

The Group recognizes that environmental issues, including the impact of climate change, are a particularly serious subject not only in business operations but from the perspective of their importance to stakeholders for realizing a sustainable society through initiatives such as the prevention of global warming, promotion of resource recycling, and conservation of biodiversity. Climate-related risks that are expected to diversify even further in the future are reported and deliberated on by the ESG Committee, and specified risks are evaluated by the Central Environmental Committee. In this way, we seek to integrate a unified climate-related risk management system across the entire Group. In the management of climate-related risks, officers in charge of Safety Administration and Environment on work sites and in business offices, in addition to those at each branch department, are tasked with gathering information on risks as well as communicating information and providing education on policies and decisions made to prevent risks, thereby establishing a system for inspecting climate-related risks at work sites and in business offices as well as each branch department. Environmental patrols at each headquarters department and branch department also serve to monitor the status of the implementation of these measures.



Strategy

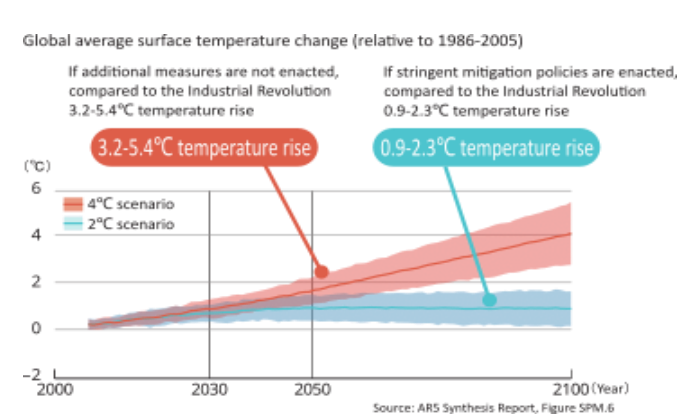
The Group identifies risks and opportunities from climate change that are applicable to the entire value chain, from material procurement and production to construction and supply, and has defined two scenarios, the “4° C scenario” and the “under 2° C scenario,” using the scenarios published by the IPCC*1 and the IEA*2 on the degree of impact on business and relevant countermeasures. We are also analyzing and studying the potential impact on the Group as of 2030 under each of these worldviews.

*1 IPCC: Intergovernmental Panel on Climate Change *2 IEA: International Energy Agency

NIPPON ROAD Group's main risks and opportunities related to climate change						
Definition	Risks/ Opportunities	Projected factor	Projected result	Evaluation		Current measures, measures under consideration for future implementation
				2°C	4°C	
Impact of transition to decarbonized economy	Risks	Increasingly strict laws and regulations	● Construction business and material sales business limited due to restrictions on total CO ₂ emissions permissible ● Capital investment to reduce CO ₂ emissions increases	Big	Small	● Electrification of construction machinery, manufacturing mixtures with electric heating systems
		Introduction of carbon tax	● Cost of measures for CO ₂ emissions in manufacture of asphalt mixtures increases ● Taxation of CO ₂ emissions from on-site operations, expenditures increase	Big	Small	● Increase use of warm pavement, develop mixture manufacturing technology that does not emit CO ₂ ● Establish targets for reduced CO ₂ emissions and promote reduction measures
		Increase in asphalt prices	● Asphalt prices soar due to decline in global demand for oil	Medium	Big	● Promote development of alternative asphalt binders
	Opportunities	Increased construction related to environmental measures	● Construction related to renewable energy generation increases	Big	Small	● Boost sales for maintenance and repair of existing facilities and energy-saving renovations
Physical consequences of climate change	Risks	Additional heat waves due to rising temperatures	● Danger of heat stroke increases and working outdoors becomes more difficult ● Impact on road paving increases due to rising temperatures	Medium	Big	● Ensure thorough health management for working employees ● Automation/unmanned capabilities for construction machinery utilizing ICT ● Develop asphalt mixtures with low paving temperatures
		Increase in abnormal weather events such as large typhoons and torrential rains	● Delayed construction periods and increased costs due to adverse weather conditions ● Construction sites, asphalt mixture manufacturing plants, etc. damaged by disasters ● Suppliers damaged by disasters, supply of raw materials interrupted	Medium	Big	● Advanced detection of meteorological information, process management and personnel distribution ● Confirmation of hazard maps ● Countermeasures established in event of flooding facilities
	Opportunities	Technology for countering global warming	● Demand for warm pavement increases ● Manufacturing technology for asphalt mixtures that do not use fossil fuel increases	Big	Medium	● Expand supply system for WMA pavement ● Practical application of manufacturing asphalt mixtures that do not use fossil fuel
		Renovation of social infrastructure, building national resilience	● Needs for rain-resistant pavement technology and rainwater harvesting systems increase ● Needs for pavement to be high-durability and long-life increase	Big	Medium	● Interlocking block (ILB) pavement with hyper-water-retaining properties, rainwater runoff control systems ● Expand on high-durability, long-life pavement methods

Financial impact evaluation as of 2030 (by scenario)

In estimating the financial impact on the Group as of 2030, the 4° C scenario presented the greatest impact with soaring prices of fossil fuel and raw materials for asphalt against a backdrop of progressively increasing demand for fossil fuels, etc. In comparison, with the under 2° C scenario, the most pronounced effect is projected to result from an increase in business operating costs due to the introduction of a carbon tax. The Company will integrate the results from analyzing these scenarios into our strategy and build resilience against climate change as an organization.



4°C scenario
Soaring prices for fossil fuel and raw materials for asphalt are projected to persist against the backdrop of progressively increasing demand for fossil fuels, etc. In addition, direct damage is also expected to result from an increase in physical risks as a consequence of an increasing severity of abnormal weather events such as typhoons and torrential rain. However, demand for construction projects in the areas of disaster mitigation and prevention is expected to increase at the same time.

Under 2°C scenario
Costs of on-site operations are projected to increase due the introduction of carbon taxes and soaring electricity prices, but construction projects that involve renewable energy-related facilities are expected to increase at the same time. Although the amount of physical damage resulting from weather-related disasters is half of the figure presented in the 4° C scenario, in both scenarios, the risk of heat stroke and the chronic rise in temperatures is projected to have the same degree of impact in decreasing labor efficiency.

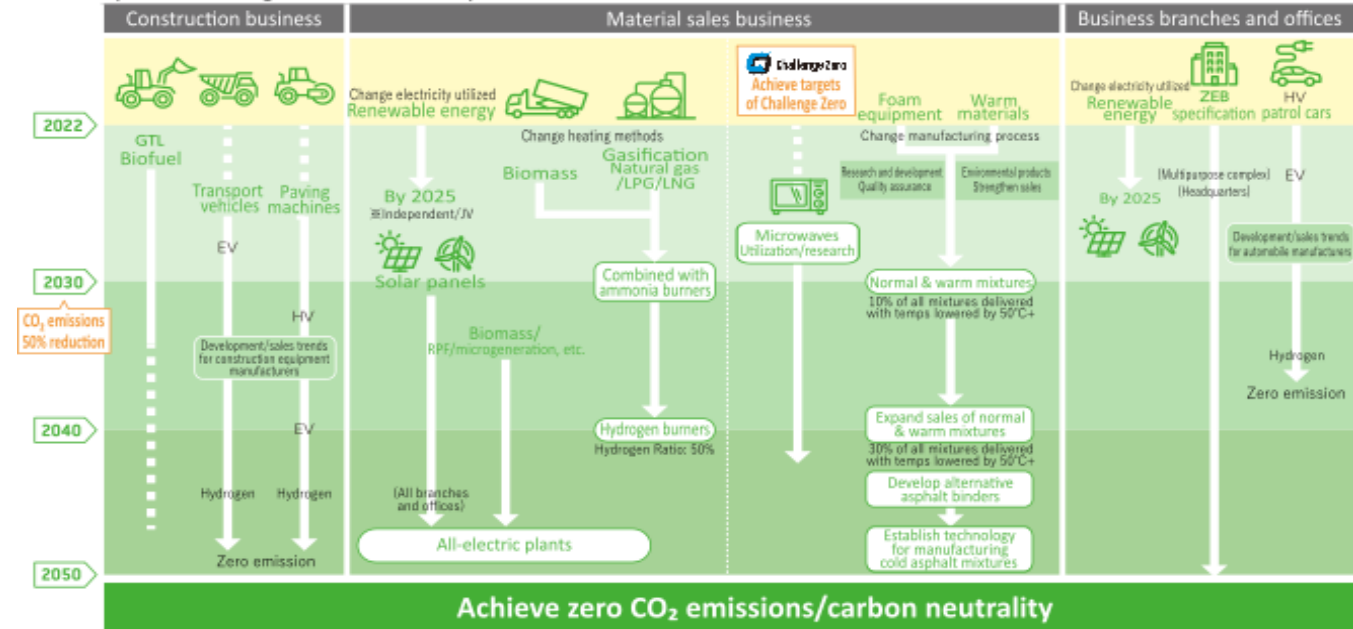
Indicators & Targets

In the Group’s environmental vision “Nichido Blue & Green Vision 2050” and the Eco-First Commitments made to the Minister of the Environment, we have established a set of medium-term targets for 2030 based on the SDGs and long-term targets for 2050 based on the goals of the Paris Agreement in committing to reduce CO2 emissions by 50% and 100%, respectively, and will strive to reduce CO2 emissions in the business activities of the Group. While taking an incremental approach to reviewing our long-term targets for reducing CO2 emissions, we will promote initiatives based on our Standards of Conduct in relation to the measures for climate change set forth in our environmental vision to ensure that we achieve our reduction targets.

Base year	Scope	Short term	Medium term	Long term
		FY2023	FY2030	FY2050
2013	Scope 1*1/2*2	-20%	-50%	-100%

*1 Scope 1: Direct emissions of greenhouse gas by business (fuel combustion, industrial processes)
*2 Scope 2: Indirect emissions from use of electricity, heat and team supplied by other companies

Roadmap to achieving carbon neutrality in 2050



Financial Status

Financial and Non-Financial Highlights

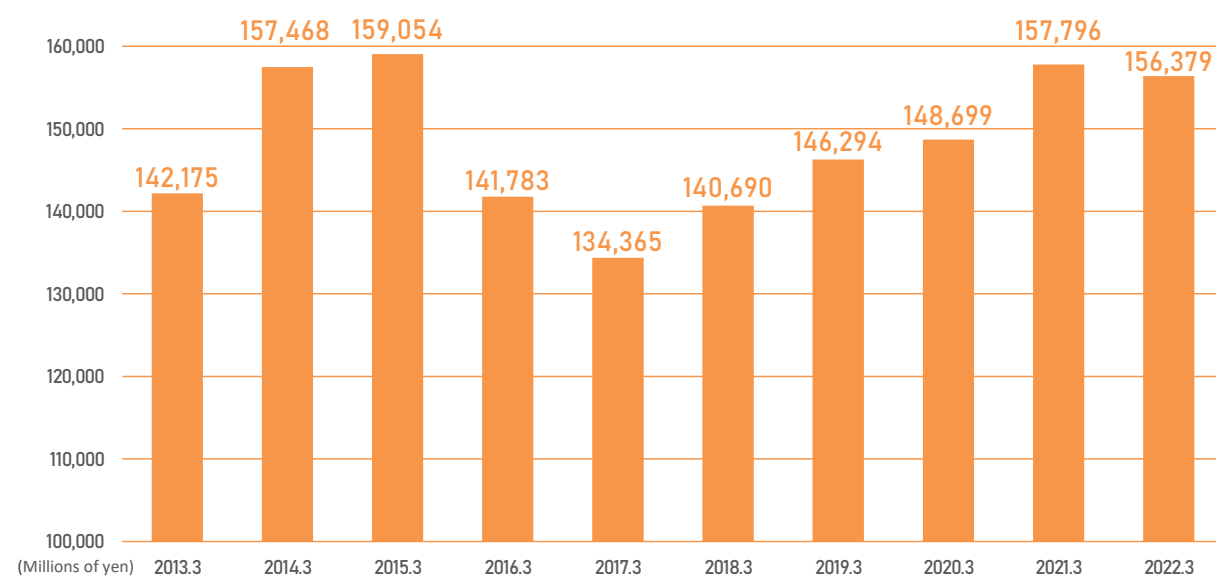
Unit: Millions of yen

	Fiscal Year ended March 31, 2013		Fiscal Year ended March 31, 2014		Fiscal Year ended March 31, 2015		Fiscal Year ended March 31, 2016		Fiscal Year ended March 31, 2017		Fiscal Year ended March 31, 2018		Fiscal Year ended March 31, 2019		Fiscal Year ended March 31, 2020		Fiscal Year ended March 31, 2021		Fiscal Year ended March 31, 2022	
Operating results (fiscal year)																				
Amount of orders received	144,778		155,094		151,382		150,816		132,587		150,672		155,012		154,772		165,563		147,188	
(of which, amount of orders received for construction business)	114,945		121,336		119,690		120,316		103,588		121,237		127,024		126,322		136,764		120,340	
Net sales																				
Construction contracts	112,342		123,710		127,362		111,283		105,365		111,255		118,307		120,250		128,997		129,532	
Products	24,281		28,063		25,337		23,053		22,297		22,014		20,719		20,955		21,209		20,217	
Leasing business	4,467		4,436		4,929		4,852		5,164		5,835		5,427		5,493		5,647		5,311	
Other	1,083		1,258		1,425		2,594		1,537		1,585		1,840		2,000		1,941		1,319	
Total net sales	142,175		157,468		159,054		141,783		134,365		140,690		146,294		148,699		157,796		156,379	
Gross profit	9.9%	14,127	11.3%	17,756	12.6%	20,077	13.5%	19,115	12.3%	16,587	11.1%	15,639	10.9%	15,983	10.7%	15,867	12.2%	19,298	10.9%	16,968
Selling, general and administrative expenses	5.7%	8,151	5.4%	8,501	5.7%	9,118	6.5%	9,237	6.9%	9,301	6.3%	8,897	5.6%	8,219	5.6%	8,351	5.4%	8,521	5.7%	8,765
Operating income	4.2%	5,976	5.9%	9,254	6.9%	10,958	7.0%	9,878	5.4%	7,286	4.8%	6,742	5.3%	7,764	5.1%	7,515	6.8%	10,776	5.2%	8,202
Ordinary income	4.7%	6,637	6.0%	9,509	7.3%	11,610	6.9%	9,748	5.6%	7,566	5.2%	7,284	5.6%	8,160	5.3%	7,853	7.2%	11,293	5.5%	8,582
Profit attributable to owners of parent	2.7%	3,894	3.4%	5,417	4.5%	7,226	3.5%	4,906	3.3%	4,451	1.0%	1,449	3.1%	4,550	4.6%	6,792	4.8%	7,598	3.6%	5,667
Capital expenditure amount	4,821		3,976		4,802		4,277		4,209		6,439		4,375		6,118		4,656		4,812	
Depreciation amount	3,447		3,558		3,183		3,383		3,624		3,770		3,739		3,758		4,018		3,857	
Experiment and research expenses	349		344		366		452		462		451		434		483		451		478	
Financial position (at end of fiscal year)																				
Net assets	59,851		64,776		71,710		74,609		77,869		77,758		81,003		85,486		92,233		95,006	
Total asset	128,656		142,165		144,299		141,752		141,335		147,783		151,341		145,974		152,917		152,194	
Cash flows (fiscal year)																				
Cash flows from operating activities	7,983		9,967		7,258		7,823		7,435		8,333		4,393		4,922		8,155		2,360	
Cash flows from investing activities	(4,609)		(3,930)		(4,657)		(4,234)		(3,900)		(4,852)		(4,619)		(5,171)		(4,904)		(5,140)	
Cash flows from financing activities	(1,400)		(939)		(1,466)		(2,387)		(1,836)		(1,266)		(1,320)		(1,760)		(1,584)		(3,788)	
Cash and cash equivalents at end of period	27,215		32,413		33,641		34,698		36,349		38,631		37,061		35,052		36,691		30,158	
Per share information (Yen)																				
Net assets	6,789.98		7,349.12		8,134.97		8,469.43		8,838.55		8,824.68		9,200.63		9,711.75		10,478.50		10,793.58	
Profit attributable to owners of parent (EPS)	442.14		615.45		821.17		557.65		506.35		164.88		517.72		772.77		864.46		644.82	
Dividends	100		160		250		170		150		150		200		180		260		210	
Financial index (%)																				
Equity-to-asset ratio	46.5		45.5		49.6		52.5		55		52.5		53.4		58.5		60.2		62.3	
Return on equity (ROE)	6.7		8.7		10.6		6.7		5.9		1.9		5.7		8.2		8.6		6.1	
Payout ratio	22.6		26		30.4		30.5		29.6		91		38.6		23.3		30.1		32.6	
Non-financial index (non-consolidated)																				
Employees at end of fiscal year (people) *Note	1,378		1,367		1,333		1,331		1,295		1,289		1,294		1,263		1,262		1,688	
Safety index Frequency of industrial accidents	1.07		1.35		1.14		0.84		0.72		0.69		0.95		1.08		0.98		0.51	
CO2 emissions (t-CO2) All departments	95,724		119,168		108,603		96,966		94,293		98,292		94,895		89,128		94,513		89,492	
Recycling rate (%)																				
Asphalt blocks	99.99		99.99		99.98		99.99		99.99		99.98		99.77		99.51		99.99		100	
Concrete blocks	99.99		100		99.99		99.99		99.98		99.03		99.87		99.97		99.98		99.99	
Materials other than specified by-products	74.3		93.59		76.48		78.34		88.22		84.25		81.54		82.7		84.37		72.31	

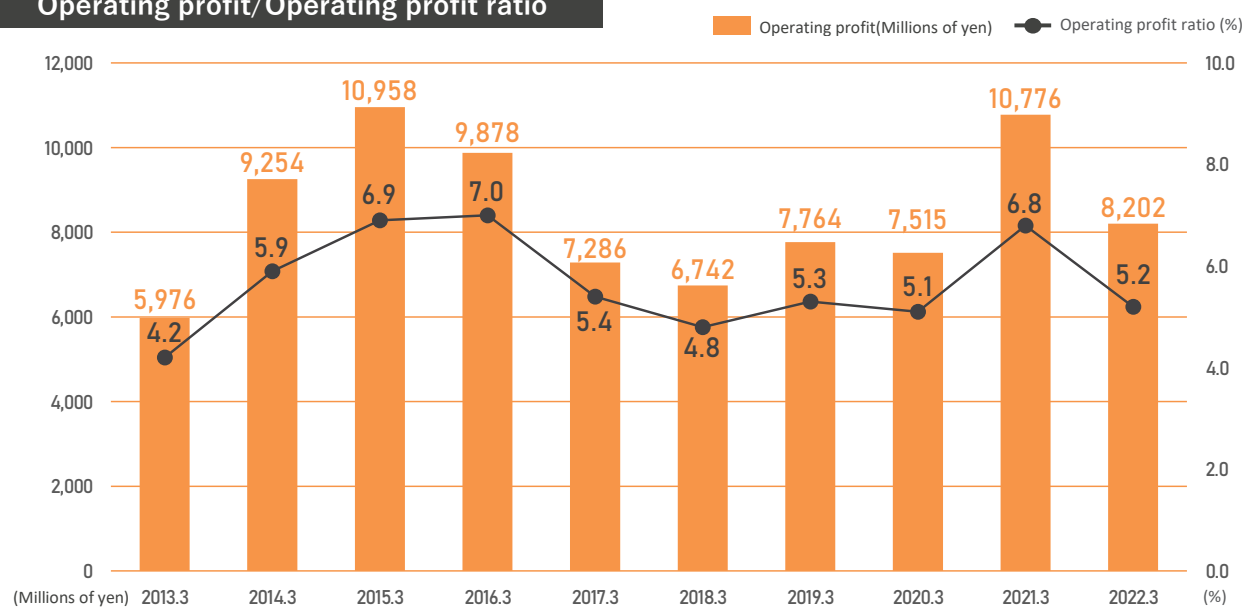
*Note: As the Company became a consolidated subsidiary of Shimizu Corporation on March 29, 2022, Temporary employees that are practically working on a full-time basis were reclassified as full-time employees from the fiscal year ended March 31, 2022, to conform to Shimizu Corporation's definition of "full-time employees."

Key Indicators

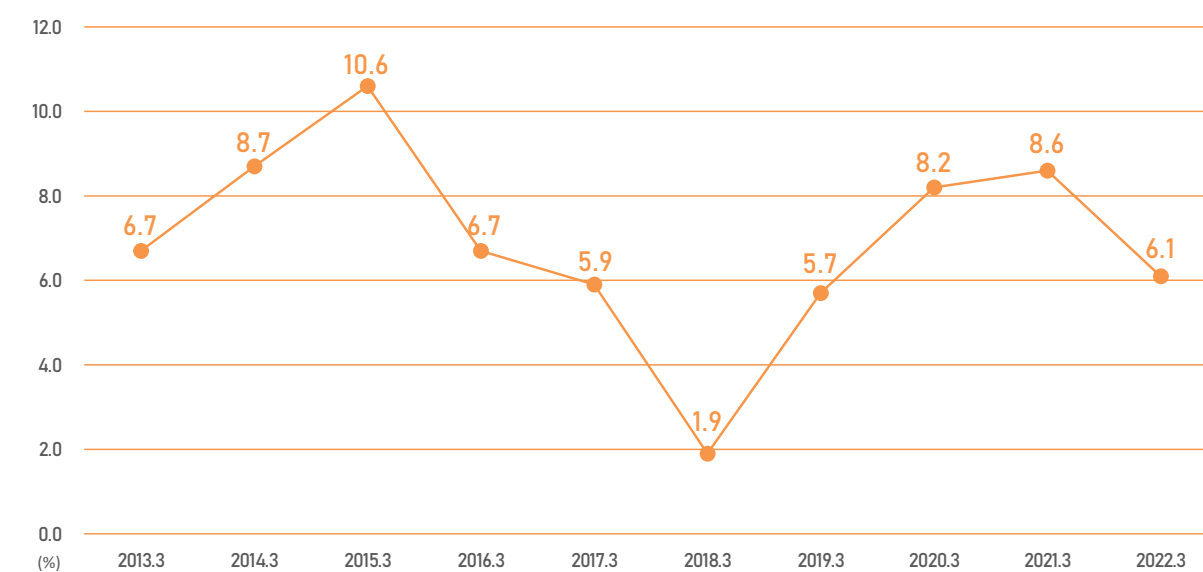
Net sales



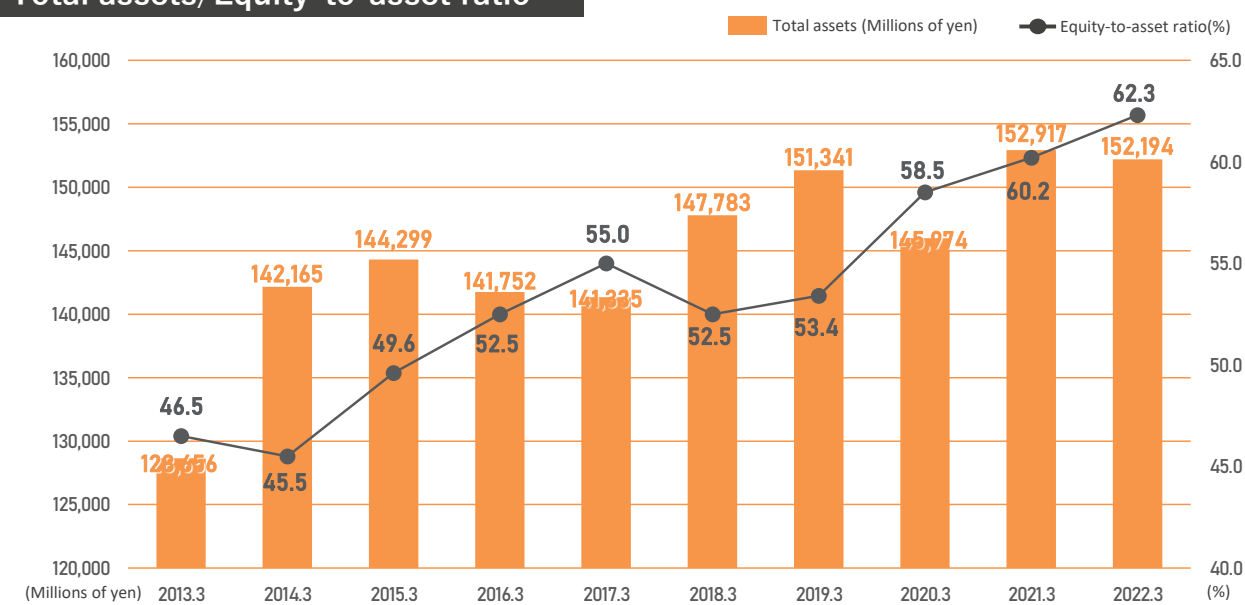
Operating profit/Operating profit ratio



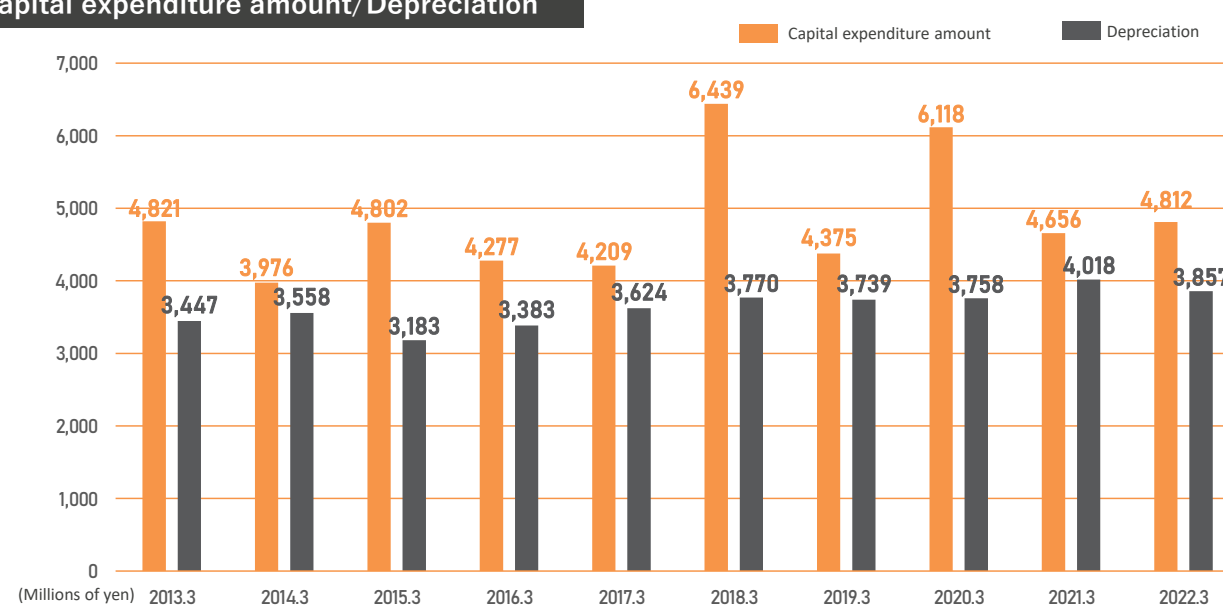
Return on equity (ROE)



Total assets/Equity-to-asset ratio



Capital expenditure amount/Depreciation



Dividend per share/Payout ratio

