

## 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 2023



道からはじまる街づくり

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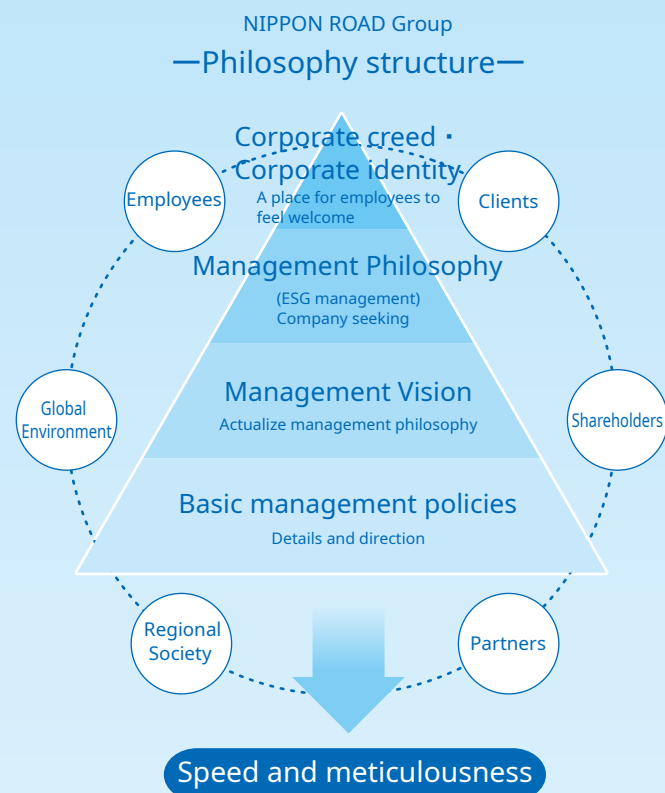
Minister of the Environment  
Certified Eco-First Company

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



The Nippon Road Group  
participates in  
the "Cool Choice" campaign.





Growth while staying profitable  
Contribute to creating a sustainable society

Shimizu Corporation  
Corporate creed

"The Analects and the Abacus"

NIPPON ROAD Group  
Corporate creed

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

Corporate identity

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

Management Philosophy

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

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"

## Contents

### Overall image of the NIPPON ROAD Group

- 2 NIPPON ROAD's Reason for Being
- 3 NIPPON ROAD's Businesses
- 4 Value Creation Chain From Technology and People

### Value Creation Story of NIPPON ROAD Group

- 6 TOP MESSAGE  
Increase synergistic effects as a member of the Shimizu Group to work toward higher quality management and a strong, agile company
- 10 Value Creation Process of NIPPON ROAD Group
- 12 Human Capital  
Diverse human resources who support tomorrow's growth by creating value from various issues
- 13 Manufacturing Capital  
Manufacturing plants across Japan enabling creation of high-quality construction
- 14 Intellectual Capital  
NIPPON ROAD Group's Technology to generate new value for people and the functions of society
- 18 Financial Capital  
Investment for sustainable corporate growth and a healthy financial foundation
- 19 Social and Relationship Capital  
Domestic and overseas network and stakeholder dialogue that serve as foundations for business expansion
- Natural capital  
Measures for sustainable road construction that reduce environmental burdens

- 20 State of progress in Mid-term Management Plan 2019 (FY2019-2023)
- 22 Construction Business
- 24 Material Sales Business
- 25 Leasing Business and Others
- 26 MESSAGE from General Managers
- 28 Synergies with Shimizu Corporation
- 30 Promotion of ESG Management
- 32 [Environment]  
Pass on a sustainable society to the next generation by fulfilling our social responsibilities for environmental issues
- 38 [Social]  
Be an active company that demonstrates the abilities and individuality of each employee with all employees health in body and mind
- 42 List of Directors
- 43 [Governance]  
Create strong foundations to remain a company that is trusted by stakeholders
- 48 Outside Director Roundtable  
The role of the Board of Directors in ESG management and human resource development to create a sustainable society

## Data Section

- 54 NIPPON ROAD Group's History of Value Creation
- 56 Financial Status
- 60 Stock Information
- 61 Corporate Profile

### Editorial Policy

The Integrated Report of NIPPON ROAD Group aims to have stakeholders gain an understanding of ESG management measures and financial and nonfinancial value toward sustainable growth. Integrated Report 2023 provides insights into the source of value creation in the Group's value creation story, growth strategies and business activities stemming from their use, and the value ultimately created with a view to the upcoming 100th anniversary of the Company's founding in 2029 and beyond. For details on management and businesses, please visit the Company's website (<https://www.nipponroad.co.jp/english/>).

### Scope of the report

THE NIPPON ROAD Co., Ltd. and its group companies

### Issued

September 2023

### Scope of reporting period

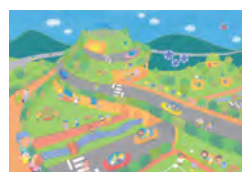
April 2022 to March 2023 in principle  
(partially includes reports on business activities outside of this period)

### Guidelines

ISO 26000 Guidance on social responsibility  
Ministry of the Environment "Environmental Reporting Guidelines 2018"  
International Integrated Reporting Council (IIRC) "International Integrated Reporting Framework"  
Ministry of Economy, Trade and Industry "Guidance for Integrated Corporate Disclosure and Company-Investor Dialogue for Collaborative Value Creation"



[Notes to forward-looking statements]  
This Integrated Report contains future plans, strategies, and forecasts and projections for business results of THE NIPPON ROAD Co., Ltd. and its group companies. These matters are based on information presently available. 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.



Cover Paralyrm Artwork Name of work "Smiles Starting with Roads" Artist matoka

The Company commissioned an original artwork under the theme of future "urban development starting with roads." Artist comment: "My family and I were overjoyed when we learned that the piece was commissioned by NIPPON ROAD. I depicted a scene where everybody is having fun with the road of the future being the key focal point."  
\*Refer to page 40 for Paralyrm Art.



Through “road creation” and “neighborhood creation”

“a company that society both trusts and wishes to persevere”

continue to be “a company that contributes to the creation of a sustainable society”

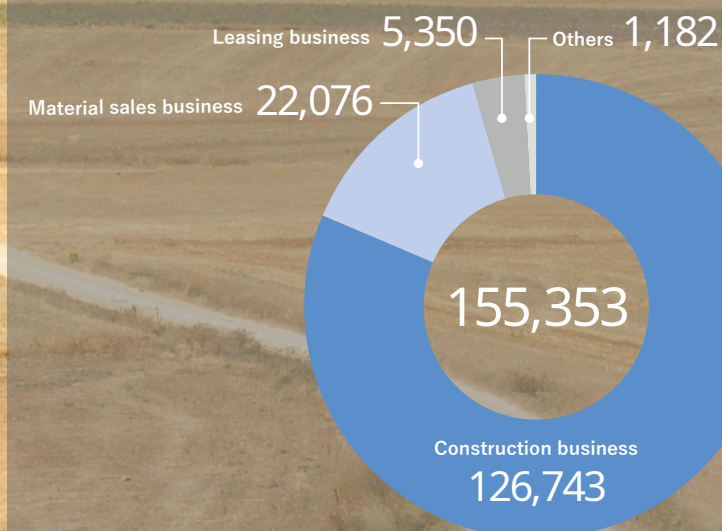
The “Routes of Santiago de Compostela” are a pilgrimage route leading to one of the three main pilgrimage sites of Christianity at Santiago de Compostela, in Galicia, Spain. The earliest recorded pilgrimage was in the year 951, and for a millennium since, many people have followed this historic route, causing it to be registered as a “road” World Heritage Site<sup>※</sup> in 1993. Currently, many people from around the world visit this road regardless of race or religion. The most famous and popular from among the many routes is called the “French Road,” which begins in a town on the border between France and Spain, crosses over the Pyrenees, and eventually reaches Santiago de Compostela after a journey of about 800km. As people walk this long path of pilgrimage, alone with their thoughts, it is said that relationships and friendships form with others of varied nationalities and backgrounds, creating a deep common bond of reaching their shared destination and forming new connections of mutual respect for each other's cultures. We at NIPPON ROAD respect the abilities and diversity of each individual, and are working step by step toward the shared destination of a “sustainable society” that lies beyond the endless road of “road creation.”

※At present, other than the Routes of Santiago de Compostela, one other road been registered as a World Heritage Site: the “The Kumano Kodo Pilgrimage Routes” that span the Wakayama, Nara, and Mie Prefectures, which were registered as World Heritage Sites in 2004 under the “Sacred Sites and Pilgrimage Routes in the Kii Mountain Range” name. NIPPON ROAD has been participating in the “Michi Bushin (Road Repair and Maintenance)” program since 2018, which comprises activities for preservation of the Kumano Kodo.

## Net Sales by Business (Consolidated)

Fiscal year ended March 31, 2023

Unit: Millions of yen



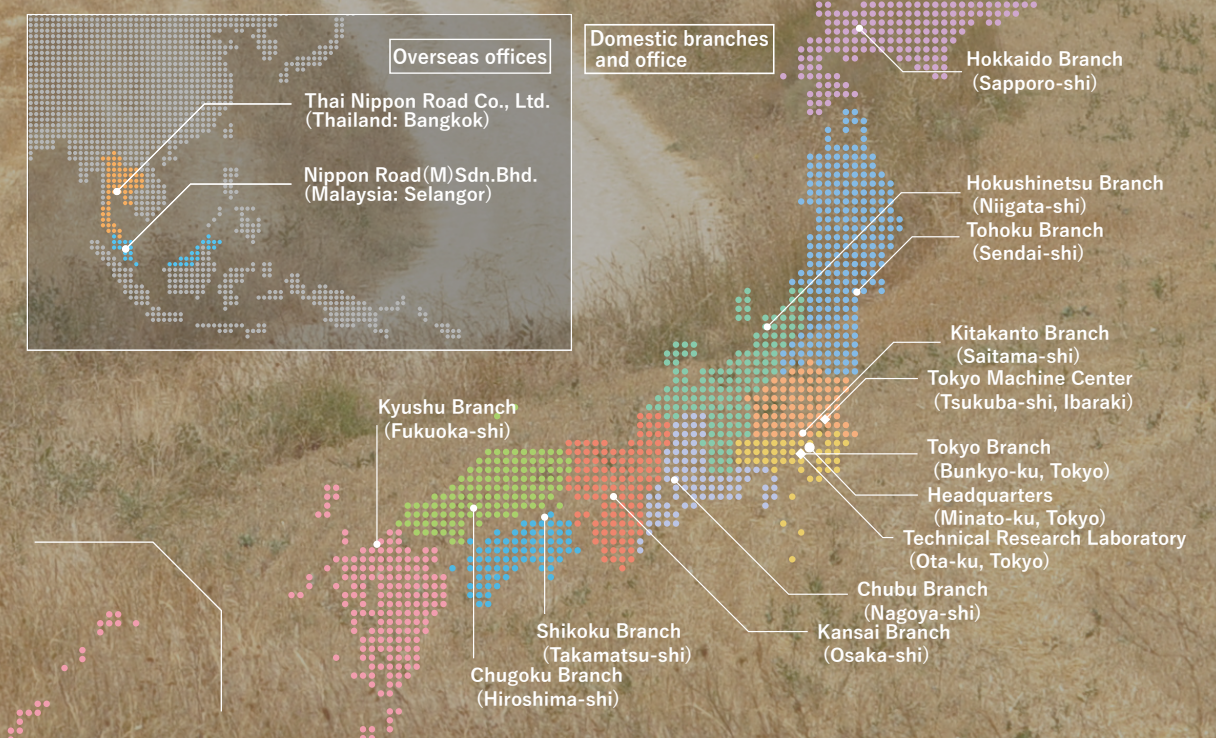
### (Reference) Breakdown of construction business

Unit: Millions of yen

|  |                |
|--|----------------|
| NIPPON ROAD (consolidated)                               | 111,285        |
| Total regional paving companies (35 companies)           | 17,937         |
| Overseas offices   | 2,256          |
| Domestic subsidiaries under direct control (2 companies) | 598            |
| <b>Total</b>   | <b>132,078</b> |
| Consolidated eliminations                                | -5,335         |
| <b>Construction business total</b>                       | <b>126,743</b> |

## Branches and Offices

As of September 2023

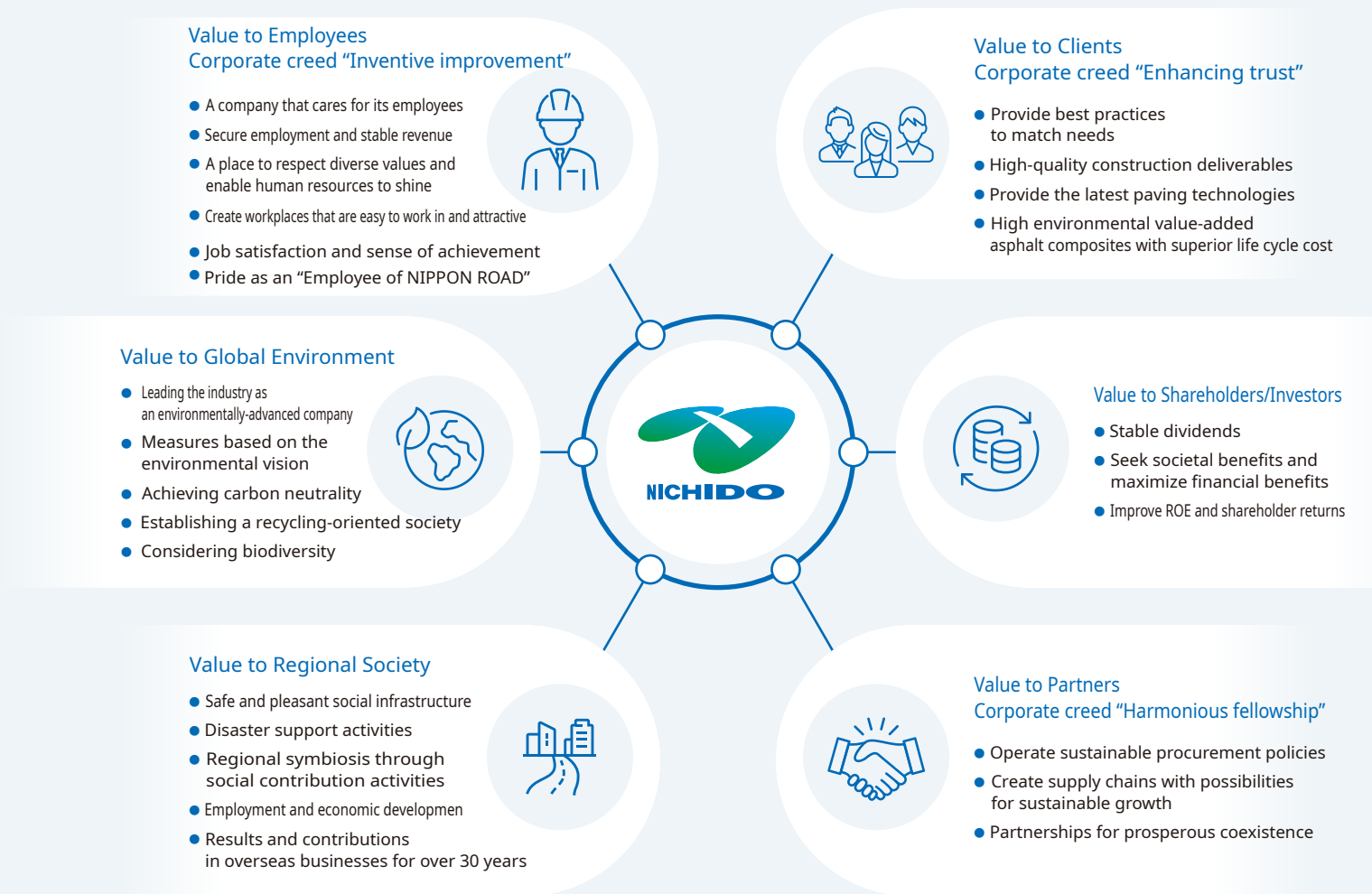




# Value Creation Chain From Technology and People

The knowledge we have gained through technologies developed in response to changing times and societal needs are significant assets to NIPPON ROAD. In the construction industry as well, where DX is rapidly progressing in areas such as ICT construction, it is “people” who act in discerning customer needs and responding to the needs of society.

Value is created only when technology is used by these “people.” At NIPPON ROAD, we will continue to create value not only in the business areas of the construction business and material sales business, but by reforming our organization and corporate culture and climate in response to the times.



Technology × People = Our Value



## What NIPPON ROAD strives to be

The people who decide on whether or not the NIPPON ROAD Group's various activities generate “value” are the stakeholders surrounding the Company.

If the stakeholders cannot sense value, then this is a risk to business.

We aim to have stakeholders feel various value and create a value cycle where this sense serves as the “source” of growth for the Group, leading to growth and development alongside our stakeholders.



## Increase synergistic effects as a member of the Shimizu Group to work toward higher quality management and a strong, agile company

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

Toshiyuki Ishii

Photographed at MUFG PARK (Nishitokyo-shi, Tokyo)

Creating synergistic effects in the private sales,  
large-scale civil engineering, and R&D sectors in the  
year since becoming a member of the Shimizu Group

—One year has passed since you assumed the  
role of President. Please give an overview of  
your experiences over the past year.

**Ishii:** Since I was appointed Representative Director and President in April 2022, I moved forward with management based on the Mid-term Management Plan 2019, which has FY2023 as the final year. Additionally, the Company became a consolidated subsidiary of Shimizu Corporation on March 29, 2022, and as a result, we made progress in considering what types of cooperative initiatives we could embark on in the future to create synergies with the Shimizu Group while still maintaining our management independence. I think we made good progress in our first fiscal year under this structure.

—What specific cooperative initiatives are you  
considering with Shimizu Corporation?

**Ishii:** First, regarding strengthening sales, we are looking to increase opportunities for receiving direct orders from clients in the private sector through utilizing Shimizu Corporation's strong private sales network and thus expanding our business domains. The MUFG PARK project in Nishitokyo-shi, Tokyo, is one such project for which we received the order thanks to an introduction from Shimizu Corporation. It is a facility owned by Mitsubishi UFJ Financial Group, Inc. that was opened to the general public in June 2023 as a part of its initiatives toward realizing a sustainable environment and society. During FY2022, of the 30 direct private sector projects for which we submitted estimates in cooperation with Shimizu Corporation, we were able to receive orders for about half. Speaking for large-scale civil engineering construction, we established a joint venture for bridge floor slab replacement construction, and are looking forward to working together on such projects. In R&D, we began joint development of decarbonizing asphalt pavement technology for asphalt composites used in road pavements, which utilize biochar<sup>※1</sup> with CO<sub>2</sub> trapping properties. By using biochar, which comes from forestry resources, in the composite material for asphalt composites, we aim to commercialize asphalt paving materials with not only carbon neutrality that limits CO<sub>2</sub> emissions in the manufacturing process to essentially zero,

but creating an element that can contribute to a net carbon negative where the amount of CO<sub>2</sub> trapped exceeds CO<sub>2</sub> produced. Both companies will work in step to advance the green transformation (GX)<sup>※2</sup>.

<sup>※1</sup> Refer to page 29 for more details on biochar.

<sup>※2</sup> GX (Green Transformation): Measures that aim to achieve a sustainable society in areas such as carbon neutrality via both economic growth and environmental preservation through use of the latest technologies

Toward establishing stable management foundations  
Engage in sincere ESG management

—Considering progress in Mid-term Management  
Plan 2019 and results from the previous term,  
how do you view targets for the current fiscal  
year?

**Ishii:** Against a backdrop of rising crude oil prices, the environment surrounding the business of manufacturing and selling asphalt composites has changed significantly. As a result, we were unable to produce satisfactory results for the fiscal year ended March 31, 2023. Despite such conditions, the efforts of Group employees have created steady results, and I am confident that we can achieve our goals for the Mid-term Management Plan during FY2023, the final year of the Plan. Of course, we will continue to focus on “creating stable management foundations rather than seeking to scale up” by placing the pressing issue of workstyle reform at the forefront.

—Please tell us about your environmental  
initiatives.

**Ishii:** In 2021, we formulated the Group's environmental vision “Nichido Blue & Green Vision 2050” based on our Standards of Conduct with three pillars of achieving carbon neutrality, establishing a recycling-oriented society, and considering biodiversity. The Company has also endorsed the Recommendation of TCFD (Task Force on Climate-related Financial Disclosures.) In recognition of our accomplishments in “industry-leading advanced and unique business activities” in the environmental sector, we attained certification in February 2022 as the first Eco-First Company in the road pavement industry. We believe that “environment” is an important key word for the Company, and it can create business opportunities when combined with our technological abilities.



## TOP MESSAGE

Primarily centered on employees in R&D divisions, we have been participating in the New Energy and Industrial Technology Development Organization (NEDO) Green Innovation Fund Project “Development of Technology for Producing Concrete and Cement Using CO<sub>2</sub>” since 2022, which is a national project that seeks to create a society that utilizes “Carbon pool (CP) concrete,” a material that captures CO<sub>2</sub> in industrial waste.

Furthermore, in the manufacturing and sales divisions, which collectively produce the majority of CO<sub>2</sub> emissions in our businesses, we are advancing measures to reduce CO<sub>2</sub> emissions from asphalt composite factories, including using alternative fuels for heating equipment such as burners, promoting use of intermediate temperature composites with low CO<sub>2</sub> emissions, development of alternative asphalt binders, and research and development of reuse and restoration technologies for asphalt waste products. In addition to the above, we formulated a roadmap that clearly states policies and timeframes on how we will work toward reducing CO<sub>2</sub> in both the construction business and at business locations (Headquarters, branches, and business offices). It will serve as a compass to guide us on how we can reach our goal of carbon neutrality by 2050. In the medium to long term technology development plan “Nichido Mirai Tech-Plan 2050” formulated in 2022 as well, we defined underlying themes for these measures, and I believe that we now have a solid foundation that looks toward the future of our research and development.

As other initiatives to tackle environmental issues, the PET Ascon series, developed in 2020, utilizes reused, pulverized PET bottle waste as a paving material, and is one example of contributing to the creation of a circular society by establishing sustainable social infrastructure that solves the waste plastic issue and improves pavement durability.

It is my belief that restoration businesses for asphalt and concrete blocks will continue far into the future. In creating a circular society,

I think that we must consider maintaining not only plants for asphalt composites, but also the expansion of the restoration business in urban areas as well.

### —Tell us about your views on human capital.

**Ishii:** Stating in its management vision that we will be “A company that cares for its employees,” as part of our 100th anniversary commemorative businesses for 2029, we plan to rebuild our headquarters building while also rebuilding and renovating offices in each area in an effort to improve our workplace environments.

Additionally, the disclosure of various sustainability information, such as figures for “ratio of females in management positions,” “usage rate of child care leave for male employees,” and “wage gap between males and females” in addition to human capital strategies and targets, became a requirement from the Securities Report for the fiscal year ended March 31, 2023. In response to these new disclosure requirements, and as the Group further engages in diversity promotion measures as a company listed on the Tokyo Stock Exchange Prime Market, we have begun to take on revisions to our personnel systems as we aim to create a society where various employees can demonstrate their abilities regardless of gender or nationality. While increasing mid-career and new graduate hiring, we will also make reforms to provide improvements to existing employees as well.

Scheduled to open in April 2024, the multipurpose complex: Tsuchiura Techno BASE in Tsuchiura-shi, Ibaraki will feature a Technical Research Laboratory for the research and development of paving technology, a Machine Center for the development and maintenance of construction machine, and a Test Yard for further testing and demonstrating these technologies. In addition, it will also feature a training facility and dormitory. After its completion, it will be used as a base for personnel development, and we hope that it will be useful not only for Group employees, but for those working at partner companies as well.

### —How are you working to improve governance?

**Ishii:** We must of course thoroughly implement governance and compliance required as company listed on the Prime Market, but we will also strengthen information disclosure moving forward. To accompany our transition to a consolidated subsidiary of Shimizu Corporation, we have established a Special Committee which consists of Independent Outside Officers as a governance body



Conversation with employees on the factory floor

for protecting minority shareholders, and it also discusses and considers significant transactions and activities that may pose conflicts of interest from among the transactions with Shimizu Corporation or with subsidiaries within the Shimizu Group. Advice and reports are then provided to the Board of Directors.<sup>※3</sup>

In June 2023, we welcomed our first female Director, Fumiko Kosao. Using her substantive experience and highly specialized knowledge as a tax accountant, we hope that she can provide supervision of the Board of Directors from a neutral and objective standpoint, leading to further improvements in the transparency and fairness of management.

<sup>※3</sup> Refer to pages 44 and 48 through 53 for more details on Special Committee.

### Being a company highly viewed by all stakeholders for our 100th anniversary in 2029 and beyond

#### —What will be your management policies in the future?

**Ishii:** As material prices and personnel expenses rise, we must improve productivity and efficiency and make advances in high-quality management. Additionally, in the construction business, we will adopt a system for limiting the maximum number of overtime hours which includes penalties for non-compliance from April 2024. While earnestly engaging in our current business domains, I would like to also advance workstyle reform, expanding our business domains after laying these foundations. Instead of simply seeking business scale, I want to create a strong, agile company that can quickly and flexibly respond to a rapidly changing society and environment.

In the Roundtable Meeting with Directors, which has the objective of thoroughly disseminating the Company's views across the entire organization, all executives, including myself, visit each office and

explain our company policies to employees. The spread of COVID-19 has settled down compared to 2022 when I took office as President, and I would like to allocate even more time in the future to speaking with employees face to face.

My motto is, “Where there is a will, there is a way.” Instead of lying in wait, we should proactively challenge ourselves in our work, recovering from any mistakes, and I would like my employees to do the same. If I push too hard, my team will let me know to hold back, and this has allowed me to take on challenges with peace of mind. NIPPON ROAD has many technologies and methods that are world-class, but I know that we still have much work to do in getting the word out about what we can accomplish. Moving forward, I will actively engage in conversations not only with companies in the same industry, but with outside industries as well, and work to create an image of NIPPON ROAD as a company known for its technology.

#### —What is your message for stakeholders?

**Ishii:** I will aim to create a company that is highly regarded by society by listening to stakeholders and improving corporate value. Additionally, as we celebrate the 100 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 contribute to creating a sustainable society as a unified group. I ask for your continued support.

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

*Toshitsuki Ishii*



# Value Creation Process of NIPPON ROAD Group

## Risks and opportunities in the external environment

- Renovation needs for deteriorating facilities (Business opportunity)
- Climate change (Risk/Business opportunity)
- Environmental destruction (Risk/Business opportunity)
- Intensifying natural disasters (Risk/Business opportunity)
- Declining working population (Risk)
- Frequent traffic accidents (Risk)

## Source of Value Creation

### Human Capital※

- Number of consolidated employees 2,349
- Investment in human capital ¥570 million

### Intellectual Capital※

- Testing and research expenses ¥545 million
- Number of patents held 68

### Manufacturing Capital※

- Manufacturing and sales bases 89 locations
- Industry share 6.5%

### Financial Capital※

- Total assets ¥151,850 million
- Equity-to-asset ratio 63.7%
- Credit rating a-1

### Social and relational Capital (As of April 1, 2023)

- Branches 10 locations
- Business offices 52 locations
- Group companies 43 companies
- Partner companies 937 companies

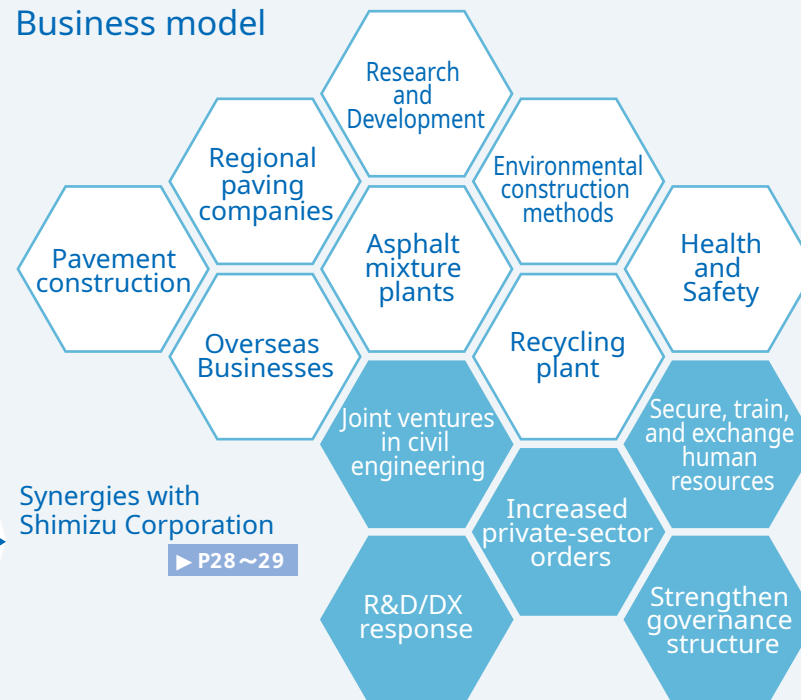
### Natural Capital

- Recycling rate ※
- Asphalt blocks 100%
- Concrete blocks 99.93%
- Forest of NIPPON ROAD 228ha  
(As of June 1, 2023)

▶ P12~19

※Figures for FY2022 results and as of March 31, 2023

## Business model



Input

Output

## Business Activities

▶ P22~27



Resolving social issues



## Outcome

### Economic value

- Profit growth
- Improve shareholder value
- Maintain stable dividends and appropriate shareholder returns
- Enrich growth investment
- Contribute to economic growth

▶ P56~59

### Social value

- Businesses to support social capital
- Strong road and city creation resistant to disasters
- Business expansion rooted in regional societies
- Healthy employees and eliminating workplace accidents
- Stable employment
- Healthy governance and compliance
- Appropriate relationships with the supply chain
- Regional contribution / Social contribution

▶ P38~41

### Environmental value

- Promote NIPPON ROAD's environmental vision
- Development of environmental construction methods and materials and expand use to provide road infrastructure with low environmental burden
- Employee awareness reforms for environmental preservation
- Reduction of CO<sub>2</sub> emissions (Year-on-year) Scope1 (2.5%) Scope2 (12.2%)
- Expand use of renewable energy

▶ P32~37

Provide value to stakeholders



Clients



Shareholders/Investors



Partners



Employees



Global Environment



Regional Society

Capital reinvestment and redistribution / Strengthen business foundations

▶ P43~53

Strong governance that gains the trust of stakeholders

## Creating value from various issues and diverse personnel that support tomorrow's growth

For over 90 years, the NIPPON ROAD Group has developed as a company at the forefront of “road creation” while responding to the changes and needs of the times. We view the personnel that have supported this growth as “Corporate assets = human assets,” and will continue to make active investments.

### ► Measures in respecting human rights

Based on the Basic Human Rights Policy of the NIPPON ROAD Group formulated in April 2022, the Group will engage in various initiatives to fulfill its corporate responsibilities.

#### Basic Human Rights Policy

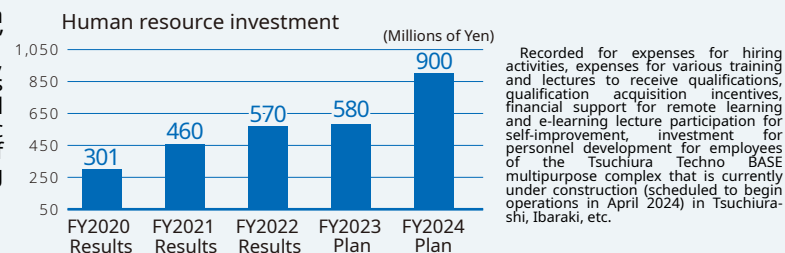
- 1 Guarantee occupational health and safety
- 2 Limit overwork and reduce overtime hours
- 3 Prevent harassment
- 4 Prohibit child labor and forced labor
- 5 Prohibit discrimination

[See the following pages for specific initiatives]

- P46 Measures for Compliance and Risk Management System, and Compliance with the Antimonopoly Act
- P47 Promoting supply chain management

### ► Measures in human resource development

We are focusing on developing personnel from a long-term perspective that have “practical abilities” in the various sectors of construction departments, manufacturing and sales departments, business departments, management departments, and Group businesses. In conformity with basic development standard charts for each type of position, we implement not only OJT, but training for each level according to age and seniority.



#### Qualification acquisition / Self-improvement support

For qualifications related to paving, civil engineering, and machinery, the headquarters Engineering Department and Engineering Centers at each office work together to provide support for applicants, with bonuses provided to employees who pass the qualification tests. Additionally, to support self-improvement and self-realization for employees, the Company provides support for remote learning and e-learning lectures.

| Number of personnel with qualifications<br>(As of the end of March 2023) |   |   |
|--|---|---|
| Professional Engineer<br>(Civil Engineering)                             | Civil engineer and<br>construction manager<br>(1st class) | Pavement<br>management<br>engineer<br>(1st class) |
| 18   | 727   | 342   |

#### Tsuchiura Techno BASE, a place to develop technologies and people

A multipurpose complex, which combines the current Technical Research Laboratory in Ota-ku, Tokyo and the Machine Center in Tsukuba-shi, Ibaraki, will open in April 2024. A dormitory will also be built on the grounds, also allowing it to function as a training facility to enable learning about the Company's latest technologies and methods in a timely manner. Administrative personnel can learn about accounting and general affairs, while technical personnel can learn about floor management, surveying, testing and quality management operations, machinery operation, and ICT. The facility will provide training and education on a wide range of the Company's businesses.



## Manufacturing bases across Japan that enable high quality construction

NIPPON ROAD has mixture centers across Japan that serve as manufacturing and sales bases of asphalt mixtures. Alongside headquarters, branches, and the Technical Center, these serve to create a quality control network that provides high quality products.

Manufacturing and sales bases Industry share in FY2022

89 locations 6.5%

### PICK UP

#### Yamaguchi Mixture Center



Located in Yamaguchi City, the Yamaguchi Mixture Center is in a prime location, with access to the Sanyo and Chugoku Expressways and National Route 2 to the east and west and wide, automobile-only roads to the north and south. Updates were made in May 2022 to restoration dryers, surge bins, and mixers, greatly improving productivity and fuel efficiency while also

reducing CO<sub>2</sub> emissions. This Center, which serves as a backbone for the regional road business, will continue to see planned facility updates in view of carbon neutrality.



#### Realizing improved productivity and fuel efficiency

By changing the restoration dryers from warm air types to direct flame types, CO<sub>2</sub> emissions were reduced as a result of improved fuel efficiency. By increasing the restoration surge bin volume by about 1.7 times, it now serves the same function as a mixture silo, enabling restoration aggregates to be used on the following day, more effectively using resources. Additionally, the mixing ability of the mixers was also increased by 1.2 times, greatly increasing production ability for restoration mixtures.



#### Mixture shipping structure with low lead times

The plant operates with one person tasked with manufacturing, and two heavy machinery operators. To ensure that customers are not left waiting if the person responsible for manufacturing has to step out onto the factory floor, inquiries and mixture shipments are handled by a female administrative employee.



#### Response to workstyle reforms

Support for the person responsible for manufacturing is provided through cooperation with Mine AP, which is a 30-minute drive away. If weekend, holiday, or night shifts are required, shipments at the Yamaguchi Mixture Center are handled by substituting manufacturing personnel from Mine AP. (Photo of Mine AP employee)

### VOICE Aiming to be a plant that sets an example for the region

By realizing reduction of our environmental burden while reducing costs and implementing countermeasures against a declining workforce, we will work together to set an example for the region as an “Eco-First Company” certified by the Ministry of the Environment.

Akihiko Okugawa  
Head of Yamaguchi Mixture Center







Source: Mitsubishi Jisho Design Inc.

NIPPON ROAD Group’s Technology to generate new value for people and the functions of society

MUFG PARK

“MUFG PARK” has been reborn as a space open to the public. Situated in the southeastern area of Nishi-tokyo City, Tokyo,the area has been owned by the Mitsubishi UFJ Financial Group, Inc. since 1952 and was used as the “Musashino Athletic Grounds” recreational facility for employees. Covering an area of six hectares, it is a valuable urban greenery area. This forest, which has grown for over half a century, was redeveloped in June 2023 as a “new meeting space” for the region, incorporating the ideas of a green environment (Nature), a sports and health promotion environment (Sports), and an exchange and meeting environment (Communication). The NIPPON ROAD Group proposed the concept of a “Place to seek your own quality of life” and a facility harbored in these values, undertaking landscaping construction that utilizes our own environmental construction methods and special construction methods.



Running and walking course around the ground with “Kaiteki hoso” that are easy on the knees

MUFG PARK Facilities

- Grounds: 1 (Natural grass)
- Tennis courts: 11 (8 omni, 3 clay)
- BBQ facilities: 5
- “Town Library” where everyone can bring and grow together with books
- Park office (Reception space, first aid office, nursery, changing room, restrooms, etc.)
- Parking lot: 111 vehicles, 9 EV charging ports

View QR code for more details on MUFG PARK.



The Company’s environmental construction methods and special construction methods used at MUFG PARK

View each QR code for more details on each environmental construction method and special construction method.

Shatphalt (Thermally insulated pavement)



By reducing road and parking lot asphalt temperatures during the summer, this pavement can reduce road temperatures by about 10°C compared to conventional asphalt pavement.

“Kaiteki Hoso” Comfortable foot paths



Pavement that has injected urethane resin into the space within water-absorbent asphalt pavement which is the subsequently embossed, providing a surface that is easy on the feet and backs of runners and walkers. Since the urethane layer is about 3mm, there is also less waste produced when the time comes for renewal.

Rainbow eco-block Biz (Water-retaining)



“Water-retaining interlocking block pavement” is a popular choice for locations where people congregate, such as universities and parks. By providing long-term reduction effects for lower pavement temperatures, these serve a vital role in maintaining health and preventing global warming. It is also safe and ecological, using baked and stabilized industrial waste in its aggregate.

Rainbow wood Mg



A wood-based pavement that uses environmentally-friendly magnesium cement with superior durability, anti-corrosion, and water-retaining properties, and water passing through the material is also harmless to plants and animals.



“Rainbow wood Mg (Wood-based pavement)” park path that leads to the “Town Library” where everyone can bring and grow together with books



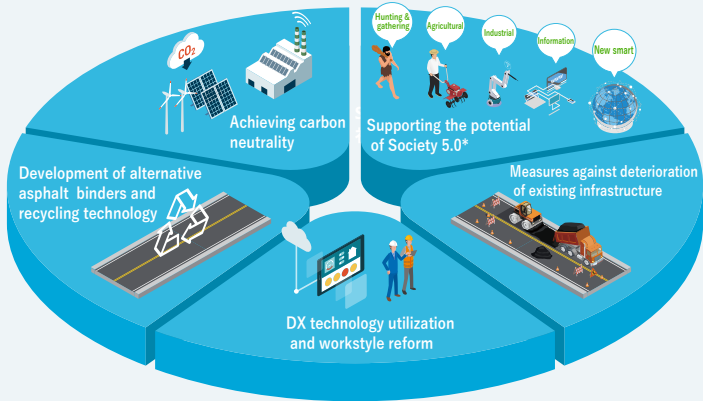
Source: Mitsubishi Jisho Design Inc.



► NIPPON ROAD Medium to Long Term Technology Development Plan

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 development and introduction of construction robots, and improvement of technologies for reducing CO<sub>2</sub> emissions and enhancing recycling capabilities. We must face environmental issues head on and respond to a society with a declining birth rate and aging population.

In order to respond to these issues with our strong technological capabilities that we have cultivated since our foundation, we have established the medium to long term technology development plan “Nichido Mirai Tech-Plan 2050.” NIPPON ROAD will continue to engage 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                                 | unheated asphalt mixture |
|   | Renewable mixture recycling technology                                |   | Investigate renewable technology                            |                          |
|   | Eco-products for mixtures   | PET Ascon   |   |                          |
|   |   |   |   |                          |
| DX technology utilization and workstyle reform                      | Support engineers through automation/unmanned capabilities            |   | Automation/unmanned capabilities for construction equipment |                          |
|   | Productivity improvement technology                                   |   | ND construction management system                           |                          |
|   | Safety measures   | AR/VR application                                     |   |                          |
|   |   |   |   |                          |
| Measures against deterioration of existing infrastructure           | Pavement restoration technology                                       |   | As, Con repair technology                                   |                          |
|   | Develop long-life pavements   | Strengthen paved structures                           |   |                          |
|   | Pavement maintenance technology                                       | Speeding up and saving labor in inspection technology |   |                          |
|   |   |   |   |                          |
| Supporting the potential of Society 5.0                             | Paving technology that facilitates smart mobility                     |   | Pavement compatible with automated driving                  |                          |
|   | Universal paving technology for smart cities                          | Environmental technology, landscape pavement          |   |                          |

► PET Ascon

This product contributes to effective use of waste PET and improving durability of composites by adding Newtlac, an additive agent derived from waste PET, to asphalt composites, with the technology resulting in a reduced environmental burden.



The BRT Hikoboshi Line (official name: Hitahikosan Line BRT), a high-speed bus system introduced to portions of the JR Hitahikosan Line that was damaged in the torrential rain disaster in Northern Kyushu in 2017, began operations in August 2023. Of the approximately 14km of dedicated BRT road that run from Hikosan Station to Hoshuyama Station, PET Ascon is used in about 6 km.

► Asphalt finisher automated driving system

An automated steering and automated telescoping system developed in collaboration with Sumitomo Construction Machinery Co., Ltd. with the objective of developing a system that is safe, energy efficient, and requires less human input to operate. By using sensing technology with stereoscopic cameras to detect mold shapes and level differences in cutting areas, automated controls are now possible for steering and screed telescoping. Test project construction has proved that the system can automatically follow level differences and shapes.



Automation will significantly reduce the burden placed on operators and enable construction that is safe and of a high quality even for operators with less experience. Additionally, the entire process will require less effort, as the system does not require the input of design data as was the case in traditional ICT construction.

► Construction of Autonomous Vehicle Test Course as a National Project



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. In a 553-hectare area in east Thailand, PTT Public Company Limited or “PTT,” the largest petroleum company in Thailand, and the Ministry of Science and Technology jointly constructed and operate the Urban Institute of Advanced Technology and Research. Thai Nippon Road Co., Ltd. received the order for civil engineering and pavement work for the first stage of the CAV (Connected Autonomous Vehicle) Test Course to be built on its premises. Construction was completed in June 2023, and it received international certification from Applus+ IDIADA.※

※An international firm headquartered in Spain that provides engineering, testing, and certification services to the global automotive industry while also serving as a major engineering company that contributes to creating international accreditations

|                     |  |
|---------------------|--|
| Project             | Thai Ministry of Science and Technology Phase 1 of construction of CAV Test Course |
| Location            | Pa Yup Nai, Wang Chan District, Rayong, Thailand                                   |
| Client              | Thai Ministry of Science and Technology  |
| Construction period | From September 2022 to June 2023   |
| Project overview    | Earthworks, asphalt pavement and concrete structure                                |

► Elevated Expressway that changes the landscape of the Kuala Lumpur metropolitan area



Source: PROLINTAS Website: Damansara – Shah Alam Elevated Expressway

To alleviate recent traffic congestion in Malaysia, PROLINTAS, a major private expressway operator, has been rapidly expanding its network of expressways around the Kuala Lumpur metropolitan area. As part of these efforts, a 20.1km elevated expressway was constructed to link Damansara and Shah Alam. Through the opening of this expressway, trips that previously took 90 minutes have been shortened to 30 minutes, playing a significant role in reducing congestion and dispersing traffic volume. As a pavement construction specialist, Nippon Road(M)Sdn. Bhd. was responsible for asphalt pavement on the concrete slabs and wastewater construction on the expressway.

|                     |  |
|---------------------|--|
| Project             | Construction of New Damansara-Shah Alam Elevated Expressway (DASH) (CA4) |
| Location            | Shah Alam, Selangor, Malaysia  |
| Client              | Gagasan Maya (prime contractor)  |
| Construction period | From September 2021 to January 2023                                      |
| Project overview    | Laying new asphalt pavement and installing draining system               |



**Investment for sustainable corporate growth and a healthy financial foundation**

The NIPPON ROAD Group distributes its resources based on a policy that balances the three elements of “Healthy financial foundations,” “Active investment toward growth,” and “Shareholder returns,” which serve as the support for group value creation.

**► Growth Investment****Business investment**

As the management environment undergoes rapid change, in order to work toward strengthening market competitiveness, the Company, under an area strategy that considers the needs of each area such as urban and regional types, seeks to create additive effects by further strengthening its regional pavement company structures while also prioritizing M&A and alliances as part of its growth strategy, implementing investment with a sense of speed.

**Environmental investment**

In accordance with the Group's environmental vision “Nichido Blue & Green Vision 2050” and the “Eco-First Commitments,” the Group actively implements environmental investment that leads to reduction of its environmental burden, such as initiatives toward achieving carbon neutrality in 2050.

**► Shareholder Return Policy**

The Company's basic policy for our shareholders is to maintain stable dividends and appropriate profit distribution, while strengthening the Company's financial structure and ensuring a stable business foundation and striving to stabilize and improve on employee living standards. Year-end dividends for FY2022 were ¥180 per share for ordinary dividends, and a special dividend of ¥100 as returns concerning one-time revenue from the sale of parent company shares, totaling ¥280 per share. As for year-end dividends for FY2023, the Company intends to increase the dividends to ¥300 per share based on stable and continued business performance.

\* Please refer to page 58 for a graph of the dividend per share / payout ratio.

\* Although the Company plans to implement a share split at a rate of five shares per share of common shares with October 1, 2023 as the effective date, year-end dividends are shown with per-share amounts prior to the share split.

**► Cross-shareholdings**

The Company has a policy of holding cross-shareholdings for the purposes of creating, maintaining, and stabilizing transaction partners, capital relationships, and maintaining other business relationships that will improve corporate value. Regarding specific determination standards, a comprehensive approach considering the stock's market price, sales results, and information provision, dividend yield, and decisions of the Company's responsible departments is adopted, with periodic reviews taking place. If reasons to hold the stock are inadequate or if the results of consideration do not align with the holding policy, we move forward with reducing our holdings. Based on the above standards, the Board of Directors periodically surveys and reviews whether or not individual cross-shareholding issuances are compatible with the holding objectives and if the risks associated with the holdings are appropriate in view of the capital costs. Furthermore, voting rights are exercised appropriately from the viewpoint of mid- to long-term improvement in corporate value of the Company and the counterparty, taking into consideration the management conditions, etc., of the counterparty and whether or not there will be benefits for overall shareholders.

| Number of cross-shareholding issuances held |                               |                                       |                     | Unit: Millions of yen    |                |
|---|-------------------------------|---------------------------------------|---------------------|--------------------------|----------------|
| Fiscal Year                                 | Number of cross-shareholdings | Amount recorded on B/S (Market value) | Ratio to net assets | Number of issuances sold | Amount of sale |
| 2018  | 12                            | 1,306                                 | 1.5%                | —                        | —              |
| 2019  | 11                            | 1,129                                 | 1.2%                | 1                        | 37             |
| 2020  | 11                            | 1,389                                 | 1.5%                | 1                        | 195            |
| 2021  | 9                             | 1,358                                 | 1.4%                | 2                        | 6              |
| 2022  | 6                             | 600                                   | 0.6%                | 3                        | 974            |

**R&D investment**

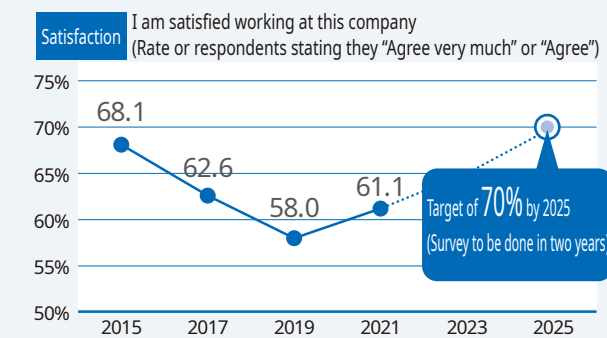
In accordance with the Group's medium to long term technology development plan “Nichido Mirai Tech-Plan 2050,” the Group will advance development of technologies that appropriately respond to a wide range of innovations, such as ICT and IoT technologies that improve safety and the working environment while also contributing to efficiency and advancements in construction, survey and analysis technologies in response to a significant stock of pavement, and enriching durability-enhancing technologies that contribute to reducing life cycle costs.

**Personnel investment**

To promote the management vision of “A company that cares for its employees,” the Company will actively work to reduce long working hours, promote diversity, invest in DX, and maintain workplace environments. Additionally the Company will also advance its plans to use the multipurpose complex : Tsuchiura Techno BASE, scheduled to open in April 2024, as a place for personnel development for employees of the Group and partner companies.

**Domestic and overseas network and stakeholder dialogue that serve as foundations for business expansion**

The NIPPON ROAD Group believes that creating good relationships with all stakeholders, including partners, shareholders/investors, employees, and regional society, are essential to improving corporate value. We will fulfill our social responsibilities by responding to the voices, hopes, and needs of stakeholders through various types of communication.

**► Nationwide construction business bases and supply chain****► Improving employee satisfaction****► Stakeholder communication**

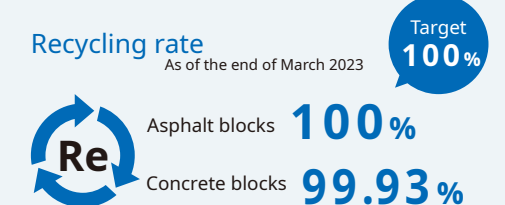
| Stakeholders            | Detailed communication  |
|-------------------------|---|
| Clients                 | ● Customer response by sales divisions<br>● Public relations activities on the Company's website and via the “NICHIDO VIEW” communication magazine<br>● Exhibiting at trade shows and events  |
| Shareholders /Investors | ● General Meeting of Shareholders<br>● Financial Results Briefing<br>● News releases, public announcements / timely disclosure via the Company's website<br>● IR meetings with analysts and institutional investors: 20 (FY2022 results)  |
| Partners                | ● Management in line with sustainable procurement policy and guidelines<br>● Established contact point for transaction propriety<br>● Began operation of creating invoices via the web from November 2022   |
| Employees               | ● Roundtable Meetings with Directors: 21 (FY2022 results)<br>● Exchanged opinions with the Employee Liaison Meeting, comprised of employees aged 40 or younger<br>● Implemented employee satisfaction surveys every other year, beginning in 2011<br>● Established compliance contact point |
| Global Environment      | ● Formulated the environmental vision “Nichido Blue & Green Vision 2050”<br>● Measures as an “Eco-First Company” certified by the Ministry of the Environment   |
| Regional Society        | ● Measures in social contribution activities: 322 (FY2022 results)  |

**Natural capital****Measures for sustainable road construction that reduce environmental burdens**

To create sustainable roads that will serve as the foundation for social infrastructure, the NIPPON ROAD Group, in line with the environmental vision “Nichido Blue & Green Vision 2050,” works to protect the global environment and effectively use limited resources while creating a low-carbon society and circular society, and contribute to preserving biodiversity.

**► Reuse of asphalt and concrete blocks**

To effectively use and reuse limited natural capital, we collect asphalt and concrete blocks from our own plants and customers, implement intermediate processing at recycling plants, and use them as materials for recycled asphalt mixtures and recycled pavement materials.

**► “Forest of NIPPON ROAD”**

The Company and Yusuhara-cho, Kochi concluded a partnership agreement in 2008 for “Creating Forests in Cooperation with Environmentally-advanced Companies Business,” and in the Forest of NIPPON ROAD (Forest area under the agreement: approximately 228 hectares) in Yusuhara-cho in west part of Kochi, we are working to prevent global warming via tree planting activities and creating a rich forest, which is an essential part of the region's industry.

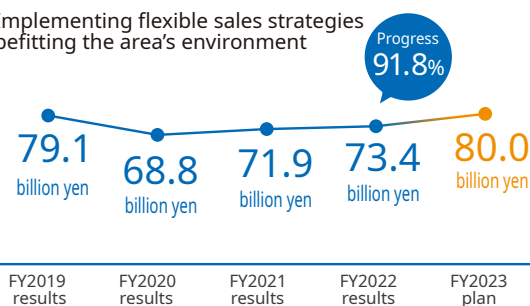


# Definite Growth Strategy State of progress in Mid-term Management Plan 2019 (FY2019-2023)

## 1 Increasing private-sector orders

(non-consolidated)

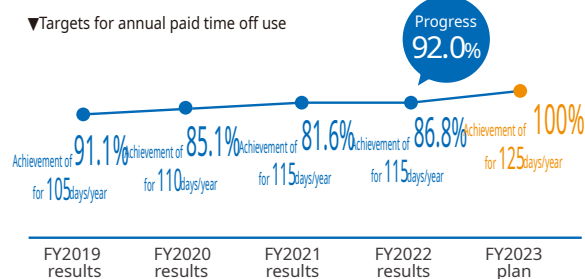
Implementing flexible sales strategies befitting the area's environment



## 3 Promoting workstyle reform

Promoting improvements in both productivity and efficiency in an effort toward sustainable development

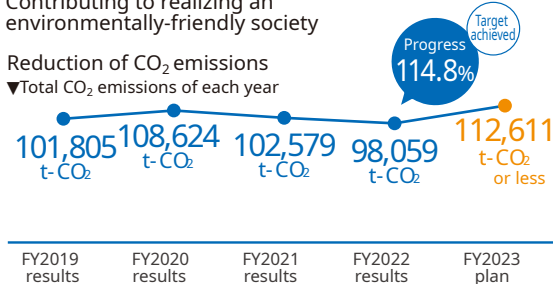
▼Targets for annual paid time off use



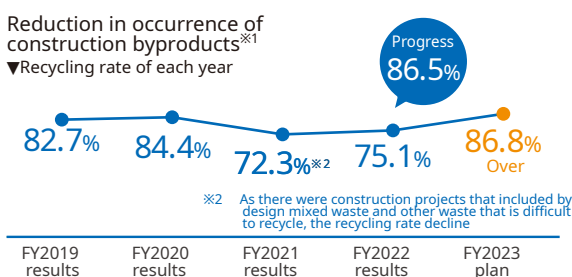
## 5 Establishing environmental targets

Contributing to realizing an environmentally-friendly society

Reduction of CO<sub>2</sub> emissions  
▼Total CO<sub>2</sub> emissions of each year



Reduction in occurrence of construction byproducts\*1  
▼Recycling rate of each year

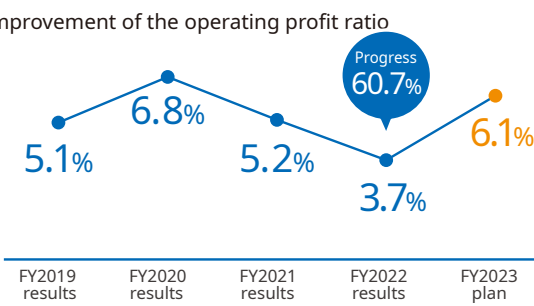


\*1 Construction byproducts other than specified byproducts (plastic waste, contaminated soil, etc.)

## 2 Improving the operating profit ratio

(consolidated)

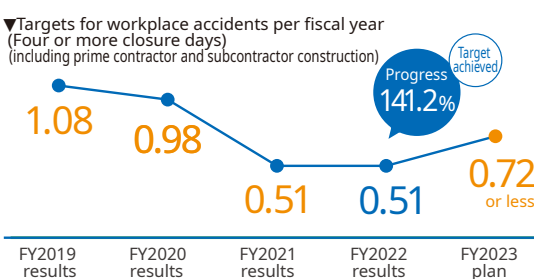
Improvement of the operating profit ratio



## 4 Establishing health & safety targets

Thorough implementation of safety first with preservation of human life at the forefront to solidify a "culture of safety"

▼Targets for workplace accidents per fiscal year (Four or more closure days) (including prime contractor and subcontractor construction)



## 6 Ensuring thorough compliance

Recover the trust of stakeholders to be a company that society wishes to persevere

Structural reforms

- Tirelessly continue with PDCA activities for elements that comprise internal control structures
- Continuous improvement of various monitoring functions
- Held Working Group for Internal Control 11 times
- Held Business Risk Management Committee 4 times
- Held Business Risk Management Representative Meeting 5 times

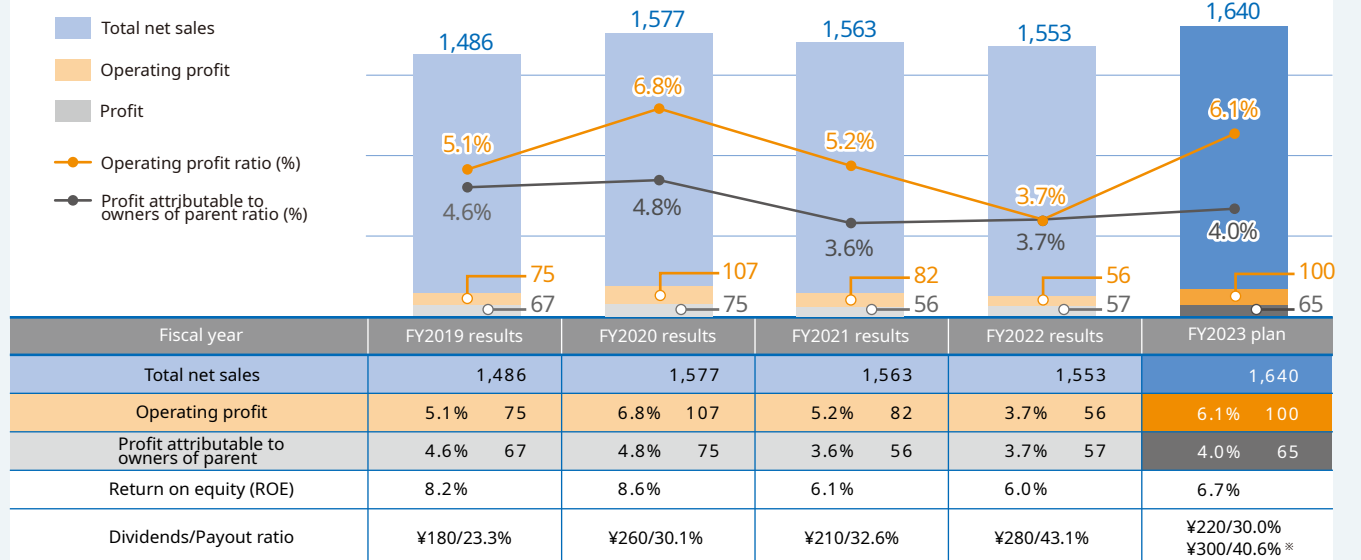
Awareness reforms

- Held compliance training sessions at offices nationwide
- Shared information, strengthened training, and established educational systems
- Promoted use of the Business Risk Management Line and appropriately responded to information provided to the various reporting hotlines

The Mid-term Management Plan 2019 formulated by NIPPON ROAD in 2019 identifies key issues, initiatives, management target indices, and capital investment targets. In FY2023, the final year of Mid-term Management Plan 2019, we will work steadily toward achieving these targets in light of previous results and rates of progress.

## Management target figures (Consolidated)

Unit: Billions of yen



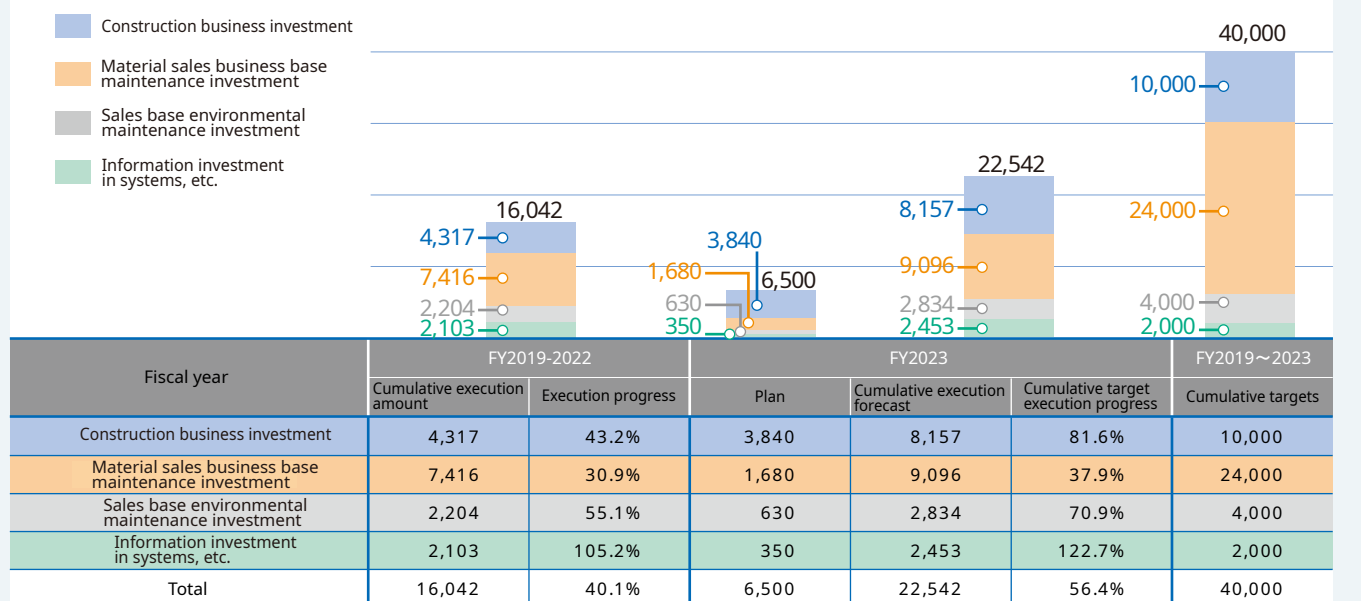
\*FY2023 Forecast (Although the Company plans to implement a share split at a rate of five shares per share of common shares with October 1, 2023 as the effective date, dividends per share are shown using values prior to the share split).

Concerning business results for FY2022, the fourth year of Mid-term Management Plan 2019, operating profit declined significantly owing to higher prices for mainstay asphalt materials as a result of rising crude oil prices in the material sales business, and in the construction business, profits were down due to lower profitability for construction projects. However, profit attributable to owners of parent was slightly higher owing to a gain on sale of investment securities. Please refer to page 18 for the dividends/payout ratio.

## Growth 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



For FY2019-2022, about 2.6 billion yen in construction business investment was investment related to acquisition of land for the multipurpose complex: Tsuchiura Techno BASE (Ibaraki). Additionally, about 1.6 billion yen in material sales business base maintenance investment was investment related to the construction of Urban AP/Senboku Rinkai AP (Osaka).

Although the Mid-term Management Plan 2019 calls for a target of 40.0 billion yen in total in growth investment over the period, results are projected to be a total of 22.5 billion yen, with an achievement rate of 56.4%. Primary factors contributing to this difference are the lack of M&A that was targeted in construction business investment and not realizing the target of establishment of urban AP in the Kanto/Chubu region. Furthermore, moving and reconstructing sales offices that were targeted under sales base environmental maintenance investment were modified from company-owned to rental arrangements.





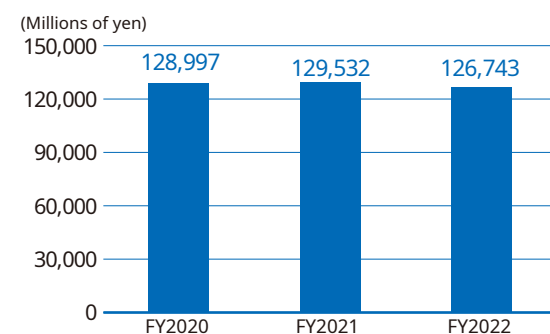
## ► Business Environment

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

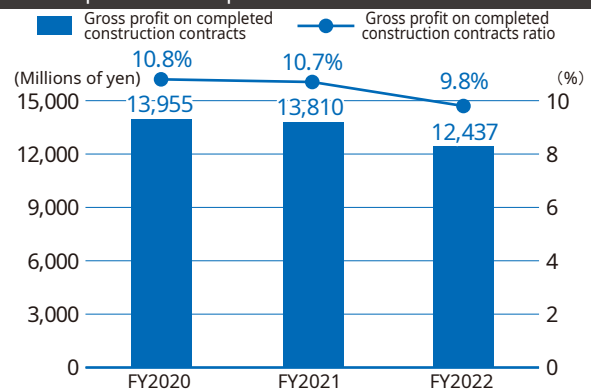
## ► FY2022 measure and results

In government construction, we secured contracts through improved estimation accuracy and stronger technical proposal capabilities, while in civil construction, we executed active and strategic sales aimed and worked as a unified group to expand high-quality orders that align with the local environment. Additionally, to strengthen our financial foundations and in an effort to streamline construction, we implemented 763 million yen in equipment investment primarily focused on expanding and upgrading office and machinery facilities in the construction business sector.

Net sales of completed construction contracts



Gross profit on completed construction contracts/  
Gross profit on completed construction contracts ratio



Key construction contracts completed in FY2022



|                     |  |
|---------------------|--|
| Project             | Pavement repair work for Higashi-meihan Expressway between Nagoya-nishi IC and Yokkaichi JCT |
| Location            | Nagoya-shi, Aichi, Yokkaichi-shi, Mie, and etc.  |
| Client              | Central Nippon Expressway Company Limited  |
| Construction Period | From February 2021 to December 2022  |



|                     |   |
|---------------------|---|
| Project             | Hinode Campus redevelopment plan phase 3 construction |
| Location            | Hinode-machi, Nishitama-gun, Tokyo                    |
| Client              | Asia University                                       |
| Construction Period | From June 2022 to March 2023                          |

## ► Future Outlook

We aim to increase the use of information construction and ICT not only in large-scale projects but also in medium and small-scale construction projects with the goal of preventing disasters and accidents while also increasing profitability through improved quality and reduced costs. Furthermore, to expand high-quality orders, we will prioritize speed and strengthen active proposal sales efforts while also collaborating with Shimizu Corporation to explore new areas of private sector business.

## ► Localized Regional Network

As the trend of local production and consumption accelerates, we provide a regionally-focused construction business with a focus on paving projects through 34 regional paving companies nationwide.



TOKOROZAWA SUNROAD

We will be proactive in adopting environmentally-friendly materials and machinery to maintain transportation infrastructure, and by implementing CSV (Creating Shared Value), we aim to pursue growth by differentiating ourselves from competitors.

Hiroshi Okuno  
Representative Director and President



Our company was established in 1993 as a construction subsidiary of the NIPPON ROAD Group, and we are celebrating our 30th anniversary this fiscal year. We provide services across a wide area, not only within Saitama Prefecture but also west to the Tama River and north to the Tone River. While our company name is occasionally mistaken for a shopping area, we have received recognition for our advanced construction capabilities from the Prefectural Civil Engineering Office, Saitama City, and other local construction companies. In 2013, we received an excellence award from the Governor of Saitama Prefecture. We currently host technical interns from Myanmar and are providing them with various types of experience. Their positive attitude and work enthusiasm are motivating for other staff members and contribute to the overall improvement of our staff's skills. Additionally, as a member of the local Rotary Club, I actively engage with professionals from various fields, broadening my knowledge and contributing to social welfare initiatives as best I can. Furthermore,



we operate an asphalt plant in Ota City, Gunma Prefecture, in a joint venture with NIPPON ROAD (Jyoubu AP), which caters to the needs of clients who prioritize local production and consumption.



Constructed the first dual-layer noise reduction pavement in Saitama Prefecture

|                     |  |
|---------------------|--|
| Project             | Scrum strengthening promotion (renovation) construction with the Tokyo Metropolitan Government (pavement construction) |
| Location            | Tokorozawa-shi, Saitama  |
| Client              | Prefectural land development office in Kawagoe-shi, Saitama  |
| Construction Period | From August 2018 to March 2019   |



The client supports us through providing rollers and cutting machines

|                     |  |
|---------------------|--|
| Project             | Production center flooring, roadbed stability Processing, and AS roadbed pavement construction |
| Location            | Kawagoe-shi, Saitama (in the Production Center of SAKAI HEAVY INDUSTRIES, LTD.)                |
| Client              | Comodo, Ltd.   |
| Construction Period | From March 2020 to April 2020  |

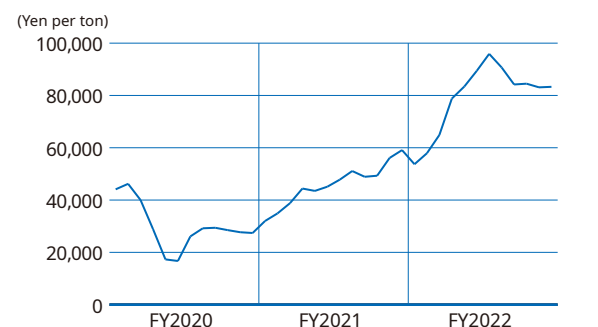




## ► Business Environment

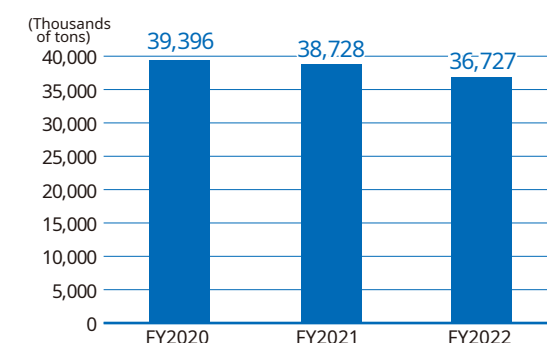
Recent trends such as a weaker yen in foreign exchange markets and the rise in crude oil prices due to geopolitical uncertainties such as the situation in Ukraine have caused a significant impact on energy costs, asphalt prices for pavements, and other expenses such as materials costs, fuel costs, and transportation costs. In particular, the sharp increase in the price of straight asphalt, a key material in our material sales business, has created an extremely difficult situation for the revenue environment. Additionally, the total production quantity for domestic asphalt mixtures (announced by the Japan Asphalt Mixture Association) decreased significantly compared to the previous fiscal year.

Trends in crude oil prices



\*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)

Total production volume for domestic asphalt mixtures

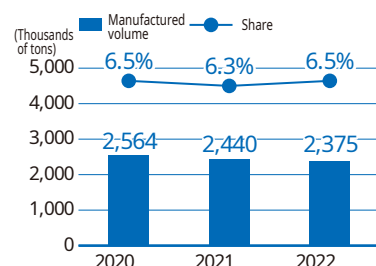


## ► FY2022 measure and results

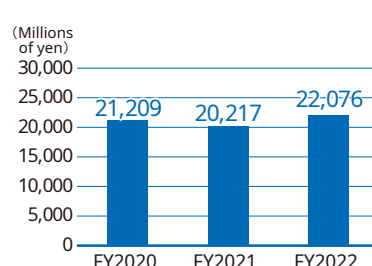
With an understanding from our customers that we must make sales at appropriate prices, we made a capital investment of 833 million yen to enrich and update our asphalt plant facilities in an effort to enhance our management foundation and reduce manufacturing costs.

Production quantity decreased year-on-year, but we secured a 6.5% industry share, an increase of 0.2 points from the previous fiscal year. Net sales for products increased compared to the previous fiscal year due to price adjustments, but profits from products were significantly affected, particularly in the first half, by factors such as soaring raw materials prices and energy prices as well as delays in passing on price increases, resulting in a year-on-year decline.

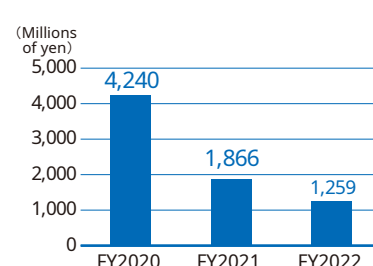
Manufactured volume and industry share



Net sales of finished goods



Gross profit - finished goods



## ► Future Outlook

To secure profits, we will implement appropriate price revisions and continue efforts to further reduce costs. We will also proceed with redistribution of our sales and manufacturing facilities for enhanced operational efficiency, in line with our regional strategy based on collaboration with NIPPON ROAD's construction operations and regional pavement companies. This will aid in securing internal and external sales production volumes and expand market share. Regarding the environment and safety, we will conduct effective technology development and environmentally-conscious capital investment while transitioning to green energy and advancing the introduction of alternative fuels as replacements for fossil fuels.



Among the Group businesses, the leasing business and others consists of subsidiaries that conduct leasing operations for automobiles and administrative equipment, development and sales of computer software, sales of administrative equipment, the insurance agency business, and the planning and operation of sports facilities. Including strengthening ties with NIPPON ROAD itself and M&A, in order to expand business domains through executing area strategies according to the management environments surrounding group companies and realizing a stronger earnings power and an overall improvement in growth potential, we will further strengthen cooperation between business offices, mixing centers, and regional paving companies. At the same time, we will advance measures to improve efficiency through maintaining internal control structures and ICT in an effort to strengthen group support structures.

## NDLS ND Leasing System Co., Ltd.

We will collect the specialized knowledge and expertise held by the NIPPON ROAD Group under the keywords of "Safety, Peace of Mind, and Environment," fully responding to the diversifying needs from the perspective of our customers, providing unique services that align with the times.

Nagafumi Murai  
Representative Director and President



## ► Product portfolio

### 【Robocone】

Automated rubber cone collection vehicle with attached road sign

Using vehicles compliant with traffic regulations that automatically place and retrieve rubber cones, we can reduce worker burdens and prevent falling accidents. Additionally, the vehicle features easy sign storage and from the signpost platform.



Robocone

### 【Roboarrow】

Signage vehicle with automated arrow board placement and retrieval system

A traffic regulation vehicle that automatically places and retrieves arrow boards, reducing worker burdens and improving safety. It can also serve as a traffic regulation signage vehicle.



Roboarrow

### 【System Caddy】 Resin guardrail

A protective barrier used for lane regulation at the endpoints of expressways and local roads. The full-face design of the Florida type is superior in aesthetics, construction convenience, and safety, making it suitable for various applications. Two types are available: "System Caddy," which provides excellent rigidity by filling the hollow section with concrete, and "System Caddy Water," which is ideal for short to medium-term lane regulations as it allows rapid installation and removal by filling directly with water.

\* Based on the type used in the US state of Florida, the central median barrier has been improved to match current needs in Japan.



System Caddy Water





## Business Division/Safety, Environment, Quality Control/Overseas Operation

### Efficient corporate management through providing innovative solutions and realizing improved corporate value by leveraging the strengths of the Group

During the final year of Mid-term Management Plan 2019, the NIPPON ROAD Group is working as one to achieve the ambitious goal of achieving operating profit of 10.0 billion yen. We are actively pursuing direct orders from clients with a focus on high-quality orders and promoting the expansion of environmental construction methods and sustainable sales proposals.

In government construction, we aim to regain the top market share, while in civil construction, we are strengthening our presence in three key areas: automotive industry-related, sports-related, and logistics-related. We will leverage the strengths of our group in these areas to provide innovative solutions.

Additionally, synergy within the Shimizu Group is also a crucial element. Through collaboration and sharing information within the Group, we expect to grow into an even more powerful organization and will be proactive in our activities. Our partnership with Shimizu Corporation in particular is considered vital to maximizing each other's strengths and delivering superior value to our customers.

Furthermore, to protect the health and well-being of our valuable human resources, our employees and their families, we will further enhance operational safety measures, strive for accident-free workplace environments, and continue to further improve our working environment.



**Kaoru Ito**  
Director and Senior Managing Officer  
General Manager of the Business Division,  
and in Charge of Safety, Environment,  
Quality Control and Overseas Operation

## Corporate Promotion Division

### Create a strong foundation for the NIPPON ROAD Group under its new structure and aim to formulate the next Mid-term Management Plan using synergies under the Shimizu Group

In April 2023, the Corporate Promotion Division was newly established, which supervises the Corporate Planning Department and Group Business Promotion Department. The Corporate Planning Department is currently preparing for the next Mid-term Management Plan, scheduled to be announced in May 2024. After reviewing the current Mid-term Management Plan 2019, we are currently considering numerical targets, various financial and non-financial KPIs, growth investment plans, and dividend policies while incorporating synergies with the Shimizu Group.

Furthermore, regarding financial and non-financial information disclosure, we have been enriching disclosure practices, including items such as Financial Results Briefings, Integrated Report creation, disclosure of ESG management and sustainability-related non-financial information, and English disclosure, which we have provided in the past. To increase the ratio of individual shareholders, we will also conduct IR activities targeted at individual shareholders.

Additionally, in information systems, we began an update of our core systems in December 2019 in an effort to review and streamline management operations, with plans to commence full operation in October 2023. We will continue to maintain an environment that enhances efficiency and productivity.

In the Group Business Promotion Department, we are actively planning and managing various measures to maximize synergy within the NIPPON ROAD Group to respond to a wider business scope. We are also expediting M&A and alliance initiatives, etc., with a sense of urgency.



**Toshihiko Kasai**  
Director and Managing Officer  
General Manager of the  
Corporate Promotion Division

## Production and Technical Division

### Contribute to society as a leader in an industry that actively addresses environmental issues and further accelerate technological advancements such as strengthening investment in human resources



**Takeshi Takasugi**  
Director and Managing Officer  
General Manager of the Production  
and Technical Division

While responding to recent societal demands and in view of the environment surrounding the Company, we are actively promoting the development and proliferation of environmentally-conscious construction methods. We are also aiming to halve our carbon emissions by 2030 and achieve carbon neutrality 2050.

In particular, in our material sales business, which generates a significant portion of CO<sub>2</sub> emissions, we will continue to actively conduct environmental investments while also exploring new ways to use recycled materials. We are committed to contributing to a circular society while conducting strategic corporate management.

We are putting significant effort into workstyle reforms in areas including production divisions, working to improve employee working conditions, enhancing work-life balance, and maintaining an environment that increases employee satisfaction and productivity. The ongoing construction of Tsuchiura Techno BASE will not only provide research and training facilities, but also a dormitory and Test Yard. It will be used for skill development and knowledge transfer among employees at different levels, contributing to improving employee skills.

Additionally, we are actively introducing DX technologies and further strengthening our organization to enable nationwide deployment for technologies. We aim to create an environment where each employee can fully utilize technology in the workplace and will accelerate efforts in operational efficiency.

## Management Division

### Secure transparency through health management and information disclosure based on corporate governance and advance measures in response to changing workplace environments personnel system reforms



**Masakazu Hyodo**  
Director and Senior Managing Officer  
General Manager of the  
Management Division

I took office in April of this year and have been working on promoting core operations in general affairs, human resources, and accounting while also focusing on further strengthening risk management structures in the Business Risk Management Department.

Regarding corporate governance, based on the Basic Policy of Corporate Governance of the Group, we are building internal structures from the perspective of ensuring sound, transparent, and efficient management while safeguarding rights and equality among shareholders. We will continue to maintain management transparency through timely and appropriate disclosure of relevant information related to management.

For thorough compliance (legal compliance, etc.), with the objective of being a company trusted by society, we are committed to deepening understanding of compliance among officers and employees and will continue efforts to maintain a high level of compliance awareness as a member of the Shimizu Group.

Regarding workstyle reform, we have set annual targets for all employees to take paid leave and are working on reducing overtime through the Challenge 45 campaign.

We are also preparing to comply with the "Work Hours Limitation Regulations" that will apply to the construction industry from April 2024 through initiatives such as "1-on-1 meetings" with superiors.

In terms of securing and developing personnel, promoting the active participation of women, and improving employee satisfaction, we aim to continue creating corporate value through the evaluation, introduction, and implementation of various initiatives, as well as through reforms in our personnel system.



# Synergies as the Shimizu Group

## New value created through synergies with Shimizu Corporation

NIPPON ROAD Group became a consolidated subsidiary of Shimizu Corporation on March 29, 2022, and has become 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 since its foundation, while seeking to further strengthen alliances by information exchange and personnel exchanges in various sectors.

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.





### Joint ventures in civil engineering

We will aim to expand business domains of both companies through engaging in joint ventures with Shimizu Corporation for large-scale civil engineering construction projects and overseas civil engineering projects, including NEXCO floor slab replacement construction and span repair construction, and development construction.

### FY2022

[Status and results from initiatives]

- Floor slab replacement and span repair  
→Placed bids for four projects but failed to capture orders
- Others  
→Placed bids for four projects and captured one order  
(Urban Renaissance Agency: Kyudai Hakozaki Southern Area Urban Planning Road Development and other construction)

### FY2023

[Initiative policies]

- Continuing from FY2022, we will engage in large-scale civil engineering construction projects and overseas civil engineering projects such as floor slab replacement construction and span repair construction and development construction

\* August 2023: Received order for East Nippon Expressway Company Limited: Joban Expressway Kannonji-gawa River Bridge floor slab replacement construction (Results)



### Increased private-sector orders

In cooperation with construction sales divisions at Shimizu Corporation, we will create excellence in management by expanding direct orders from private sector customers.

### FY2022

[Status and results from initiatives]

- Submitted 30 estimates, and received 15 orders with a total value of 772 million yen

### FY2023

[Initiative policies]

- Continue cooperation with the company to reach order target of 1,700 million yen



### R&D/DX response

Effectively utilize existing technologies held by both companies in sectors with possibilities to lead to joint development of new technologies, etc.

### FY2022

[Themes and results for initiatives]

- Machinery and ICT aiming to improve productivity  
→Joint evaluation of abilities of automated marking robots to improve productivity of road marking operations
- Carbon neutrality and cooperation with universities, etc.  
→Joint development of decarbonizing asphalt pavement technology by utilizing biochar (Refer to page 29)

### FY2023

[Initiative policies]

- Continuing from FY2022, we will work to create synergies with construction-related technologies of both companies in road and bridge construction work while also jointly developing new technologies, etc.



Kyoto Racecourse maintenance works (horse-riding areas) by joint venture with Shimizu Corporation

### Example of construction: Kyoto Racecourse maintenance works (horse-riding areas)

In response to an order from the Japan Racing Association (JRA) for renovation of the Kyoto Racecourse, NIPPON ROAD and Shimizu Corporation formed a joint venture (JV) and conducted repair work for horse-riding areas. This extensive project, spanning approximately 3.5 years, included Shimizu Corporation's renovation of the patrol tower and stewards' posts, as well as the comprehensive renovation of the turf track and dirt course in collaboration with NIPPON ROAD.

Due to the significant impact of curve angle and track hardness on races, precise work is required. To meet these demands, we made creative efforts, including the use of ICT construction in collaboration with Shimizu Corporation. As a result, we successfully completed the construction of the high-quality course demanded by JRA on schedule.



Biochar mixed with asphalt

### Began joint development: Decarbonizing asphalt pavement technology that is carbon negative

The Company and Shimizu Corporation began joint development of decarbonizing asphalt pavement technology that stores carbon within asphalt composite by utilizing the CO<sub>2</sub> trapping properties of biochar\*. In developing this technology, biochar derived from forestry resources is used as a composite material for asphalt mixtures. This aims to achieve carbon neutrality by reducing CO<sub>2</sub> emissions to virtually zero during the manufacturing process and, furthermore, to realize carbon-negative asphalt pavement material, where the amount of carbon captured exceeds the emissions.

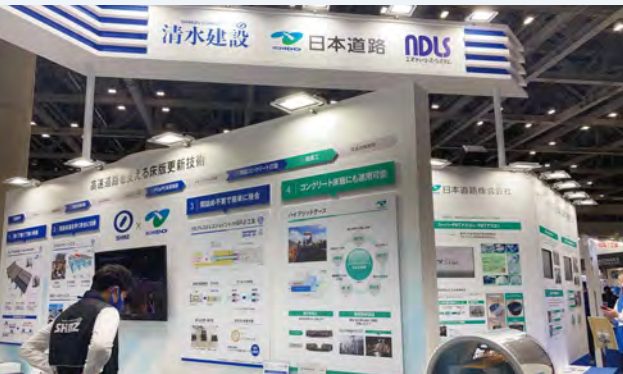
\*Biochar: The result of carbonizing organic matter of biological origin (biomass). Carbon found in the raw materials for biochar, such as wood, bamboo, sawdust, and livestock waste, would otherwise be broken down by microbial activity and released into the atmosphere as carbon dioxide if left untreated. However, by carbonizing materials like wood and bamboo, it becomes possible to capture this carbon (carbon sequester) and reduce its release into the atmosphere.

### Joint Exhibitions at Various Exhibitions

The Group and Shimizu Corporation jointly exhibited at various exhibitions, aiming to promote the technologies of both companies and create synergies.

At the Highway Techno Fair 2022, held in November 2022, which featured new technologies, new construction methods, equipment, and on-site support systems related to highways, the Company exhibited floor slab repair and reinforcement methods as well as environmentally-friendly pavement technologies for pavement construction. ND Leasing System Co., Ltd., a Group company, displayed an actual vehicle of the "Comfortable Toilet Movement Office Car 'Multi Jobcar®,'" which contributes to environmental improvements at construction sites.

Furthermore, at the Green Infrastructure Industry Exhibition 2023, held at Tokyo Big Sight in February 2023, we exhibited wood-formed paving blocks made primarily from thinned wood and wood waste materials that are "focused on environmental performance." We also showcased easy-to-maintain natural turf growing panels as flooring materials, generating interest among many attendees.



Highway Techno Fair 2022



Green Infrastructure Industry Exhibition 2023



## Promotion of ESG Management

The NIPPON ROAD Group is committed to “ESG management,” emphasizing communication with all stakeholders and responding promptly to changes in the business environment to remain a trusted company that society wishes to exist. We have extracted significant ESG issues (materiality) from issues in the Mid-term Management Plan 2019, which we formulated as a clear growth strategy, and we are working toward efforts for the year 2030, which is the target year for achieving the SDGs, and beyond.

### ► Views and measures regarding sustainability

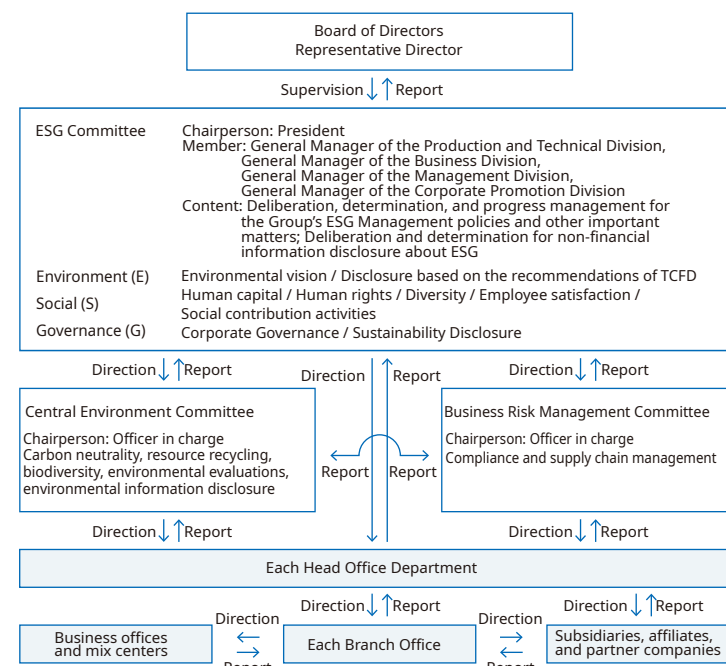
To fulfill our responsibilities to all stakeholders surrounding the Group, we formulated a Basic Policy of Sustainability. While facing various issues head on and aiming to improve corporate value, we will seek sustainable growth.

#### NIPPON ROAD Group Basic Policy of Sustainability

- |  |  |
|--|--|
| 1 Healthy corporate management and business activities | 5 Creating a satisfying workplace environment that leverages individual abilities and nurturing talent |
| 2 Compliance with laws, regulations, and social norms  | 6 Measures toward environmental issues via business activities   |
| 3 Promoting fair trade                                 | 7 Risk response  |
| 4 Respect for human rights                             | 8 Cooperation with regional societies through social contribution activities                           |

#### Governance structures regarding sustainability

We have established an ESG Committee with the President as the Chairman, responsible for deliberating and deciding on ESG policies, key initiatives, and disclosure of ESG-related information (including disclosures based on TCFD recommendations) within the Group. Important matters are reported to the Board of Directors, creating a supervisory structure. Expected ESG-related risks are reported and deliberated on by the ESG Committee, and specified risks are evaluated by the Central Environmental Committee. Compliance-related social and governance risks such as human rights are shared with the Business Risk Management Committee, aiming to integrate a risk management structure across the entire Group.



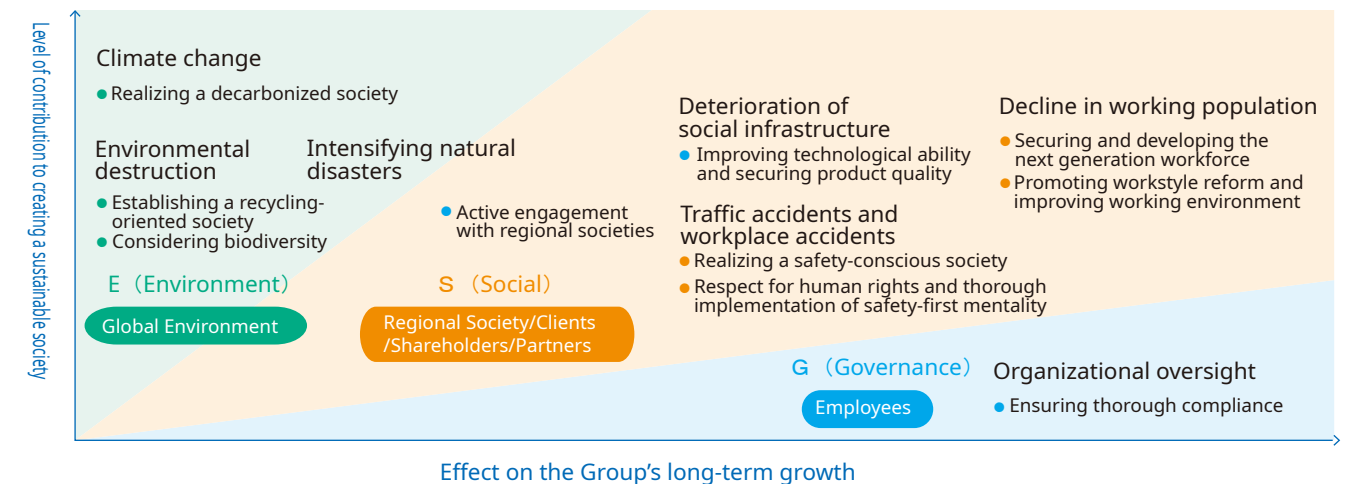
### ► Process for identifying significant ESG issues (materiality)

- **STEP 1** In the Mid-term Management Plan 2019, we recognized the business environment surrounding the Group, formulating measures against six management issues and setting objectives to achieve in FY2023.

#### Key issues in the Mid-term Management Plan 2019

- |  |  |                                      |
|--|--|--------------------------------------|
| 1 Increasing private-sector orders     | 3 Promoting workstyle reform           | 5 Establishing environmental targets |
| 2 Improving the operating profit ratio | 4 Establishing health & safety targets | 6 Ensuring thorough compliance       |

- **STEP 2** We will extract issues from the Mid-term Management Plan and address them from an ESG perspective, incorporating them into a materiality map through PDCA (Plan-Do-Check-Act), conducting revisions and additions for issues with a particularly high level of societal demand.



- **STEP 3** Position the issues considered in STEP 2 as materiality with specific measures considered by related departments and the Working Group for Promoting ESG/SDGs. Implement and promote measures companywide with reports made to the ESG Committee.

| ESG Category    | Mid-term Management Plan 2019        | Significant ESG issue (Eight materialities)                           | Relation to ISO26000 |
|-----------------|--------------------------------------|---|----------------------|
| E (Environment) | Establishing environmental targets   | Realizing an environmentally-conscious society                        | Environment          |
|                 |                                      | Realizing a decarbonized society*                                     |                      |
|                 |                                      | Establishing a recycling-oriented society*                            |                      |
| S (Social)      | Establishing health & safety targets | Considering biodiversity*   | Consumer issues      |
|                 |                                      | Realizing a safety-conscious society                                  |                      |
|                 |                                      | Improving technological ability and securing product quality          |                      |
|                 | Promoting workstyle reform           | Thorough respect for human rights and a safety-first mindset          | Human rights         |
|                 |                                      | Securing and developing the next generation workforce                 |                      |
| G (Governance)  | Ensuring thorough compliance         | Promoting workstyle reform and improving working environment          | Labor practices      |
|                 |                                      | Active engagement with regional societies                             |                      |
|                 |                                      | Ensuring thorough compliance (Structural reforms / awareness reforms) |                      |

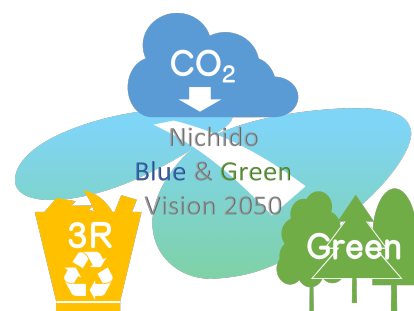
\* Defined issues after announcement of Mid-term Management Plan 2019



## [Environment]

The NIPPON ROAD Group, as a “company contributing to the creation of a sustainable society,” recognizes the environmental impacts that may be caused by its business activities and strives to minimize them. We will fulfill our social responsibility toward environmental issues and aim to pass on a sustainable society to the next generation.

| Key measures in Mid-term Management Plan 2019 | Achievement targets   |                                   |
|---|---|-----------------------------------|
|   | KPI (Key performance indicators)  | FY2023 Target                     |
| Reduction of CO <sub>2</sub> emissions        | CO <sub>2</sub> emissions   | 112,611 t-CO <sub>2</sub> or less |
| Reduction of construction byproducts          | Recycling rate of construction byproducts other than specified byproducts | Over 86.8%                        |



In maintaining our status as a company that promotes “urban development starting with roads” sustainably far into the future, we are responding to the multifaceted impact of climate change. In accordance with our Standards of Conduct, we are committed to reducing CO<sub>2</sub> emissions that result from our business activities, thus contributing to realizing a decarbonized society by 2050.

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 (Reduce/Reuse/Recycle) 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.

View QR code for more details on the environmental vision “Nichido Blue & Green Vision 2050”

## ► 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 CO<sub>2</sub> 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.”

View QR code for Eco-First Commitments.



## Participation in “Eco Towaza” Competition

The “Eco Towaza” Competition is held by the Eco-First Promotion Council, in which the Company also participates, and it is a competition to create proverbs regarding the environment. In the 2022 “Eco Towaza” Competition, there were 997 proverbs submitted from grade school and middle school students across Japan, and the Company awarded its “NIPPON ROAD Award” to Taichi Hagii, a third year student (at the time) of Mino-Jiyu Gakuen Junior High School for the following proverb:

**The ecological path we walk together across the world**

An award certificate and supplementary prize were provided.



View QR code for the “Eco Towaza” Competition.



## Participated in “Zero Marine Litter Week” to Reduce Urban Waste, the Main Source of Marine Garbage

We have been participating in a nationwide cleanup campaign organized by The Nippon Foundation and the Ministry of the Environment since 2022. During the Spring Zero Marine Litter Week held from May 27 to June 11, 2023, a total of 672 employees from 92 locations within the Group participated in cleanup activities around their respective workplaces and joined cleanup events organized by local municipalities and organizations. As a result, the overall Group was able to collect about 400 bags of garbage. Additionally, the collective efforts of not only our headquarters but also our branches, business offices, work sites, asphalt plants, and affiliates have contributed to raising awareness of environmental conservation as an Eco-First Company.



Shikoku Branch (Photo left). Hokushinetsu Branch Niigata Office (Employee families also participated in the “Niigata Clean Action in Sekiya beach”: Photo right)



## ► Measures toward carbon neutrality

### Disclosing Information based on the Recommendations of TCFD

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 risks and opportunities presented by climate change and reflect the relevant countermeasures in management and business strategies. The Company has endorsed the Recommendations of TCFD and joined the TCFD Consortium in October 2021. We disclose information regarding “Governance,” “Strategy,” “Risk Management,” and “Indicators & Targets” based on TCFD recommendations.

### 【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<sup>※1</sup> and the IEA<sup>※2</sup> 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. Moving forward, we will proceed with impact assessment and scenario analysis to maintain the global common goal of the Paris Agreement, which requires further efforts to limit the increase to 1.5°C, and incorporate it into our business strategy.

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

### 【Governance and Risk Management】

The Company is working to integrate its management structure by evaluating and deliberating climate-related risks and opportunities in the ESG Committee, chaired by the President, and then disseminating the results throughout the entire group through the Central Environmental Committee, chaired by the responsible officer.

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 and conducting inspection to prevent risks as well as communicating information and providing education on policies and decisions made to deal with climate-related risks. Environmental patrols at each headquarters department and branch department also serve to monitor the status of the implementation of these measures.

| Definition                                   | Risk/<br>Opportunity | Projected factor  | Projected result   | Expected financial impact as of 2030   | Evaluation<br>2°C 4°C | Current measures,<br>measures under consideration<br>for future implementation  |
|--|----------------------|---|--|--|-----------------------|---|
| Impact of transition to decarbonized economy | Risk                 | Increasingly strict laws and regulations  | <ul style="list-style-type: none"> <li>Construction business and material sales business limited due to restrictions on total CO<sub>2</sub> emissions permissible</li> <li>Capital investment to reduce CO<sub>2</sub> emissions increases</li> </ul>   |  | Big Small             | <ul style="list-style-type: none"> <li>Electrification of construction machinery, manufacturing mixtures with electric heating systems</li> </ul>   |
|  |                      | Introduction of carbon tax  | <ul style="list-style-type: none"> <li>Cost of measures for CO<sub>2</sub> emissions in manufacture of asphalt mixtures increases</li> <li>Taxation of CO<sub>2</sub> emissions from on-site operations, expenditures increase</li> </ul>  | <ul style="list-style-type: none"> <li>Estimating the tax amount if a carbon tax is introduced based on carbon tax price forecasts</li> </ul> 2°C scenario -924 million yen 4°C scenario No impact   | Big Small             | <ul style="list-style-type: none"> <li>Increase use of warm pavement, develop mixture manufacturing technology that does not emit CO<sub>2</sub></li> <li>Establish targets for reduced CO<sub>2</sub> emissions and promote reduction measures</li> </ul>  |
|  |                      | Increase in asphalt prices  | <ul style="list-style-type: none"> <li>Asphalt prices soar due to decline in global demand for oil</li> </ul>  | <ul style="list-style-type: none"> <li>Estimated based on oil price forecast parameters associated with oil demand and assuming that the increase will be reflected in asphalt prices.</li> </ul> 2°C scenario -114 million yen 4°C scenario -2,251 million yen<br><small>※The impact of carbon pricing in the 2°C scenario is not considered.</small> | Medium Big            | <ul style="list-style-type: none"> <li>Promote development of alternative asphalt binders</li> </ul>  |
|  | Opportunity          | Increased construction related to environmental measures                        | <ul style="list-style-type: none"> <li>Construction related to renewable energy generation increases</li> </ul>  | <ul style="list-style-type: none"> <li>Based on the current contract record for renewable energy-related construction, we estimate the amount of increased sales based on the assumption that business will expand with the spread of renewable energy.</li> </ul> 2°C scenario 116 million yen 4°C scenario 178 million yen                           | Big Small             | <ul style="list-style-type: none"> <li>Boost sales for maintenance and repair of existing facilities and energy-saving renovations</li> </ul>   |
| Physical consequences of climate change      | Risk                 | Additional heat waves due to rising temperatures                                | <ul style="list-style-type: none"> <li>Danger of heat stroke increases and working outdoors becomes more difficult</li> <li>Impact on road paving increases due to rising temperatures</li> </ul>  | <ul style="list-style-type: none"> <li>Prediction of labor productivity efficiency due to future heat stress</li> <li>Estimating additional personnel costs due to heat stroke etc. based on parameters</li> </ul> 2°C scenario -212 million yen 4°C scenario -212 million yen   | Medium Big            | <ul style="list-style-type: none"> <li>Ensure thorough health management for working employees</li> <li>Automation/unmanned capabilities for construction machinery utilizing ICT</li> <li>Develop asphalt mixtures with low paving temperatures</li> </ul> |
|  |                      | Increase in abnormal weather events such as large typhoons and torrential rains | <ul style="list-style-type: none"> <li>Delayed construction periods and increased costs due to adverse weather conditions</li> <li>Construction sites, asphalt mixture manufacturing plants, etc. damaged by disasters</li> <li>Suppliers damaged by disasters, supply of raw materials interrupted</li> </ul> | <ul style="list-style-type: none"> <li>Estimate the amount of damage to company's bases and losses due to suspension of operations in the event of a disaster based on hazard maps and weather disaster scale prediction parameters</li> </ul> 2°C scenario -196 million yen 4°C scenario -111 million yen   | Medium Big            | <ul style="list-style-type: none"> <li>Advanced detection of meteorological information, process management and personnel distribution</li> <li>Confirmation of hazard maps</li> <li>Countermeasures established in event of flooding facilities</li> </ul> |
|  | Opportunity          | Technology for countering global warming  | <ul style="list-style-type: none"> <li>Demand for warm pavement increases</li> <li>Manufacturing technology for asphalt mixtures that do not use fossil fuel increases</li> </ul>  |  | Big Small             | <ul style="list-style-type: none"> <li>Expand supply system for WMA pavement</li> <li>Practical application of manufacturing asphalt mixtures that do not use fossil fuel</li> </ul>  |
|  |                      | Renovation of social infrastructure, building national resilience               | <ul style="list-style-type: none"> <li>Needs for rain-resistant pavement technology and rainwater harvesting systems increase</li> <li>Needs for pavement to be high-durability and long-life increase</li> </ul>  |  | Big Small             | <ul style="list-style-type: none"> <li>Interlocking block (ILB) pavement with hyper-water-retaining properties, rainwater runoff control systems</li> <li>Expand on high-durability, long-life pavement methods</li> </ul>                                  |

## 【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 CO<sub>2</sub> emissions by 50% and 100%, respectively, we will strive to reduce CO<sub>2</sub> emissions in the business activities of the Group. While taking an incremental approach to reviewing our long-term targets for reducing CO<sub>2</sub> 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 | Results |        |        |        | Target |        |
|----------------------|-----------|---------|--------|--------|--------|--------|--------|
|                      | FY2013    | FY2019  | FY2020 | FY2021 | FY2022 | FY2030 | FY2050 |
| Scope1 <sup>※3</sup> | 118,647   | 78,806  | 86,469 | 79,973 | 78,206 | 59,324 | 0      |
| Scope2 <sup>※4</sup> | 22,118    | 22,999  | 22,155 | 22,606 | 19,853 | 11,059 | 0      |

※3 Scope 1: Direct emissions of greenhouse gas by business (fuel combustion, industrial processes)

※4 Scope 2: Indirect emissions from use of electricity, heat and steam supplied by other companies

### Initiative participation



The Group has been disclosing information related to climate change through responses to CDP<sup>※5</sup>. In the 2022 Climate Change Survey, we received a “B” rank (Management Level). We strive to provide a clear understanding of our efforts regarding climate change risks and opportunities in our value chain and specific impacts through the global information disclosure system operated by CDP to a diverse range of stakeholders, including investors and customers.

※5 CDP: Non-governmental organization (NGO) focusing on environmental initiatives

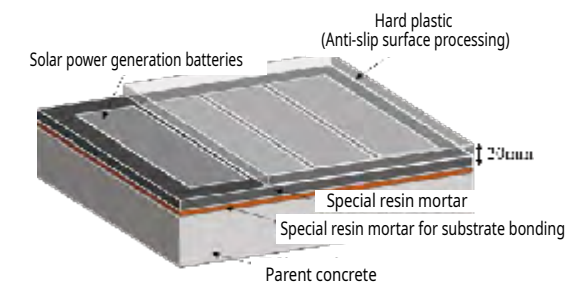


In June 2023, we submitted a commitment letter to the “SBT Initiative,” an organization that certifies greenhouse gas reduction targets, Science Based Targets (SBT), that are scientifically aligned with the goals of the Paris Agreement<sup>※6</sup>. Within the next two years, we will aim to establish reduction targets and pursue SBT certification.

※6 Goals of the Paris Agreement: International long-term goals aiming to “keep the global average temperature increase well below 2°C compared to pre-industrial levels and work to limit it to 1.5°C or less.”

### Solar Power Generation Pavement

The Company and F-WAVE Company Limited have jointly developed solar power generation pavement technology that can generate electricity on road surfaces. The solar power panels on road surfaces we have developed can be used for paving, and they are designed to withstand direct human and vehicle contact without damage while also possessing safety features such as slip resistance. By adopting a structure that sandwiches flexible solar panels that can be bent and deformed along with rigid plastic materials, the backs of the panels become flat, allowing for easy installation and embedding on road surfaces. This pavement technology enables effective use of roads as new “places to generate power.”



Solar power pavement construction (Day)



Solar power pavement construction (Night)

### Carbon Neutral Asphalt

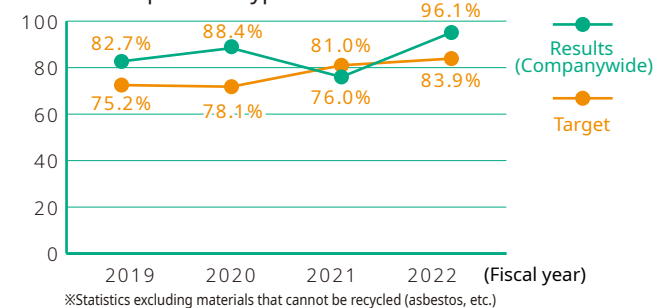
The Company has introduced Carbon Neutral Asphalt (“CN Asphalt”) provided by SHOWA REKISEI INDUSTRIES CO., LTD. to our own asphalt plant. CN Asphalt is certified based on ISO14040/14044 standards, and its LCA (calculated greenhouse gas (CO<sub>2</sub>) emissions from the process of crude oil extraction to delivery) is approximately 0.461t-CO<sub>2</sub>/t, the carbon for which will be offset through carbon credits. We plan to purchase 2,000t of Carbon Neutral Asphalt annually at our environmentally-friendly asphalt plant, “Senboku Rinkai Mixture Center,” located in Izumiotsu City, Osaka, which began operations in March 2020. This is expected to result in a reduction of CO<sub>2</sub> emissions equivalent to approximately 922t-CO<sub>2</sub>.



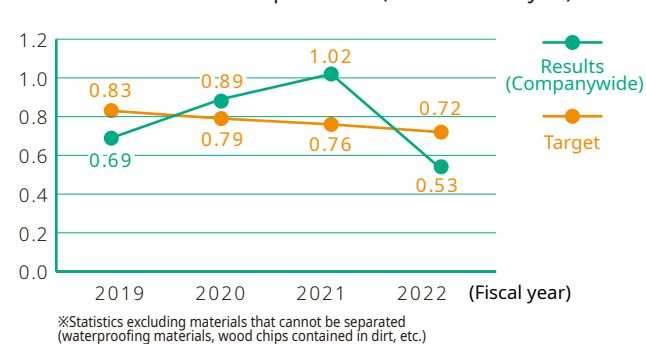
## ► Commitment to establishing a recycling-oriented society

The Group is engaged in measures for the recycling of asphalt and concrete blocks generated at construction sites, and we have maintained a recycling rate of over 99%. Furthermore, in line with the NIPPON ROAD Standards of Conduct on establishing a recycling-oriented society, which we formulated in 2021, we will continue to accelerate efforts to reduce waste and promote the 3Rs (Reduce/Reuse/Recycle) in our business activities to further advance the formation of a circular society.

Ratio of recycled construction byproducts other than specified byproducts



Volume of mixed waste produced (t/100 million yen)



We aim to maintain a recycling rate of over 99% for specified construction material waste (asphalt and concrete blocks, wood chips, etc.) and will aim to achieve a 100% recycling rate by 2035. Additionally, we will promote the separate collection and reuse of mixed construction waste, aiming to reduce the discharge rate to 0.1% or less and achieve zero final disposal by 2035.

### Promoting recycling business

In the construction byproduct recycling business, the Company accepts asphalt and concrete blocks from its own construction projects and customers, and conducts intermediate processing at recycling plants. Asphalt blocks are primarily used as materials for recycled asphalt mixtures, while concrete blocks are reused as recycled roadbed materials (materials that form the foundation of roads). This helps reduce resource input and consumption volumes while effectively utilizing existing stock. The Company's recycling business is positioned as an important business activity that contributes to a circular economy aiming to maximize the value of resources and products, minimize resource consumption, and prevent waste generation, thereby enhancing the sustainability of the Group.

Receiving asphalt and concrete blocks and conducting intermediate processing at recycling plants



Waste receiving yard



Indoor recycling facility



Recycled aggregate

View QR code for more details on the recycling business.



### Recycling Rate (%)

| Type                                       | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 | FY2035 Target |
|--|--------|--------|--------|--------|--------|---------------|
| Asphalt blocks                             | 99.77  | 99.51  | 99.99  | 100.00 | 100.00 | 100.00        |
| Concrete blocks                            | 99.87  | 99.97  | 99.98  | 99.99  | 99.93  | 100.00        |
| Materials other than specified by-products | 81.54  | 82.70  | 84.37  | 72.31  | 75.01  | 100.00        |

## ► Commitment to the conservation of biodiversity

### Fundamental Views on Natural Capital

In our environmental vision, we emphasize considering biodiversity, believing that promoting this initiative will lead to the appropriate conservation and restoration of natural capital, and contribute to the formation of a resilient social infrastructure and the development of a prosperous human society. We will apply processes such as climate-related risk and opportunity assessment and scenario analysis based on TCFD recommendations to biodiversity conservation and advance the disclosure of comprehensive efforts for the environment.

### Natural capital-related measures

#### 【Governance and Risk Management】

Measures related to natural capital, including considering biodiversity, are supervised under the same governance structure as climate change response, and specific initiatives are planned and executed based on deliberation and decisions by the ESG Committee and are then implemented across the entire Group. Furthermore, potential risks related to natural capital are assessed by the Central Environment Committee, and we are working to integrate risk management systems across the Group. From an environmental management perspective, officers in charge of Safety Administration and Environment on work sites and in business offices, in addition to those at each branch department, have established a system for reporting risk information, reviewing countermeasures, and conducting inspections to prevent risks. Additionally, under the "NIPPON ROAD Standards of Conduct on Biodiversity" based on the environmental vision, we conduct assessments through Environment Check Sheets for both the construction business and material sales business to proactively avoid adverse impacts on the natural environment.

#### 【Considering the Strategy and Target】

Business activities that impact natural capital are organized based on the beta version of the TNFD<sup>※1</sup> information disclosure framework, which helps clarify the interactions between the Group's activities and natural capital. Referring to the LEAP Approach<sup>※2</sup> utilized in the TNFD framework, we conduct discovery and diagnosis of regional or relational "dependencies" or "impacts," both directly and indirectly, in the upstream and downstream of business activities. Next, we identify and assess risks and opportunities associated with the Group's business activities and prepare for the consideration of strategies and resource allocation, as well as setting indicators and goals for reporting. In the future, in addition to TCFD disclosures, we will also consider TNFD disclosures and advance initiatives related to "Nature Positive" as part of our commitment to biodiversity.

※1 TNFD: An acronym for Taskforce on Nature-related Financial Disclosures, an initiative established in June 2021 with the goal of encouraging organizations to assess and report on the risks and opportunities related to the natural environment and biodiversity in economic activities

※2 LEAP Approach: Process for systematically assessing nature-related risks and opportunities based on scientific evidence (Discovery, Diagnosis, Assessment, Preparation)

### 30 by 30 Alliance for Biodiversity

The Group has joined the "30 by 30 Alliance for Biodiversity," which was established by the Ministry of the Environment in April 2022. This alliance is a coalition of voluntary organizations initiated by 17 public and private sector organizations, including the Ministry of the Environment, aiming to achieve the "30 by 30" international commitment, which seeks to conserve 30% of land and sea as healthy ecosystems by 2030. A total of 464 organizations, including companies, local governments, and non-profit organizations, have participated (as of June 7, 2023). By participating in this alliance, we will promote efforts across the entire Group to create and maintain OECM<sup>※3</sup> for ecosystem conservation.

At the Chubu Branch, the Company has been continuously participating in cleanup activities at the designated Ramsar wetland area "Fujimae-Higata" in Nagoya-shi, Aichi, since 2021. This activity contributes not only to the conservation of "Fujimae-Higata," which serves as an oasis for various forms of wildlife, but also to preventing the flow of garbage into Ise Bay and the Pacific Ocean.



Participated in May 2023

※3 OECM: Other effective area-based conservation measures



View QR code for more details on biodiversity.





[Social]

We believe that in order to continue supporting a society where all stakeholders can live safely, with peace of mind, and comfortably, it is necessary to protect the safety, working environment, and human rights of those engaged in each of our operations. We aim to be a vibrant company where all employees,including those in the supply chain,can unleash their individual abilities andpersonalities in a state of physical and mental well-being, and provide value to society.

| Key measures in Mid-term Management Plan 2019  | Achievement targets   |                   |
|--|---|-------------------|
|  | KPI (Key performance indicators)  | FY2023 Target     |
| Promoting workstyle reform (Reducing long work hours)  | Target for days of paid leave taken per year  | 125 days per year |
| Thorough implementation of a safety-first mindset with human rights at the forefront, establishing a "culture of safety" | Fatalities, serious accidents, and public accidents   | Zero              |
|  | Rate of accident occurrence (four or more closure days)   | 0.72 or less      |
| Securing/training human resources, diversity, and enriching hiring of the disabled                                       | —   | —                 |
| Growth strategy  | DX-related, information system facility investment  | 2 billion yen     |
| Measures after announcing Mid-term Management Plan 2019  | Implementing employee satisfaction surveys (in 2019 and 2021)<br>COVID-19 response (since March 2020)<br>Implement pay raises of an average of over 3% (in 2022 and 2023)<br>Formulate NIPPON ROAD Group Basic Human Rights Policy (April 2022)<br>Formulate sustainable procurement policy and guidelines (August 2022)<br>NIPPON ROAD Group health management declaration (July 2023) |                   |

► Quality assurance measures

To continue meeting customer expectations by understanding their needs and providing high-quality construction, products, and services, we unwaveringly advance efforts to improve quality.

Quality Policy

As a company that aims for sustainable development as a trusted entity by all stakeholders, we will implement a quality management system and strive for continuous improvements.

Measures to secure “NIPPON ROAD quality”

In construction departments, we are actively promoting construction using ICT companywide to maintain the provision of high-quality construction despite an aging workforce of skilled technicians and labor shortages.We regularly gather ICT personnel from each branch for information exchange and conduct on-site i-Construction study sessions, including 3D site surveying exercises, drone training, and road surface cutting exercises using machine guidance.

In manufacturing and sales departments,we appoint “Quality Assurance Promoters” at each branch and conduct inspections at the Mixture Center. By bringing together these quality assurance promoters for regular coordination meetings, we work to standardize manufacturing management, share challenges, and improve the quality of composites.



Recorded by a drone at an i-Construction study session

Results of external Quality Management (ISO9001) audit

The results of the Quality Management System (ISO9001)audit conducted by an external audit agency (MSA) in July 2023 were favorable,and we maintained our certification.

| Improvement comment A | Improvement comment B | Matters for monitoring | Improvement opportunities | Areas for enrichment |
|-----------------------|-----------------------|------------------------|---------------------------|----------------------|
| 0                     | 0                     | 0                      | 2                         | 1                    |

View QR code for quality management.

► Efforts for occupational health and safety

Safety serves as the foundation for the Group's business activities. Placing “thorough safety first” as a basic management policy, we are working toward compliance with laws and regulations and zero occurrence of serious accidents via thorough implementation of basic rules.

Health and Safety Policy

We thoroughly adhere to a safety-first principle that prioritizes the respect for human life and continuously improve the occupational health and safety management system to establish a “culture of safety.”

Safety results for FY2022

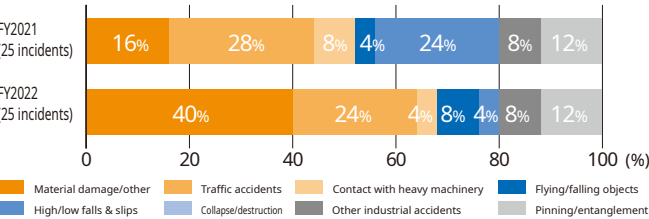
In FY2022, there were a total of 25 incidents and accidents (the same as the previous fiscal year). Among these, there were 9 cases of occupational accidents (down 36% year-on-year), 10 cases of third-party damages (up 150% year-on-year), and 6 cases of traffic accidents (down 14% year-on-year).

The causes of these incidents and accidents included inadequate work procedures, unsafe behaviors due to disregard of basic rules,insufficient pre-meeting discussions,inadequate safety management for suppliers, and inadequate education and direction for specialists.

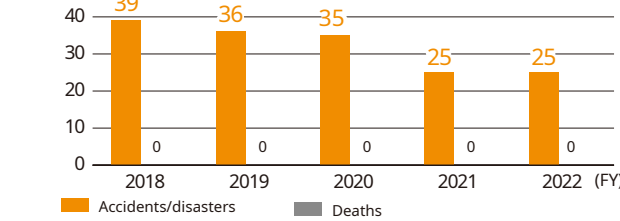
For third-party damages, incidents related to protection during work, accidents when exiting from traffic restrictions, and collisions between heavy machinery and vehicles occurred in asphalt plants.

Traffic accidents remained consistent year-on-year, but there were incidents due to inadequate attention to the surroundings.We will once again emphasize the implementation of safety and health plans and continue to utilize near-miss reporting. This will reduce potential risks and further advance risk assessments. We will steadfastly carry out safety and health activities to prevent accidents and improve safety and health standards.

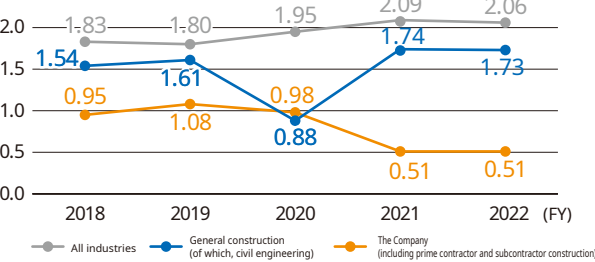
Breakdown of accidents & disasters by cause



Number of accidents/disasters (incidents)



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 2022,” Ministry of Health, Labour and Welfare

Results of external Occupational Health and Safety Management (ISO45001) audit

The results of the occupational health and safety management system (ISO45001) audit conducted by an external audit agency (MSA) in July 2023 were favorable, and we maintained our certification.

| Improvement comment A | Improvement comment B | Matters for monitoring | Improvement opportunities | Areas for enrichment |
|-----------------------|-----------------------|------------------------|---------------------------|----------------------|
| 0                     | 0                     | 0                      | 3                         | 7                    |

View QR code for occupational health and safety management.





## ► Diversity & Inclusion

To continue being a company that contributes to a sustainable society, we believe that embracing diversity is essential. We recognize diversity in terms of gender, age, nationality, disability, etc., and we aim to achieve diversity & inclusion as a unified group, enabling each executive and employee to maximize their individual abilities.

### Participation by foreign employees

The NIPPON ROAD Group actively recruits talent with diverse nationalities not only in overseas locations such as Thailand and Malaysia, but also within Japan.

Number of foreign employees  
within the Group

144

Refer to page 12 "Human Capital"  
for initiatives on respecting human right

### Employing people with disabilities

We are working to promote the employment of people with disabilities while creating an environment where each individual can thrive within reasonable limits, taking into account their specific disability characteristics.

| Employment rate |      |
|-----------------|------|
| March 2021      | 3.4% |
| March 2022      | 3.3% |
| March 2023      | 3.2% |

\*Legally mandated employment rate: 2.3%

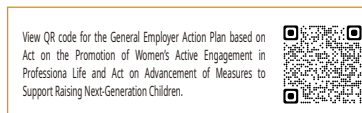
### Paralym Art: Creating a world where the disabled can make dreams come true through art

Since 2022, the Company has been an official partner in the Paralym Art Project operated by The general incorporated association for supporting independence of people with disabilities (Shogaisha Jiritsu Suishin Kikou), providing support for the disabled to participate in society and become economically independent through art. Custom-designed artwork for the Company is provided by the artists and not only displayed in offices, but used for the cover page of the NIPPON ROAD Group Integrated Report and as artwork for promotional folders, demonstrating a wide range of opportunities for display. Through using Paralym Art works, we will contribute to the promotion of art and culture and the realization of a diverse society where everyone can thrive through the utilization of Para Artworks.



### Promotion of female participation

We are working on measures to create a workplace environment where female employees can further demonstrate their abilities while also defining action plans, including numerical targets, related to achieving a balance between employees' work and family lives.



### Nikkenren "Kensetsu Komachi Team (Group of women in construction)"



"Kensetsu Komachi" is the nickname for all women working in the construction industry, established by the Japan Federation of Construction Contractors (Nikkenren) in 2015. Nikkenren is actively promoting various initiatives to support women in entering, staying in, and thriving in the construction industry. One of these initiatives, the "Kensetsu Komachi Team (Group of women in construction)," involves registering teams with approachable names for women engineers who are working on construction sites and sharing their activities on Nikkenren's website and other platforms. NIPPON ROAD has also registered multiple teams, contributing to promoting the attractiveness of the construction industry.



FY2022 Team "Ageo Komachi" in charge of National Route 17 Ageo Road external environment maintenance construction (activity period: April 2022 to March 2023)

## ► Measures in health management®

In the management vision of "A company that cares for its employees," the Group considers the physical and mental health of employees as important, as they are the ones who can create value, and in July 2023, we formulated the "Health Management Declaration." In the future, based on this declaration, we will collaborate with health insurance associations and occupational health physicians to promote efforts related to the improvement of employee health, leading to increased productivity.

### Health management promotion structure



### NIPPON ROAD Group Health Management Declaration

- 1 We will support the self-care of our employees and their families, both physically and mentally
- 2 We will strive to establish a workplace environment and systems that allow employees to work with peace of mind
- 3 We will contribute to the promotion of people's health through providing our own products and services



Group company SPORTS MEDIA inc. held "Easy stretch and exercise"



"Kaiteki hoso" featuring pavement that is easy on runners and walkers

\*Health management is a registered trademark of Nonprofit Organization Kenkoieiei.

## ► Social contribution activities

Based on the Basic Policy of Sustainability, we work to cooperate with regional societies through social contribution activities.

We carry out about 300 activities annually, including initiatives unique to our business locations and requests from partners. Among these activities, we specifically recognize those that contribute significantly to the enhancement of the Group's corporate value with special commendations.

### Results of FY2022

Environmental beautification events such as cleaning

187



Regional safety activities such as traffic direction

27



Receiving work study tours and workplace tours

16



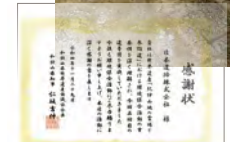
Volunteer activities for school ground maintenance

9



### "Michi Bushin (Road Repair and Maintenance)": Activity that returns to the roots of road construction

Since 2018, the Group has been participating in the Pilgrimage Conservation Program conducted by Wakayama Prefecture for the World Heritage: The Kumano Kodo Pilgrimage Routes. The Kumano Kodo Pilgrimage Routes consist mostly of natural mountain paths, and regular road repairs (Michi Bushin) are required to prevent soil erosion caused by rain. In 2022, our fifth time participating, we conducted activities in the rain, carrying tools and working on the pilgrimage road to remove mud and fallen leaves, creating slopes for drainage, instead of the activities we typically do that involve adding soil, transport, and ground leveling. After the activity, we received a certificate of appreciation from the Wakayama Prefecture World Heritage Council.





► List of Directors



Representative Director  
President

**Toshiyuki Ishii**



Representative Director  
Senior Managing Officer

**Masakazu Hyodo**



Director  
Senior Managing Officer

**Kaoru Ito**



Director  
Managing Officer

**Toshihiko Kasai**



Director  
Managing Officer

**Takeshi Takasugi**



Outside Director

**Taku Matsumoto** ※1



Outside Director

**Nozomu Morimura** ※1



Outside Director

**Fumiko Kosao** ※1



Standing Corporate Auditor

**Yasunori Kusuda**



Standing Outside Corporate Auditor

**Yoshinari Dendo**



Part-time Outside Corporate Auditor

**Hidemi Fujino** ※2



Part-time Outside Corporate Auditor

**Yuichi Yamamori**

※1 Taku Matsumoto, Nozomu Morimura and Fumiko Kosao are Independent Outside Directors.  
※2 Hidemi Fujino is an Independent Outside Corporate Auditor.

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)                         |                         |  | ●   | ●              |
| Masakazu Hyodo   | Representative Director Senior Managing Officer |  |   | ●                 |                                 | ●                       | ●  |   | ●              |
| Kaoru Ito        | Director Senior Managing Officer                |  | ●   | ●                 |                                 |                         |  | ●   | ●              |
| Toshihiko Kasai  | Director Managing Officer                       |  |   |                   | ● (ICT・DX)                      | ●                       |  |   | ●              |
| Takeshi Takasugi | Director Managing Officer                       |  | ●   |                   | ● (ICT)                         |                         |  | ●   | ●              |
| Taku Matsumoto   | Outside Director                                |  |   |                   |                                 | ●                       | ●  |   |                |
| Nozomu Morimura  | Outside Director                                | ●  |   | ●                 |                                 |                         | ●  |   |                |
| Fumiko Kosao     | Outside Director                                |  |   |                   |                                 | ●                       | ●  | ●   |                |

Sustainability

Governance

Based on the NIPPON ROAD Basic Policy of Corporate Governance, we secure the health, transparency, and efficiency of management. Additionally, from the perspective of protecting the interests of minority shareholders, we have established a Special Committee to deliberate and review the existence of significant transactions and conduct where the interests of controlling shareholders and minority shareholders may conflict. The Committee provides advice and recommendations to the Board of Directors, aiming to maintain our reputation as a company trusted by stakeholders.

Key measures in Mid-term Management Plan 2019

| Structural reforms | ● Maintain structures to enable conducting appropriate internal control activities | ● Continuous improvement of various monitoring functions to evaluate results |
|--------------------|--|--|
| Awareness reforms  | ● Strengthen compliance education and training                                     | ● Promote a more active Business Risk Management Line                        |

Significant implementation matters

► Basic Views of Corporate Governance

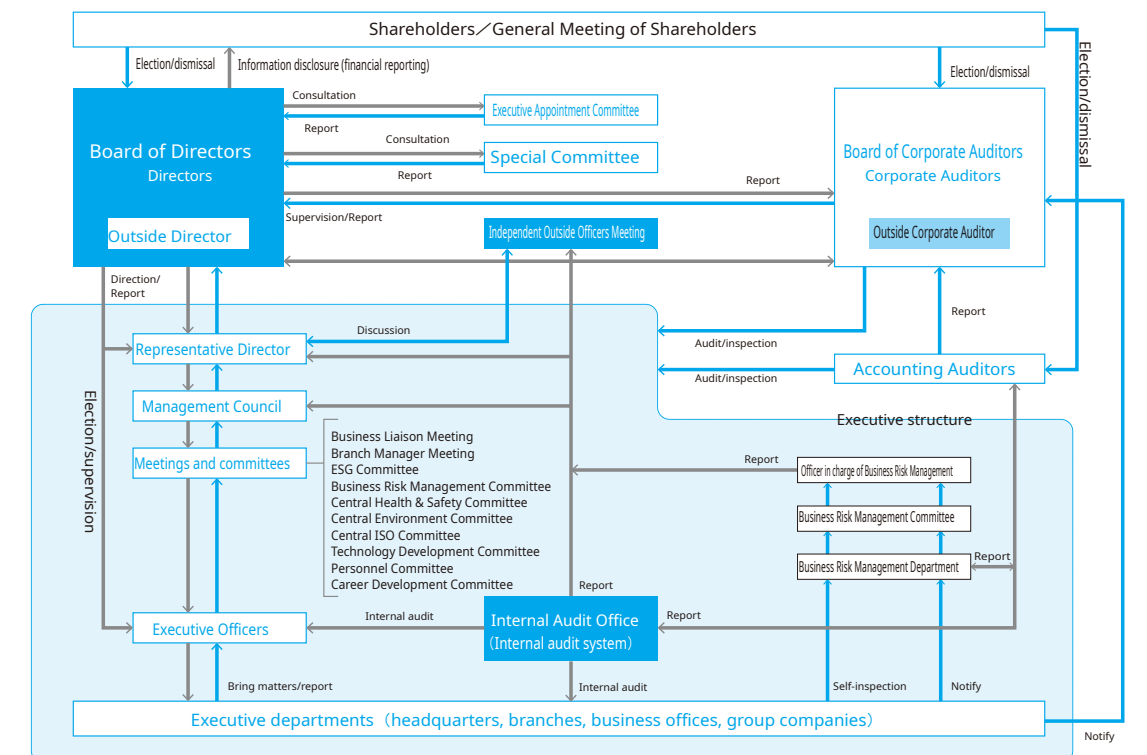
The Company's basic policy on corporate governance is to prepare and establish internal systems that ensure the rights and equal treatment of our shareholders as well as respect our relationships with stakeholders, ensure transparency through the timely disclosure of relevant information related to management, 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, Independent Outside Directors who present no risk of conflicts of interest with ordinary shareholders are appointed as one-third or more of the total number of Directors 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 an Independent Outside Officer) 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 23, 2023



Key governance bodies established

Board of Directors

The Board of Directors is composed of eight Directors (five inside and three outside), and it determines the Company's business execution policies and resolves and approves matters specified by laws and regulations and other important matters. It also supervises the execution of Directors' duties. In particular, with regard to increasing activity in the Board of Directors, we promote the separation of responsibilities between business execution and overall management responsibilities,limiting the number of Directors responsible for making decisions,executing, and supervising important matters in company management,thus enhancing the health and efficiency of management.

Board of Corporate Auditors

The Board of Corporate Auditors is composed of four Corporate Auditors(one inside and three outside), with one Inside Corporate Auditor and one Outside Corporate Auditor serving as standing Corporate Auditors. Among the Outside Corporate Auditors, one is designated as an Independent Outside Corporate Auditor. The Corporate Auditors oversee the performance of Directors through attendance at important meetings, examination of meeting minutes and related documents, and investigations into the Company's business and asset conditions. They strive to maintain and enhance the Company's social credibility and contribute to business development.

Independent Outside Officers Meeting

Composed of Independent Outside Officers (four people), the Independent Outside Officers Meeting freely discusses matters related to the Company's business and corporate governance. The Chief Independent Outside Director,selected from among the Independent Outside Directors, leads the Independent Outside Officers Meeting and regularly engages in discussions with the Chair of the Board of Directors (President) regarding issues raised within the Committee. Additionally, we receive regular reports from the General Manager of the Internal Audit Department on the results of internal audits and points of concern related to risks within the company.

Duties of Independent Outside Directors

Based on their expertise, Independent Outside Directors continuously review and evaluate the Company's management performance and the execution status of the management team in light of the management strategies and plans determined by the Board of Directors. Their primary role is to assess the appropriateness of entrusting the Company's management to the current management team from the perspective of the collective interests of shareholders, and express their opinions on this matter.

Directors and Corporate Auditors' activities and reasons for appointment, etc. in FY2022

| Name             | Position at the Company                         | Independent Officer | Years of Office | Record of Attendance at Meetings in FY2022 |                             |                                 |                                      |                   | Reasons for Appointment, etc.  |
|------------------|---|---------------------|-----------------|--|-----------------------------|---------------------------------|--------------------------------------|-------------------|--|
|                  |   |                     |                 | Board of Directors                         | Board of Corporate Auditors | Executive Appointment Committee | Independent Outside Officers Meeting | Special Committee |  |
| Toshiyuki Ishii  | Representative Director President               |                     | 7 years         | 100% (15/15 times)                         | —                           | 100% (5/5 times)                | —                                    | —                 | 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.   |
| Masakazu Hyodo   | Representative Director Senior Managing Officer |                     | Newly appointed | —  | —                           | —                               | —                                    | —                 | While working at Shimizu Corporation, he worked as an Executive Officer in charge of Finance & Accounting,among other positions, and in 2023 he was appointed to be Senior Managing Officer of the Company. He possesses broad experience and an abundance of specialized knowledge in the construction industry.                                      |
| Kaoru Ito        | Director Senior Managing Officer                |                     | 4 years         | 100% (15/15 times)                         | —                           | —                               | —                                    | —                 | 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 the Business Division.                     |
| Toshihiko Kasai  | Director Managing Officer                       |                     | 2 years         | 100% (15/15 times)                         | —                           | —                               | —                                    | —                 | He has served as Deputy Manager of the Accounting Department, Manager of the Corporate Planning Department, as well as President of a subsidiary of the Group, thus granting him significant experience and expertise regarding finances, accounting, and management.  |
| Takeshi Takasugi | Director Managing Officer                       |                     | Newly appointed | —  | —                           | —                               | —                                    | —                 | 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 Construction Department as the General Manager of the Production and Technical Division. |
| Taku Matsumoto   | Outside Director                                | ○                   | 4 years         | 93% (14/15 times)                          | —                           | 100% (5/5 times)                | 100% (4/4 times)                     | 100% (9/9 times)  | He possesses expertise and significant experience as an attorney, and is supervising management from a neutral and objective standpoint while maintaining a high degree of independence, thus fulfilling his role in improving the transparency and supervisory functions of the Board of Directors.   |

Effectiveness evaluation for the Board of Directors

In accordance with the NIPPON ROAD Basic Policy of Corporate Governance, each Director conducts a self-evaluation every year regarding the effectiveness of the Board of Directors and their own performance as Directors, and submits the results to the Board of Directors. The Board of Directors analyzes and evaluates the effectiveness of the entire Board of Directors each year based on each Director's self-evaluation results, and confirms that effectiveness is ensured during Board of Directors meetings.

Executive Appointment Committee

The Executive Appointment Committee has been established as an optional advisory committee of the Board of Directors, which includes Representative Directors (two people), Independent Outside Officers (four people), and external experts selected from outside the company. This Committee is responsible for matters related to the appointment of Directors, their compensation, and the selection and dismissal of the President and other members of the management team. Regarding the content of proposals for the appointment and dismissal of Directors at General Meetings of Shareholders, we receive advice from the Board of Directors before proposals are finalized and review the guidelines for Director compensation, providing recommendations to the Board of Directors.

Special Committee

The Special Committee is an advisory body to the Board of Directors consisting of three members selected from among Independent Outside Officers. It reviews and examines important transactions that require scrutiny from the perspective of protecting the interests of minority shareholders in direct dealings with our parent company, Shimizu Corporation, or its wholly-owned subsidiaries, and provides recommendations to the Board of Directors.

Matters regarding amount of compensation, etc., for officers and policies for determining calculation methods

At a Board of Directors meeting, the Company resolves the policy for determining individual Director compensation and other related matters. When making resolutions at the Board of Directors meetings, we consult with and obtain recommendations from the Executive Appointment Committee, which consists of Representative Directors and Independent Outside Officers, regarding the content to be resolved.Compensation for Directors consists of basic compensation that is fixed compensation and stock acquisition compensation, as well as an officer bonus that is performance-linked compensation. Compensation for Independent Outside Directors includes only basic compensation. Furthermore, compensation for Corporate Auditors consists of basic compensation that is fixed compensation, and an officer bonus that is performance-linked compensation. Compensation for Part-time Corporate Auditors includes only basic compensation. Individual compensation amounts for Corporate Auditors are determined through discussions among the Corporate Auditors.

①Matters concerning resolutions at a General Meeting of Shareholders for the compensation amount for Directors and Corporate Auditors

At the 118th Annual General Meeting of Shareholders held on June 23,2023, the compensation amount for Directors and Corporate Auditors was resolved to be 380 million yen or less per annum (of which, 40 million yen or less per annum for Outside Directors) for Directors, including employee compensation for Directors concurrently serving as employees,and 70 million yen or less per annum for Corporate Auditors.

②Policies concerning fixed compensation, etc.

Basic compensation is provided as a fixed monthly payment for the responsibilities associated with management and execution of duties. The basic compensation is determined by considering the overall business environment while also taking into account employee salary levels and standards at other companies.Stock acquisition compensation is paid monthly, in addition to the basic compensation, with the purpose of purchasing company stock to align with shareholder perspectives and contribute to a long-term increase in shareholder value.While holding the same position, the individual stock acquisition compensation is maintained at the same amount. Directors purchase company stock through the Director Shareholding Association and are required to hold the stock continuously for a certain period during their tenure and after retirement.

③Policies, etc. concerning performance-linked compensation, etc.

Performance-linked compensation shall be limited to monetary compensation in the form of officer bonuses and are considered incentives for short-term improvement in business results.The performance metrics for officer bonuses are profit attributable to owners of parent and dividends per share. Officer bonuses are only paid if profit attributable to owners of parent reaches 2,000 million yen and dividends per share reaches 70 yen for each business year. If neither of these metrics meets the specified criteria, the bonuses will not be paid.

(Note) Although the Company plans to implement a share split at a rate of five shares per share of common shares with October 1, 2023 as the effective date, dividends per share shows dividend amount prior to the share split.

④Policies, etc., concerning ratio of compensation, etc.

Regarding the percentage breakdown of compensation types by position, the Company determines the percentage of various compensation types for each position based on companies of similar scale and companies in related industries. Furthermore, Director compensation consists of fixed compensation in the form of basic compensation, stock acquisition compensation,and an officer bonus that is performance-linked compensation, etc., and non-monetary compensation will not be provided.

Total amount of compensation for directors and corporate auditors in FY2022

| Officer category                                | Total amount of compensation (Millions of yen) | Total amount of compensation, etc., by type (Millions of yen) |                                 |                    | Number of officers applicable (Persons) |
|---|--|---|---------------------------------|--------------------|---|
|   |  | Fixed compensation  | Performance-linked compensation | Other compensation |   |
| Directors (outside directors)                   | 187 (12)                                       | 154(12)   | 32(—)                           | — (—)              | 8 (3)                                   |
| Corporate auditors (outside corporate auditors) | 47 (27)  | 43 (25)   | 4(2)                            | — (—)              | 4 (3)                                   |
| Total (outside officers)                        | 234 (40)                                       | 197(38)   | 37 (2)                          | — (—)              | 12 (6)                                  |

(Note) 1. The left includes two Directors (of which, one Outside Director) who retired at the conclusionof the 117th Annual General Meeting of Shareholders held on June 24, 2022.  
2. Does not include payment of employee salary portions.  
3.The left includes 32 million yen in Director bonuses (four persons) and 4 million yen in Corporate Auditor bonuses (two persons) paid on June 23, 2023.

\*Record of attendance since taking office in June 2022

| Name            | Position at the Company             | Independent Officer | Years of Office | Record of Attendance at Meetings in FY2022 |                             |                                 |                                      |                   | Reasons for Appointment, etc.  |
|-----------------|-------------------------------------|---------------------|-----------------|--|-----------------------------|---------------------------------|--------------------------------------|-------------------|--|
|                 |                                     |                     |                 | Board of Directors                         | Board of Corporate Auditors | Executive Appointment Committee | Independent Outside Officers Meeting | Special Committee |  |
| Nozomu Morimura | Outside Director                    | ○                   | 1 years         | 100% (12/12 times*)                        | —                           | 100% (3/3 times*)               | 100% (4/4 times*)                    | 100% (9/9 times*) | He possesses expertise and substantive experience as a manager of listed corporations, and is supervising management from a neutral and objective standpoint while maintaining a high degree of independence, thus fulfilling his role in improving the transparency and supervisory functions of the Board of Directors.  |
| Fumiko Kosao    | Outside Director                    | ○                   | Newly appointed | —  | —                           | —                               | —                                    | —                 | She possesses specialized knowledge and substantive experience as a tax accountant, and it has been determined that her qualifications for supervising management from a neutral and objective standpoint while maintaining a high degree of independence will assist her in improving the transparency and supervisory functions of the Board of Directors.         |
| Yasunori Kusuda | Standing Corporate Auditor          |                     | 2 years         | 100% (15/15 times)                         | 100% (15/15 times)          | —                               | —                                    | —                 | He has served as General Manager of the Corporate Planning Department, President of a subsidiary of the Group, as well as Director of the Internal Audit Office, and possesses significant experience and expertise regarding management. Having deep knowledge in audit, it has been determined that he is qualified to audit the execution of duties by Directors. |
| Yoshinari Dendo | Standing Outside Corporate Auditor  |                     | 2 years         | 100% (15/15 times)                         | 100% (15/15 times)          | —                               | —                                    | —                 | 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 | ○                   | 3 years         | 93% (14/15 times)                          | 93% (14/15 times)           | 80% (4/5 times)                 | 100% (4/4 times)                     | 100% (9/9 times)  | 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 |                     | 2 years         | 100% (15/15 times)                         | 100% (15/15 times)          | —                               | —                                    | —                 | 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.   |



## Compliance and Risk Management System

### Compliance promotion structure

The NIPPON ROAD Group has established the Business Risk Management Committee as an organization to strengthen and promote compliance structures and aim to prevent operational risk. Under the control of the Business Risk Management Department, it seeks through compliance with laws and regulations and corporate ethics in conformity with the Basic Philosophy/Policy of Compliance.

### Maintenance of various hotlines and contact points

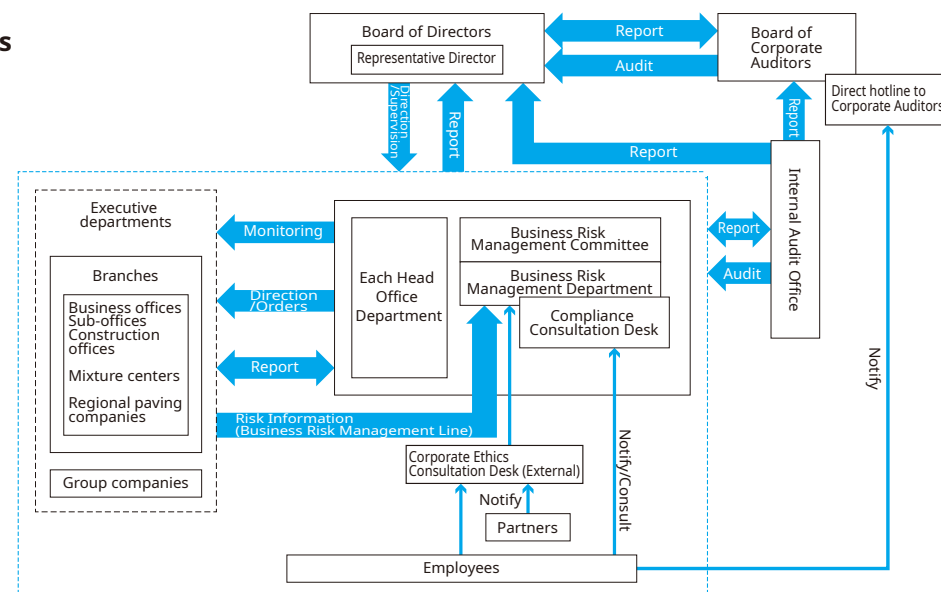
With the aim of strengthening compliance within the Group through the prevention of compliance violations, early detection, correction, and prevention of recurrence, the Company has established an “internal reporting system.” In addition the Compliance Consultation Desk, which is the internal contact point, we have also established the Corporate Ethics Consultation Desk, which is outsourced to an external specialized company.

View QR Code for Basic Philosophy/Policy of Compliance, and Competition Law Compliance Policy.



### Internal control systems

The Business Risk Management Committee has been established as an organization overseeing the construction of the internal control system and the overall risk management system. We have also established the Working Group for Internal Control as its advisory body and appointed a responsible Director to assess and manage the risks within the Group. Furthermore, the operational status of the internal control system is evaluated as part of the audit matters specified in the Rules of Internal Control, and the Internal Audit Office conducts periodic audits. Additionally, the Company consults and seeks advice and guidance from third parties such as lawyers and Accounting Auditors as needed during the course of the execution of business.



## Measures for compliance with the Antimonopoly Act

The Company has defined a Competition Law Compliance Policy and continues to implement measures such as pre-screening of contacts with competitors and monitoring of public bidding. We also regularly conduct third-party audits to ensure compliance with the Antimonopoly Act.

### Implementing compliance training and study sessions

On July 30, 2019, the Company received an Order for Payment of Surcharge from the Japan Fair Trade Commission due to violations of the Antimonopoly Act related to the sale prices of asphalt mixtures. In order to ensure that the lessons from this incident are not forgotten and are utilized in the future, we designated July 30 as Compliance Day for the entire Group starting from 2020 and have been conducting training sessions companywide. For Compliance Day 2023, we organized special lectures by external speakers for heads of headquarters, branch managers, Presidents of direct subsidiary and regional paving companies, and members of the Business Risk Management Committee, among others. These lectures were recorded and later broadcast for viewing at offices across the country.



Compliance Day training held on July 28, 2023

### Special lectures

- “Overtime limits in the construction industry”  
Lecturer: Autonomy Tomohito Itsumi (Law Office of Itsumi & Machida)
- “About human rights”  
Lecturer: Human Resources Department, Shimizu Corporation

## Promotion of supply chain management

In August 2022, the Company established the Sustainable Procurement Policy/Procurement Guideline to ensure that procurement activities do not have a negative impact on social norms, human rights, the environment, safety, quality, and coexistence with society, and provide customers with high-quality construction technologies, products, and services. We work together with our trading partners to promote sustainable procurement activities throughout the supply chain.

### Sustainable Procurement Policy

- 1 Compliance with laws, regulations, and social norms
- 2 Thorough implementation of fair and equitable trade
- 3 Establish and strengthen partnerships
- 4 Respecting human rights
- 5 Promote safety and cleanliness
- 6 Consideration for the environment
- 7 Secure and improve quality
- 8 Thorough implementation of information security
- 9 Continuation of business activities during disasters
- 10 Active social contribution

### Promotion of compliance with Subcontract Act and appropriate trade

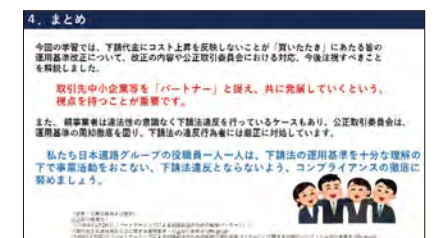
In response to issues arising from higher energy costs and raw material prices, the government is promoting the “Package of Measures to Facilitate Transfers for Value Creation through Partnership” via a partnership of all trading operators to ensure that the increases in labor costs, raw material costs, and energy costs can be properly transferred. Within the Group, we are also engaging in various initiatives to create an environment where partner companies can appropriately transfer prices.

### [Subcontract Act operational standards, revised on January 26, 2022]

- Clearly discuss the necessity of reflecting the increase in costs such as labor costs, raw material prices, and energy costs in transaction prices during price negotiations
- In cases where the counterparty in a transaction requests an increase in the transaction price due to the rise in labor costs, raw material prices, energy costs, etc., provide a written or email response to the counterparty explaining the reasons if the price increase is not viable

To ensure the above awareness is thoroughly disseminated, in November 2022, The Month for Promoting Proper Subcontract, unified instructional materials were created for the entire company. Study sessions were conducted at each business office, sub-office, construction office, mixture center, regional paving company, and subsidiary under direct control.

Additionally, in March 2023, the Business Risk Management Department hosted a lecture session targeting branch managers, branch construction department managers, production and sales department managers, management department managers, sales office managers, mixture center managers, Presidents of related companies and regional paving companies, as well as business risk management personnel from each unit.



Unified instruction materials used companywide for The Month for Promoting Proper Subcontract

### Measures in Health and Safety/Environment, and Compliance

With approximately 900 partner companies, we coordinate mutual communication and collaboration between NIPPON ROAD and partner companies through activities such as Health and Safety Council meetings, safety and hygiene education upon entering worksites, safety patrols, etc. Additionally, we discuss comprehensive safety and hygiene measures and work toward the eradication of workplace accidents.

We also conduct an annual check of outstanding debts and administer surveys to inquire whether or not any fraudulent activities have occurred in our transactions with business partners.



Conference for Promoting Health and Safety at Kitakanto Branch



## Outside Officer Roundtable

## The Role of the Board of Directors in ESG Management and Human Resources Development to Create a Sustainable Society

President Ishii, who serves as the Chair of the Board of Directors, along with four Independent Outside Officers, including Fumiko Kosao, who assumed the role of Outside Director in June 2023, discussed the NIPPON ROAD Group's sustainability management and the direction it should aim for, under a firm governance foundation and focus on addressing environmental and social issues.

### Independent Outside Corporate Auditor Hidemi Fujino

1975  
Joined Tokyo Regional Taxation Bureau  
2017  
Head of Hidemi Fujino Certified Tax Accountant Office (Current)  
2020  
Outside Corporate Auditor of the Company (Current)

### Independent Outside Director Nozomu Morimura

1980  
Joined Toto Kiki, Ltd. (Currently TOTO Ltd.)  
2020  
Advisor of TOTO Ltd.  
2022  
Outside Director of the Company (Current)

### Representative Director and President Chair of the Board of Directors Toshiyuki Ishii

1982  
Joined the Company  
2021  
Representative Director, Executive Vice President of the Company  
2022  
Representative Director and President of the Company (Current)

### Independent Outside Director Fumiko Kosao

1973  
Joined National Tax Agency  
2015  
Head of Fumiko Kosao Certified Tax Accountant Office (Current)  
2023  
Outside Director of the Company (Current)

### Independent Outside Director Taku Matsumoto

1999  
Registered with the Daini Tokyo Bar Association  
2014  
Representative of Yebisu Matsumoto Law Office (Current)  
2019  
Outside Director of the Company (Current)



Becoming a member of the Shimizu Group, we aim to further strengthen our governance structure with the Board of Directors at the core and instill a culture of compliance throughout the organization

**Ishii** We have continuously strived to work toward ensuring compliance with laws and regulations and corporate ethics, using our Basic Compliance Principles and Guidelines as the basis for employees' code of conduct. Unfortunately, there were several significant issues related to compliance and governance, such as inappropriate accounting practices and violations of antitrust laws, that occurred between 2014 and 2016.

Therefore, in Mid-term Management Plan 2019 (FY2019-2023), we identified ensuring thorough compliance as one of the significant issues and have been implementing structural reforms and awareness reforms. Since becoming a consolidated subsidiary of Shimizu Corporation, we have established subcommittees to enhance compliance and governance in collaboration with them, as a member of the Shimizu Group. Furthermore, to protect minority shareholders, we established a Special Committee consisting of Independent Outside Directors to oversee important transactions and actions that may involve conflicts of interest with minority shareholders.

In the governance structure at the heart of the company, the Board of Directors, we welcomed Fumiko Kosao as a new Independent Outside Director in June 2023, following the resolution at the General Meeting of Shareholders. Kosao is the first female Director at the company, either internal or external. We hope that the three Outside Directors will contribute to strengthening our governance structure with their wealth of experience and knowledge.

Additionally, we have chosen to be a company with board of corporate auditors. The Board of Corporate Auditors comprises four Corporate Auditors, including one standing Inside Corporate Auditor who is well-versed in company operations and three Outside Corporate Auditors. They monitor company operations comprehensively and carry out external, objective, neutral, and independent management monitoring.

Today, I would like to have a discussion on the Company's governance with the four Independent Outside Officers, including three Outside Directors and Fujino, the Outside Corporate Auditor. First, I would like to ask Director Morimura, Director Matsumoto, and Corporate Auditor Fujino how they evaluate the discussions at the Board of Directors and the Special Committee over the past year.

**Morimura** In FY2022, there were cases related to M&A (mergers and acquisitions), and various opinions and suggestions were raised during Board of Directors meetings regarding whether to proceed with corporate acquisitions. Ultimately, for various reasons, it was decided not to carry out a corporate acquisition. M&A represents both opportunities for growth and risks for companies. We believe that the comprehensive discussions, leveraging the expertise of each Director, both inside and outside, were effective in minimizing risks and highly valuable.

I believe that the Special Committee, which was established as an advisory body to the Board of Directors in the previous fiscal year, conducted thorough discussions from the perspective of protecting minority shareholders. The Committee, consisting of three Independent Outside Officers, including myself, held nine meetings and deliberated on the process leading to the awarding of contracts related to Shimizu Corporation, the parent company, and its subsidiaries. We focused on the process and confirmed that there were no actions under undue pressure or arbitrary transactions, and subsequently reported this to the Board of Directors.

**Matsumoto** I serve as an Outside Director at other companies, both public and private, but I find that NIPPON ROAD has an excellent balance between the number of reporting and approval items and the time allocated for discussions. In the panel discussion mentioned in last year's Integrated Report, which I was also a part of, I emphasized the importance of management with SDGs and ESG in mind and the necessity of discussions at the Board of Directors. In FY2022, I feel that sustainability discussions were deeper in the Board of Directors. Disclosure of non-financial information, including information disclosure on risks and opportunities based on TCFD recommendations and the obligation to disclose human capital information in the Securities Report, prompted substantial discussions on ESG within the Company. Furthermore, in the Special Committee responsible for monitoring any transactions under undue pressure from the parent company, during the deliberation process, potential issues in the Company's construction contracts came to light, and it was a significant achievement to be able to raise issues toward improvement.



**Fujino** When I was appointed as a Part-time Outside Corporate Auditor in 2020, I had a direct conversation with the then President of the Company regarding our compliance violations at that time, and I could sense deep regret as the leader of the organization. To prevent this from becoming forgotten, we regularly present it as an agenda item at the Board of Directors, and I believe that employees should always be aware of it.

In the Board of Directors meetings for FY2022, there were many significant projects, such as synergy effects with our parent company, Shimizu Corporation, and the construction of the multipurpose complex: Tsuchiura Techno BASE in Tsukuba, Ibaraki Prefecture, as part of the 100th anniversary project to be celebrated in 2029, as well as the rebuilding of the headquarters building. However, with the insights and experiences of Outside Officers, we were able to bring awareness to the Board of Directors, allowing us to have deeper discussions and make steady progress toward our shared goals.

**Ishii** That's true. As you all have mentioned, the Board of Directors had many challenging issues in FY2022

as the first fiscal year after becoming a member of the Shimizu Group. However, I believe we were able to have meaningful discussions while ensuring transparency by establishing the Special Committee. Director Kosao, what are your thoughts on governance?

**Kosao** I believe the role of Outside Directors is to provide neutral and objective opinions in line with the expectations of all stakeholders, and to prevent the organization from making unreasonable conclusions or actions that could lead to groupthink.

Through my work in tax-related matters, I have observed various organizations from an outside perspective, and I consider governance to be the most important aspect for companies. While it is a prerequisite for the Board of Directors to maintain a high level of governance awareness, I believe that a culture of compliance permeating throughout the entire organization, including employees, is essential for maintaining healthy management.

We must actively declare "NIPPON ROAD as a company known for its technology."

Support risk management for M&A and promote active capital investment in the Board of Directors, and engage in collaboration with different industries to work toward reducing environmental impact

**Ishii** Let's move on to discuss environmental issues. We are a corporate group that contributes to the development of society and the preservation of the Earth's environment through road construction. To continue this mission, in 2021, we formulated the environmental vision "Nichido Blue & Green Vision 2050." This vision has three pillars as the action guidelines: achieving carbon neutrality, establishing a recycling-oriented society, and considering biodiversity. In February 2022, we were certified as an

"Eco-First Company" by the Ministry of the Environment.<sup>※1</sup> We aim to work toward achieving environmental goals through discussions at the Board of Directors, but what are your opinions on this matter?

**Morimura** When considering the resolution of social issues, I am reminded of the words of Ninomiya Sontoku, Japanese philosopher: "An economy without morality is a crime, and morality without an economy is mere idle talk." In the context of companies engaging in ESG management, it is crucial to have the technological support for generating profits. NIPPON ROAD possesses many excellent technologies, but I feel that there is still a lack of appeal to general society. Perhaps it is necessary to actively promote the technologies we already have. Furthermore, I believe that overseeing planned capital investment to better utilize our current technologies is also a place for improvement. I would like to continue monitoring these matters at the Board of Directors.

**Matsumoto** The road paving industry relies on petroleum resources for the production of asphalt compounds and uses fuel to operate heavy machinery during paving, making it a challenge to easily reduce CO<sub>2</sub> emissions. Efforts such as research and development alone may not suffice, and we must actively pursue M&A and alliances with other companies to effectively address these challenges. As Director Morimura mentioned earlier, the budget for capital investment includes items related to alliances with other companies, but we have not fully utilized it yet.

In this regard, being part of the Shimizu Group offers significant opportunities to enhance synergies. However, I believe that even within the NIPPON ROAD, we can proactively adopt and commercialize the technologies of other companies to leverage our efforts. I hope to advocate for such initiatives in my role as an Outside Director.

**Ishii** Thank you for your opinion. More companies are aligning with our environmental vision and showing interest in collaboration. We plan to pursue initiatives from both environmental contribution and profitability perspectives, including alliances and M&A.

**Fujino** To connect the Company's business of road paving with the "environment," I believe that, as Director Morimura mentioned, it is crucial to promote our initiatives to general society. The road paving industry often carries a negative image due to its use of petroleum, which is a finite resource. However, we extensively utilize recycled asphalt in our paving operations and engage in green initiatives within the Group. We should spread our efforts for the "environment" to a wider audience.

Utilize Tsuchiura Techno BASE as an educational facility to expand employee areas of expertise and transform it into a hub that can adapt to workstyle reforms such as job role transitions

**Ishii** Next, I'd like to hear your views on topics such as human capital development and workstyle reforms. Starting in April 2024, the construction industry will also be subject to upper limits on overtime work with penalties. Our branches have been implementing the "Challenge 45 campaign" to reduce overtime hours to within 45 hours per month and promote a change in the employee mindset. However, when we actually talk to employees, we find that workstyles, workloads, and work approaches vary depending on the nature

Furthermore, I consider our participation since 2018 in the "Michi Bushin" activities in the Kumano Kodo Pilgrimage Routes in Wakayama Prefecture<sup>※2</sup> as a valuable endeavor. While this initiative focuses on the preservation of cultural heritage site rather than environmental conservation, it provides a precious experience that allows us to reconnect with the essence of our "road construction" roots. I believe it is essential to inspire our employees from both the perspectives of technological innovation and returning to our origins.

**Kosao** After listening to our discussions and the discussions at the Board of Directors, I have realized that NIPPON ROAD is actively pursuing concrete environmental initiatives and that various ideas are being proposed. By declaring our "Eco-First Commitment" to the Minister of the Environment, I believe that our role as a company promoting "urban development starting with roads" has become clearer in terms of specific goals and approaches. I hope that we can lead the industry as a pioneering company, and I also intend to support this effort from my position as an Outside Director.

<sup>※1</sup> Refer to pages 32 through 37 for specific environmental measures by the Company  
<sup>※2</sup> Refer to page 41 for more details on "Michi Bushin."

of the tasks, projects, and clients. Even among employees in technical roles, overtime hours seem to differ. We are considering data-driven approaches to identify the challenges of long working hours based on specific projects and workstyles. Our "New Core System," scheduled to begin operation in October 2023, is also one of the initiatives aimed at promoting workstyle reforms.







Regarding human capital development, we are considering the curriculum for training starting from the FY2024, and Tsuchiura Techno BASE will serve as the base for this effort. The Company has historically seen relatively few transfers between administrative and production departments. However, we want to encourage employees to use the facility as a place to expand their areas of expertise, facilitating career diversification, flexible job transfers, and role transitions. Additionally, we aim to enrich our post-hiring training programs to recruit individuals from non-civil engineering disciplines to address talent shortages.

**Morimura** This is a great initiative. Recently, during a discussion between Independent Outside Officers and the Board of Corporate Auditors, the progress of workstyle reform was a topic of conversation. However, in a subsequent meeting with the President and General Manager of the Management Division, I realized that efforts are progressing even more rapidly than I had anticipated.

I also have high expectations for Tsuchiura Techno BASE. When employees who joined at the same time or those from different departments undergo training together, it can foster a sense of unity and increase engagement. The digitalization of construction technology using ICT is essential for improving productivity. While we have already implemented it, we need to further expand its application to various worksites and proceed with the necessary capital investments.

**Fujino** I work as a tax accountant and have the opportunity to interact with individuals from various industries. The construction industry often involves long-term projects, and due to the nature of having multiple companies and individuals working on a single project, I feel that workstyle reform is more challenging compared to other industries. However, if the Board of Directors takes significant steps and collaborates with Shimizu Corporation to drive transformation throughout the industry, NIPPON ROAD can become a "preferred company," and we can expect an increase in talent who want to work with us.



**Matsumoto** When it comes to workstyle reform, there tends to be a focus mainly on reducing working hours in the short term. Meanwhile, what has become apparent through the activities of the Special Committee discussed in the governance context is the fundamental challenge of certain tasks or processes that require long working hours depending on the nature of the project.

Companies often prioritize revenue and tend to think about accepting as many projects as possible. However, in the future, it's essential to work on a mindset shift to minimize cases with extremely tight deadlines or demanding specification changes while ensuring profit margins and increasing the focus on high-quality projects. It's easier said than done, but we will share and address such challenges in the Board of Directors.

We also need to consider promoting DX. While cost containment is important, we also need to adopt the perspective of increasing the pace of management by absorbing excellent technologies from other companies through business alliances and M&A.

**Kosao** I believe that "people" are valuable assets to a company. No matter how technology advances to enable the delivery of high-quality construction or services, the power of people and on-site expertise remains crucial. To strengthen on-site expertise, we need to build an organization where people nurture each other. I believe that good communication within the organization, among employees, and between employees and management, leads to the development of valuable human resources and the creation of a strong organization. When promoting talent, it's also important to let individuals choose a section where they can find job satisfaction after gaining experience in various departments. With proper placement of personnel according to their strengths and abilities, each employee can fulfill their potential 100% and contribute significantly to corporate growth.

## Aim to create a company where everyone can thrive through revising personnel systems via actively utilizing employee feedback

**Ishii** In terms of talent acquisition, creating a foundation for women to thrive is also one of the Company's issues. As part of our diversity promotion efforts, we began reviewing our personnel system in 2022, taking into consideration not only gender but also various forms of diversity, such as nationality and age.

Currently, we are hosting a total of approximately 40 technical interns from Myanmar in regional paving companies across the country. This has highlighted the need for promoting human rights and driving cultural awareness at the field level. Please give me your opinions on diversity promotion, including gender and nationality.

**Kosao** Looking back on history, there were times when women were not allowed to enter construction sites such as tunnels due to traditions and laws, but times have changed, and the construction industry now seeks the active participation of women. When I talk to young female employees, they often say, "There aren't enough female role models." However, I don't believe that a female role model has to be a woman. I think both men and women can create their own ways of living and working by mixing different aspects of life.

The Company has established various platforms such as meetings for female engineers to exchange ideas and an Employee Liaison Meeting composed of employees aged 40 or under. We aim to promote diversity through these efforts and hope to transform into a company where both men and women can excel. Personally, I don't pay much attention to gender differences. However, as the first female Outside Director, I want to contribute to the creation of a framework that values diverse talent and allows women to excel by leveraging my past experiences and engaging in discussions with our employees.

**Matsumoto** When looking at the overall construction industry, there has been a reluctance to actively recruit women, but I feel that there is gradual but steady progress taking place, including the appointment of Director Kosao. In the future, I hope that gender ratios and the term "women's participation" will become so normalized that they are no longer a focus of attention. It's also important to consider differences in nationality and disabilities, among other factors, and promote inclusivity based on job roles and responsibilities to the extent possible.

**Fujino** I think there are still many women who think that "the construction industry has high barriers to entry." Stories I've heard from companies with a high proportion of female employees suggest that by lowering the barriers such as age and required qualifications in the hiring process, they have been able to attract a diverse pool of talented individuals with various skills. Some companies have set numerical targets for gender ratios as well. Amidst the decreasing labor force, I believe NIPPON ROAD should also set numerical goals and actively work toward them on an organizational level.

**Morimura** That's true. There has been an increase in the recruitment of women in technical roles compared to the past, and there are more opportunities for women to excel. In order to continue this trend, I believe it's necessary to advance human resources system reforms and conduct reviews, including examination methods for promoting individuals to management positions.

**Ishii** Thank you. I've received a lot of opinions, and I think that I have a clearer view on the challenges facing the Company.

As for the point of increasing the acceptance of high-quality projects pointed out by Director Matsumoto, we will not only aim for high profitability but also expand work that allows for flexibility in the work process and contributes to workstyle improvements. Although the subcontracting ratio was high in the past, we are also setting numerical goals to increase direct orders as the main contractor. We aim to expand projects where we can communicate directly with customers as the main contractor and work on projects where everyone, including our partner companies, can work in a reasonable manner while conveying our thoughts clearly. Working towards the construction of a sustainable society is our corporate responsibility. We still have many challenges ahead, but we will address them one by one.

Fortunately, the COVID-19 situation is settling down, and we are increasing opportunities to have direct dialogue with our employees. While listening to the opinions of our employees in the field, we will transform the Company in a more positive direction and report the results to the Board of Directors so that we can receive input from all of you. Thank you very much for your time today.



NIPPON ROAD Group’s History of Value Creation

As a pioneer in road construction, NIPPON ROAD has ventured into the unknown path since its founding in 1929. In our over 90 years of history, we have participated in many national projects, such as expressways, national routes, and airports. Based on our technologies and corporate culture that have evolved over the years, we will continue to contribute to the creation of a sustainable society into the future while keeping an eye on emerging trends.

Venturing into the unknown path



1929  
Office at the time of founding  
(Current Marunouchi, Tokyo)



1939  
Pavement construction for  
Tokyo Imperial University campus



1953  
First postwar large-scale construction/  
National Route 36



1974  
Construction of the berth yard 3  
at Oi Container Warf



1987  
Opened Shinonome Swimming Club



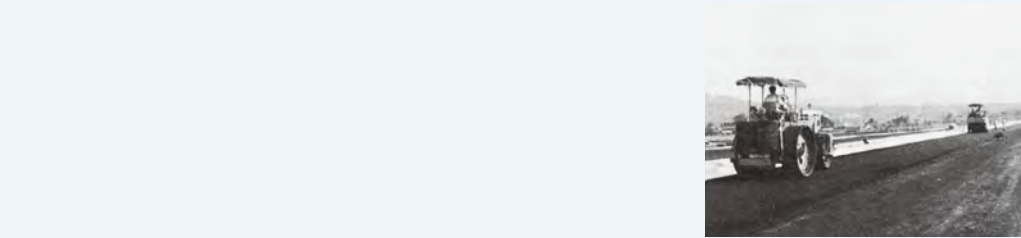
1993  
Tokyo Harbor Connecting Bridge  
(Rainbow Bridge) Shibaura area  
pavement construction



2011  
Pavement construction for Fuji-higashi  
area of Shin Tomei Expressway



2019  
Pavement construction for Tokyo International  
Airport B runway ancillary roads, etc



1939  
Pavement construction for Marco Polo Bridge in Beijing



1962  
Construction of Japan's first expressway/  
Meishin Expressway



1975  
Pavement construction for Kunimi area  
of Tohoku Jukan Highway



1993  
New construction for Test Course  
of Proton Holdings Bhd., Malaysia



2002  
Thailand Route 12 (Khon Kaen-Nong Ruea)  
renovation work



2018  
Hofu Keirin race track renovation work



2022  
Matsuyama Central Park Baseball Stadium  
(Botchan Stadium) infield grounds renovation work



Established business in Marunouchi, Tokyo as a subcontractor for asphalt emulsion paving

- 1929 Established company as "NIPPON Bitumuls Pavement Industry Co., Ltd."
- 1932 Changed name to "NIPPON Road Pavement Co., Ltd."
- 1937 Opened sub-offices in Beijing, China, and incorporated thereafter (Dissolved postwar)

"Industrial recovery begins from the roads" Constructing toll roads and expressways across the nation

- 1947 Changed name to current name of "THE NIPPON ROAD Co., Ltd."
- 1958 Opened Technical Research Laboratory
- 1961 Listed in Tokyo Stock Exchange Second Section
- 1962 Received order for construction of Japan's first Expressway (Meishin Expressway: Ibaraki-Suita)
- 1965 Completed headquarters building in Shimbashi, Tokyo
- 1971 Changed designation to Tokyo Stock Exchange First Section
- 1984 Annual orders received exceeds 100.0 billion yen

Establishing presence in Southeast Asia, beginning challenges in new business domains Responding to a time in which corporate social responsibility is an important issue

- 1986~1988 Established leasing, insurance, and sports related companies
- 1989 Established Thai Nippon Road Co., Ltd. and Nippon Road(M)Sdn. Bhd.
- 2001 Formulated environmental policy
- 2003 Introduced Executive Officer System
- 2004 Completed companywide ISO9001 certification
- 2005 Began operations for U-Parea, the Group's first PFI business
- 2007 Completed companywide ISO14001 certification

Aim to be "a company that society both trusts and wishes to persevere" in view of the 100th anniversary of our founding in 2029

2019 Formulated "Compliance Day"

2021 Formulated the environmental vision "Nichido Blue & Green Vision 2050"

2022 Transitioned to Tokyo Stock Exchange Prime Market "Eco-First Company" certified by the Ministry of the Environment Formulated Basic Human Rights Policy and Sustainable Procurement Policy Formulated the medium to long term technology development plan "Nichido Mirai Tech-Plan 2050"

The future of NIPPON ROAD

2024 Open multipurpose complex: Tsuchiura Techno BASE

2028 Rebuild headquarters building

2029 100th anniversary of founding

2030 Achieve carbon half

2050 Realize carbon neutrality

100th anniversary businesses



Financial Status

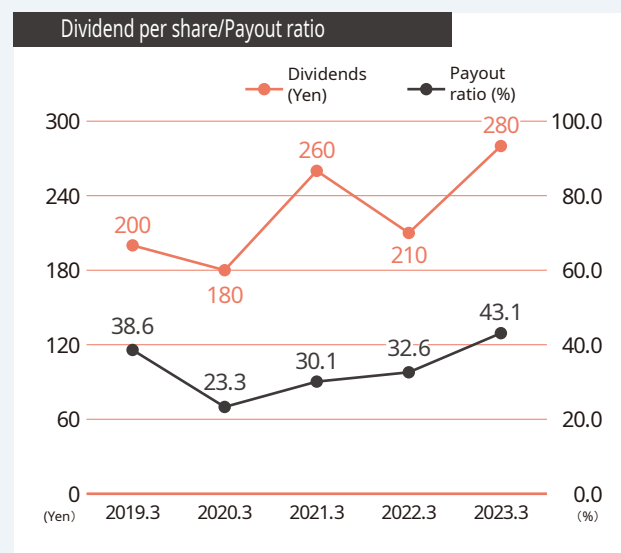
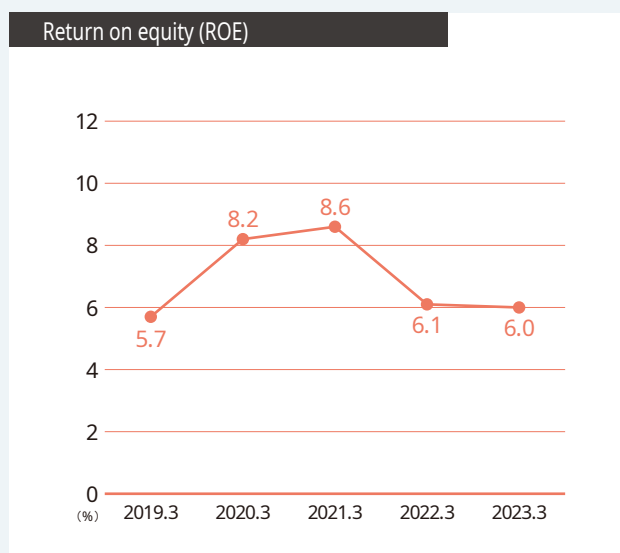
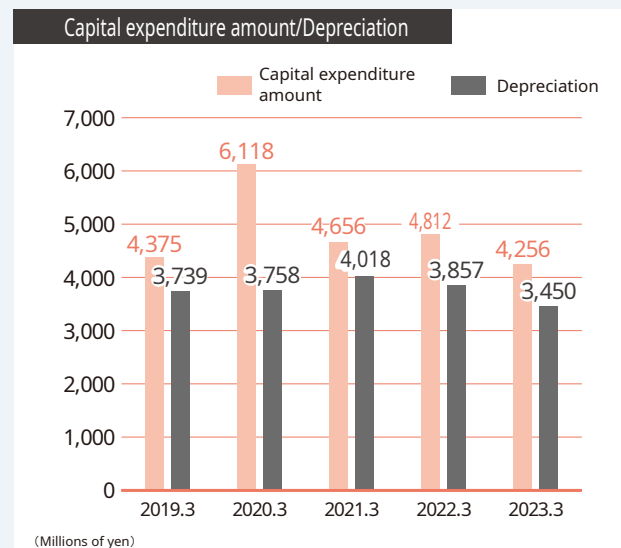
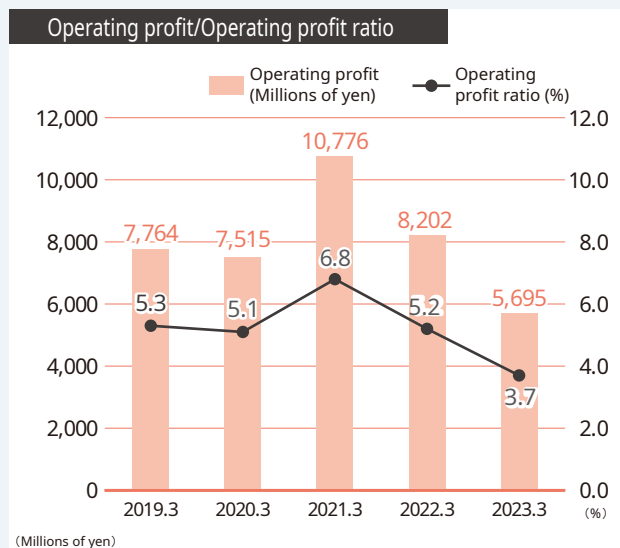
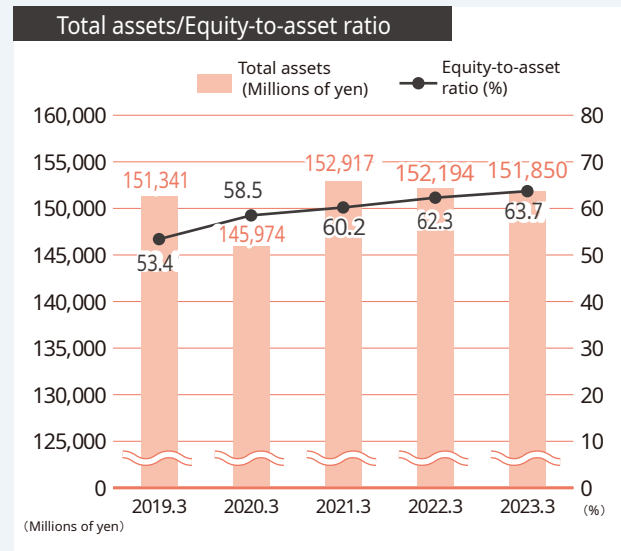
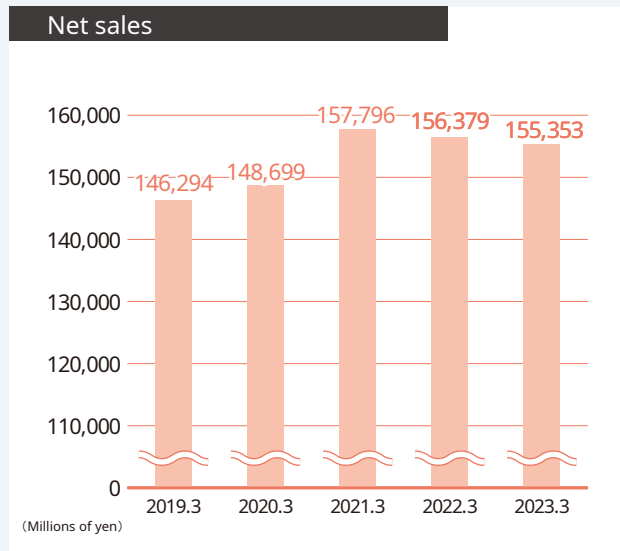
Financial and Non-Financial Highlights

| Unit: Millions of yen   |  |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |
|---|--|-------------------------------------|--------|-------------------------------------|--------|-------------------------------------|--------|-------------------------------------|--------|-------------------------------------|--------|-------------------------------------|--------|-------------------------------------|--------|-------------------------------------|--------|-------------------------------------|--------|-------------------------------------|--------|
|   |  | Fiscal Year ended<br>March 31, 2014 |        | Fiscal Year ended<br>March 31, 2015 |        | Fiscal Year ended<br>March 31, 2016 |        | Fiscal Year ended<br>March 31, 2017 |        | Fiscal Year ended<br>March 31, 2018 |        | Fiscal Year ended<br>March 31, 2019 |        | Fiscal Year ended<br>March 31, 2020 |        | Fiscal Year ended<br>March 31, 2021 |        | Fiscal Year ended<br>March 31, 2022 |        | Fiscal Year ended<br>March 31, 2023 |        |
| Operating results (fiscal year)                                 |  |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |
| Amount of orders received                                       |  | 155,094                             |        | 151,382                             |        | 150,816                             |        | 132,587                             |        | 150,672                             |        | 155,012                             |        | 154,772                             |        | 165,563                             |        | 147,188                             |        | 156,506                             |        |
| (of which, amount of orders received for construction business) |  | 121,336                             |        | 119,690                             |        | 120,316                             |        | 103,588                             |        | 121,237                             |        | 127,024                             |        | 126,322                             |        | 136,764                             |        | 120,340                             |        | 127,896                             |        |
| Net sales   |  |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |
| Construction contracts  |  | 123,710                             |        | 127,362                             |        | 111,283                             |        | 105,365                             |        | 111,255                             |        | 118,307                             |        | 120,250                             |        | 128,997                             |        | 129,532                             |        | 126,743                             |        |
| Products  |  | 28,063                              |        | 25,337                              |        | 23,053                              |        | 22,297                              |        | 22,014                              |        | 20,719                              |        | 20,955                              |        | 21,209                              |        | 20,217                              |        | 22,076                              |        |
| Leasing business  |  | 4,436                               |        | 4,929                               |        | 4,852                               |        | 5,164                               |        | 5,835                               |        | 5,427                               |        | 5,493                               |        | 5,647                               |        | 5,311                               |        | 5,350                               |        |
| Other   |  | 1,258                               |        | 1,425                               |        | 2,594                               |        | 1,537                               |        | 1,585                               |        | 1,840                               |        | 2,000                               |        | 1,941                               |        | 1,319                               |        | 1,182                               |        |
| Total net sales   |  | 157,468                             |        | 159,054                             |        | 141,783                             |        | 134,365                             |        | 140,690                             |        | 146,294                             |        | 148,699                             |        | 157,796                             |        | 156,379                             |        | 155,353                             |        |
| Gross profit  |  | 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 | 9.7%                                | 15,059 |
| Selling, general and administrative expenses                    |  | 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  | 6.0%                                | 9,363  |
| Operating income  |  | 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  | 3.7%                                | 5,695  |
| Ordinary income   |  | 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  | 3.8%                                | 5,920  |
| Profit attributable to owners of parent                         |  | 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  | 3.7%                                | 5,704  |
| Capital expenditure amount                                      |  | 3,976                               |        | 4,802                               |        | 4,277                               |        | 4,209                               |        | 6,439                               |        | 4,375                               |        | 6,118                               |        | 4,656                               |        | 4,812                               |        | 4,256                               |        |
| Depreciation amount   |  | 3,558                               |        | 3,183                               |        | 3,383                               |        | 3,624                               |        | 3,770                               |        | 3,739                               |        | 3,758                               |        | 4,018                               |        | 3,857                               |        | 3,450                               |        |
| Experiment and research expenses                                |  | 344                                 |        | 366                                 |        | 452                                 |        | 462                                 |        | 451                                 |        | 434                                 |        | 483                                 |        | 451                                 |        | 478                                 |        | 545                                 |        |
|   |  |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |
| Financial position (at end of fiscal year)                      |  |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |
| Net assets  |  | 64,776                              |        | 71,710                              |        | 74,609                              |        | 77,869                              |        | 77,758                              |        | 81,003                              |        | 85,486                              |        | 92,233                              |        | 95,006                              |        | 96,909                              |        |
| Total assets  |  | 142,165                             |        | 144,299                             |        | 141,752                             |        | 141,335                             |        | 147,783                             |        | 151,341                             |        | 145,974                             |        | 152,917                             |        | 152,194                             |        | 151,850                             |        |
|   |  |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |
| Cash flows (fiscal year)  |  |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |
| Cash flows from operating activities                            |  | 9,967                               |        | 7,258                               |        | 7,823                               |        | 7,435                               |        | 8,333                               |        | 4,393                               |        | 4,922                               |        | 8,155                               |        | 2,360                               |        | 10,918                              |        |
| Cash flows from investing activities                            |  | -3,930                              |        | -4,657                              |        | -4,234                              |        | -3,900                              |        | -4,852                              |        | -4,619                              |        | -5,171                              |        | -4,904                              |        | -5,140                              |        | 307                                 |        |
| Cash flows from financing activities                            |  | -939                                |        | -1,466                              |        | -2,387                              |        | -1,836                              |        | -1,266                              |        | -1,320                              |        | -1,760                              |        | -1,584                              |        | -3,788                              |        | -3,349                              |        |
| Cash and cash equivalents at end of period                      |  | 32,413                              |        | 33,641                              |        | 34,698                              |        | 36,349                              |        | 38,631                              |        | 37,061                              |        | 35,052                              |        | 36,691                              |        | 30,158                              |        | 38,129                              |        |
|   |  |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |
| Per share information (Yen)                                     |  |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |
| Net assets  |  | 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                           |        | 11,009.73                           |        |
| Profit attributable to owners of parent (EPS)                   |  | 615.45                              |        | 821.17                              |        | 557.65                              |        | 506.35                              |        | 164.88                              |        | 517.72                              |        | 772.77                              |        | 864.46                              |        | 644.82                              |        | 648.99                              |        |
| Dividends   |  | 160                                 |        | 250                                 |        | 170                                 |        | 150                                 |        | 150                                 |        | 200                                 |        | 180                                 |        | 260                                 |        | 210                                 |        | 280 <sup>*Note 1</sup>              |        |
|   |  |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |
| Financial index (%)   |  |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |
| Equity-to-asset ratio   |  | 45.5                                |        | 49.6                                |        | 52.5                                |        | 55.0                                |        | 52.5                                |        | 53.4                                |        | 58.5                                |        | 60.2                                |        | 62.3                                |        | 63.7                                |        |
| Return on equity (ROE)  |  | 8.7                                 |        | 10.6                                |        | 6.7                                 |        | 5.9                                 |        | 1.9                                 |        | 5.7                                 |        | 8.2                                 |        | 8.6                                 |        | 6.1                                 |        | 6.0                                 |        |
| Payout ratio  |  | 26.0                                |        | 30.4                                |        | 30.5                                |        | 29.6                                |        | 91.0                                |        | 38.6                                |        | 23.3                                |        | 30.1                                |        | 32.6                                |        | 43.1                                |        |
|   |  |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |
| Non-financial index (non-consolidated)                          |  |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |                                     |        |
| Employees at end of fiscal year (people) <sup>*Note 2</sup>     |  | 1,367                               |        | 1,333                               |        | 1,331                               |        | 1,295                               |        | 1,289                               |        | 1,294                               |        | 1,263                               |        | 1,262                               |        | 1,688                               |        | 1,660                               |        |
| Safety index Frequency of industrial accidents                  |  | 1.35                                |        | 1.14                                |        | 0.84                                |        | 0.72                                |        | 0.69                                |        | 0.95                                |        | 1.08                                |        | 0.98                                |        | 0.51                                |        | 0.51                                |        |
| CO 2 emissions (t-CO 2 ) All departments                        |  | 140,764                             |        | 127,019                             |        | 112,091                             |        | 106,776                             |        | 111,148                             |        | 108,975                             |        | 101,805                             |        | 108,624                             |        | 102,579                             |        | 98,059                              |        |
| Recycling rate (%) Asphalt blocks                               |  | 99.99                               |        | 99.98                               |        | 99.99                               |        | 99.99                               |        | 99.98                               |        | 99.77                               |        | 99.51                               |        | 99.99                               |        | 100                                 |        | 100                                 |        |
| Concrete blocks   |  | 100.00                              |        | 99.99                               |        | 99.99                               |        | 99.98                               |        | 99.03                               |        | 99.87                               |        | 99.97                               |        | 99.98                               |        | 99.99                               |        | 99.93                               |        |
| Materials other than specified by-products                      |  | 93.59                               |        | 76.48                               |        | 78.34                               |        | 88.22                               |        | 84.25                               |        | 81.54                               |        | 82.70                               |        | 84.37                               |        | 72.31                               |        | 75.01                               |        |

\*Note 1 Breakdown of year-end dividend for the fiscal year ended March 31, 2023 is as follows: the Ordinary dividend 180.00 yen and Special dividend 100.00 yen.  
\*Note 2 As the Company became a consolidated subsidiary of Shimizu Corporation on March 29, 2022, temporary employees that were 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



## Overview of Operating Results, etc. (Fiscal year ended March 31, 2023)

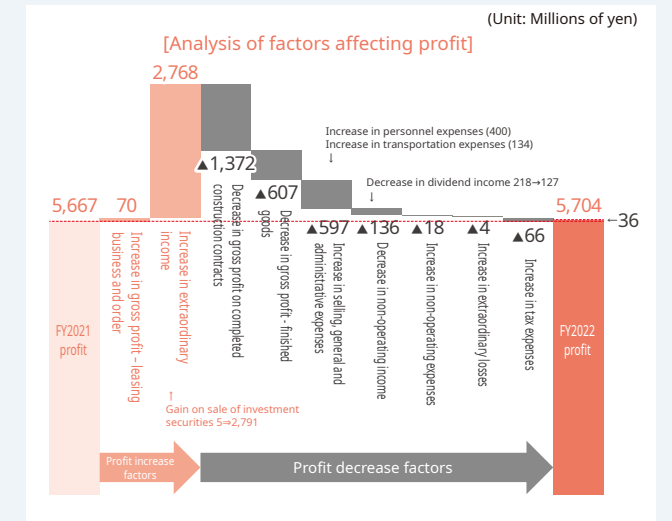
### Overview of Business Environment and Operating Results

The Japanese economy in the fiscal year ended March 31, 2023 showed signs of recovery, despite a rise in raw materials prices, 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.

Under such circumstances, the Group as a whole conducted proactive and strategic sales that were compatible with area environments in order to secure orders by enhancing integration accuracy and proposals of technology for government projects and increasing the number of high-quality orders for private sector projects. As a result, the amount of construction orders received was ¥127,896 million (up 6.3% year-on-year), the amount of construction sales was ¥126,743 million (down 2.2% year-on-year), and total net sales including finished goods, etc., were ¥155,353 million (down 0.7% year-on-year).

Concerning profits, due to rising raw materials and energy costs in the construction business and material sales business, gross profit was ¥15,059 million (down 11.3% year-on-year), operating income was ¥5,695 million (down 30.6% year-on-year), and ordinary income was ¥5,920 million (down 31.0% year-on-year). Profit attributable to owners of parent amounted to ¥5,704 million (up 0.6% year-on-year) due to recording ¥2,791 million in gain on sale of investment securities for the disposal by sale of parent company shares and cross shareholdings, etc.



### Overview of Construction Business

| [consolidated] | (Unit: Millions of yen)      |   |  |
|----------------|------------------------------|---|--|
|                | Construction orders received | Net sales of completed construction contracts | Gross profit on completed construction contracts |
| FY2020         | 136,764                      | 128,997                                       | 10.8%  |
| FY2021         | 120,340                      | 129,532                                       | 10.7%  |
| FY2022         | 127,896                      | 126,743                                       | 9.8%   |

- 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

### Financial Position

#### [Assets]

Total assets for the fiscal year ended March 31, 2023 amounted to ¥151,850 million (down ¥344 million year-on-year, or down 0.2%), current assets were ¥112,989 million (up ¥2,846 million year-on-year, or up 2.6%), and non-current assets were ¥38,860 million (down ¥3,190 million year-on-year, or down 7.6%).

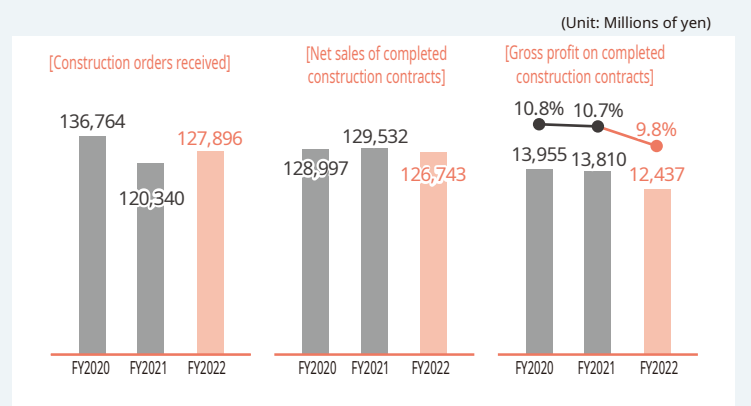
The main factors were increases of ¥8,000 million in cash and deposits, ¥1,242 million in electronically recorded monetary claims - operating, and ¥1,463 million in construction in progress due to the construction of a complex that integrates technology laboratories and training facilities alongside decreases of ¥6,815 million in notes receivable, accounts receivable from completed construction contracts and other, and ¥4,759 million in investment securities due to the disposal by sale of parent company shares and cross-shareholdings, etc.

#### [Liabilities]

Total liabilities for the fiscal year ended March 31, 2023 amounted to ¥54,941 million (down ¥2,246 million year-on-year, or down 3.9%), current liabilities amounted to ¥47,146 million (down ¥3,956 million year-on-year, or down 7.7%), and non-current liabilities amounted to ¥7,794 million (up ¥1,710 million, or up 28.1%). The main factors were a decrease of ¥1,500 million in borrowings due to renewal of borrowings.

#### [Net assets]

Total net assets for the fiscal year ended March 31, 2023 totaled ¥96,909 million (up ¥1,902 million year-on-year, or up 2.0%). The main factors were a recording of ¥5,704 million to profit attributable to owners of parent and a payment of ¥1,845 million in shareholder dividends.



### Overview of Cash Flows

Consolidated cash flows for the fiscal year ended March 31, 2023 amounted to ¥10,918 million in net cash provided by operating activities, ¥307 million in net cash provided by investing activities, and ¥3,349 million in net cash used in financing activities.

As a result, cash and cash equivalents at the end of the fiscal year ended March 31, 2023 increased by ¥7,970 million from the end of the fiscal year ended March 31, 2022 to ¥38,129 million (¥30,158 million at the end of the fiscal year ended March 31, 2022).

#### [Cash flows from operating activities]

Net cash provided by operating activities amounted to ¥10,918 million (net cash provided during the fiscal year ended March 31, 2022 was ¥2,360 million) due to recording ¥8,635 million in profit before income taxes, an increase of ¥5,767 million due to a decrease in trade receivables and a decrease of ¥3,018 million due to income taxes paid.

#### [Cash flows from investing activities]

Net cash provided by investing activities amounted to ¥307 million (net cash used during the fiscal year ended March 31, 2022 was ¥5,140 million) due to an increase of ¥4,977 million in proceeds from sale of securities owing to sale of parent company shares and cross-shareholdings, and a decrease of ¥3,269 million owing to purchase of property, plant and equipment stemming from expenditures from the expansion and upgrade of manufacturing and sales locations and construction of a complex that integrates technology laboratories and training facilities.

#### [Cash flows from financing activities]

Net cash used in financing activities amounted to ¥3,349 million (net cash used during the fiscal year ended March 31, 2022 was ¥3,788 million) due to a decrease of ¥1,845 million from dividends paid and ¥1,500 million from the repayment on renewal of borrowings.



# Share information

(As of March 31, 2023)

|  |                                     |
|--|-------------------------------------|
| Securities code                        | 1884                                |
| Listed 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                    |
| Shares constituting one unit           | 100 shares                          |
| Number of shareholders                 | 4,086                               |
| Shareholder registry manager           | Mizuho Trust & Banking Co., Ltd.    |
| Fiscal year                            | Every year from April 1 to March 31 |
| Record date for year-end dividends     | March 31 of every year              |
| Annual General Meeting of Shareholders | June of every year                  |

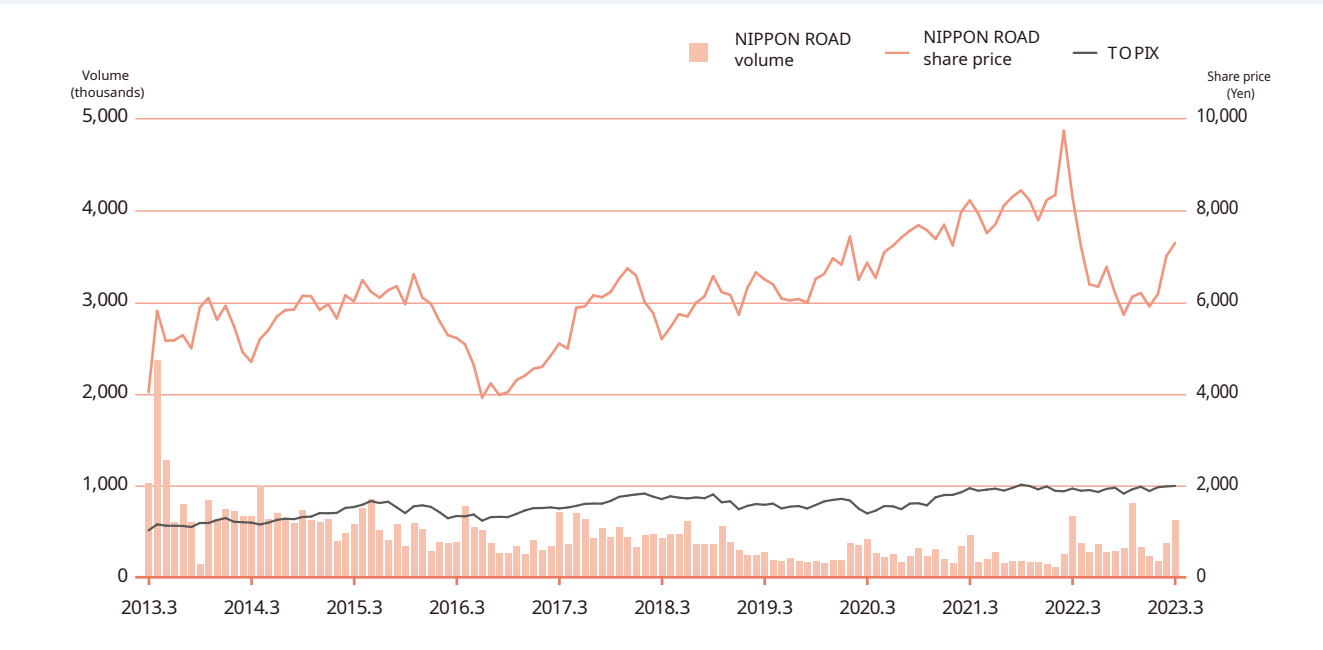
\* The Company plans to implement a share split at a rate of five shares per share of common shares with October 1, 2023 as the effective date. After the share split, the total number of authorized shares will increase to 190,000,000 shares, and the total number of issued shares will increase to 43,946,340 shares.

## Major shareholders (Top 10)

| Name of the shareholder                                  | Number of shares held | Shareholding ratio |
|--|-----------------------|--------------------|
| Shimizu Corporation                                      | 4,403 thousand shares | 50.1%              |
| The Master Trust Bank of Japan ,Ltd. (Trust account)     | 505                   | 5.7                |
| CGML PB CLIENT ACCOUNT／COLLATERAL                        | 355                   | 4.0                |
| Custody Bank of Japan, Ltd. (Trust account)              | 351                   | 4.0                |
| NIPPON ROAD Business Partner Stock Ownership Association | 280                   | 3.2                |
| MSIP CLIENT SECURITIES                                   | 196                   | 2.2                |
| Meiji Yasuda Life Insurance Company                      | 124                   | 1.4                |
| NIPPON ROAD Employee Stock Ownership Association         | 112                   | 1.3                |
| DFA INTL SMALL CAP VALUE PORTFOLIO                       | 82                    | 0.9                |
| CEPLUX - THE INDEPENDENT UCITS PLATFORM 2                | 72                    | 0.8                |

(Note) Shareholding ratios are calculated after eliminating treasury shares (409 shares).

## Share price data



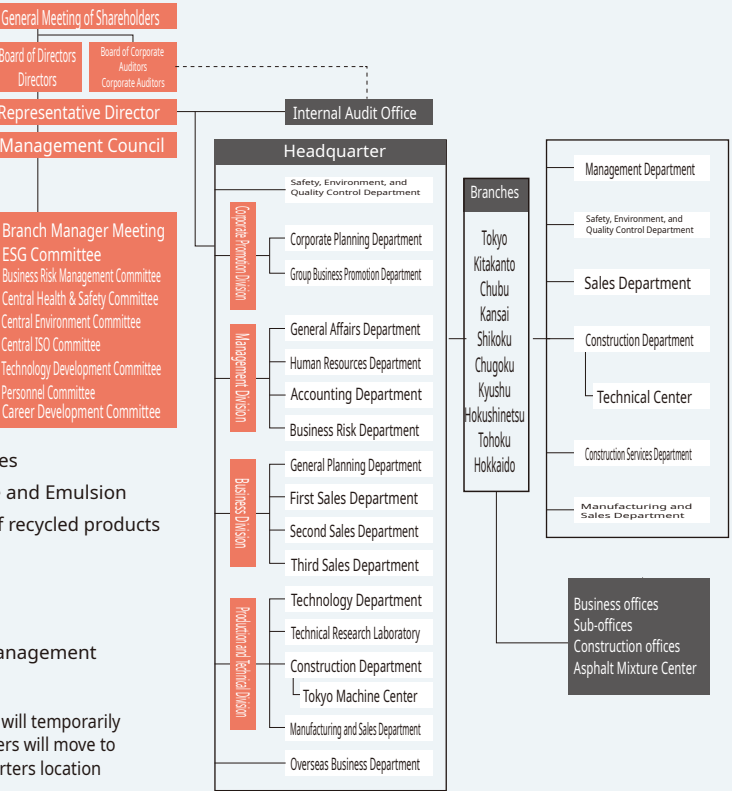
(Note) On October 1, 2017, the Company conducted a reverse share split at a rate of one share per ten shares of common shares. Figures on or before the fiscal year ended March 31, 2017, are calculated using figures prior to the share split.

# Corporate Profile

(As of April 1, 2023)

|                               |  |
|-------------------------------|--|
| Name of Company               | THE NIPPON ROAD Co., Ltd.  |
| Date Established              | March 10, 1929   |
| Paid Up Capital               | 12,290,260,000 yen   |
| Number of Employees           | 1,660 (Groupwide: 2,349)<br>(As of March 31, 2023)   |
| Location of Headquarters *    | Shimbashi 1-6-5, Minato-ku,<br>Tokyo 105-0004, Japan   |
| Domestic Branches and Offices | 10 branches, 52 business offices,<br>24 sub-offices, 20 construction offices,<br>89 manufacturing and sales bases  |
| Overseas Offices              | Thailand and Malaysia  |
| Main Businesses               | •Road Construction and Paving Work<br>•General Civil Engineering Work<br>•General Building Construction<br>•Construction of Environmental Facilities<br>•Construction of Sport and Leisure Facilities<br>•Manufacture and Sale of Asphalt Mixture and Emulsion<br>•Processing of industrial waste and sales of recycled products<br>•Construction consulting<br>•Leasing Business<br>•Real estate transaction business<br>•Construction Design, Supervision and Management |

## Structure chart



\* Due to a planned rebuild of the headquarters building, the Company will temporarily move to a different location from November 1, 2023 (as the headquarters will move to location within the same Ward, there will be no change to the headquarters location in the Articles of Incorporation).  
New location : 7th Floor, Seavans S Building, Shibaura 1-2-3, Minato-ku, Tokyo 105-0023, Japan

## Main Subsidiaries

(As of April 1, 2023)

| Name  | Main Businesses  | Paid Up Capital | Location         |
|---|--|-----------------|------------------|
| ND Leasing System Co., Ltd.   | Comprehensive leasing business, development and sales of computer software, etc. | ¥60 million     | Bunkyo-ku, Tokyo |
| NDIC.co., Ltd.  | Insurance agency business  | ¥25 million     | Minato-ku, Tokyo |
| SPORTS MEDIA inc.   | Planning and operation of sports facilities, etc.                                | ¥90 million     | Minato-ku, Tokyo |
| kankyoryokka Co., Ltd.  | Landscaping construction of parks, greenery sites, and gardens, etc.             | ¥70 million     | Ota-ku, Tokyo    |
| 36 other domestic subsidiaries (including 34 regional paving companies), 3 foreign subsidiaries |  |                 |                  |

## Executive Officers (As of June 23, 2023)

|                                 |   |                   |                    |
|---------------------------------|---|-------------------|--------------------|
| Executive Officer and President | Toshiyuki Ishii   | Executive Officer | Yuichi Kondo       |
| Senior Managing Officer         | Masakazu Hyodo<br>Yoichi Nakagami<br>Kaoru Ito  |                   | Hiroyuki Kudo      |
|                                 |   |                   | Hiroshi Okumura    |
| Managing Officer                | Masaichi Kawamura<br>Hiroshi Shibuya<br>Kazumitsu Tanaka<br>Takeshi Takasugi<br>Kunihiko Mae<br>Toshihiko Kasai |                   | Masanao Nakamura   |
|                                 |   |                   | Takaaki Munemura   |
|                                 |   |                   | Yoshinobu Hori     |
|                                 |   |                   | Kazutaka Sakuma    |
|                                 |   |                   | Toshiaki Aso       |
| Executive Officer               | Yuichi Sato<br>Hikotaro Sakanoue<br>Naohiko Ogusu   |                   | Tetsuya Koizumi    |
|                                 |   |                   | Kazuhiro Shirakawa |
|                                 |   |                   | Yuichi Nakagawa    |
|                                 |   |                   | Seiichi Ishikawa   |
|                                 |   |                   | Takamichi Sakamori |