



Nichireki Group
Integrated Report
2024



Basic philosophy (Spirit of sowing the seeds)

Sowing the seeds, giving them water,
letting them flower,
and reaping the fruits

Continuously creating new business through the accumulation of
unceasing effort

Management philosophy

To ensure the Nichireki Group contributes to society by creating roads:

- ▶ We will supply road paving materials and their corresponding construction methods to satisfy requirements for outstanding functionality and costs.
- ▶ We will offer advanced consulting to keep a watch over roads, which are common assets of the people.
- ▶ We will implement construction technology that is trusted by customers.

By completely unifying these elements, the Nichireki Group considers its management philosophy as the aim of remaining a highly profitable corporate group that spearheads the creation of roads worthy of the trust of its stockholders and a wide range of customers. We also strive to ensure that every employee in the Group can exercise his or her abilities to the fullest through meaningful work.



“Sow the Seeds”

“Let us advance forward by sowing the good seeds.”
This is the motto of the Nichireki Group.
Let us sow the strong seeds that will not die even if a severe drought strikes.
By the sweat of our brow, let us spread fertilizer.
Then the plants will grow up to bear good fruit.
Even if we do not harvest the fruits ourselves,
I believe this:
If we do not sow the seeds
and spread fertilizer,
but only aim to gain the fruits,
we will never enjoy
true prosperity.

Eiichi Ikeda (Founder)



Editorial Policy

The purpose of the Integrated Report is to assist the stakeholders in understanding our activities that contribute to society by introducing the Nichireki Group's Corporate Philosophy and reporting a wide range of topics such as our corporate activities based on the Medium-term Management Plan, financial information and business challenges. This report includes a message from the President, the Medium-term Management Plan and other key Environmental, Social, and Governance (ESG) information that helps start dialogue, as well as our initiatives for sustainability issues comprehensively and concisely. In preparing this report, we referenced guidelines such as International Integrated Reporting Framework advocated by International Integrated Reporting Council (IIRC) and Guidance for Collaborative Value Creation issued by the Ministry of Economy, Trade and Industry.

Reporting Period

Fiscal Year Ended March 31, 2024 (April 1, 2023 to March 31, 2024) (Information on or after April 1, 2024 is partially included)

Scope of Reporting

NICHIREKI CO., LTD. and its subsidiaries and associates (consisting of 35 consolidated subsidiaries and 4 associates)

Date of Publication

September 2024

Disclaimer on Forward-looking Statements

The earnings forecast and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable as of the date of publication of this report. Actual results may differ significantly from the forecast due to a wide range of factors.

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Business of the Nichireki Group

The Nichireki Group develops business activities that offer a wide variety of products, works, technologies, and so forth mainly related to road paving.

Applied and Processed Asphalt*¹ Products Business

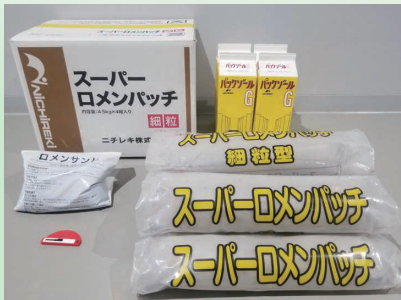
Manufacturing and sales of applied and processed asphalt products including asphalt emulsions,*² modified asphalt,*³ bridge deck waterproofing materials, road surface repairing materials, crack repairing materials, landscape paving materials, and industrial products, as well as manufacturing, processing, and sales of construction and civil engineering materials



Rapid breaking asphalt emulsion
SUPER TACKZOL



Low-carbon modified asphalt for long-life pavement
SUPER SHINAYAKAPHALT



Emulsion based cold mix bump repairing material
SUPER ROMEN PATCH

Road Paving Business

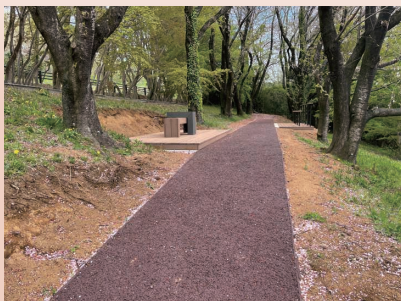
Contracting for road paving, bridge deck waterproofing, water and sewage and other civil engineering work, including relevant survey and diagnosis, design, and administration processes



On-site base course recycling construction method
STABI-CEMENT RC construction method



Pavement waterproofing method
HQ PAVERANE construction method



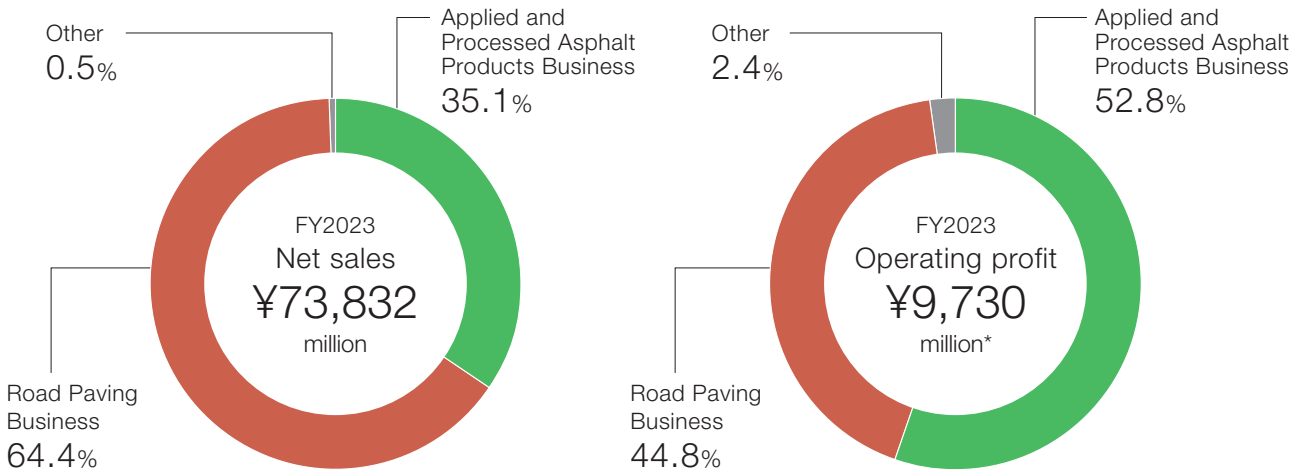
Wood chip paving
ASWOOD paving

Glossary

For detailed explanation ▶ P.5

- *1. Asphalt:** Refined from crude oil. Black in color and a solid body at room temperature, but becomes liquid when heated. Mainly used for road paving.
- *2. Asphalt emulsion:** Made by emulsifying asphalt and water, and maintains a liquid body at room temperature. Mainly used for bonding pavement layers together and in a cold mixture for paving.
- *3. Modified asphalt:** A high-performance asphalt made by adding various modifiers to the asphalt. Mainly used in roads with heavy traffic and pavements that require drainage, reduced noise features, and so on.

Composition of Net Sales and Operating Profit



* Amount before adjustment of ¥3,710 million, which includes elimination of inter-segment transactions and corporate expenses

Business Model

The Nichireki Group's main strength lies in its R&D capabilities, which demonstrate creativity and uniqueness, while incorporating new technologies from other areas, to come up with new products and construction methods that satisfy customer requests and issues as well as market needs. Another of the Group's unique points is its ability to consistently serve as all types of players involved in road pavement business by itself, such as the role of consulting firms and design firms that make propositions on products and construction methods, as well as the role of materials manufacturers and construction companies.

Survey and diagnosis

Survey and diagnosis to support road infrastructure management

Design and proposal

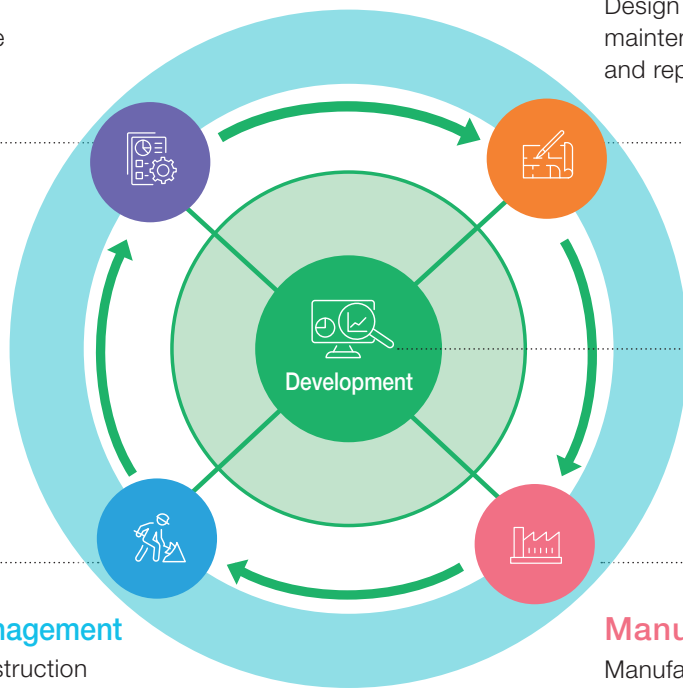
Design and proposal for optimal maintenance & management plans and repair methods

Construction and management

Safe and high-quality construction and management utilizing ICT and robotic construction machinery

Manufacture and sales

Manufacture and sales of high value-added products that offer superior environmental performance





Basics of Asphalt Pavement

■ Asphalt

There are two types of asphalt: natural asphalt, which exists in nature, and petroleum asphalt (straight asphalt), which is produced in the process of crude oil distillation for refining petroleum products, in the same way as gasoline, naphtha, kerosene, diesel fuel, heavy oil, etc. Asphalt is mainly used for road paving, and in most cases it is petroleum asphalt. The appearance is black in color, and it is in a solid body at normal temperatures, but melts easily into a liquid when heated.



Solid at normal temperatures

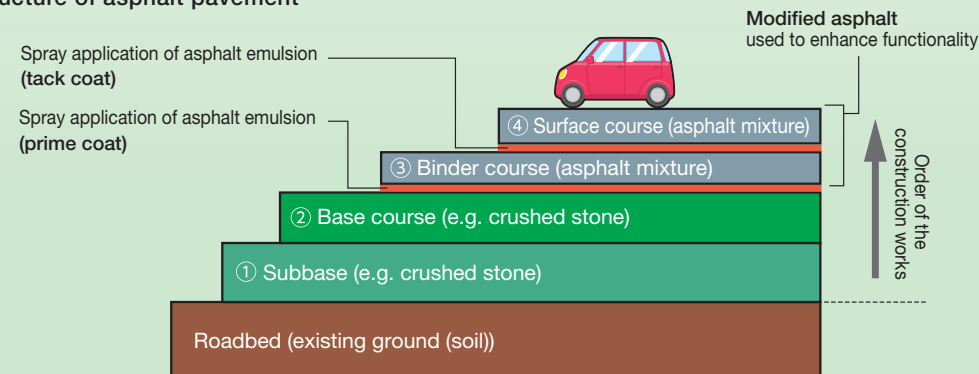


Becomes liquid when heated (to about 150°C)

■ Layer structure of asphalt pavement

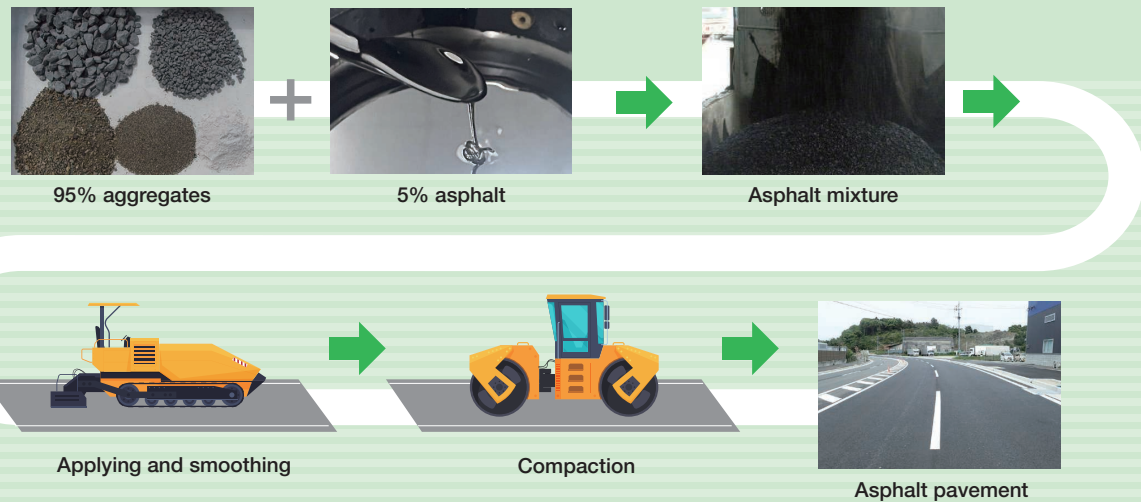
Asphalt pavement is made up of layers laid on top of the roadbed (soil), consisting of (1) a subbase and (2) a base course of crushed stone, etc. and then (3) a binder course and (4) a surface course of asphalt mixture.

Layer structure of asphalt pavement



The (3) binder course and (4) surface course are formed by applying, smoothing and compacting asphalt mixture, which is produced by mixing aggregates of stones and sand with asphalt. While the asphalt serves as a glue to bond the aggregates together, the asphalt generally accounts for around 5% of the asphalt mixture.

Pavement made of asphalt mixture



■ Asphalt emulsion

Asphalt is in a solid body at normal temperatures, and generally needs to be heated into liquid before it can be used for paving. Asphalt emulsion is a type of asphalt that can be handled in liquid form at normal temperatures. Asphalt emulsion is made up of petroleum asphalt (straight asphalt) and an emulsion containing a surface-active agent. The fine particles of asphalt are dispersed in water (emulsion).

The concept of emulsification



Main usage of asphalt emulsion

- Tack coat: A glue to improve the adhesion between (3) binder course and (4) surface course
- Prime coat: A glue to improve the adhesion between (2) base course and (3) binder course
- Base course stabilization: A method of adding stabilizer to the base course mixture to improve durability.
- Asphalt emulsion is used as a stabilizer to improve the bonding between the aggregates. ▶ P.33
- Pavement surface treatment: A method of rejuvenating the road surface by spraying asphalt emulsion onto the degraded pavement surface. ▶ P.36

■ Modified asphalt

Modified asphalt is produced by adding polymer and other various modifiers to petroleum asphalt (straight asphalt) to improve its performance. It is used in pavements requiring special functionality such as long life, flow resistance (heavy load resistance), drainage and low noise.

Example of asphalt mixture made with modified asphalt



History of the Nichireki Group

Founded by Eiichi Ikeda in October 1943, the Nichireki Group has continued to deliver to the market many originally developed products and construction methods relating to road paving, including asphalt emulsion, modified asphalt, bridge deck waterproofing products and construction method, on-site base course recycling construction method, and surface processing construction method. Since the foundation, with an aim of fulfilling our corporate social responsibility required by the social environment and the times, we have consistently worked on environmentally friendly road construction, using asphalt emulsion and other products and construction methods that can be processed at room temperatures.

Besides the conventional approaches, we are committed to contributing to environmental conservation at a higher level, including further reduction of CO2 emissions through the supply of “*Tastainability*®” products and construction methods that add new performance and functionality, such as longer life, recyclability and warm mix. In addition, we step up our efforts to improve roadside environments, including reducing vibration and noise, ensuring traffic safety, and curbing the rise in road surface temperatures, as well as on sophisticated consulting services using road surface survey technology,

thereby promoting sustainable road creation.

Looking ahead toward our 100th anniversary in 2043, we will pull our strength together to make resilient responses under the swift and accurate decision-making, and continue to grow into a sustainable corporate group.

The “0” (zero) in 80 represents a tunnel or archway, and the road symbolizes a business that is growing steadily up ahead and beyond. We added the word “NOW!!” as a message that the 80th anniversary is only the point we stand now and a milestone for Nichireki in its continuous journey toward its 90th and 100th anniversaries. The harmonious combination of the simple design and the word “NOW!!” conveys both our long history and the youthful, forward-looking corporate culture.



External Environment

Reconstruction after WWII—Dawn of road construction and improvement

1945 End of World War II

1948 Ministry of Construction is established

1954 First Road Improvement Five-Year Plan is approved by Cabinet

1956 Japan Highway Public Corporation is established

1959 Metropolitan Expressway Public Corporation is established

1962 Hanshin Expressway Public Corporation is established

1964 Class-4 special improvement business starts

Advancement of motorization

1966 Beginning of era of private car ownership; advancement of motorization

1969 Tomei Expressway is fully completed

1970 Honshu-Shikoku Bridge Authority is established

1972 Reversion of Okinawa to Japan

1973 First oil crisis

Introduction of paving with low-environmental burden and establishment of performance specifications

1991 Collapse of Japan's economic bubble

1995 The Great Hanshin-Awaji Earthquake

2001 Ministry of Land, Infrastructure, Transport and Tourism is established

Enactment of “Technical Standards and Commentaries for the Structure of Pavement”

→Establishment of performance specifications of paving structure

2005 Privatization of the four road-related public corporations

The first year of social capital maintenance/Major renewals

2008 Global Financial Crisis of 2008

2009 Incorporation of revenue source specified for roads into general revenue

2011 The Great East Japan Earthquake

2013 The first year of social capital maintenance (full-scale anti-decrepitude measures began)

2020 COVID-19 pandemic

2021 Tokyo Olympic and Paralympic Games

2022 Russia-Ukraine Crisis

Vision for the 100th Anniversary of Our Foundation

Deliver peace of mind to all stakeholders by creating roads

Foundation and development

1943 Eiichi Ikeda founds Nihon Rekisei Kagaku Kogyosho to engage in construction waterproofing works using asphalt

1946 The Company begins to undertake paving construction works

1949 The Company establishes the Company

1950 The Company builds an asphalt emulsion plant and laboratory in Oku, Tokyo

1954 The Company changes its name to Nichireki Kagaku Kogyo Co., Ltd. due to company split and merger, etc.

1961 Japan's first cationic asphalt emulsion, CATIOZOL, is awarded the Tanahashi Invention Award

1963 The Company issues and distributes the first volume of Asphalt Paving Course (eight volumes in total)

Strengthens corporate culture and develops internal foundations

1968 The Company builds a new head office building in Kudan, Chiyoda-ku, Tokyo (to present)

1969 The Company introduces a computer system utilizing telex network to offices throughout Japan

1973 The Company participates in Research Survey Committee on Bridge Deck Pavement of Long-span Bridges (Honshu-Shikoku Bridge) established within the Japan Road Association

1974 The Company is listed on the First Section of both Tokyo Stock Exchange and Osaka Securities Exchange

1975 The Company opens the Ikeda Museum of 20th Century Art in Ito City, Shizuoka

1977 The Company opens a technical research center in Oyama Plant in Tochigi Prefecture

1980 The Company is registered with the Minister of Construction as a construction consultant in road department

Beginning of management based on the Medium-term Management Plan

1985 The Company is registered with the Minister of Construction as a surveyor

1989 The Company starts the First Medium-term Management Plan

1994 The Company changes its name to NICHIREKI CO., LTD.

1999 The Company begins disclosure of consolidated financial statements

2002 The Company starts overseas business by establishing BEIJING LUXIN DACHENG EXQUISITE PAVING CORPORATION in Beijing, a joint venture between Japan and China

2003 The Company implements an area-based business structure to facilitate the integrated operation of branch and group companies within the jurisdiction of the branch

Reconstructs internal foundations and strengthens corporate governance

2006 The Company discloses basic policy for establishing internal control system

2008 The Group acquires ISO 9001

2012 The Group acquires ISO 14001

2014 The Company converts its consolidated subsidiaries into wholly-owned subsidiaries

2016 The Company completes the new laboratory building in the Technical Research Center

2017 The Company newly establishes a plant in Fengxian Chemical Industrial District in Shanghai

2020 The Company acquires land in Tsukubamirai City to construct a production and logistics base

2022 The Company changes its listing to Prime Market of the Tokyo Stock Exchange

2023 The Company marks the 80th anniversary of foundation on October 26

The Company forms a capital and business alliance with ITOCHU ENEX CO., LTD.

Products

● Joint material, waterproofing material for concrete paving Long lasting

● Rain-resistant emulsion CATIOZOL Long lasting Normal temperature 1

Construction methods

● On-site mixing method to enhance durability of gravel road Normal temperature Safety and security 1

Consulting (survey and diagnosis technology)

POLYPHALT SS to address rutting Long lasting 2

● EMULSION A used in the track of Shinkansen Long lasting Normal temperature

● SINOPHALT to address cracks in bridge steel deck plate pavement Long lasting 3

ROMENPATCH for reducing vibration and noise caused by bumps Safety and security Normal temperature

● TOUGHPHALT SUPER for porous paving Safety and security 4

● AF PHALT for recycled mixture Recycling

Modified asphalt for warm mix for reducing temperature during production and construction Warm mix

● SUPER TACKZOL with immediately breaking even at night or at low temperatures Long lasting Normal temperature

● L-seal tape to prevent leakage from junctures Long lasting Normal temperature

● SUPER SHINAYAKAPHALT for long-life pavement Long lasting Warm mix

● SUPER CONTAINERPHALT for paving roads with ultra heavy loads Long lasting Warm mix

STABI-CEMENT RC construction method for repairing the existing pavement on-site Long lasting Recycling Normal temperature

● ASWOOD paving utilizing timber obtained from forest-thinning operations Recycling Normal temperature Safety and security 5

● EMULTEC construction method to extend the life of the paved road Long lasting Normal temperature

● SUPER SURFTREAT S construction method for road surface protection Long lasting Normal temperature

● STABI-CEMENT RC construction method using ICT Long lasting Recycling Normal temperature 6

● HQ PAVERANE construction method for high-durability water-proofing bridge deck Long lasting

ROMEN CATCHER LY for inspecting road surface condition

● ROMEN CATCHER FWD for diagnosing paving strength

● SMART SHOBAN CATCHER to determine the structural soundness of the bridge deck top surface using AI

● SMART Road Surface Inspection Service to determine the priority of pavement repair using AI

● GLOCAL-EYEZ for easy inspection of roads with a smartphone 7

1 CATIOZOL for improving gravel roads into pavements with the on-site mixing method

2 POLYPHALT SS for addressing rutting caused by the advancement of motorization

3 SINOPHALT used for long-span bridges (Honshu-Shikoku Bridge)

4 TOUGHPHALT SUPER for controlling water splashing in the rain to increase visibility and safety

5 ASWOOD paving with recycled timber obtained from forest-thinning operations that are often burnt

6 STABI-CEMENT RC construction method with road stabilizers using ICT

7 GLOCAL-EYEZ for inspecting roads with a smartphone



Stepping into the Future: as a Resilient Company

Manabu Obata

President and Representative Director

As we transition to a holding company structure this autumn, we are entering a phase of accelerated change, aiming for a significant leap forward as we approach the 100th anniversary of our foundation

In October 2023, Nichireki celebrated its **80th anniversary**. Since our founding, we have upheld a corporate culture rooted in the **“spirit of sowing the seeds,”** with a management philosophy of contributing to society through the creation of roads. Over the years, we’ve offered a wide range of products, construction services, and survey technologies related to road paving. As we look ahead to the 100th anniversary of our foundation twenty years from now, we recognize the need to accelerate our transformation to achieve even greater progress.

With this in mind, we’ve decided to transition to a **holding company structure** on October 1, 2024, marking an evolution in our Group management. With this transition, Nichireki will become **“NICHIREKI GROUP CO., LTD.”**, as the holding company overseeing our Group. NICHIREKI CO., LTD., which will take over the business from the current Nichireki, along with 35 Group companies (as of August 2024), will operate

as subsidiaries under “NICHIREKI GROUP CO., LTD.” The aim of the holding company structure is to further reinforce the business structure, including strengthening development and production functions, human resources development and the use of information, while once again enhancing the cohesive power of the entire Group with its large number of companies and making governance more effective. This will allow us to respond to rapid societal and market changes and continue growing in the post-pandemic era.

The Nichireki Group operates more than 100 locations across Japan, carryout out paving projects that closely align with the needs of local communities. This structure emphasizes close ties with communities to address the different road needs in each region. Moving forward, we will continue to leverage this strength while focusing on speedy business development that adapts to environmental changes. This approach will promote the growth of each operating company and contribute to the prosperity of regional communities. At the same time, we aim to evolve our Group management and establish a mechanism to more quickly and effectively apply our development capabilities in products, construction methods, and survey technologies in driving the growth of our overall business.

Continuing to Evolve

We will also strengthen our human resource initiatives across the Group, including raising salary levels, enhancing training, and revitalizing the organization through flexible personnel exchanges. On the financial side, we plan to maximize the synergies created by the holding company structure by thoroughly utilizing a Cash Management System (CMS) to monitor the financial status of each company. Moreover, for important themes that should be addressed across the Group, such as achieving carbon neutrality, the holding company will take the lead in advancing these initiatives.

The Nichireki Group is working towards realizing our **“Vision for the 100th Anniversary of Our Foundation”** for 2043, which outlines the future we aspire to. We will continue to respond to changes “with resilience” and pursue business development with a stronger management focus on ESG perspectives. The transition to a holding company structure marks a significant turning point for us as the first step toward our transformation over the next twenty years.

Reaffirming our commitment to building safe and reliable roads as a company responsible for road inspection and repair in FY2023

The Noto Peninsula Earthquake that occurred on New Year’s Day 2024 tragically claimed many lives and caused extensive damage to buildings, homes, and infrastructure, forcing residents into a prolonged evacuation. As we learned about the damage through various reports and on-site inspections, we became acutely aware of the severity of the situation and reaffirmed our commitment to building safe and secure roads.

When a major earthquake occurs, roads are often severed by severe cracks, subsidence, and landslides, delaying traffic recovery. In such a situation, we once again recognized the strengths of our **“STABI-CEMENT RC construction method,”** which crushes existing damaged pavement on-site while mixing asphalt emulsion and cement simultaneously, without relying on materials being delivered from other regions.

In a country often referred to as a disaster-prone island, this method of constructing a strong base course is also highly effective as an everyday earthquake countermeasure. Additionally, by combining it with the

modified asphalt **“SUPER SHINAYAKAPHALT,”** which contributes to longer-lasting pavement, we can expect to further extend the life of durable base courses. We will continue to actively promote Nichireki’s **“Tastainability®”** technology such as this.

As a new initiative, we conducted a proof-of-concept experiment in October in Kaminoyama City, Yamagata Prefecture, involving residents in road repair work. This initiative aims to extend the life of roads while reducing construction costs by having local people repair the roads they use. As the number of construction workers declines and various costs, such as raw material prices, increase, we aim to develop and implement these types of experiments in line with the needs of each region, thereby expanding our **contribution to national resilience**.

FY2023 was also a year in which, as a change in the environment surrounding the fulfilment of our mission, we were required to respond in advance to the imminent **2024 problem in the construction industry** (the start of the application of overtime work regulations), amid an increasing shortage of manpower.

At the Nichireki Group, we have been working to expand the employment of foreign workers as engineers on construction sites. While there are language barriers, we have created manuals and dictionaries to facilitate communication, making it possible to carry out work smoothly. At the same time, we are also focusing on improving employment conditions, and starting in FY2024, we will implement measures such as a significant base pay increase and allowances for field engineers, aimed at enhancing motivation and attracting talent.

Meanwhile, we recognize that automation and a reduction in the required number of personnel are required as fundamental solutions to the labor shortage at construction sites. We are currently researching the use of robots in construction, in collaboration with universities and machinery manufacturers.

Accelerating the shift to high-value-added products and construction methods over the next two years to enhance profitability and achieve profit targets

As Nichireki strives to achieve our “Vision for the 100th



Anniversary of Our Foundation" for 2043, we are actively advancing our Medium-term Management Plan **"Resilience 2025 (Shinayaka 2025)"** spanning from FY2021 to FY2025, to lay the foundations for further developing sustainable management.

In the third year of the plan, FY2023, both sales and profits fell short of initial expectations, resulting in lower sales and profits. In Japan, due to the steady progress of **"The Five-Year Acceleration Plan for Disaster Prevention, Disaster Mitigation, and Building National Resilience,"** public investment has remained firm, and the overall budget for infrastructure remains high. However, FY2023 was a challenging year owing to factors such as a decline in the volume of road paving work due to budget allocation decisions, sluggish growth in real terms because of higher unit construction costs, labor shortages, as well as proactive measures to address the 2024 Problem. In addition, profit margins were squeezed by rising crude oil prices and labor costs along with the depreciation of the yen.

However, the four key themes of our Medium-term Management Plan—**"Expand and cultivate our business markets, and penetrate markets," "Enhance R&D capabilities and improve productivity," "Strengthen the Group's management foundation,"** and **"Boost environmental investments to contribute to realizing a decarbonized society"**—have all shown steady progress in the past three years.

In terms of market expansion, we are focusing on peripheral areas of road paving, targeting airports, ports, logistics facilities, and defense facilities. The improved durability and longevity of asphalt, as exemplified by products like **"SUPER CONTAINERPHALT,"** have earned it a reputation in these new markets. As for deepening and solidifying existing markets, our proposals for improved longevity and recycling in response to the demand for CO₂ reductions through our "Tastainability"®

brand products and construction methods, such as SUPER SHINAYAKAPHALT and the STABI-CEMENT RC construction method, have been widely accepted.

In terms of research and development, we have been advancing open innovation through collaborating with organizations from different industries, including ordering authorities, universities and other research institutions, chemical material manufacturers, and construction equipment manufacturers. One of the outcomes of these collaborations is the smartphone-based road inspection DX system "GLOCAL-EYEZ," which has gained significant attention. This system combines smartphone photography with cloud-based AI diagnostics, offering outstanding features that reduce the time needed for analysis from around one week to approximately one hour—allowing for low-cost and convenient road inspections. In addition to being easy for anyone to use, it is also the world's only system that has passed performance verification tests for three measurements: "cracks," "rutting," and "flatness."

In terms of talent development, we are supporting our in-house researchers to acquire doctoral degrees. Although this initiative requires time, we are seeing positive results in terms of our researchers' achievements being recognized. We plan to further expand opportunities for capitalizing on the exceptional abilities of these research personnel.

Regarding productivity improvements, in October 2023, we entered into a **capital and business alliance with ITOCHU ENEX CO., LTD.** Through this partnership, both our companies aim to streamline logistics through joint transportation, while also jointly promoting energy transition at production sites and the development of environmentally friendly products.

The construction of the eco-friendly production and logistics base **"Tsukuba Big Ship"** in Tsukubamirai City, Ibaraki Prefecture was delayed due to the surge in construction material prices, including steel, and the shortage of semiconductors for manufacturing equipment caused by the Russia-Ukraine crisis. However, construction finally began in May 2024, and the foundation work is currently underway. The facility is expected to begin operations in FY2026.

In FY2024, the fourth year of our Medium-term Management Plan, despite the challenging business environment expected due to continued high crude oil prices and the rise in labor costs from base pay increases, we anticipate increased revenue and profit, driven by steady construction orders. We forecast net sales of ¥80 billion (an 8.4% increase from FY2023), operating profit of ¥7 billion (a 16.3% increase), ordinary profit of ¥7.2 billion (a 12.7% increase), and profit attributable to owners of the parent company of ¥4.6 billion (a 2.5% increase). Over the next two years, we plan to accelerate the shift to high-value-added products and construction methods, aiming

to increase profitability and catch up on progress toward the plan's final-year targets by, for example, ensuring eco-friendly products and construction methods account for more than 30% of consolidated net sales.

Strengthening and expanding governance and enhancing organizational resilience through transitioning to a company with an Audit and Supervisory Committee

Nichireki **transitioned to a company with an Audit and Supervisory Committee** in June 2024. This was to enhance organizational resilience for further growth and strengthen and expand the level of governance required for a holding company structure.

Unlike our previous auditors, Audit and Supervisory Committee Members have voting rights on the Board of Directors, and their active participation as directors is expected. This transition will further strengthen management oversight, improve governance, and speed up decision-making by incorporating external perspectives from outside directors.

In terms of other initiatives to strengthen organizational resilience, we are also **promoting diversity** as part of our human capital management strategy, actively hiring foreign nationals and mid-career professionals. We have been recruiting talented individuals from countries like China, Taiwan, and India, as well as highly skilled professionals from various industries with diverse backgrounds, regardless of age, to work in specialized roles in research and development, DX-related areas, and management. The situation of having people from different backgrounds coming together and collaborating flexibly, each bringing their unique strengths, creates an inspiring atmosphere that positively impacts the entire company.

We have also been making progress internally in developing the next generation of leaders and nurturing our future management successors. Going forward, we plan to leverage the holding company structure to further develop successor talent by providing them with management experience at our subsidiaries.

Expanding our value offerings, increasing our societal contribution, and achieving sustainable growth for the future

In terms of our cash allocation from FY2022 to FY2025, we plan to allocate a total of ¥30 billion in operating profit and depreciation over four years, with ¥30 billion dedicated to growth investments, ¥8 billion to regular investments, and an additional ¥8 billion to **shareholder returns**, including ¥3 billion for share buybacks (initially, only ¥6.5 billion had been allocated to dividends).

The Tokyo Stock Exchange has called on listed companies to implement measures that focus on managing capital costs and stock prices. In response, Nichireki is working to improve ROE and plans to enhance shareholder returns as mentioned above, with the aim of boosting both our stock price and PBR.

As specific measures, the dividend per share for FY2023 was increased by ¥20 compared to the previous year, resulting in an annual dividend of ¥70 (¥35 at midterm and ¥35 at year-end). Additionally, we repurchased approximately ¥3 billion worth of treasury shares over the one-year period starting March 1, 2023. For FY2024, we plan to further increase the dividend per share to ¥75 (¥35 at midterm and ¥40 at year-end). We intend to continue increasing dividends in a stable manner, ensuring that our shareholders and investors can confidently hold our stock, without being significantly affected by fluctuations in business performance.

Moving forward, the Nichireki Group will actively pursue growth investments, such as the Tsukuba Big Ship, as we aim to further **advance our road construction** initiatives. From a development perspective in particular, we are preparing to introduce new products, construction methods, and survey technologies that will deliver new value. Our stakeholders can expect great things ahead.

We are committed to making an even greater social contribution and achieving sustainable growth by expanding our value offerings in anticipation of a future autonomous driving society, increasingly severe natural disasters, and the realization of a decarbonized society.

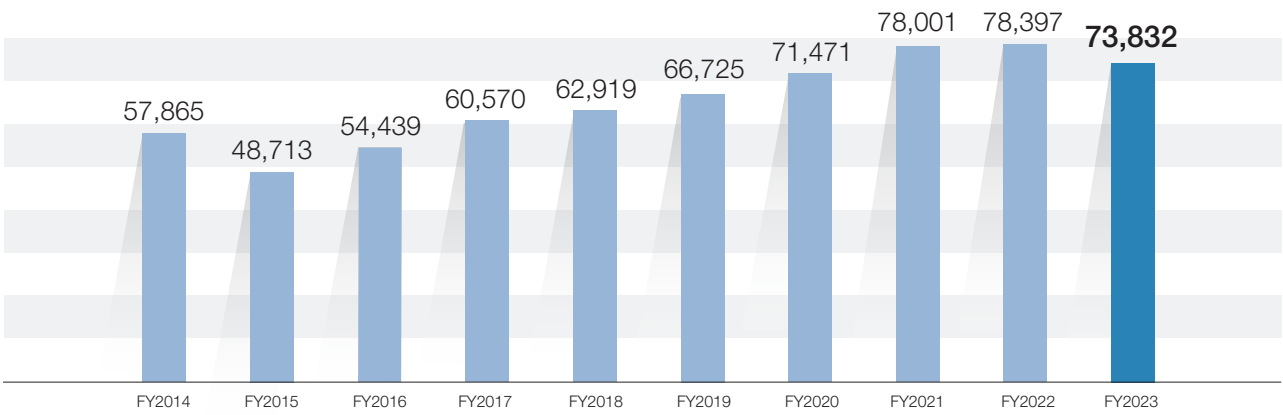


Manabu Obata
President and Representative Director

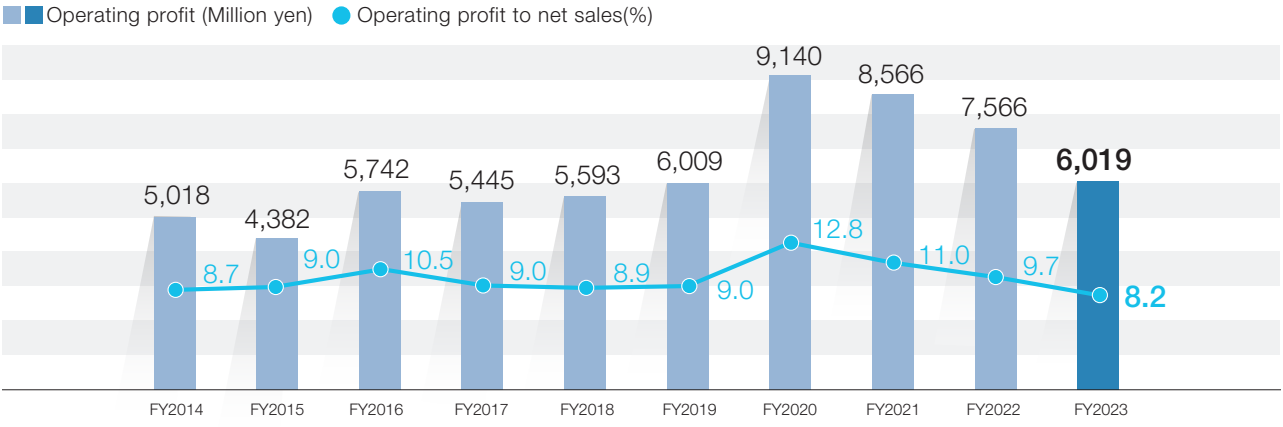
Financial Highlights

Consolidated basis

Net sales (Million yen)

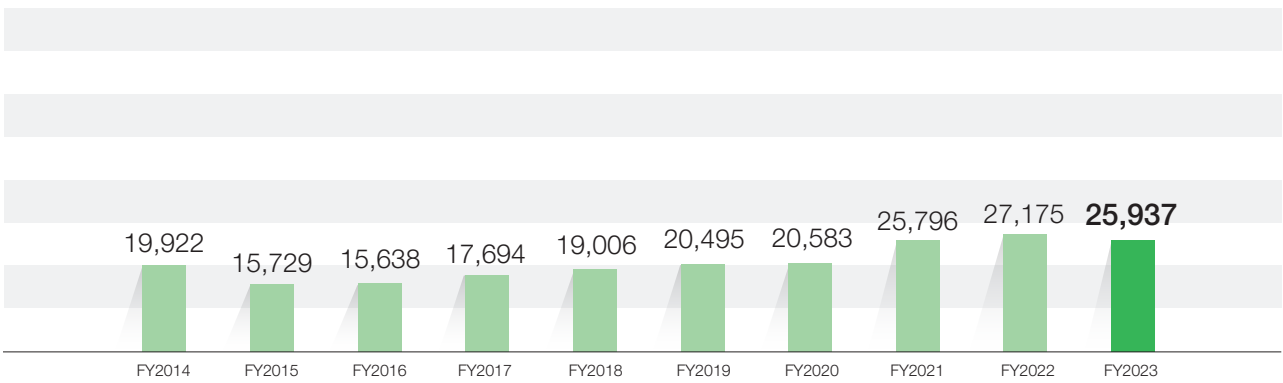


Operating profit and operating profit to net sales

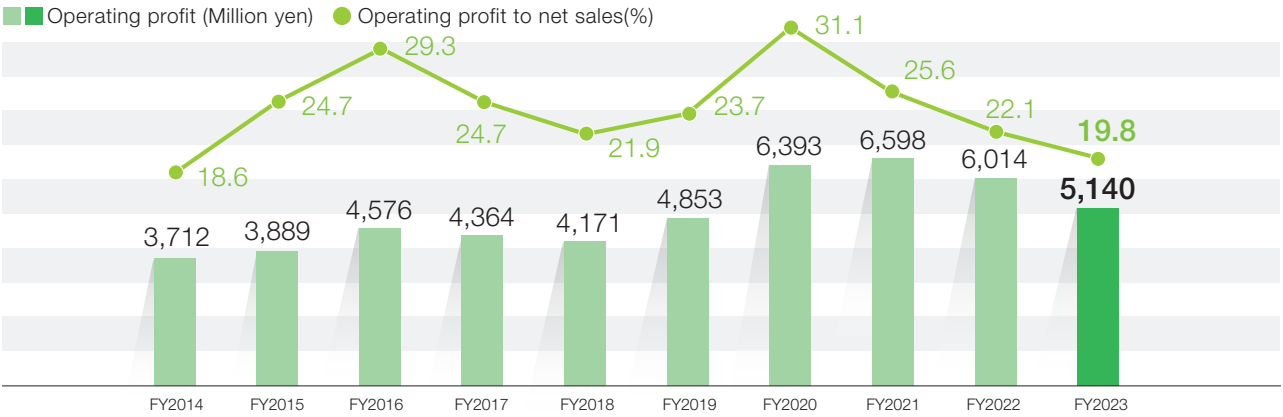


Applied and Processed Asphalt Products Business

Net sales*1 (Million yen)

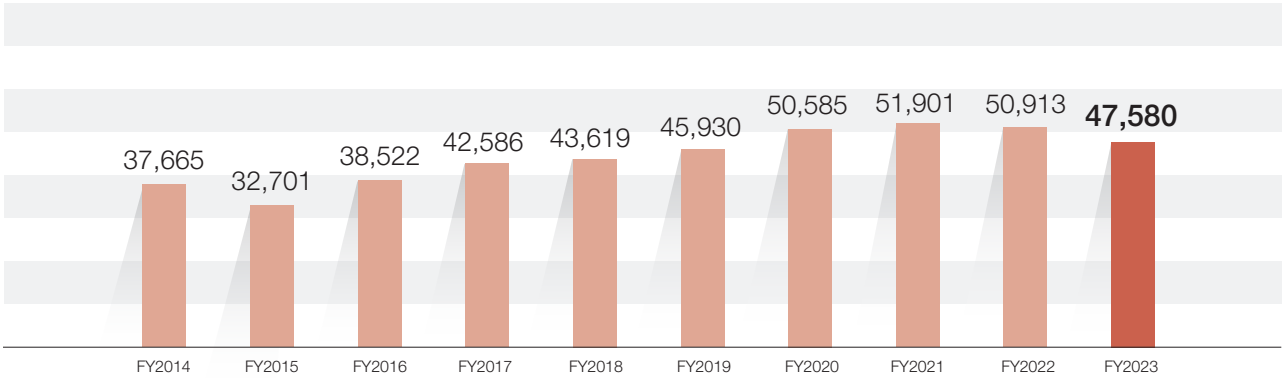


Operating profit*2 and operating profit to net sales

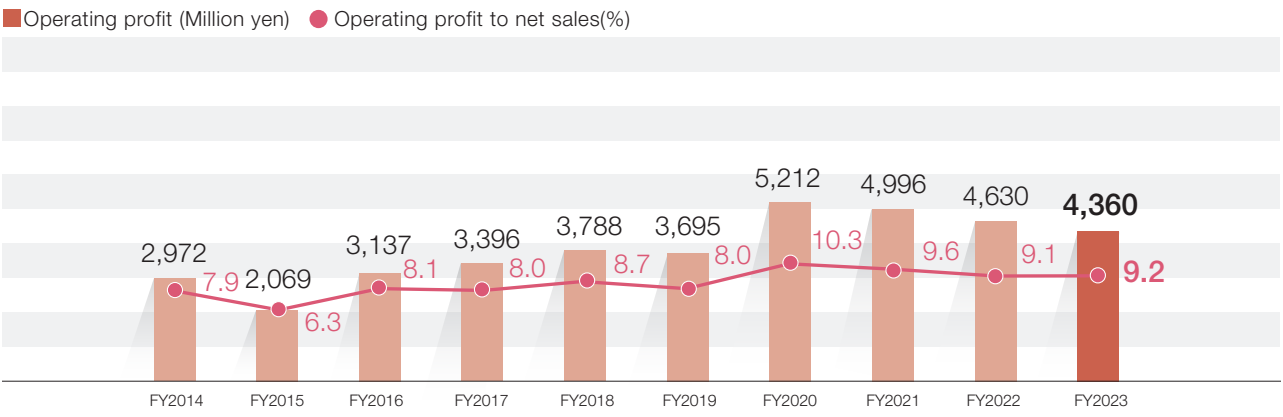


Road Paving Business

Net sales*1 (Million yen)



Operating profit*2 and operating profit to net sales



*1 Net sales to outside customers
*2 Amount before adjustment of elimination of inter-segment transactions and corporate expenses

Value Creation Process

The Nichireki Group will accurately grasp the social environment that is changing continuously, and develop its own business model to enhance its medium- to long-term corporate value while aiming to realize the creation of a sustainable society.



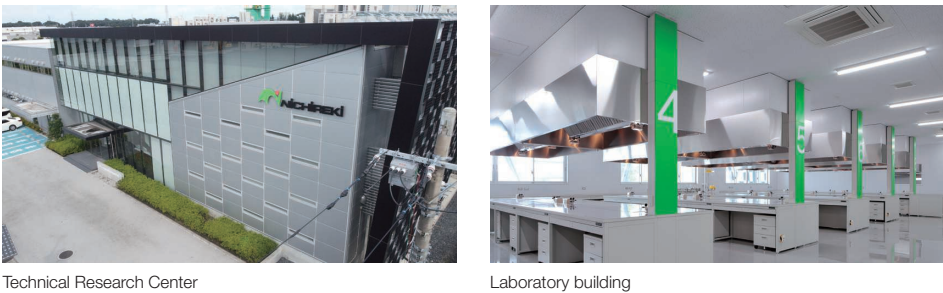
Strengths in Business Process

Research and development of eco-friendly products and construction methods

To further enhance the quality and accuracy of our development activities, in recent years we have assigned around 10% of Nichireki employees to our Technical Research Center, which forms the heart of our R&D activities. We are also investing an amount exceeding 10% of our consolidated operating profit in R&D.

We base our efforts on the development of products and construction methods with creativity and uniqueness, addressing particularly high social demands from the perspectives of ESG and SDGs, such as national land resilience, longer life and higher performance, disaster prevention and safety, cost reduction and efficient maintenance of road assets, and environmental impact reduction.

The Technical Research Center also serves as a comprehensive R&D institution that contributes to developing the capabilities of employees through the provision of training.



Technical Research Center

Laboratory building

Survey and diagnosis to support road infrastructure management

Nichireki has also been working on the digital transformation (DX) of road inspections by leveraging ICT, IoT, and AI technology.

To illustrate, we offer GLOCAL-EYEZ (smartphone-based road inspection system) ▶ P.31, which allows anyone with a smartphone and a vehicle to inspect roads easily and at low cost.

Moreover, we offer a variety of inspection vehicles in our fleet, depending on the application: SMART ROMEN CATCHER LY Jr. (road surface condition measuring vehicles), which inspects the damage of road paving; SMART ROMEN CATCHER FWD (pavement deflection amount measuring vehicle) ▶ P.32, which diagnoses the structural soundness of the road pavement; and SMART SHOBAN CATCHER (non-destructive bridge deck survey vehicle) ▶ P.37, which identifies the range and depth of damage locations on the top surfaces of concrete deck inside bridges.



GLOCAL-EYEZ (smartphone-based road inspection system)



SMART SHOBAN CATCHER (non-destructive bridge deck survey vehicle)

Safe and high-quality construction and management utilizing ICT and robotic construction machinery

By promoting the digitalization and robotizing processes to ensure reliable construction and management, we seek not only to earn the trust of the customers who entrust us with construction work, etc., but also to provide safety and reliability to residents in the vicinity of construction areas.

To give an example, with the STABICEMENT RC construction method (on-site base course recycling construction method) ▶ P.33, which allows damaged pavement to be reused and transformed into new pavement at the current location, we have worked to improve productivity and precision in construction and quality control by utilizing the ICT that measures various construction data in real time using sensors and other means.



STABI-CEMENT RC construction method using ICT

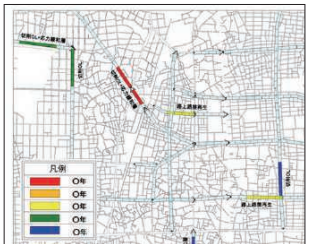


HQ HIBRANE AU construction method using a binder spraying robot

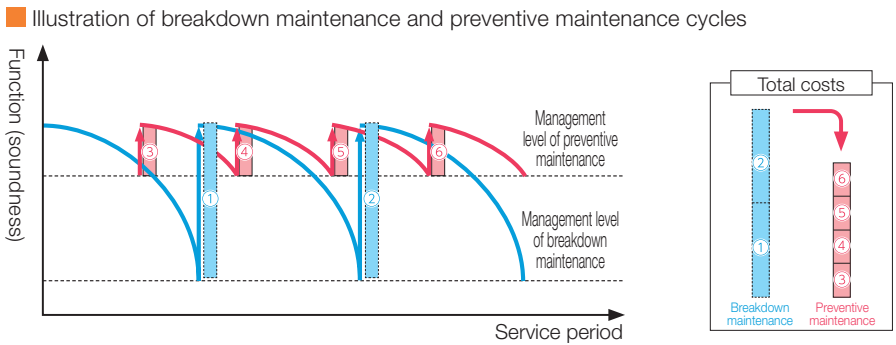
Design and proposal for optimal maintenance & management plans and repair methods

We assist in creating a medium- to long-term planned pavement maintenance cycle to make road infrastructure last longer and help people have a safe and comfortable living environment.

For medium- to long-term pavement maintenance and management planning, we calculate lifecycle costs using various combinations of repair methods, and then select the most economical pattern of methods from a preventive maintenance perspective among the available options. And based on this, we draw up repair plans for each fiscal year, and propose the optimal repair methods.



Repair plan diagram



Source: Explanatory material titled "Actions to be Taken in Infrastructure Maintenance and Immediate Approaches to Implementing the Actions (Draft)" published by the Ministry of Land, Infrastructure, Transport and Tourism.

Manufacture and sale of high value-added products that offer superior environmental performance

Our eco-friendly plants manufacture high value-added products that help customers address their various challenges ▶ P.29, such as low- carbon footprint, service life extension, recycling, and safety and security.

We have also implemented a logistics management system powered by ICT to create a sales system while staying mindful of convenience for customers.



Oyama Plant



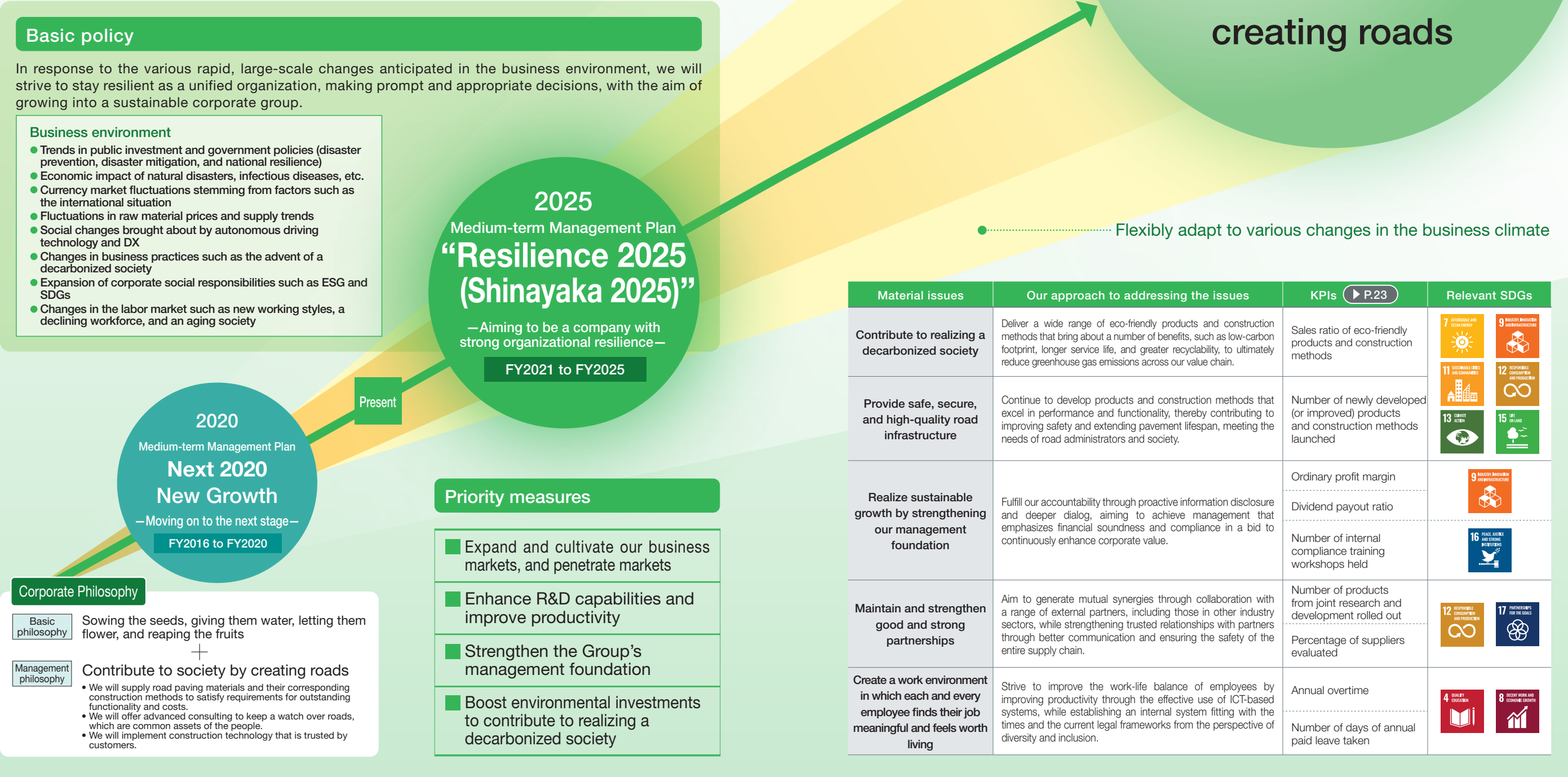
Chiba Plant

Vision for the 100th Anniversary of Our Foundation

The Nichireki Group has set a vision for the 100th Anniversary of Our Foundation in 2043, with a view toward long-term growth. It represents our desired state when we mark the 100th anniversary of our foundation in 2043. Our management philosophy is contributing to society by creating roads. We view “roads” in this context as “roads and lives,” and “contributing to society” as “delivering peace of mind to society.” We will evolve into a corporate group that “delivers peace of mind to all stakeholders, including customers, shareholders, investors, suppliers, employees and local communities through creating roads and improving lives.”

As we move forward toward realizing our Vision for the 100th Anniversary of Our Foundation, we have identified and examined issues while taking into consideration the business environment and the expectations of our stakeholders. From this, we have identified five key material issues that the Nichireki Group must address to ensure sustainable growth and provide peace of mind to all our stakeholders.

As we move forward toward realizing our Vision for the 100th Anniversary of Our Foundation under our management philosophy, the Nichireki Group aims to achieve the KPIs set for each material issue and grow into a sustainable organization by flexibly adapting to various changes in our operating environment, while further integrating ESG principles into our business development and management.



Progress with Implementing the Medium-term Management Plan

Medium-term Management Plan “Resilience 2025 (Shinayaka 2025)” –Aiming to be a company with strong organizational resilience–

Numerical targets

Financial targets

	FY2021 results	FY2022 results	FY2023 results	FY2025 targets
Consolidated net sales	¥78,001 million	¥78,397 million	¥73,832 million	¥86,000 million
Consolidated operating profit	¥8,566 million	¥7,566 million	¥6,019 million	¥10,000 million
Consolidated ordinary profit	¥9,311 million	¥8,104 million	¥6,390 million	¥10,200 million
Ordinary profit margin	11.9%	10.3%	8.7%	11.9% or more
ROIC	9.3%	7.6%	5.9%	8.0% or more
ROA	8.0%	7.0%	4.8%	6.0% or more
Dividend payout ratio	18.8%	24.3%	45.8%	Approx. 25%

ESG targets

	FY2021 results	FY2022 results	FY2023 results	FY2025 targets	FY2043 targets
Sales ratio of eco-friendly products and construction methods*1	21.2%	23.9%	22.2%	30% or more	80% or more
Number of newly developed (or improved) products and construction methods launched*2	1	4	6	10 or more	40 or more
Number of internal compliance training workshops held	2	2	2	2	2
Number of products from joint research and development rolled out*3	1	1	1	2 or more	10 or more
Percentage of suppliers evaluated	100%	100%	100%	100%	100%
Annual overtime*4	640 hours or less 87.2%	640 hours or less 89.9%	640 hours or less 93.5%	640 hours or less 100%	360 hours or less 100%
Number of days of annual paid leave taken*5	50% or more of number of days granted 56.4%	50% or more of number of days granted 69.1%	50% or more of number of days granted 80.0%	50% or more of number of days granted 100%	90% or more of number of days granted 100%

*1: Eco-friendly products and construction methods refer to those more conscious of environment than existing ones. Sales ratio refers to a ratio to consolidated net sales.

*2: The cumulative number of newly developed (or improved) products and construction methods launched in FY2021 or later.

*3: The cumulative number of developed products launched in FY2021 or later as a result of joint R&D projects.

*4: Covers all Group employees.

*5: Covers employees who are granted 10 or more days of annual paid leave.

Priority measures

Expand and cultivate our business markets, and penetrate markets

Progress in FY2023

- We will continue to expand and cultivate our market presence, ensuring that our in-house developed products and construction methods are firmly established with our customers and in the market. [▶ P.29](#)
- We will boost sales of eco-friendly products and construction methods developed and manufactured in-house, which offer features such as longer service life, greater recyclability, low-carbon footprint, and safety.
- We strived to expand the sales of our *Tastainability*® series of products and construction methods, which provide additional benefits such as longer lifespans and recyclability, in addition to low-carbon footprint.
- We promoted the STABI-CEMENT RC construction method as a technique that contributes to disaster prevention, mitigation, and national resilience by reducing damage, including liquefaction damage, in the event of earthquakes. [▶ P.33](#)
- We focused on initiatives targeting peripheral areas of road paving, such as airports, ports, logistics facilities, and defense facilities.

Enhance R&D capabilities and improve productivity

Progress in FY2023

- In order to respond to various changes in the business environment, we will actively bring in new technologies and digital technologies from other industries and then evolve our own ones to tackle the development of innovative products and construction methods.
- Our smartphone-based road inspection system GLOCAL-EYEZ was listed in the performance catalog of the Ministry of Land, Infrastructure, Transport and Tourism. It was also the first simplified in-vehicle technology to pass performance verification tests for measurement accuracy in all categories: “cracks,” “rutting,” and “flatness.” [▶ P.31](#)
- We will strengthen the organic connection of human resources and other management resources to improve the productivity of the entire corporate group. In addition, we will strive to establish an advanced logistics network based on the concept of supply chain management.
- We formed a capital and business alliance with ITOCHU ENEX CO., LTD. with the goal of streamlining logistics through network utilization, transitioning energy at production sites, and developing environmentally friendly products.

Strengthen the Group's management foundation

Progress in FY2023

- We will build a robust financial and managerial foundation to fulfill our corporate social responsibility and continuously enhance corporate value under any circumstances.
- As part of our efforts to enhance corporate governance, we made preparations to transition to a company with an Audit and Supervisory Committee and to a holding company structure. [▶ P.53](#)
- Aiming to achieve further growth, we will promote the development and training of talent who will support sustainable growth.
- To strengthen the Group's management foundation, achieve sustainable growth, and enhance medium- to long-term corporate value, we increased our investment in human capital by raising employee salary levels and providing support for staff to obtain doctoral degrees. [▶ P.44](#)
- We will promote the sophistication and expansion of ICT and advance DX to improve our work environment and increase operational efficiency.
- To address the “2024 Problem” (the cap on overtime work), we worked to improve operational efficiency and productivity by expanding the use of mobile PC devices and introducing a new logistics management system. [▶ P.43](#)

Boost environmental investments to contribute to realizing a decarbonized society

Progress in FY2023

- As a strategic move for the future, we will build an eco-friendly, advanced production and distribution site in Tsukubamirai City, Ibaraki Prefecture to accelerate our efforts toward the transition to a decarbonized society.
- We made preparations to begin construction of our new eco-friendly production and logistics hub, the Tsukuba Big Ship, in FY2024, which had been postponed due to the rising cost of materials and the semiconductor shortage.
- We will strive to reduce energy consumption by replacing the Group-owned vehicles with hybrid vehicles and renovating existing buildings and facilities.
- We continued to renovate existing buildings and facilities to reduce energy consumption and replace the Group-owned vehicles with hybrid vehicles.

Environmental



To Sustain Rich Global Environment

Basic approach

In recent years, with the increasing momentum of ESG, SDGs and carbon neutrality, companies are required to make a higher level of effort than ever before to address global climate change. The Nichireki Group aims to both solve environmental issues, which include realizing a decarbonized and recycling-oriented society and conserving biodiversity, and achieve a high level of sustainable development of its business. To these ends, the Nichireki Group has set up the Environmental Management Committee that deliberates on and examines group-wide initiatives to address general environmental issues including climate change and the evaluation and review of such initiatives. The Nichireki Group also manages environmental measures and ensures the implementation thereof from a sustainability perspective.

Environmental policy and our environmental management system

The Nichireki Group acquired the certification for integrated management system including environmental management system (ISO 14001) in February 2012, in addition to the certification for quality management system (ISO 9001) that has been implemented. Five efforts are specified in our environmental policies that form the backbone of our environmental management system. Under those policies, we promote the development and provision of eco-friendly products and construction methods, with reducing wastes, saving natural resources and energy, and recycling, while of course complying with laws and regulations, in mind.

Environmental Policies

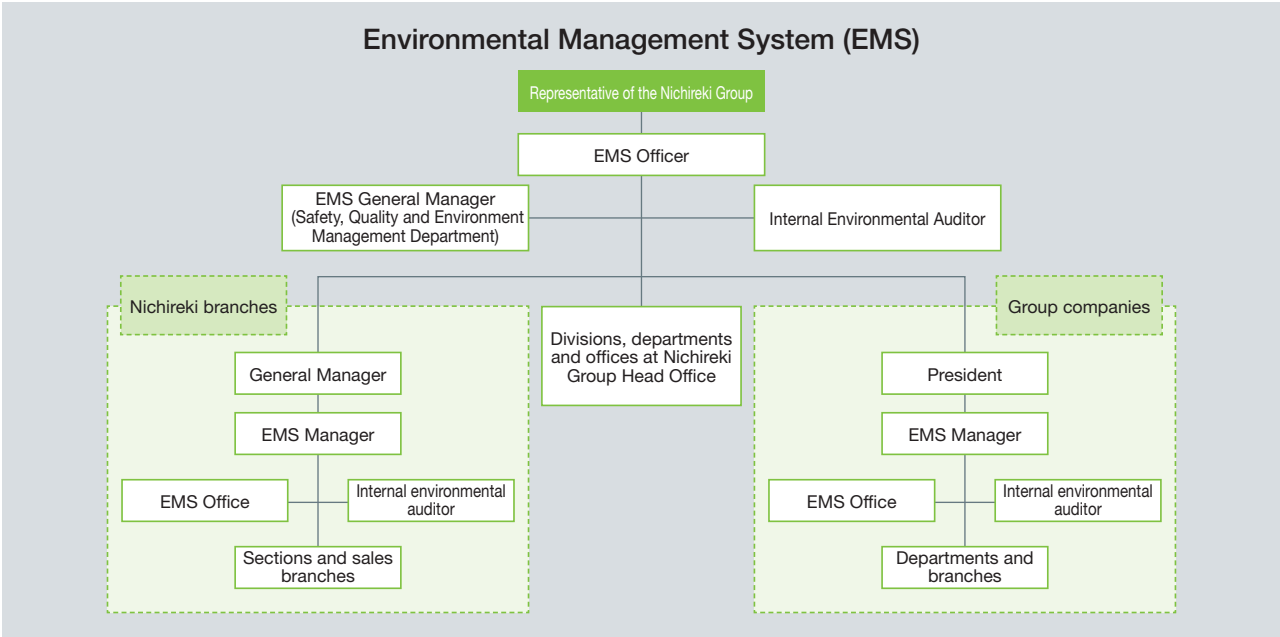
As a corporate group that is indispensable for creating “roads,” we will strive to preserve the global environment, improve the local living environment and contribute to the realization of a sustainable society. To these ends, we will promote environmental management and make the following efforts.

April 1, 2024

Manabu Obata, Representative of the Nichireki Group

1. We comply with environmental laws and regulations, and promote an environmental management system.
2. We promote the reduction of waste products, saving of natural resources, energy conservation, and recycling activities.
3. We develop eco-friendly products and construction methods, and provide them to society.
4. We promote environmental protection activities and strive to prevent pollution.
5. We strive to further improve environmental awareness through education and business activities to reduce the impact on our environment.

ISO Certificate of Registration (Union of Japanese Scientists and Engineers ISO Registration Center)



Realization of a decarbonized and recycling-oriented society

The Nichireki Group has always worked to create eco-friendly roads by developing cold paving using asphalt emulsion. In addition to our conventional efforts, in recent years, we have been working to reduce CO₂ emissions further to contribute to the realization of a decarbonized society. Such efforts include reducing the temperature of mixture production using modified asphalt for warm mix, extending the lifespan of pavements, and developing and supplying *Tastainability*® products and construction methods [▶ P.29](#) that contribute to the effective use of resources through recycling. As a milestone in our efforts, by FY2043, the 100th anniversary of our founding, we aim to achieve a consolidated sales ratio of eco-friendly products and construction methods exceeding 80%.

In our day-to-day business activities, we are focusing on initiatives to reduce environmental impact. For example, we promote resource reuse by thoroughly sorting waste within the office and switching to green power. We will further accelerate our efforts toward the realization of carbon neutrality (eliminating net emissions of greenhouse gases including CO₂) by 2050.

Medium- to long-term targets

Item	FY2021 results	FY2022 results	FY2023 results	FY2025	FY2043	SDGs mapping
Sales ratio of eco-friendly products and construction methods*	21.2%	23.9%	22.2%	30% or more	80% or more	

* Eco-friendly products and construction methods refer to those more conscious of environment than existing ones. Sales ratio refers to a ratio to consolidated net sales.

Conservation of biodiversity

Forest thinning is an effort that contributes to the conservation of biodiversity. Felling trees at appropriate intervals in a dense forest allows enough sunlight to reach the trees to form a healthy forest, which enables to protect the habitats of diverse living organisms living in the forest. Timber from forest thinning is used in various ways; however, there are also cases where unused forest-thinning materials are combusted for disposal. Nichireki uses such forest-thinning materials for the pavement of promenades in parks as ASWOOD paving [▶ P.35](#) by crushing the materials and mixing them with asphalt emulsion, thereby promoting the recycling of forest-thinning materials and protecting ecosystems.

Promoting construction methods such as heat-blocking paving [▶ P.42](#), which contributes to mitigating the urban heat island effect, and soil-based paving, which has excellent water retention properties, also helps conserve the living environment for animals and plants. Moreover, we have also been contributing to the conservation of ecosystems from a perspective of community contribution activities by, for example, proactively participating in various activities, including cleaning and greening of roads and rivers in the communities where our offices are located.



ASWOOD paving

Responding to Climate Change

Information disclosure based on TCFD recommendations

The Nichireki Group considers addressing the impact of climate change on its business to be one of its key managerial challenges. Accordingly, we support the Task Force on Climate-related Financial Disclosures (TCFD) and proactively take measures against climate change.

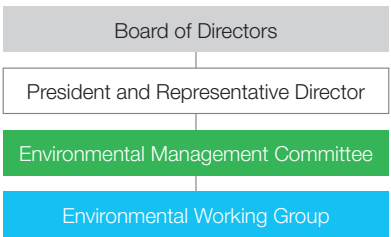
We clarify the impact on our business of the risks and opportunities brought about by climate change and take measures, thereby enhancing social sustainability and our corporate value while improving our business continuity.



Governance

In the Nichireki Group, the Board of Directors deliberates on and resolves key matters such as a basic policy for addressing general environmental issues including climate change. Particularly, the Environmental Management Committee, chaired by the President and Representative Director and comprised of General Managers of Corporate Planning, Administration, Business, and Technology Development Divisions, deliberates on and examines how to address group-wide environmental issues. Such deliberated and examined issues are ultimately presented to the Board of Directors. The Board of Directors is reported and reviews each year the progress of environmental management as well as business risks and growth opportunities related to environmental issues.

Governance system diagram



Risk management

In the Nichireki Group, the above-mentioned Environmental Management Committee has a group-wide risk management system that regularly monitors climate change-related risks. In addition, we will seek to advance our approach of appropriately identifying and examining material risks that could significantly impact our business management by, for example, improving our scenario analysis and assessment so as to sufficiently hedge tail risk (the risk of an event with a small probability of happening but could cause enormous losses if once happened).

Strategy

The Nichireki Group identifies climate change-related risks and opportunities from both short-term and medium- to long-term perspectives. The Nichireki Group also performs two types of scenario analysis—the 2°C scenario with the assumption that the goals of the Paris Agreement will be achieved and the 4°C scenario with the assumption that no additional policy responses will be provided —, assesses the level of impact of such risks and opportunities on its business, and considers countermeasures. We will assess the resilience of the countermeasures on an ongoing basis and consider new countermeasures as necessary.



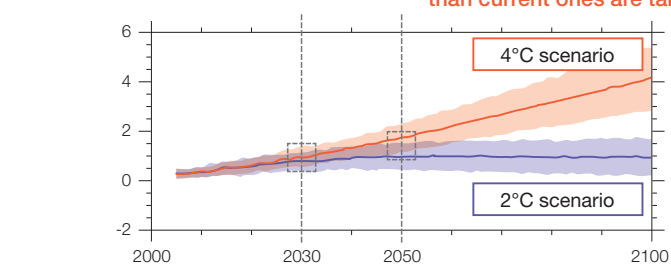
2°C scenario

A scenario assuming that countries around the world will have stricter regulations and policies toward decarbonization and accordingly take stricter measures against climate change, and that the increase in the global average temperature will be limited to below 2°C above pre-industrial levels.

4°C scenario

A scenario assuming that countries around the world will neither introduce any additional regulations or policies nor take sufficient measures against climate change and that the increase in the global average temperature will be 4°C above pre-industrial levels.

Projected global average surface temperature change (relative to the average of 1986 to 2005 period)



Temperature will rise by 2.6°C to 4.8°C above pre-industrial levels unless measures more rigorous than current ones are taken

Temperature will rise by 0.3°C to 1.7°C above pre-industrial levels if strict measures are taken

While 2°C and 4°C scenarios show a nearly identical change in temperature up until 2030, the gap between the two scenarios widens after 2030
Sources: AR5 SYR Figure SPM.6; IEA, "ETP 2017"; UNEP, "The Emission Gap Report 2015"; Website of the Ministry of Foreign Affairs of Japan; Website of the Ministry of the Environment

The Nichireki Group's risks and opportunities expected, financial and business impact levels assessed, and countermeasures based on the scenarios are as shown in the table below.

Classification	Type	Risks and opportunities expected	Financial and business impact		Countermeasures
			2°C	4°C	
Transition risks	Policies, laws and regulations	● Limitation of our business activities due to greenhouse gas emissions regulations ● Increase in facility costs due to greenhouse gas emissions regulations ● Cost increase due to the introduction of carbon tax	High	Medium	● Purchase low-carbon fuel and green power, and install solar panels ● Develop low-carbon manufacturing methods and construction methods as well as construction technology, etc. (e.g., cold paving materials, robotic construction) ● Promote the innovation of manufacturing processes (at the Tsukuba Big Ship and other sites) ● Reduce CO ₂ emissions by using low-carbon vehicles and equipment
	Technology	● Mandatory use of alternative materials and recycled materials	High	Medium	● Develop products and construction methods using sustainable materials
	Market	● Intensifying competition in technology development toward the creation of a decarbonized society	High	Medium	● Put more effort into developing low-carbon products and construction methods
	Reputation	● Increase in procurement costs due to soaring petroleum based raw materials ● Increase in waste disposal cost ● Changes in reputation of our efforts to address climate change among investors and consumers	High	Medium	● Consider increasing raw materials suppliers or narrowing down the current raw materials suppliers ● Examine and develop alternative materials ● Promote recycling
Physical risks	Acute	● Increase in the costs of restoring our production facilities and logistics infrastructure if being severely damaged during extreme weather events ● Suspension of production and shipment due to the difficulty of obtaining raw materials resulting from extreme weather events	Medium	High	● Take stronger business continuity measures in our manufacturing sites and supply chain
	Chronic	● Decrease in productivity with increasing temperature during summer	Medium	High	● Improve a work environment by using air-conditioning clothing, power assist suits, etc. ● Promote labor-saving practices by using IoT, AI, robots, and other solutions
Opportunities	Products and services	● Increases in needs adapted to climate change and opportunities for receiving orders	High	Medium	● Put more effort into making propositions of low-carbon products and construction methods and developing them in response to changes in consumer preferences ● Expedite the development of products and construction methods that help prevent and mitigate disasters ● Promote our one-stop solutions business that comprises all the processes from design and proposal based on survey, diagnosis and prediction with the use of IoT and AI to manufacture and sales followed by construction and management
	Resilience	● Increase in infrastructure resilience needs	High	Medium	● Install more productive manufacturing equipment that uses IoT and AI (at the Tsukuba Big Ship and other sites)
	Resource efficiency	● Reduction in operating costs with increase in productivity through the innovation of manufacturing processes	High	Medium	

Metrics and targets

The Nichireki Group has set the long-term target of achieving net-zero greenhouse gas emissions across its value chain by 2050. Taking fully into account the goal set by the government of "aiming to reduce greenhouse gas emissions by 46% (from FY2013) by 2030," the Nichireki Group has also set the medium-term target of "reducing Scope 1 and 2" greenhouse gas emissions by 50% (from FY2013) by FY2030."

To achieve these target levels, we will promote the reform of manufacturing methods and others, the purchase of green power and the installation of solar panels. In the medium and long run, we will also proactively use vehicles and construction equipment that use low-carbon fuel, decarbonized fuel, hydrogen and electricity. Furthermore, we will work at increasing sales of eco-friendly products such as longer-life and warm mix modified asphalt and other paving materials, and encouraging the development of low-carbon cold-laid paving materials and construction technology.

As for Scope 3, we are currently working to quantify the amount of CO₂ emissions for each category and will continue to consider specific reduction measures together with those for Scope 1 and 2.

Nichireki Group's CO₂ emissions

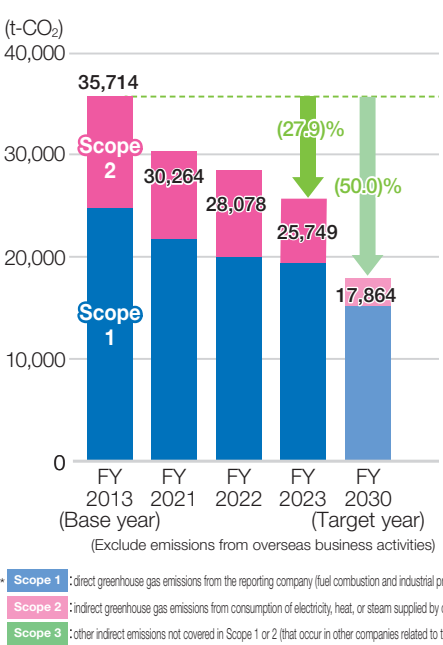
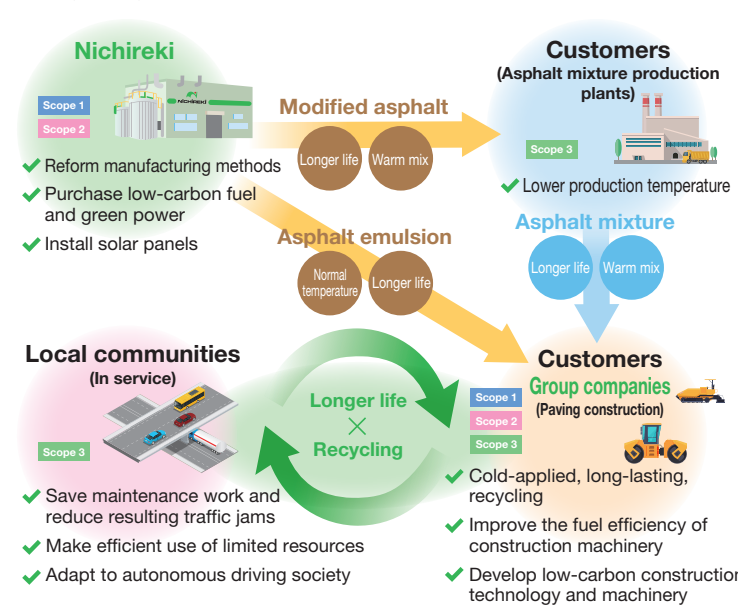


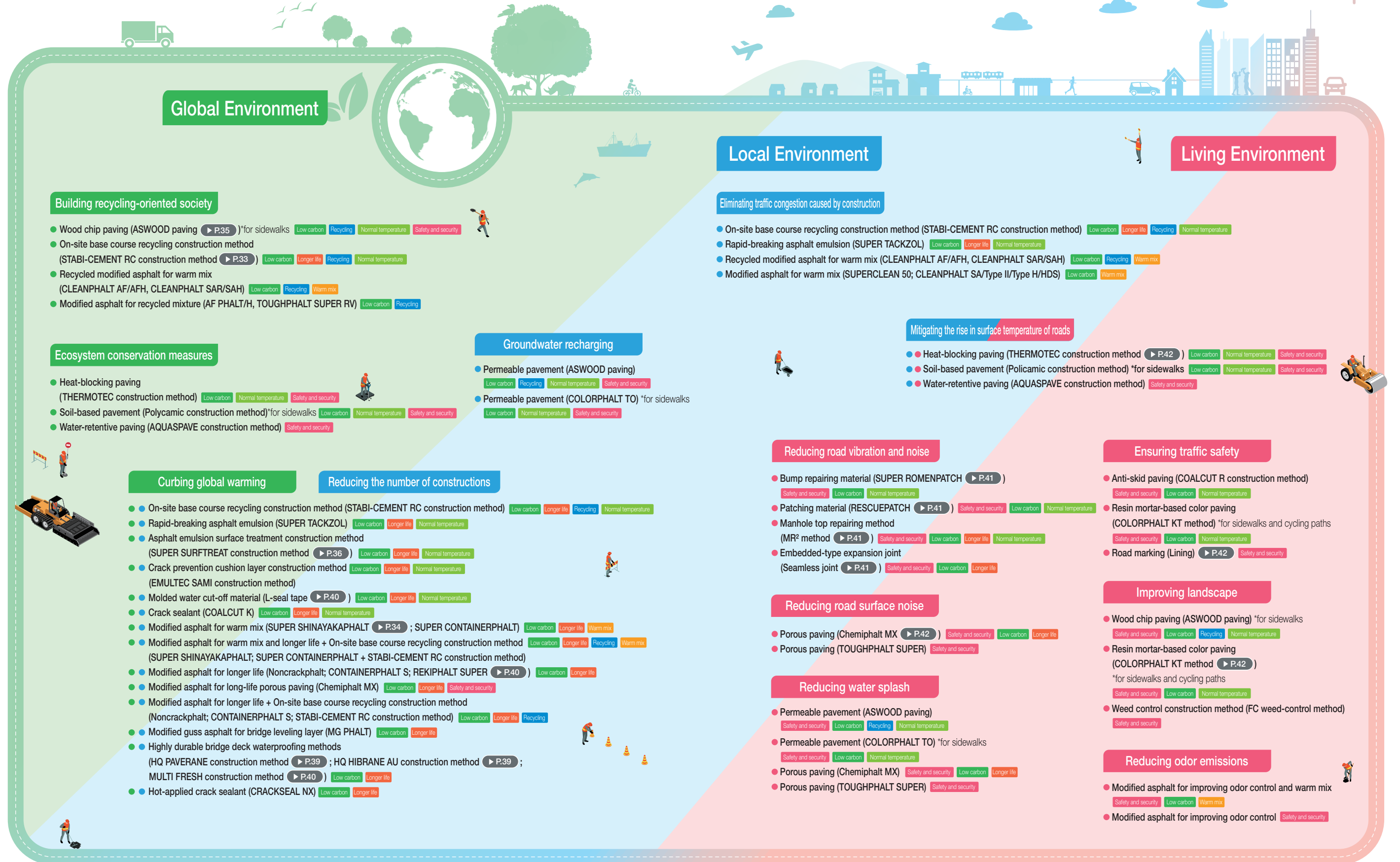
Image diagram of CO₂ reduction in our business model



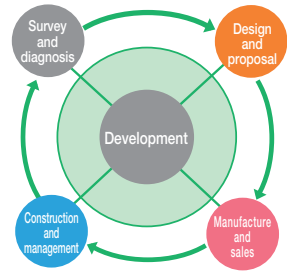
Eco-friendly Products and Construction Methods

The Nichireki Group contributes to conserving the living environment, the local environment, and even the global environment through the provision of environmentally friendly products and construction methods. We have always worked to create eco-friendly roads using asphalt emulsion and other products and construction methods that can be handled at normal temperatures. In addition, we contribute to environmental conservation at a higher level, including further reduction of

CO₂ emissions through the supply of “*Tastainability*®” products and construction methods that add new performance and functionality, such as longer life, recyclability and warm mix. We will also work to improve the living environment of roadside residents, including reducing vibration and noise, ensuring traffic safety, and mitigating odors, thus contributing to creating sustainable roads. The chart below shows Nichireki’s leading eco-friendly product and construction method groups.



Designing and Proposing *Tastainability*[®]
Products and Construction Methods



By reusing existing pavement

20% reduction in
CO₂ emissions



STABI-CEMENT RC construction method



STABI-CEMENT RC construction method involves crushing the existing pavement at the exact location where it has been damaged and then mixing it with asphalt emulsion and cement to construct new pavement.

Damaged road pavement



Construction with a road stabilizer

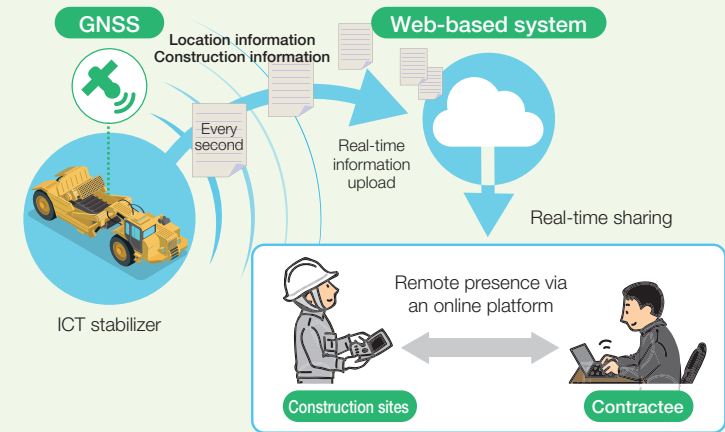


This construction method constructs a strong base course with asphalt flexibility and cement stiffness, contributing to the pavement's longevity. This is also effective in preventing liquefaction phenomena caused by earthquakes.

We utilize the Smart Stabilizer Monitoring System as part of our efforts to introduce ICT in this construction method. With this system, sensors are attached to the road stabilizer to measure various data in real time during construction. This method enhances construction accuracy and allows for the construction of a higher-quality base course, further extending the pavement life.

In addition, by combining the streaming of on-site images from wearable cameras with web conferencing, the contractee and other construction managers can check measurement data and on-site conditions from anywhere, which also contributes to improving productivity at construction sites.

Smart Stabilizer Monitoring System (image diagram)



During construction ▶



Liquefaction resistance test ▶



The Smart Stabilizer Monitoring System won the Jury's Special Prize in the Infrastructure DX Competition, which was held to discover advanced technologies that contribute to DX in the infrastructure field, as part of the Construction Technology Expo 2023 Kinki, organized by the Ministry of Land, Infrastructure, Transport and Tourism Kinki Regional Development Bureau in Osaka Prefecture in November 2023.

System overview ▶



STABI-CEMENT RC construction method uses most of the existing pavement as it is on-site, reducing materials being carried in and out, which also contributes to energy conservation and effective use of resources. In particular, the amount of pavement waste removed from the site per construction project is reduced by around 80% compared to the replacement method, and CO₂ emissions can be reduced by approximately 20%.

In asphalt mixture production

22% reduction in
CO₂ emissions



SUPER SHINAYAKAPHALT



SUPER SHINAYAKAPHALT is a special modified asphalt that is flexible enough to be bent by hands and tough enough to withstand traffic loads. SUPER SHINAYAKAPHALT with 1.7 times greater performance than conventional asphalt mixture helps extend the life of pavement.



In addition, the temperature of mixture production can be lowered by 50°C from 180°C to 130°C compared to our conventional SHINAYAKAPHALT. This enables a reduction in fuel consumption during mixture production, cutting CO₂ emissions by approximately 22%.

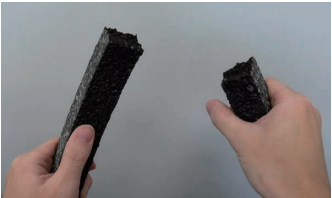
After construction



SUPER SHINAYAKAPHALT



Conventional asphalt mixture



Bending Comparison: SUPER SHINAYAKAPHALT vs. conventional mixture ▶



STABI-CEMENT RC construction method

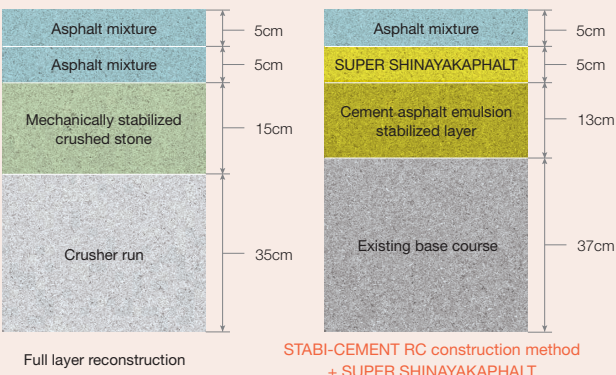


SUPER SHINAYAKAPHALT

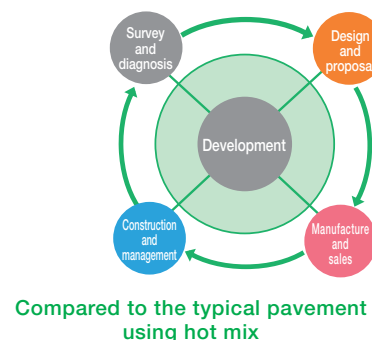
This hybrid method achieves unprecedentedly long-lasting pavement by paving a long-lasting asphalt mixture (SUPER SHINAYAKAPHALT) on the base constructed by reusing existing pavement at the exact location where it has been damaged (STABI-CEMENT RC construction method).

It enables longer-life paving than ever, reducing CO₂ emissions by approximately 49% in a 50-year pavement life cycle.

Basic pavement cross section



Designing and Proposing *Tastainability*[®] Products and Construction Methods



Compared to the typical pavement using hot mix

34% reduction in CO₂ emissions



ASWOOD paving

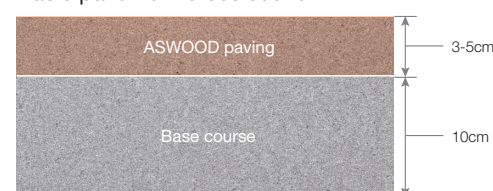


■ ASWOOD paving is wood-based (wood chip) paving made by mixing a rubber-modified asphalt emulsion ASWOOD Emulsion, which has outstanding flexibility, and wood chips produced by finely crushing forest-thinning materials and other materials. As it is possible to carry out the entire process from mixture production to construction at normal temperature, this method is extremely friendly to the environment. It reduces CO₂ emissions by approximately 34%, compared to the typical pavement using hot mix.

ASWOOD paving



Basic pavement cross section



■ Using forest-thinning materials and other resources without combusting prevents CO₂ from being emitted into the atmosphere and contains CO₂ as it is within the materials and resources (CO₂ fixation). For example, when we construct 1,000 m² of pavement with 4 cm in thickness using the ASWOOD paving method, we can fix approximately 18 t of CO₂, which is equivalent to the amount absorbed by 1,300 Japanese cedar trees per year.

This method also enables the utilization of trees damaged by Japanese oak wilt disease*, which has been spreading across the country in recent years, or by pine weevils as well as bamboos from an abandoned bamboo forest.

* A contagious disease that causes trees to die of necrosis and water-blockage, as a result of Japanese oak wilt pathogen are spread throughout the tree when platypus quercivorus (oak ambrosia beetle) burrow into the trunks of oak, chinquapin, and chestnut trees. New adults that have grown and emerged within the tree body carry Japanese oak wilt pathogen on their bodies. When they move to and invade other healthy oak trees, they spread the damage to the surrounding area.

Source: Edited portions of the Forestry Agency website (https://www.rinya.maff.go.jp/j/hogo/higai/naragare_R3.html)

ASWOOD paving using trees damaged by Japanese oak wilt disease



Self-propelled conveyable wood timber crusher



Nichireki supports the purpose of "Wood Change" promoted by the Forestry Agency as activities to change to a sustainable society through the use of wood and is actively driving efforts to promote wood utilization.



■ ASWOOD paving has outstanding water permeability and cushioning properties, making it easy on the feet of walkers and runners and preventing the formation of puddles, thereby reducing water splash. Further, its gentle texture that blends in with the surrounding natural scenery brings comfort and relaxation to people. It also helps recharge groundwater by facilitating the infiltration of rainwater and other water into the soil, thereby increasing the supply of water to the underground aquifer.

Construction examples ▶



SUPER SURFTREAT S construction method

Compared to hot mix thin-layer pavement

61% reduction in CO₂ emissions



■ SUPER SURFTREAT S construction method is an ultra-thin pavement construction method that is highly resistant to wear and tear and protects the pavement surface before damage progresses. By applying a surface treatment, the road surface is made to look like new, and the functions of the road surface, such as its non-slip properties and noise reduction, are restored, leading to a longer lifespan for the pavement (prolongation) and, in turn, a reduction in medium- to long-term repair costs.



■ As it is a cold construction method that uses a special asphalt emulsion, it does not generate CO₂ during heating, meaning it is also an environmentally friendly construction method. For example, compared to heated thin-layer paving, it can reduce CO₂ emissions by approximately 61%. Another feature of this method is that it can be applied to various surfaces other than carriageways.

A specialized vehicle that can complete the work by itself



Leveling with a specialized vehicle



Manual construction

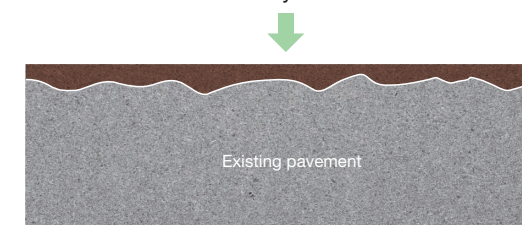


After construction



Basic pavement cross section

Average construction layer thickness $t=1.0\text{mm}$
Maximum construction layer thickness $t=2\text{--}3\text{mm}$

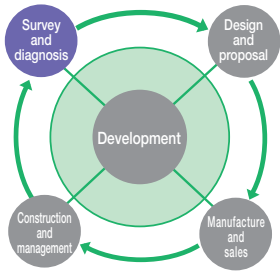


Manual construction is also possible.

Applicable areas

- 1 Carriageways
- 2 Airport pavement, including runways, taxiways, and shoulders
- 3 Residential roads and roads within housing complexes
- 4 Sidewalks and cycling paths
- 5 Parking lot
- 6 Station platforms

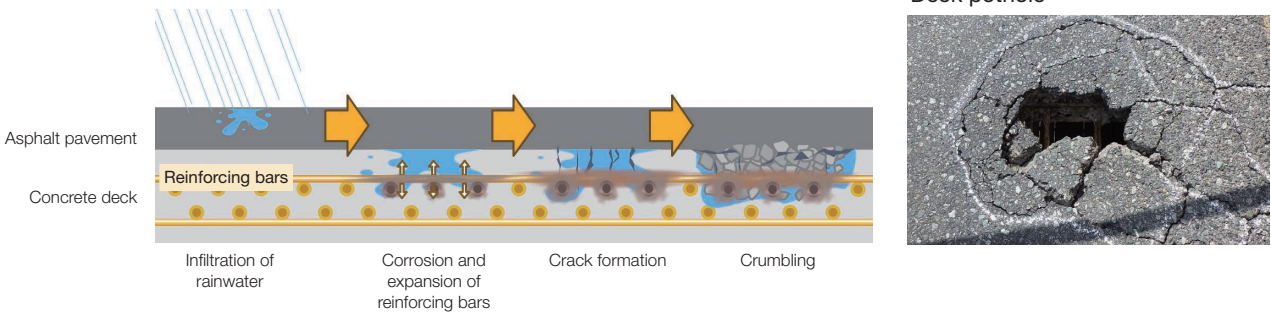
Survey and Diagnostic Technologies for Designing and Proposing *Tastainability*[®] Products and Construction Methods (bridges)



SMART SHOBAN CATCHER

When water seeps into a concrete deck, which supports the pavement of the bridge, reinforcing bars inside the deck corrode and expand, resulting in cracks on the deck. The propagation of cracks results in crumbling of concrete, deck potholes, and other severe damage; therefore, it is necessary to construct a highly durable bridge deck waterproofing layer.

Progress in deterioration of bridge deck



SMART SHOBAN CATCHER is a measuring vehicle that uses electromagnetic wave technology to investigate the damage to the upper surface of a concrete deck on a road bridge (from the underside of the pavement to the upper reinforcing bars) without having to remove the asphalt pavement (non-destructive). The method analyzes the damage by comparing the reflections of the sound and damaged concrete decks, taking advantage of the property that electromagnetic waves are reflected at the interface between asphalt pavement and concrete deck.

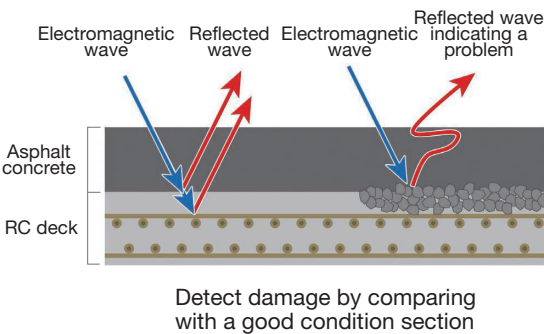
SMART SHOBAN CATCHER



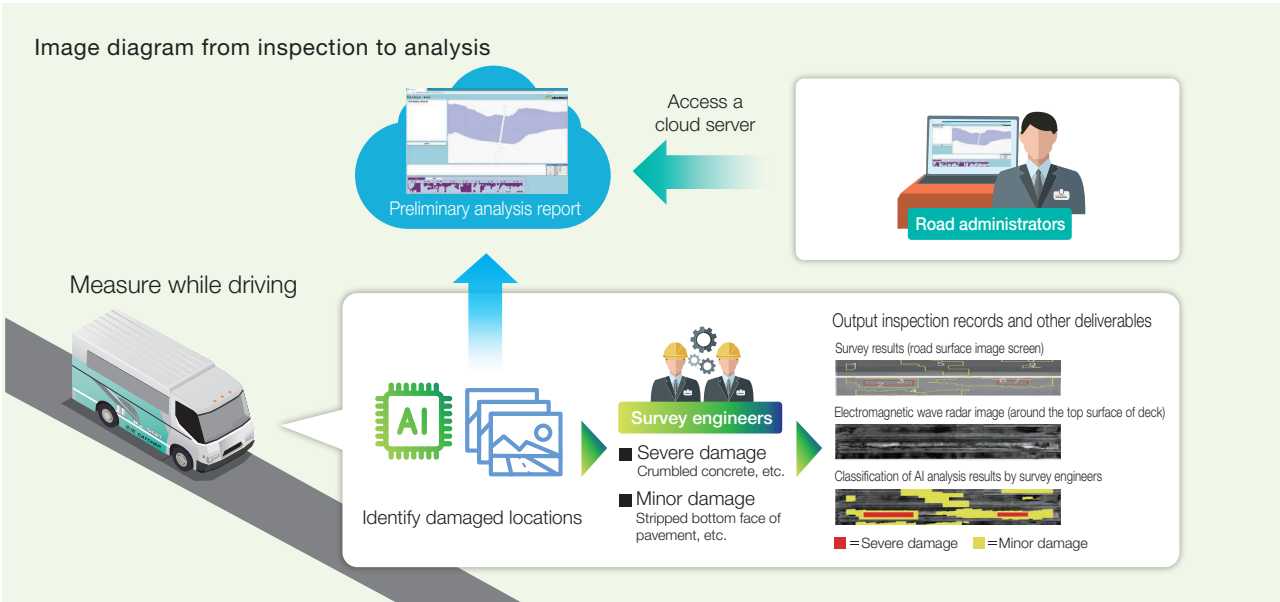
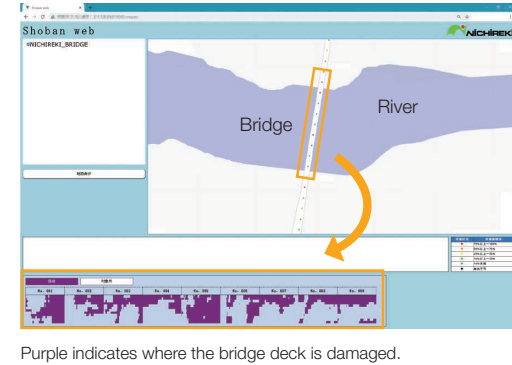
Electromagnetic wave antenna at the tail of the vehicle



Differences in reflection of electromagnetic waves depending on the condition of the deck



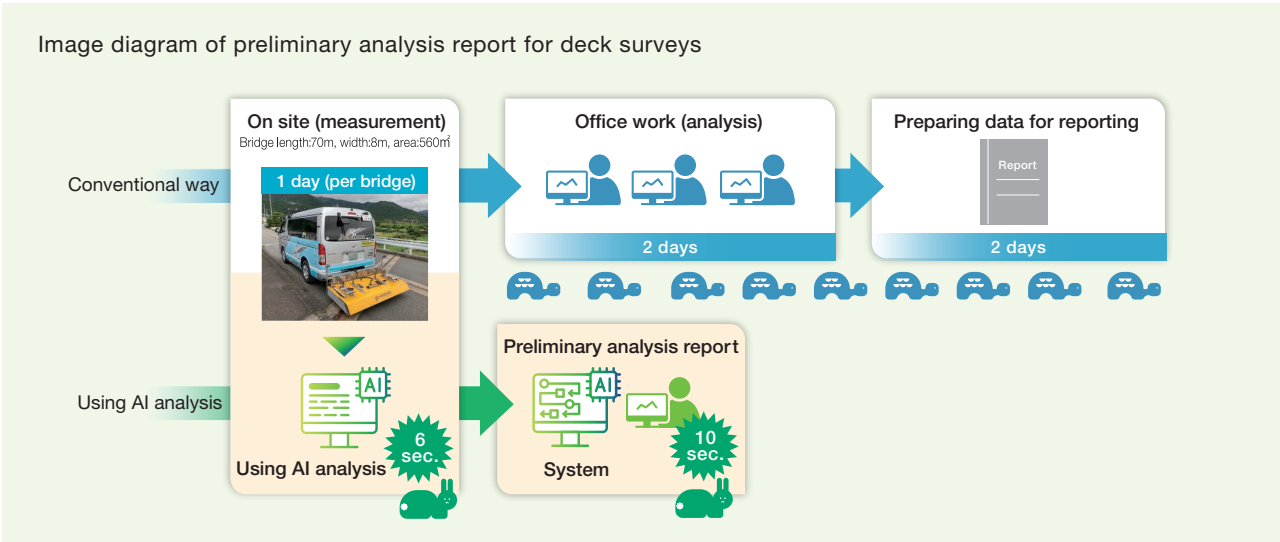
Preliminary analysis report screen



A trained AI, developed based on training data from skilled survey engineers, performs the analysis of damage. In addition, by uploading the results of AI analysis from the site to a cloud server, road administrators can quickly be notified of the preliminary analysis report. This is a function that allows us to perform AI analysis of the electromagnetic wave data obtained on site immediately after measurement, and provide the inspection results (preliminary reports) to road administrators. We are also introducing AI into conventional analysis work, not just preliminary reports, to improve the efficiency of analysis work.

This is how the use of AI and the internet can shorten the time needed for analysis work. For example, analysis work on electromagnetic wave reflection waveforms, which previously took even skilled engineers at least five days from measurement to report preparation, can now be completed in one day.

In addition, it is possible to create a more accurate repair design by combining open-cut inspection as appropriate according to the damage situation analyzed by the SMART SHOBAN CATCHER.

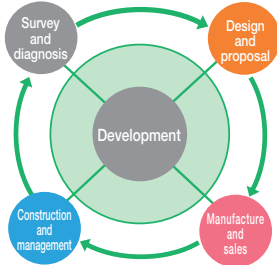


The SMART SHOBAN CATCHER has been evaluated by external organizations, such as being registered in the NETIS^{*1} as a “non-destructive inspection system for bridge surface pavement and the upper sections of decks” and being listed in the Ministry of Land, Infrastructure, Transport and Tourism’s Inspection Support Technology Performance Catalog^{*2} as a “system for determining damaged areas on the top surface of decks.”

^{*1}: An acronym for the New Technology Information System, a database for promoting the use of new technology operated by the Ministry of Land, Infrastructure, Transport and Tourism
^{*2}: A catalogue-style compilation of performance values for standard items set by the government, requested from developers and submitted by them

Designing and Proposing *Tastainability*[®]
Products and Construction Methods
(bridges)

A bridge is an important lifeline that connects people, goods, transportation, and economy. Therefore, it must be durable enough not to disrupt daily lives. Nichireki offers a wide range of options for bridge deck waterproofing, which is essential for extending the service life of bridges to meet the needs of road administrators. Increasing the durability of the deck waterproofing layer enables a reduction in repair frequency of pavement, which in turn leads to reducing CO₂ emissions by approximately 50% to 75% in a 50-year pavement life cycle.



HQ PAVERANE construction method

Compared to conventional waterproofing
in a 50-year pavement life cycle

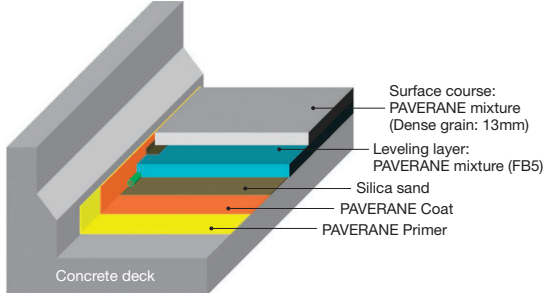
75%reduction in
CO₂ emissions

■ HQ PAVERANE construction method is a waterproofing method with excellent shear fatigue resistance that has passed a crack opening and closing load test equivalent to 30 years of service. As this is a high-performance pavement waterproofing method that demonstrates durability by combining the pavement and waterproofing layers, it protects the deck from de-icing agents and airborne salts and contributes to extending the pavement life.

During construction



Construction cross section example



Compared to conventional waterproofing
in a 50-year pavement life cycle

75%reduction in
CO₂ emissions



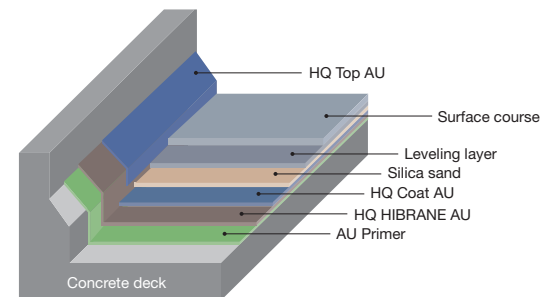
HQ HIBRANE AU construction method

■ HQ HIBRANE AU construction method is a highly durable asphalt-urethane membrane-type waterproofing method for bridge decks, which has passed the performance standards that apply a load equivalent to 30 years of service. This method allows seamless construction from the deck to the edge of the rise, and it also features excellent adhesion between the waterproof layer and the pavement. It is a long-life waterproofing construction method that is also registered with NETIS (the Ministry of Land, Infrastructure, Transport and Tourism's new technology information system).

During construction



Construction cross section example



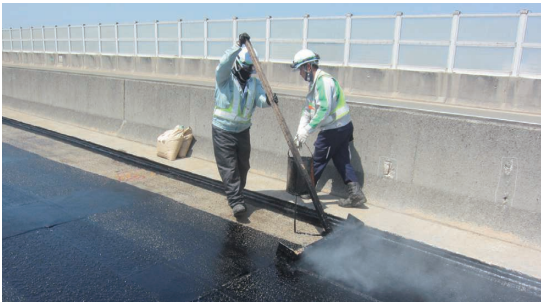
MULTI FRESH construction method

Compared to conventional waterproofing
in a 50-year pavement life cycle

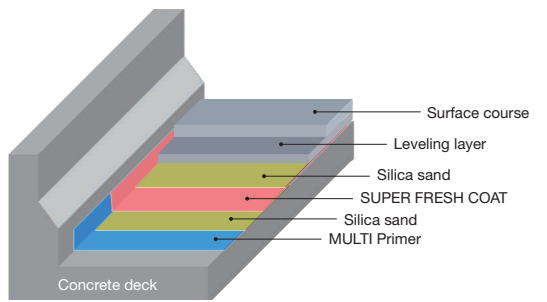
50%reduction in
CO₂ emissions

■ MULTI FRESH construction method is a composite waterproofing construction method that applies a highly durable hot-applied asphalt membrane-type waterproofing material with excellent adhesion to asphalt pavement on top of a primer that penetrates even the finest cracks in the concrete deck surface. This method would improve the stiffness and fatigue resistance of deck, contributing to extending the life of pavement.

During construction



Construction cross section example



Comparison of highly durable bridge deck waterproofing methods

	Durability (approximate useful lives*)	Workability	Lifecycle cost
HQ PAVERANE construction method	◎ (20 to 30 years)	◎	◎
HQ HIBRANE AU construction method	◎ (20 to 30 years)	○	◎
MULTI FRESH construction method	○ (10 to 20 years)	○	○
Conventional waterproofing	△ (5 to 10 years)	○	△

* This may vary depending on the on-site conditions.

With either the HQ HIBRANE AU construction method or MULTI FRESH construction method, a further extension of pavement life can be expected by laying a long-lasting asphalt mixture (REKIPHALT SUPER) on the waterproofing layer.

Introduction to the three construction methods ▶



REKIPHALT SUPER

■ REKIPHALT SUPER is a polymer-modified asphalt with outstanding workability and resistance to stripping. It enables to obtain mixtures with a high degree of compaction, regardless of the timing of construction, resulting in longer life pavement.



L-seal tape

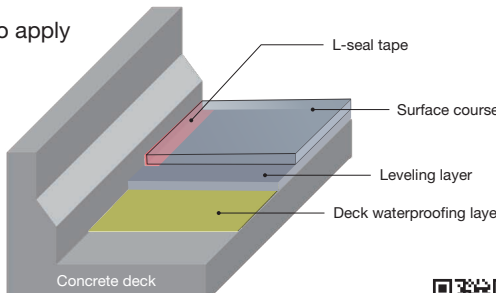
■ L-seal tape is a molded water-stop tape with adhesive properties at room temperature that prevents water from entering at the boundary between the edge of a bridge and the newly paved asphalt mixture.

■ Its L-shaped design prevents it from peeling off and falling in during construction. It is highly effective in preventing water from entering the top surface of the deck, leading to longer pavement life.

After construction



Where to apply



During construction ▶



Designing and Proposing *Tastainability*[®] Products and Construction Methods (safety and security)

Reducing road vibration and noise

SUPER ROMENPATCH



■ SUPER ROMENPATCH is a cold-applied asphalt emulsion mixture with outstanding wear resistance used for repair of bumps on roads.



■ This is an eco-friendly material as it enables construction at normal temperature. As construction does not require machinery, the work can be easily done.

SUPER ROMENPATCH



After construction



RESCUEPATCH



■ RESCUEPATCH is a cold-applied mixture (patching material) with outstanding durability used for repair of potholes on roads.



■ This is an eco-friendly material as it enables construction at normal temperature. This also enables construction even when the construction surface is wet by rain or snow.

RESCUEPATCH



After construction



MR² method



■ MR² method is a construction method to repair bumps between manholes and pavement with less vibration and noise. The material cures quickly, enabling construction in a short time.



■ It does not cause lack of compaction due to a decrease in temperature, contributing to extending the pavement life.



■ As a cold-applied mixture is used for construction around manholes, this construction method is friendly to the environment.

During construction
(removal of a manhole)

After construction



Seamless joint

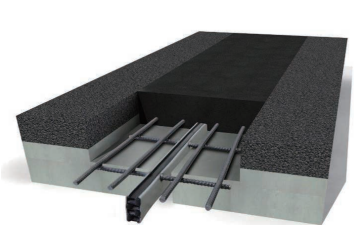


■ Seamless joint is an embedded-type expansion joint used to embed bridge joints. As steel and rubber parts are not exposed on the road surface, this enables smooth driving of vehicles.

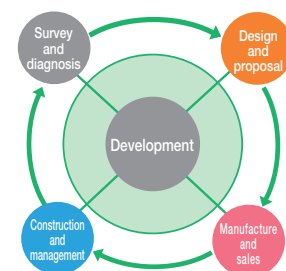


■ Seamless joint has outstanding water shut-off performance and quality stability, which allow it to be used over a long period, contributing to extending the life of bridges.

Seamless joint



After construction



Reducing road surface noise / Reducing water splash

Chemiphalt MX



■ Chemiphalt MX is porous paving that prevents water from accumulating on the road surface in rainy weather. This paving prevents slipping, water splash, and deterioration of visibility during driving, reducing traffic accidents. This also reduces noise from the road surface caused by driving.



■ Chemiphalt MX has outstanding aggregate scattering resistance and demonstrates high durability, contributing to extending the life of pavement.

Conventional paving



Porous paving



Lowering road surface temperatures

THERMOTEC construction method

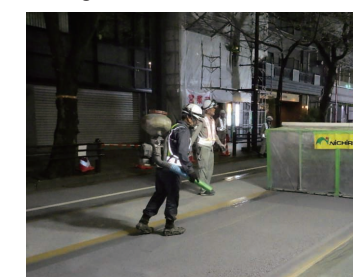


■ This heat-blocking paving limits the rise in temperature of paved surfaces during the day by reflecting near-infrared rays, which account for about half of the solar radiation energy. During summer months with clear weather, it is expected to reduce road surface temperatures by around 10°C, which will also help to alleviate the heat island effect.



■ This is an eco-friendly construction method as it allows construction at normal temperature.

During construction



After construction



Ensuring traffic safety

Road marking



■ Using road markings that appear to be three-dimensional and color paving visually alerts drivers to reduce driving speed and prevents them from accidentally entering the wrong lane, thereby contributing to ensuring traffic safety.

Road markings that appear to be three-dimensional



Dedicated ETC lane marking on the Metropolitan Expressway



Improving landscape

COLORPHALT KT method

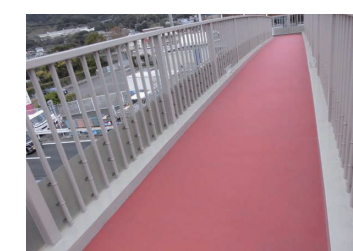


■ This is a resin mortar pavement made from epoxy resin and various aggregates. It has excellent flexibility and is ideal for use in pedestrian bridges. It also has excellent slip resistance, ensuring safe walking even in the rain.



■ This is an eco-friendly method as it allows construction at normal temperature.

After construction





Enhancing the Human Capital Management

Workstyle reforms

The Nichireki Group is working to improve employees' work-life balance by increasing operational efficiency so as to establish a system where employees can choose to work in diverse and flexible ways depending on their own circumstances.

During FY2023 in particular, we advanced the systemization of each business operation to address the 2024 problem. For construction work, we introduced a "construction support system." The person in charge in the field promptly uploads various data to the cloud server, including photos taken at the construction site, while employees in the office prepare construction documents. This allows the persons in charge in the field to better focus on their work on site, and also helps reduce overtime as they can go straight home from the site without the need to return to the office for paperwork.

For logistics of products, we have introduced a new system that enables the centralized, cloud-based management of relevant information, from order receipt to vehicle dispatch, vehicle inspections, monitoring of operational status, operator attendance, and preparation of daily reports. By enabling smooth performance of duties by sales and logistics staff and vehicle operators, and timely information sharing between offices, this new initiative is expected to streamline operations and reduce overtime work.

In addition, we have been working to create a system that enables smooth day-to-day operations from any location at any time, by proactively introducing electronic approval procedures. We will further improve efficiency by expanding the areas of work covered by electronic approval.

We encourage employees to take more days of paid leave than legally required in a planned manner by having them set dates on which they plan to take paid leave in advance at the beginning of each fiscal year. In particular, we encourage employees to take long vacations during the year-end and New Year season and summer season to improve their work-life balance. Furthermore, as part of the initiative to offer more options of work styles, we utilize mobile devices to enable employees to select a place to work that best suits their circumstances.

We will continue to promote the development of a work environment where every employee can keep growing and deliver their full potential.

Item	FY2022 results		FY2023 results	
	Consolidated	Non-consolidated	Consolidated	Non-consolidated
Average monthly overtime	21.6 hours	13.6 hours	18.6 hours	10.6 hours
Average annual overtime	259.5 hours	162.8 hours	223.5 hours	127.2 hours
Rate of paid leave taken	68.3%	69.3%	77.8%	78.3%
Average number of days of annual paid leave taken	11.9 days	12.1 days	13.8 days	13.8 days

Medium- to long-term targets

Item	FY2021 results	FY2022 results	FY2023 results	FY2025	FY2043	SDGs mapping
Annual overtime*1	640 hours or less 87.2%	640 hours or less 89.9%	640 hours or less 93.5%	640 hours or less 100%	360 hours or less 100%	
Number of days of annual paid leave taken*2	50% or more of number of days granted 56.4%	50% or more of number of days granted 69.1%	50% or more of number of days granted 80.0%	50% or more of number of days granted 100%	90% or more of number of days granted 100%	

*1: Covers all Group employees.

*2: Covers employees who are granted 10 or more days of annual paid leave.

Promotion of diversity and inclusion

Under the Medium-term Management Plan "Resilience 2025 (Shinayaka 2025)," we aim to grow into a corporate group with high organizational resilience that can respond "with resilience" to changes in the environment. To achieve this, we believe it is essential to incorporate the opinions of people with a variety of attributes and to embrace diversity.

Therefore, the Nichireki Group has been striving to create an environment where diverse talents with different nationalities, generations, and genders can fully deliver their potentials. Through the exchange of various opinions of diverse human resources, we aim to generate new ideas and create new work, thereby becoming a company resistant to changes in the business environment.

As part of our initiatives to respect diversity, we encourage employees to take parental leave so that they can raise their children with peace of mind. We explain how the parental leave system works and its follow-up system to each and every eligible employee separately, regardless of the gender, to eliminate their anxiety over taking the leave. While employees are on parental leave, we provide them with support as a company, and also give consideration to their colleagues in the same workplace, by reviewing the personnel allocation and work assignments not to increase their workload. Furthermore, a system is in place to help employees balance work and childcare even after the end of the leave period, by utilizing shorter working hours and remote working systems depending on individual circumstances.

In addition, we continuously recruit international students and foreign nationals, and hire talented individuals regardless of nationality. As a result, the number of foreign nationals engaging in R&D and on-site work has been increasing every year.

Item	FY2022 results	FY2023 results
	Consolidated	
Number of female engineers (Technical Research Center)	7 out of 38 (18.4%)	5 out of 47 (10.6%)
Number of female employees	87 out of 972 (9.0%)	86 out of 977 (8.8%)
Number of employees who took parental leave	7 (2 men and 5 women)	10 (6 men and 4 women)
Number of employees who returned to work after taking parental leave	5 (Return to work rate: 100% [two remain on parental leave])	5 (Return to work rate: 100%)

The data of three diversity metrics based on the Act on the Promotion of Women's Active Engagement in Professional Life, etc. for FY2023 are as follows.

Percentage of female workers in management positions, rate of male workers taking parental leave, and difference in wages between male and female workers

FY2023 results				
Percentage of female workers in management positions*3	Rate of male workers taking parental leave*4	Difference in wages between male and female workers*3		
		All workers	Regularly employed workers	Part-time and fixed-time workers
1.1%	100.0%	49.3%	55.4%	54.2%

*3: The percentage is calculated in accordance with the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).

*4: The percentage of workers taking parental leave stipulated in Article 71-4, Item 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) is calculated in accordance with the provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

Revision of the wage system

With prices continuing to rise in Japan due to factors such as the rising raw material prices on the international market and the increased cost of imports resulting from the depreciation of the yen, we have strived to create an environment where employees can work with peace of mind. As part of our efforts, we increased base salaries substantially from April 2024, and also reviewed various allowances. For example, on a nationwide basis, we started providing uniform allowances for meals as measures against rising prices and for health promotion, and allowances based on job type and skills as measures to address the 2024 problem and to attract talents.

Having laid the foundations for more proactive recruitment of new hires and cross-regional allocation of personnel, we have established a system that will further promote the strengthening of the organic, area-based structure that has been our priority in "Resilience 2025 (Shinayaka 2025)."

■ Training programs for talent development

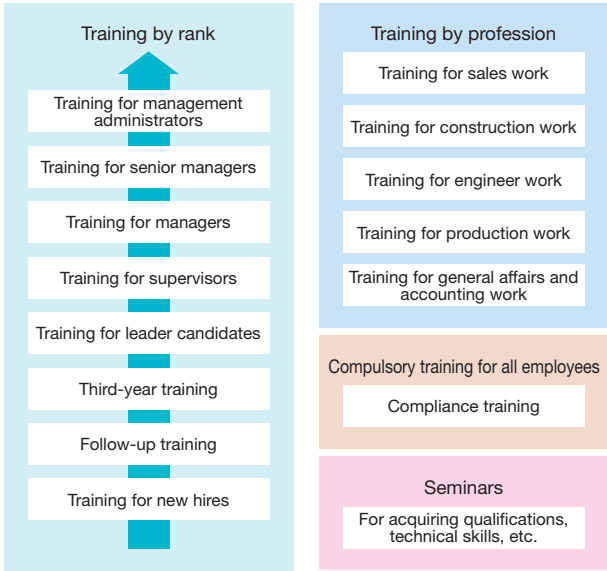
The Nichireki Group has put its efforts into training for employees at each stage of their careers from entry and thereafter so that they can deliver their full individual potential.

For example, we consistently provide training every year from the entry to the fourth year (training for new hires → first-year training → training by profession → third-year training). This helps deepen understanding of the businesses we operate and plan ahead for future career paths, while also providing an opportunity to build bonds with fellow employees and encourage friendly competition.

We are also placing emphasis on compliance training from the perspective of strengthening governance, with the aim of making the Group's management base more resilient. Through the continuous training, we update the awareness of the latest trends in laws and regulations and the social environment, etc. We also clarify the points that employees need to understand according to their role by implementing the training by job rank.

Furthermore, we provide training by rank and profession so that employees can not only extend their existing knowledge but also learn new areas of knowledge. Besides that, we encourage employees to actively attend internal and external seminars to promote and support the acquisition of official qualifications.

■ Group training programs



■ Initiatives for mental and physical health management

We have carried out an annual stress check for all employees for the purposes of preventing mental disorders and making the workplace more comfortable and healthier.

We make efforts to diminish employees' stress by assessing the stress factors at work based on the aggregation and analysis of the stress check results and using them to improve the work environment.

To promote the health of employees, we encourage those reaching a certain age to take a full physical examination, in addition to regular medical check-ups for all employees, and also subsidize the cost of influenza vaccinations.

Implementing Initiatives for Occupational Health and Safety

■ Policy on operational health and safety

Under the Health and Safety Management Policy, the Nichireki Group has systematically organized its occupational health and safety management system in the Health and Safety Management Rule Book, to eliminate accidents and workplace injuries and prevent incidents caused by a third party, ensuring strict compliance with the rules in the day-to-day operations.

To further promote occupational health and safety initiatives under the leadership of its Head Office's Safety, Quality and Environment Management Department, the Nichireki Group has established the Health and Safety Section in each branch as a separate organization.

Health and Safety Management Policy

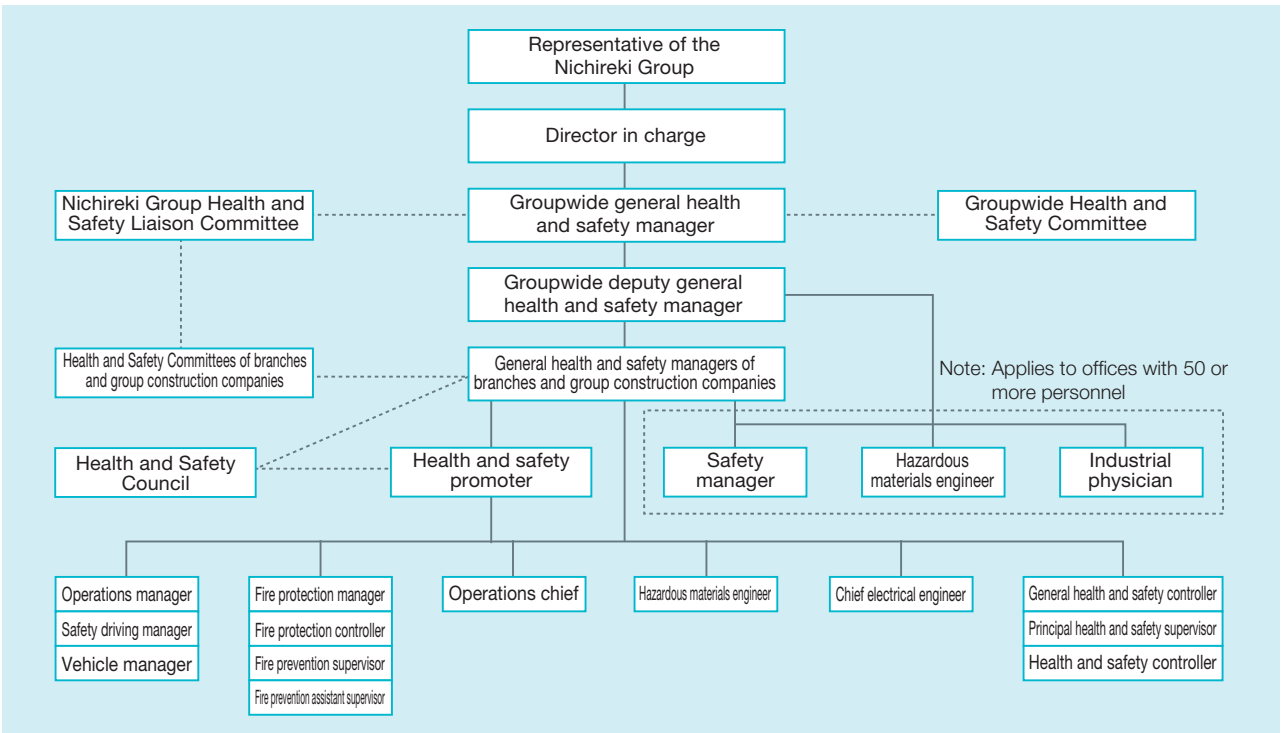
We will diligently manage the occupational health and safety management system, eliminate disasters and accidents, and create a safe and comfortable work environment..

April 1, 2024
Manabu Obata, Representative, Nichireki Group

Initiatives for health and safety management

1. We will comply with laws, regulations, ordinances, and internal rules on occupational health and safety.
2. We will improve the effectiveness of the Health and Safety Management Rule Book, and establish safety behavior.
3. We will strengthen health and safety patrols to raise awareness of safety and promote safety behavior.
4. We will improve Kiken Yochi (hazard prediction; "KY") activity incorporating risk assessment to prevent hazards and improve safety.
5. We will ensure that workers use finger pointing and calling and wheel chocks to prevent human errors.
6. We will promote the 5S practice (Seiri, Seiton, Seiso, Seiketsu, and Shitsuke in Japanese or Sort, Set in order, Shine, Standardize, and Sustain in English).

■ Health and safety management system



Initiatives in FY2023

At the Nichireki Group, employees and subcontractors make concerted efforts to eliminate accidents. Specific initiatives in FY2023 are as follows:

Implement the Health and Safety Management Rule Book

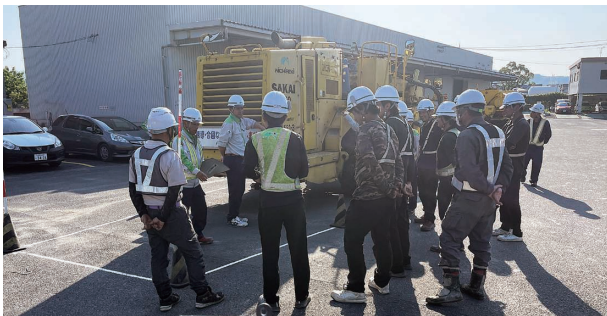
We have worked to make sure that the Group’s employees comply with the prescribed work procedures and perform basic practices such as finger pointing and calling in accordance with the Health and Safety Management Rule Book that systematically organizes safety rules they must comply with.

- ① Measures to eliminate car accidents
We have promoted the active use of AI-powered dashboard cameras installed onto asphalt emulsion distributors, tank lorries and road surface measuring vehicles. The device records and analyzes the driving situation in front and inside of the vehicle and warns the driver with an alert sound of anticipated dangers.
- ② Measures to eliminate injuries involving the public
We have worked to eradicate damage to third parties along driving routes and around construction sites by ensuring the performance of basic practices, including hazard prediction activity, compliance with work procedures, and appropriate allocation of guides and lookouts.
- ③ Compliance with revisions to relevant laws and regulations
We promptly collected information on revisions to laws and regulations related to occupational health and safety, and conducted special education and awareness-raising activities as needed for all of our offices in Japan. We also made sure to take the additional measures required by the revisions to the law, such as the acquisition of qualifications and the renovation of equipment and facilities.

Strengthen safety enlightenment activities

We ensured to conduct nationwide safety patrols by the Safety, Quality and Environment Management Department of the Group Head Office and safety patrols at our offices nationwide in accordance with the Health and Safety Management Plan. By incorporating online safety patrols using wearable cameras in consideration of factors such as geographical accessibility, we achieved sufficient frequency and quality of patrols. In addition, by using the web-based emergency patrols in the event of a major disaster, we are now able to point out problems in a timely manner.

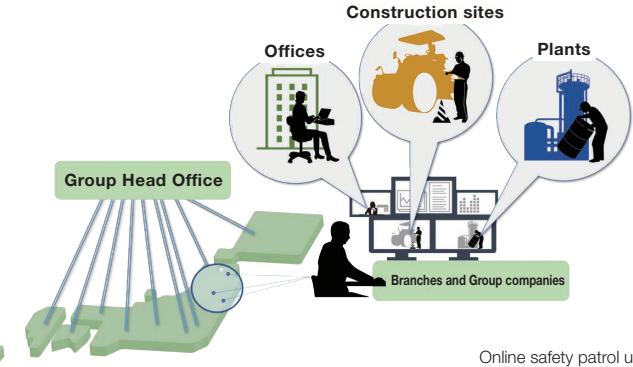
Based on the sites with potential dangers identified by the patrols, we have instructed to implement various improvement measures to realize a safe and comfortable work environment in the field and at the office, and also checked the results of the implementation.



Special training on blind spots in heavy machinery



Online group-wide health and safety meeting



Online safety patrol using a wearable camera

Outcome of the initiatives in FY2023

Despite the aforementioned initiatives, the total number of accidents during FY2023 was 27, an increase of 11 from FY2022. This was mainly due to inadequate observance of basic and elementary safety rules and a lack of safety awareness, such as insufficient safety checks and negligence.

Number of accidents

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Accidents involving damage to the public	15	13	15	10	3	9
Equipment-related accidents	5	4	5	3	4	13
Car accidents*1	0	2	5	5	3	0
Workplace injuries*2	2	3	5	6	6	5
Total number of accidents	22	22	30	24	16	27

*1 : Work accidents resulting in injury
*2 : Injuries resulting in four or more lost workdays

Future initiatives

In response to the increase in the number of accidents, the Nichireki Group will step up its efforts to eliminate accidents by making continuous improvements through the following activities.

Eliminate equipment-related accidents and car accidents

According to the revised Health and Safety Management Rule Book, we will further increase employees’ awareness to make sure that they comply with the prescribed procedures and perform basic practices, such as finger pointing and calling, and also wear the appropriate clothing for the work to be performed, so that they follow safety rules from the basics without fail.

Eliminate accidents involving damage to the public

We will ensure that all employees follow the work procedures provided in the Health and Safety Management Rule Book. For example, to prevent accidents caused by the scattering of asphalt emulsion during work on site, we will set guidelines based on wind speed for deciding whether the work can be carried out, and strive to comply with these guidelines.

Strengthen safety enlightenment activities

We will participate in various campaigns such as National Safety Week, National Occupational Health Week, Year-end and New Year Construction Accident Prevention Period, and Fiscal Year-end Construction Accident Prevention Month. We will also continue to conduct safety patrols by the Safety, Quality and Environment Management Department at all offices to raise awareness of safety.

Improve health and safety management level

We will continue to make efforts to increase safety awareness and prevent the occurrence of similar accidents by thoroughly implementing safety measures such as online safety patrols using wearable cameras and safety education on site.

Enhancing the Supply Chain Management

Policy for ensuring quality

Under the following quality policy, the Nichireki Group constantly pursues the creation and supply of products and construction methods that meet the needs of customers as efforts in compliance with ISO 9001.

Quality Policy

Based on its spirit of sowing the seeds embodied by “sowing the seeds, giving them water, letting them flower, and reaping the fruits,” the Nichireki Group is constantly creating and supplying products and construction methods that gain customer satisfaction and trust in order to contribute to society by creating roads.

April 1, 2024
Manabu Obata, Representative, Nichireki Group

Efforts in compliance with ISO 9001

1. We will create new customers by supplying competitive products and construction methods.
2. We will meet customers' demands by developing attractive products and construction methods.
3. We will develop and utilize survey technologies tailored to customers and markets.

ISO Certificate of Registration
(Union of Japanese Scientists and Engineers
ISO Registration Center)

Cooperation with suppliers in procurement

The Nichireki Group has been carrying out ESG-oriented procurement activities, while keeping the entire supply chain in mind, in cooperation with suppliers so as to grow into a sustainable corporate group over the medium to long term.

We make sure to conduct a supplier evaluation for registration and certification at least once a year for the procurement of items that have an impact on product quality. As a result of the evaluation, we share issues to be addressed with suppliers for which some room for improvement has been identified, and discuss solutions. We also carry out two-way communication activities on an ongoing basis to deepen our relationships of trust with suppliers.

In addition, we have announced our “Declaration of Partnership Building” outlining our commitment to the co-existence and co-prosperity of the entire supply chain and compliance with preferred business practices, as we work to further develop our positive relationships with suppliers.



Medium- to long-term targets

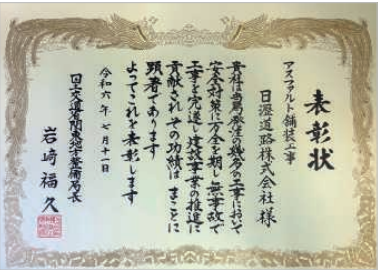
Item	FY2021 results	FY2022 results	FY2023 results	FY2025	FY2043	SDGs mapping
Percentage of suppliers evaluated	100%	100%	100%	100%	100%	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 17 PARTNERSHIPS FOR THE GOALS

Projects commended

Received an award for constructors with excellent safety management system and a certification for companies with outstanding construction performance from the Kanto Regional Development Bureau, MLIT

NICHIREKI ROAD CO., LTD. of the Nichireki Group received an award for constructors with excellent safety management system for FY2023 from the Director-General of the Kanto Regional Development Bureau, the Ministry of Land, Infrastructure, Transport and Tourism (“MLIT”) in recognition of its achievement of zero accidents in the past three fiscal years.

The company also received a certification for companies with outstanding construction performance for FY2024 from the Director-General of the Kanto Regional Development Bureau as one of the companies that achieved the average evaluation score of 80 points or higher for construction projects completed in the past two fiscal years under the Bureau and those appropriate to be certified for outstanding construction performance. Both awards were granted for the second consecutive year since the previous fiscal year.



Testimonial for the award for constructors with excellent safety management system



Certification for companies with outstanding construction performance

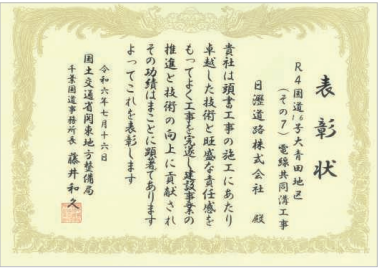
Received the Excellent Construction Work Award and the Quality Performance Award for Challenging Project from Chiba National Highway Office, the Kanto Regional Development Bureau, MLIT

Project name: Common-Use Cable Tunnel Construction Work #7 Under National Route 16 in Oaota District, 2022
Construction period: October 1, 2022 to May 31, 2023

NICHIREKI ROAD CO., LTD. was awarded for the construction work of a common-use cable tunnel* in Kashiwa City, Chiba Prefecture and received the Excellent Construction Work Award and the Quality Performance Award for Challenging Project from the director of Chiba National Highway Office, the Kanto Regional Development Bureau, MLIT.

This project was to construct a common-use cable tunnel under the general National Route 16 in Oaota district, Kashiwa City in Chiba Prefecture. A land readjustment project of Kashiwa City was underway in the area adjacent to our construction site, resulting in congestion of construction work in the neighboring sites. We therefore carefully planned the procedures and processes of construction to ensure the smooth progress of our work.

We were also commended for our efforts during the construction to reduce the number of days of road-side works by creatively selecting materials and arranging construction machinery, and to save labor by using ICT construction technology in road surface cutting.



Testimonial for the Excellent Construction Work Award



Testimonial for the Challenging Project



After construction

* A facility to put power and communication cables above or higher off the ground into an underground space. The facility is designed to secure a comfortable pedestrian space and improve the landscape by housing infrastructure underground.

Projects commended

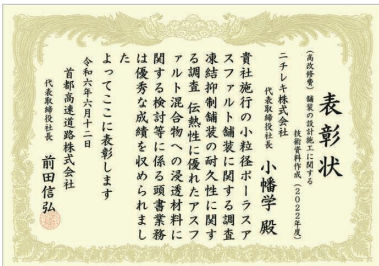
Received the Excellent Survey & Design Work Award from Metropolitan Expressway Co., Ltd.

Project name: Technical documentation for the design and construction of (high-repair cost) pavement (FY2022)
Construction period: December 28, 2022 to March 21, 2024

NICHIREKI CO., LTD. received the Excellent Survey & Design Work Award from the President of Metropolitan Expressway Co., Ltd. for the technical documentation for the design and construction of pavement that was ordered by Metropolitan Expressway.

The project involved survey and reviews to improve various issues related to pavement, and the compilation of revised materials for the “Guidelines for Pavement Design and Construction” published by Metropolitan Expressway Co., Ltd. The project was ordered through a proposal-based bidding process, and we proceeded with the work spanning over one year while holding detailed discussions and consultations. As a result, we were highly evaluated for our strong proposal-making and high-quality execution capabilities.

Metropolitan Expressway Co., Ltd. uses small-particle size porous asphalt mixture (5) in the surface layers of the roads, which are more durable, low-noise and more fuel-efficient than conventional porous asphalt pavements. As part of the project, we verified the serviceability and effectiveness of the pavement, as well as making presentations and announcements externally with the relevant department of Metropolitan Expressway Co. Ltd., to spread the use of small-particle size porous asphalt mixtures (5) outside the Metropolitan Expressway.



Testimonial



Pavement using small-particle size porous asphalt mixture (5)

Received the Excellent Construction Operator Award for Project Contracted by Public Works Department, Sapporo Construction Bureau

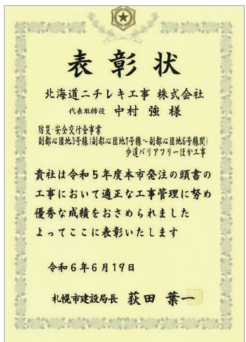
Project name: Disaster prevention and safety grant project - Sidewalk renovation for improved accessibility, etc. of Sub-center Commercial District Route 3 (between Route 7 and Route 6)
Construction period: April 1 to October 27, 2023

HOKKAIDO NICHIREKI CONSTRUCTION CO., LTD., a Nichireki Group company, received an award for Excellent Construction Operator for project contracted by the Public Works Department, Sapporo Construction Bureau, for the sidewalk renovation for improved accessibility, etc. in City of Sapporo.

As a shuttle bus stop for the ES CON Field Hokkaido, home of professional baseball team the Hokkaido Nippon Ham Fighters, is located on the construction site, it was difficult to conduct work at night when night games were being held. By changing the traffic control patterns according to the operation status of the shuttle bus, we were able to complete the work on the site quickly without delaying the progress of the construction, while ensuring the safety of the bus and pedestrians.

We also asked the area's Liaison Center about the needs of the area and donated chairs for bus stops, to contribute to the local community.

Additionally, as part of our efforts to improve quality through innovative ideas in construction, we used high-performance Nichireki products (such as SUPER TACKZOL, SUPER ROMENPATCH, and L-seal tape). We also introduced solar-powered LED lighting for construction signage and site offices as our efforts to reduce the environmental impact.



Testimonial



After construction

Taking on Initiatives as an R&D-oriented Company

Development of new products and construction methods

R&D is the foundation of the Nichireki Group's business model, which consists of a cycle of “survey/diagnosis → design/proposal → manufacturing/sales → construction/management,” and is the source of sustainable growth.

Meanwhile, given the current social situations, companies are required to practice more eco-friendly and sustainable business activities as the global climate change problems require solutions. To achieve the long-term goal of “net zero greenhouse gas emissions across the entire value chain by 2050,” the Nichireki Group is pursuing the development and improvement of “*Tastainability*®” products and construction methods to contribute to environmental conservation at a higher level, including further reductions of CO2 emissions, by adding performance and functionality such as long life, recycling, and warm mix, in addition to conventional products and construction methods that can be handled at normal temperature.

In FY2023, we launched two new products and construction methods as described below. Both have been improved from the conventional types, with a focus on environmental considerations.

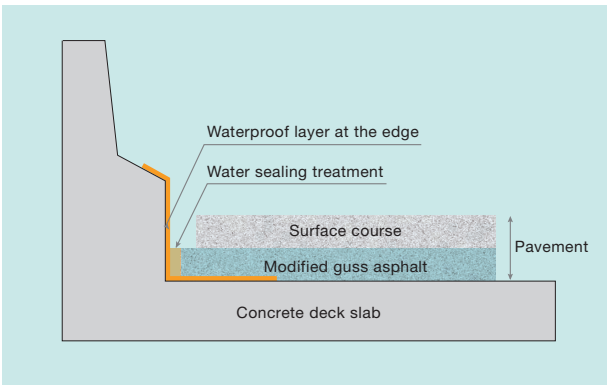
MG PHALT

To extend the service life of road bridge concrete decks, high-performance bridge deck waterproofing methods (Grade II) are required on expressways, designed to be usable for 30 years. However, it is difficult to continuously restrict traffic for long periods of time for repair work on highways. As an alternative to highly durable bridge deck waterproofing method ▶ P.39 , construction is performed using “modified guss asphalt mixture for bridge leveling layer (BLG),” which gives Grade II-equivalent waterproofing properties to the bridge leveling layer.

We have improved this BLG, which uses specially modified asphalt, to “MG PHALT,” which can contribute to a further reduction of environmental impact.



During construction



Construction cross sections

SUPER SURFTREAT S construction method

Asphalt pavement deteriorates gradually due to ultraviolet rays, rainwater, heat, etc., becoming less flexible and more brittle. Parts close to the pavement surface are particularly susceptible to these effects. Aggregate scattering causes a rough surface and cracks to develop from the pavement surface, eventually leading to damage that requires repair.

As a preventative maintenance measure to seal and protect the pavement surface before such major damage develops, we had offered the “SUPER SURFTREAT construction method,” an ultra-thin layer normal temperature pavement method. It has now been improved to the “SUPER SURFTREAT S construction method,” with increased wear resistance.

▶ P.36

Medium- to long-term targets

Item	FY2021 results	FY2022 results	FY2023 results	FY2025	FY2043	SDGs mapping
Number of newly developed (or improved) products and construction methods launched*	1	4	6	10 or more	40 or more	

* The cumulative number of newly developed (or improved) products and construction methods launched in FY2021 or later.

Collaborative initiatives with external partners

GLOCAL-EYEZ

Using “GLOCAL-EYEZ,” smartphone-based road inspection system developed in 2021 [▶ P.31](#), we have developed a new AI model in collaboration with Aomori Prefecture in FY2023 that predicts areas at risk of developing potholes by analyzing the causes of road surface potholes during the winter in snowy and cold regions. We used the inspection results before and after the occurrence of potholes collected through daily patrols as training data, analyzed the damage that could lead to potholes, and had the AI learn the data.

Through this initiative, we have established a preventive maintenance-type pavement maintenance cycle that integrates inspection, diagnosis, construction and management, which is different from the conventional approach focusing on remedial maintenance. In recognition of this, we, together with Aomori Prefecture, were awarded the 2023 Infrastructure Maintenance Challenge Award* from the Japan Society of Civil Engineers.

Given the shortage of civil engineering professionals nationwide, we will continue to promote solutions using GLOCAL-EYEZ, which allow us to constantly keep track of the latest road surface conditions efficiently and at low cost without relying on manpower.

* An award created in 2021 with the aim of increasing the incentives of people involved in infrastructure maintenance, by evaluating and sharing outstanding projects (businesses), individuals and organizations (engineers, operators, managers, etc.), independent elemental technologies (inspection/diagnosis, construction methods, materials, etc.) and papers (practical research) specializing in the field of infrastructure maintenance.

Joint initiative with Aomori Prefecture

We mounted smartphones on patrol vehicles to capture images of the roads on a daily basis.



AI predicts the risk level of developing potholes by using pre-pothole images as the training data.



Before the pothole appeared After the pothole appeared



•Hexagonal crack
•Subsidence
•Trace of patching, etc.

Crack diagnosis classification I (minor damage level)
Crack diagnosis classification II (moderate damage level)
Crack diagnosis classification III (major damage level)
Pothole observed point
Bump observed point



Trial construction and site visit of preventive maintenance methods at areas with high pothole risk



Working group for exchanging opinions on areas with high pothole risk, attended by representatives from each prefectural bureau for the residents



Medium- to long-term targets


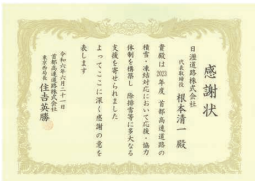
Item	FY2021 results	FY2022 results	FY2023 results	FY2025	FY2043	SDGs mapping
Number of products from joint research and development rolled out*	1	1	1	2 or more	10 or more	 

* The cumulative number of developed products launched in FY2021 or later as a result of joint R&D projects.


Social contribution activities

The Nichireki Group proactively participates in disaster recovery activities and community contribution activities through many of its locations across the country to fulfil the social responsibility as a group of companies engaged in public works.


NICHIREKI ROAD CO., LTD.
The company cleared snow from the Metropolitan Expressway (Route 5 Ikebukuro Line), which was closed to traffic due to heavy snowfall in February 2024. The company received testimonials from the Kanto Regional Development Bureau and Metropolitan Expressway Co., Ltd.




AOMORI NICHIREKI CO., LTD.
The company participated in community volunteer activities of Towada City Construction Association to clean up the Kanchogai-dori Street.




Kanto Branch/NICHIREKI ROAD CO., LTD.
The branch and the company held a course on road paving for 29 second-year students of the Construction Engineering Department at Nasu Seiho High School in Tochigi Prefecture. The students visited our Technical Research Center and had hands-on experience with pavement construction.




SHIKOKU NICHIREKI CONSTRUCTION CO., LTD.
As part of the Hane Elementary School Smile Project, a model project for greening school environments at Hane Elementary School in Muroto City, Kochi Prefecture, the company laid ASWOOD paving around the playground equipment together with the sixth-grade students [▶ P.35](#).



Hokuriku Branch/NICHIREKI ROAD CO., LTD.
The branch and the company have been a long-time sponsors of the Nagaoka Festival Grand Fireworks Show organized by the Nagaoka Fireworks Foundation, in support of the spirit of “Nagaoka fireworks praying for the souls of the deceased, restoration and peace.”



Higashi-Kanto Branch
The branch supports hosting the MIRAI Marathon held in Tsukubamirai City, Ibaraki Prefecture as the Fukuoka Industrial Park Council.



Topics

We started construction of the Tsukuba Big Ship Project

In May 2024, we started construction on the Tsukuba Big Ship, a new eco-friendly production and distribution site in Tsukubamirai City, Ibaraki Prefecture, which had been postponed due to a shortage of semiconductors for manufacturing equipment and difficulties in procuring materials.

For Tsukuba Big Ship, we will take progressive steps toward decarbonization through manufacturing new high value-added products geared toward next generation needs and enhancing logistics efficiency, toward the start of operations in FY2026.



Illustration of the completed project

Increased production capacity Improving production capacity for products by using the most advanced facilities and promoting digitalization, etc., thereby increasing earning power	Manufacture of high value-added products Manufacturing high value-added products that meet the needs of the next generations
Functioning as a "construction center" for the Tokyo metropolitan area Reinforcing our capacity to undertake construction work as a "construction center" of the Tokyo metropolitan area	Realization of eco-friendly production and logistics Enhancing medium- to long-term sustainability by building an eco-friendly production and logistics system
Streamlining of logistics management Establishing an efficient production and transportation system as the control center for the Nichireki Group's logistics	Reinforcement of Business Continuity Plan (BCP) Fulfilling our responsibility to supply products in the event of a disaster by running multiple plants in the Tokyo metropolitan area

Basic concept

We won the Grand Prix of the 72nd Nikkei Advertising Awards and the Minister of Economy, Trade, and Industry Award of the 45th Japan BtoB Advertising Award 2024

Our series of advertisements placed on the Nikkei (morning edition) over two weeks, on July 25 and August 2, 2023, received the Grand Prix in the 72nd Nikkei Advertising Awards hosted by Nikkei Inc. The Grand Prix is the highest award of the approximately 8,000 entries. With this award, Nichireki won the Nikkei Advertising Award for the fourth consecutive year since 2020, when we were awarded the Environment Minister's Award/Grand Award in the Environment Category.

We also won the Minister of Economy, Trade, and Industry Award, which is the highest prize of the 45th Japan BtoB Advertising Award 2024 hosted by BtoB Association Japan.

The advertisements were highly evaluated for communicating our commitment to solving problems as an R&D-oriented company addressing the aging of transportation infrastructure, as well as the straightforward and impressive expression of our messages, with references to Beneath the Wheel, a novel by Hermann Hesse and Noah's ark, a bible story of the Old Testament.



Advertisement placed on July 25, 2023



Advertisement placed on August 2, 2023

We attended the Highway Techno Fair 2023 and the Social Infrastructure Tech 2023

Nichireki and its Group company HEAT ROCK INDUSTRY jointly attended the Highway Techno Fair 2023, a trade show organized by the Express Highway Research Foundation of Japan, held at Tokyo Big Sight on November 9 and 10, 2023.

We introduced the Group's pavement technologies with a focus on products, construction methods, and digital road inspection system that contribute to longer life of highways and bridges, as well as the catchphrase "Tastainability®".

We also attended the Social Infrastructure Tech 2023, a trade show organized by Nikkei Inc., the National Council for Infrastructure Maintenance, and Nikkei Business Publications, Inc., held at Tokyo Big Sight from December 6 to 8, 2023.

This trade show is an exhibition on the theme of SDGs for the prevention and maintenance of aging social infrastructure, and we introduced solutions utilizing Nichireki's digital road inspection system.



Highway Techno Fair 2023



Social Infrastructure Tech 2023

We attended the 27th World Road Congress (Prague 2023)

We attended the 27th World Road Congress (Prague 2023) organized by the World Road Association (PIARC) held in Prague, Czech Republic from October 2 to 6, 2023.

PIARC is the oldest non-profit international organization in the field of road transport, which aims to promote and develop international cooperation in the field. The Congress was attended by around 6,000 concerned parties from some 120 countries around the world, including transport ministers from 40 countries.

At the technology exhibition, we showcased Nichireki's products and construction methods at a booth in the Japan Pavilion organized by the Japan Road Association, and also delivered a presentation. In particular, environmentally friendly products and construction methods, such as ASWOOD paving ▶ P.35 drew attention from participants from around the world.



Venue of the PIARC



Presentation at the booth

Governance



Corporate Governance

Basic approach to corporate governance

The Nichireki Group implements all its management plans based on its corporate philosophy. To align with our philosophy, we are pursuing sound, transparent and efficient management by establishing a corporate governance structure appropriate for the Nichireki Group's business and constantly checking the structure for further enhancement.

Responses to the Corporate Governance Code

Recognizing that the Corporate Governance Code established by Tokyo Stock Exchange, Inc. is what our society requests and expects us to be like, we intend to conduct our business by placing the code at the heart of business management in order to achieve sustainable growth of the Nichireki Group and increase its corporate value over the medium to long term. The Nichireki Group implements each principle of the Corporate Governance Code required for companies listed on the Prime Market, prepares and reviews corporate governance reports as appropriate, and submits them to the Tokyo Stock Exchange to disclose the information required by each principle.

Company with an Audit and Supervisory Committee

The Company has transitioned from a company with a board of auditors to a company with an Audit and Supervisory Committee by a resolution of its general meeting of shareholders held in June 2024. This allows the Board of Directors to delegate business execution decisions to executive directors, except for particularly important matters. We will leverage this reorganization to accelerate decision-making and business execution more than ever before. We will also enhance corporate governance more than ever before by strengthening supervision of the Board of Directors, with the aim of increasing corporate value.

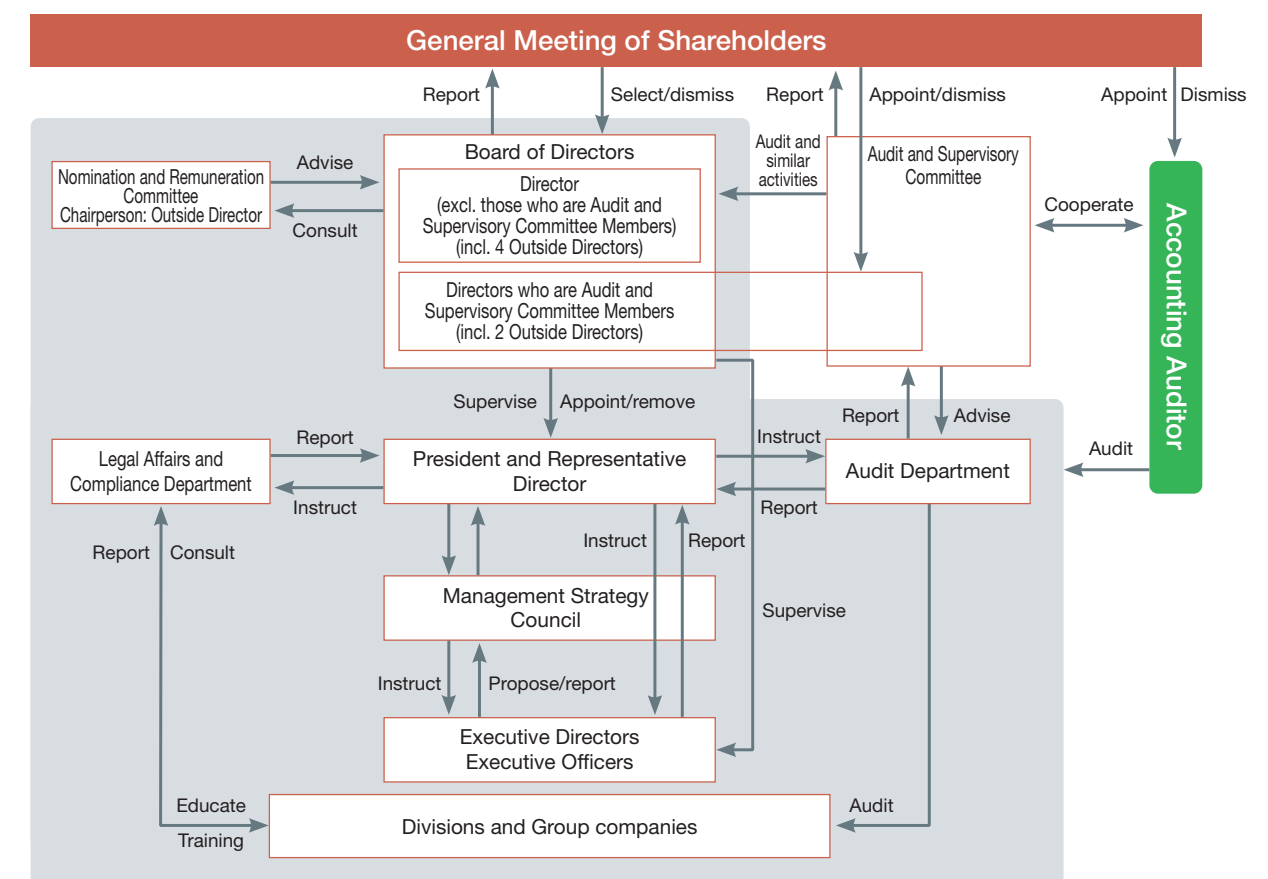
Corporate governance system

The Company intends to make swift and accurate decisions at the Board of Directors, which has strengthened its monitoring functions as a result of the transition to a company with an Audit and Supervisory Committee. We consider that such a corporate governance system will increase the soundness and efficiency of the Company's management and is effective for the Nichireki Group's sustainable growth and enhancement of corporate value over the medium to long term.

Our Board of Directors consists of 13 Directors, including three Directors who are Audit and Supervisory Committee Members. Of those 13 Directors, six are Outside Directors: two are Audit and Supervisory Committee Members, and four are not. Outside Directors are expected to serve as members of either the Audit and Supervisory Committee or voluntarily established Nomination and Compensation Committee. Specifically, the Audit and Supervisory Committee includes two outside Directors, making up a majority of the three committee members, and the Nomination and Compensation Committee includes four outside Directors who are not Audit and Supervisory Committee Members, making up a majority of the six committee members. In this way, the Company strives to enhance management transparency.

Our corporate governance system is as shown below.

Corporate governance system diagram



Board of Directors

As described above, the Company's Board of Directors consists of 13 Directors, including three Directors who are Audit and Supervisory Committee Members. Among the 10 Directors who are not Audit and Supervisory Committee Members, six are Executive Directors and four are Outside Directors who are not involved in business execution.

In principle, the Board of Directors meeting is convened once a month. As any material information pertaining to our management strategy must be reported to the Board of Directors adequately and in a timely manner, the Management Strategy Council consisting of six Executive Directors and six Corporate Executive Officers meets, in principle, twice a month in advance of the Board of Directors meetings to make necessary decisions and reports for business execution so that Board's meetings can be operated efficiently and effectively.

Audit and Supervisory Committee

The Audit and Supervisory Committee is composed of one Director who is well versed in the Nichireki Group's operations and two Outside Directors who have abundant experience and in-depth insights in their areas of expertise. The Audit and Supervisory Committee audits the status of business execution by Directors, Executive Officers and other officers as well as matters such as the status of the Company's assets, in cooperation with the Accounting Auditor (an auditing firm) and the Audit Department, a department in charge of internal audits.

Nomination and Remuneration Committee

The Company has established the Nomination and Remuneration Committee, a majority of the members (four out of six) of which are independent Outside Directors, as a voluntary advisory committee. The committee deliberates material matters regarding the nomination and remuneration in advance of resolution of the Board of Directors in order to ensure the independence and objectivity of its authority over such matters.

Outside Officers (independent officers)

As described above, the Company strives to enhance the transparency of its management by appointing six Outside Directors as independent outside officers: two who are Audit and Supervisory Committee Members and four who are not. Nichireki assesses the independence of its outside officers based on the independence standards prescribed by Tokyo Stock Exchange, Inc., taking into account their personal, capital, and business relationships and other interests with Nichireki.

Outside Officers (independent officers)

Title and name	Reasons for appointment	Attendance at meetings (FY2023)	Significant concurrent positions
Director Osamu Kobayashi	As a certified public accountant and a certified tax accountant, he has abundant experience, an extensive track record, and insight in corporate accounting and tax affairs.	Board of Directors meetings 14/14 (100%)	—
Director Haruko Shibumura	As an attorney-at-law, she has expertise, abundant experience, an extensive track record, and insight in corporate legal affairs including corporate compliance.	Board of Directors meetings 14/14 (100%)	Outside Director who is an Audit & Supervisory Committee Member of TAMURA CORPORATION Outside Director who is an Audit & Supervisory Committee Member of Yokogawa Bridge Holdings Corp.
Director Takuya Kidokoro	As an attorney-at-law, he has abundant experience and track records in corporate restructuring and corporate legal affairs, as well as considerable knowledge about corporate management.	Board of Directors meetings 14/14 (100%)	Executive Director and Lawyer of RISA Loan Servicing, Inc. Adviser (Administrative Law Judge) to Financial Services Agency
Director Mieko Fukuda	She has abundant experience and specialist knowledge gained through her engagement in corporate management and marketing-related divisions. In particular, as a management consultant, she possesses a high level of expertise in market research, analysis, and strategy development.	Board of Directors meetings 14/14 (100%)	—
Director who is an Audit and Supervisory Committee Member Tsutomu Kanitani	As a certified tax accountant, he has expertise and abundant experience in corporate management including tax affairs.	Board of Directors meetings 14/14 (100%) Board of Auditors meetings 19/19 (100%)	—
Director who is an Audit and Supervisory Committee Member Noriko Kawate	As a certified public accountant and a certified tax accountant, she has abundant experience, track records, and insight in corporate finance and accounting and is well versed in such services as consulting on business succession and advisory on corporate rehabilitation mainly in M&A and organizational restructuring.	Board of Directors meetings 14/14 (100%) Board of Auditors meetings 19/19 (100%)	Outside Director of Ichigo Inc. Outside Corporate Auditor of Sumitomo Bakelite Co., Ltd.

Internal control

To ensure efficient execution of duties by directors, we have set the Board of Directors Rules to clarify the authority, responsibilities and operations of the Board of Directors. Minutes of the Board of Directors will be prepared to record information on matters to be resolved by and reported to the Board of Directors and kept in accordance with the Information Management Regulations and the Group’s other internal rules. Meanwhile, the Company has built a system to ensure the swift and precise execution of matters decided by the Board of Directors in accordance with the Administrative Authority Regulations and the Group’s other internal rules.

To ensure the appropriateness of each Group company’s operations, the Nichireki Group has established the Group Business Management Regulations and built a business management system based on its management philosophy. Under this business management system, we perform audits of Group companies and provide them with guidance on their business. At the same time, we have a policy to give approval for any material matter regarding Group companies after receiving and carefully examining the results of discussions and reports from them. While we have established the Group’s internal rules as internal rules applicable to the entire Nichireki Group, Group companies have established their own internal rules following suit of our internal rules to promote unity within the Group.

We have established the Basic Policy for Establishing Internal Control System (system necessary to ensure the appropriateness of operations prescribed by the Companies Act) based on a resolution of the Board of Directors and reviews the policy as needed according to system modifications resulting from updates to laws and regulations, etc., or the status of operations.

Basic Policy for Establishing Internal Control System

1

System for ensuring compliance with laws, regulations and the Company’s Articles of Incorporation in the execution of duties by directors and employees

The Company shall appoint a director in charge of compliance and set up the Legal Affairs and Compliance Department as the controlling department for the Group’s compliance. The Company shall also set the Group’s internal rules and prepare the Compliance Manual, thereby making sure everyone in all of our Group companies is aware of the compliance rules. The Company shall open a hotline on the Group network as a point of contact for reporting and consultation, which receives reports and provides consultation on compliance directly from and with the Group’s employees. The hotline shall also accept their opinions and proposals on compliance. If a director finds any violation of laws and regulations or other important facts regarding compliance, the director shall immediately report to Directors who are Audit and Supervisory Committee Members selected by the Audit and Supervisory Committee. If Directors who are Audit and Supervisory Committee Members receives a report and recognizes that there is a problem with the Group’s compliance system, he or she may give his or her opinions to the Director in charge and requests the Director to formulate a remedial measure. For internal audits, the Company shall set up the Audit Department to assess the achievement of major objectives of all Group companies’ internal management, including the effectiveness and efficiency of operations, the reliability of financial reporting, compliance with laws and regulations and other rules, and asset protection, in an objective and comprehensive manner, as well as to give advice, instructions, or corrective guidance to resolve issues. The Audit Department shall also exchange opinions and information with Directors who are Audit and Supervisory Committee Members selected by the Audit and Supervisory Committee and the accounting auditor when necessary. The Company shall establish a system to receive professional advice on management-related legal issues from its corporate lawyer.

2

System for the storage and management of information related to the execution of duties by directors

Information related to the execution of duties by directors shall be appropriately stored and managed in accordance with the Information Management Regulations and the Group’s other internal rules or the Company’s internal rules.

3

Rules and other systems for the management of risk of loss

For the Group’s risk of loss, the Company shall develop various regulations on risk management as part of the Group’s business management. The Company shall also establish a system where its responsible departments set rules and guidelines, provide training, and prepare and hand out manuals as needed. In cases where it is necessary to address a new risk, the President shall immediately appoint a director to be responsible for addressing the risk and notify all Group companies of the matter. If the risk is likely to materialize and cause serious damage, the responsible director shall immediately report to the Board of Directors.

4

System for ensuring the efficient execution of duties by directors

The Company shall formulate a Group management plan and set and determine Group-wide management goals and targets and budget allocation for each fiscal year to promote the Group’s cooperative framework and efficiently execute and manage business operations. As the basis of the system for ensuring the efficient execution of duties by directors, the Company shall, in principle, hold the Board of Directors meeting once a month and an extraordinary meeting when necessary. Material matters related to the Company’s management policies and management strategy shall be discussed to determine their execution by the Management Strategy Council in advance of the Board of Directors meetings.

The Company shall precisely execute operations based on decisions made by the Board of Directors in a timely manner in accordance with the Administrative Authority Regulations and other internal rules of the Group and the Company.

5

System for ensuring the appropriate operations of the Corporate Group comprised of the Company and its subsidiaries

To ensure the appropriateness of operations, the Company shall establish the Group’s management philosophy common to the Group companies and develop the Group’s operation system, such as establishing the Group’s internal rules, based on the philosophy. In addition, the Group companies shall set their own internal rules on matters not stipulated in the Group’s internal rules in compliance with internal rules set out by the Company.

Group companies shall discuss with and report to the Company on material matters related to business execution. The Company shall build a Group business management system to perform audits of Group companies and provide them with guidance on their business.

If a Group company recognizes that the Company’s business management or guidance on its business may be in violation of laws or regulations, or otherwise, there is a compliance issue, the Group company shall report to the Audit Department or the Legal Affairs and Compliance Department. The Audit Department or the Legal Affairs and Compliance Department shall then immediately report to Directors who are Audit and Supervisory Committee Members selected by the Audit and Supervisory Committee. If Directors who are Audit and Supervisory Committee Members receives a report, they may give their opinions to and request directors (Board of Directors) to formulate improvement measures.

6

Matters related to employees assigned to assist the Audit and Supervisory Committee in its duties and the independence of such employees from directors (excluding those who are Audit and Supervisory Committee Members)

The Audit and Supervisory Committee may, when necessary, request the Board of Directors to assign employees to assist it in its duties.

Employees who are to assist the Audit and Supervisory Committee in its duties shall follow the Committee’s directions and orders exclusively on operations subject to instructions given by the Committee. The director in charge shall consult with the Audit and Supervisory Committee in advance regarding the personnel matters of employees who are to assist the Audit and Supervisory Committee in its duties.

7

System for reporting from directors and/or employees of the Company and its subsidiaries to the Audit and Supervisory Committee, and system for other reporting to the Audit and Supervisory Committee, and system for ensuring that a person who has made a report will not receive unfavorable treatment for reason of having made such report

Directors, Audit and Supervisory Committee Members, Executive Officers, and employees (“Officers and Employees”) of the Group companies shall report to the Directors who are Audit and Supervisory Committee Members selected by the Audit and Supervisory Committee on material matters that may affect operations and financial results of each Group company and legal violations and other compliance issues through the Company’s responsible department or by whistleblowing or other means. Directors who are Audit and Supervisory Committee Members selected by the Audit and Supervisory Committee may request a report from Officers and Employees of each Group company whenever necessary.

If Directors who are Audit and Supervisory Committee Members receive a report, they shall report the contents of the report to the Audit and Supervisory Committee.

The Company shall prohibit unfavorable treatment of each of the Officers and Employees of the Group companies who has made a report to Directors who are Audit and Supervisory Committee Members selected by the Audit and Supervisory Committee for the reason of having made such report and make sure all Officers and Employees of the Group companies are aware of the matter.

When the Audit and Supervisory Committee or Directors who are Audit and Supervisory Committee Members request the advanced payment of expenses to be incurred in the course of executing their duties, the Company's responsible department shall deliberate on the matter and process the request immediately, unless the expenses or obligations are deemed not necessary for the execution of the Audit and Supervisory Committee's duties.

8 Other system for ensuring that audits by the Audit and Supervisory Committee are conducted effectively

Directors who are Audit and Supervisory Committee Members selected by the Audit and Supervisory Committee shall have opportunities to exchange information with Directors who execute operations, the Audit Department, and the Accounting Auditor, as well as participate in key meetings of the Company or Group companies to understand significant decisions and the status of business execution, and request explanations from the Officers and Employees as necessary.

The Audit Department shall collaborate with the Audit and Supervisory Committee Members, including reporting audit results and other relevant information to the Committee as needed.

9 System for ensuring the reliability of financial reporting

To ensure the reliability of financial reporting and file the internal control report effectively and appropriately in accordance with the provisions of the Financial Instruments and Exchange Act, the Company shall build an internal control system and develop and operate the system appropriately.

10 System for eliminating anti-social forces

The Company shall respond to unreasonable demands from anti-social forces with a resolute attitude and develop a system necessary to eradicate all business and other relationships with anti-social forces throughout the Group.

Compliance

The Company places emphasis on complying with not only laws and regulations but also things that are not legally binding such as common sense and good sense as a member of economic society. Regarding compliance as a much broader concept than mere legal compliance, we believe that our concept of compliance also includes fully meeting social expectations.

(1) Basic approach

- ① All officers and employees of the Nichireki Group shall act in accordance with the Nichireki Group's Corporate Philosophy and the Code of Individual Conduct to promote compliance.
- ② The Head of Compliance, who is appointed from among the Company's directors, shall promote compliance throughout the Nichireki Group.
- ③ The Head of Compliance shall direct and take overall control of compliance officers assigned at each base of the Nichireki Group through the Legal Affairs and Compliance Department and strive to enhance the Nichireki Group's compliance system.

(2) Compliance promotion system

For the Nichireki Group's compliance system, the President and Representative Director of the Company appoints a responsible director as the Head of Compliance and sets up the Legal Affairs and Compliance Department as a responsible department. The President and Representative Director also appoints General Managers of the Company's departments, offices, and branches as well as presidents of Group companies as compliance officers to put in place a system where the Group as a whole works together to promote compliance.

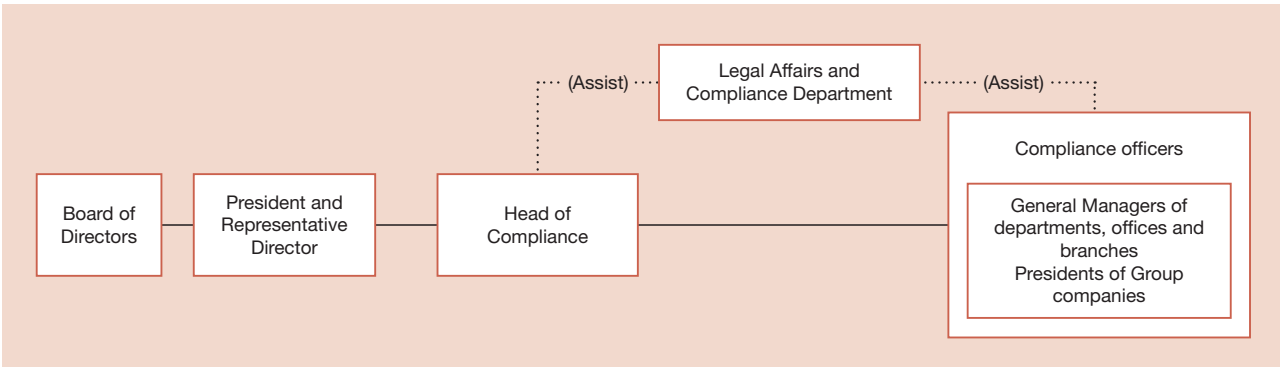
Under the direction of the Head of Compliance, the Legal Affairs and Compliance Department is responsible for work to promote compliance across the Nichireki Group. Specifically, the Legal Affairs and Compliance Department is responsible for planning and providing compliance training for the Nichireki Group's officers and employees, performing compliance audits of sales offices and other bases, and establishing, revising and abolishing the Group's internal rules and other systems, in addition to responding to compliance incidents that occur in daily operations.

Each compliance officer is responsible for work to promote compliance at the department, office, or branch he/she heads. Specifically, they monitor and manage the status of compliance within their own organizations and work to keep everyone informed about compliance information provided by the Legal Affairs and Compliance Department.

The Nichireki Group has also set the Group's internal rules and prepared the Compliance Manual, thereby making sure everyone in all of our Group companies is aware of the compliance rules.

These Group's internal rules include the Compliance Regulations, which stipulate such matters as compliance system, Regulations on Whistleblowing, Harassment Prevention Regulations, and Regulations on Compliance with the Antimonopoly Act. Given the importance of these regulations, they are established, revised, and abolished based on a resolution of the Board of Directors. In the case of any law amendment or incident that has become a social concern, the Legal Affairs and Compliance Department shall immediately examine the draft of regulations and seek a decision of the Board of Directors. For example, in response to the enforcement of the Amendments to the Whistleblower Protection Act in June 2022, the Board of Directors completely revamped the Regulations on Whistleblowing.

Compliance promotion system diagram



(3) Whistleblowing system

In accordance with the Regulations on Whistleblowing, the Nichireki Group has opened a hotline on the Nichireki Group network to receive reports and provide consultation on compliance directly from and with officers and employees of Group companies as well as to accept their opinions and proposals on compliance, in addition to consultation and reports made in writing or orally. The Nichireki Group seeks to early detect and correct any misconduct by establishing a whistleblowing system, placing the hotline at its core, thereby practicing compliance management that responds to stakeholders' expectations.


The whistleblowing system, including the hotline, is available for all officers and employees including not only regular employees but also part-time workers and temporary workers. The whistleblowing system is also available for retirees, regardless of the period of time since their retirement. In order to protect whistleblowers, we receive anonymous reports and prohibit the unfavorable treatment of whistleblowers and persons who cooperate in investigations, such as search for and reprisal against them. We also impose confidentiality obligations on officers and employees engaged in the reception of whistleblowing.

To make the whistleblowing system more accessible to the Group's officers and employees, the Company is working to further improve the system by, for example, entrusting an external expert subject to confidentiality obligations to serve as a point of contact from August 2023.

(4) Compliance training

At the Nichireki Group, the Legal Affairs and Compliance Department plans and provides hands-on compliance training, which also introduces actual cases, for employees on a regular basis. For example, in consideration of the complete revision of the Harassment Prevention Regulations, which had been carried out to enable the Group as a whole to respond to the recently amended and enforced harassment-related acts (the Labor Measures Comprehensive Promotion Act, the Equal Employment Opportunity Act, and the Child Care and Family Care Leave Act), we provided harassment prevention training mainly for employees in managerial positions. Also, in order to develop a sense of fairness, which is important in business transactions, we hold a training workshop on the Antimonopoly Act lectured by lawyers and other external experts and provide training on such themes as intellectual property right and insider trading regulations, thereby striving to raise the awareness of compliance among the Nichireki Group's employees.

■ Medium- to long-term targets

Item	FY2021 results	FY2022 results	FY2023 results	FY2025	FY2043	SDGs mapping
Number of internal compliance training workshops held	2	2	2	2	2	

Risk Management

■ Risk management

We consider it necessary to be aware that risk management is one of our key managerial challenges; to constantly update material risks; and to review on a daily basis whether our countermeasures and control measures against various types of risks are appropriate. We therefore decide on which department takes charge of each of the risks in the context of their nature, etc., and conduct risk management as part of our daily operations.

(1) Basic policy for risk management

For the Nichireki Group's risk of loss, we have developed various regulations on risk management as part of the Group's business management. We have also established a system where the departments responsible for risk management (e.g., the General Affairs Department, the Legal Affairs and Compliance Department, and the Safety, Quality and Environment Management Department) set rules and guidelines, provide training, and prepare and distribute manuals as needed. In cases where it is necessary to address a new risk, the President and Representative Director shall immediately appoint a director to be responsible for addressing the risk and notify all Group companies of the matter. If the risk is likely to materialize and cause serious damage, the responsible director shall immediately report to the Board of Directors.

(2) Management system

For financial and legal risks and those of disasters and other events, the status of risk management is reported to the President and Representative Director and the Board of Directors by departments in charge of these issues in accordance with relevant regulations (e.g., the Finance and Accounting Department for financial risks, the Legal Affairs and Compliance Department for legal risks, and the General Affairs Department and the Safety, Quality and Environment Management Department for risks of disasters).

To strengthen the management system that addresses various types of risks the Nichireki Group may face, we set up a Business Risk Management Committee based on a resolution of the Board of Directors meeting held in March 2023.

(3) Major business risks

Shown below are major business risks that may affect the Nichireki Group's operating results and financial position, and responses to the risks. By identifying and analyzing major business risks and having an in-depth review of responses to the risks, the Nichireki Group seeks to minimize the risks and curb the effects of them on its management and finance.

■ Major business risks and responses

1 Raw material prices and supply trends

The Nichireki Group seeks to minimize the effects of procurement risks of raw materials. Specifically, we have a system in place where the Production Department occasionally monitors such risks and reports each month the procurement trends of raw materials to the Management Strategy Council comprised of Executive Directors, and the council decides on the direction of how to respond to the trends so as to early promote purchase measures and the addition of increased costs to the selling prices of products.

2 Trends of public works

To scale back the effects of the financial conditions of the central and local governments on its business performance, the Nichireki Group seeks to perform a detailed analysis of the infrastructure improvement issues faced by the central and local governments, promotes its design and sales activities to receive orders for products and construction methods that contribute to the longer life and higher performance of paved roads and the reduction of environmental load, stimulates demand in the domains of airports, harbors, railways, parks and other facilities in addition to roads as its focus domain, and expands its business markets.

3 Trends of price competition

The Nichireki Group works at reducing its manufacturing and construction costs and seeks to minimize the effects of lower prices on its business performance while striving to mitigate the impact of price competition by developing high value-added products and construction methods.

4 Credit risks

The Nichireki Group thoroughly manages credit and receivables when entering into transactions and seeks to mitigate credit risks by, for example, using a credit research agency and holding credit monitoring meetings.

5 Country risks

In the Nichireki Group, the Overseas Business Department, the Chinese Business Department and the Legal Affairs and Compliance Department have discussions to take appropriate measures to avoid risks for each project. These departments also share information with each other about the progress of overseas business, the existence of any troubles, the social landscapes of the markets that we plan to enter or have recently entered, amendments to laws and regulations, and other matters, and take necessary measures.

6 Information security

As measures to prevent information leaks, the Nichireki Group limits access to confidential data, limits the use of media that employees can take out of their workplaces, and provides employees with information security education. To brace ourselves for information security incidents, we have also set up a system centered around the System Engineering Department to immediately restore our data and systems, and take out a cyber insurance that covers all of our Group companies. Please see the information management system diagram on the next page for the Nichireki Group's information security system.

7 Risks of natural disasters, infectious diseases, etc.

To brace itself for natural disasters, such as earthquakes and typhoons, and infectious disease outbreaks, the Nichireki Group has its internal regulations in place set mainly by the General Affairs Department, which include the BCP Management Regulations (regulations for the management of business continuity plan) and the Disaster Prevention Regulations, and has introduced a safety confirmation system to confirm the safety of employees in times of natural disasters. In case of a disaster, the Head of the Business Risk Management Committee compiles information, and depending on the situation, we set up a disaster response office led by the President to take action.

8 Risks associated with legal regulations, etc.

In the Nichireki Group, the Legal Affairs and Compliance Department and the Safety, Quality and Environment Management Department create opportunities to provide education about compliance as well as health and safety, and make sure that all officers and employees of the Group are aware of such important matters, thereby mitigating the risks of receiving administrative sanctions and penalties by legal regulations.

Information security

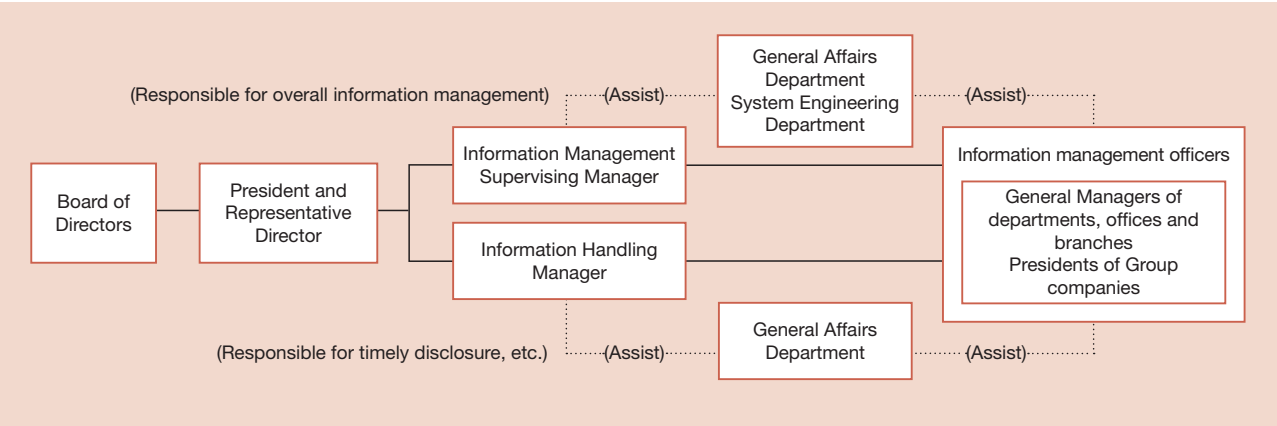
The Practical Guidelines for Corporate Governance Systems (CGS Guidelines) revised by the Ministry of Economy, Trade and Industry on July 19, 2022 state that “it is pointed out that having discussions about corporate governance based on the use of digital solutions and tools is becoming important.” As described, using information and communications technology has become indispensable not only for improving convenience and efficiency in operations and gaining a stronger competitive advantage but also for improving corporate governance.

The Nichireki Group seeks to streamline its operations by expanding and improving its information systems. We also expand our services that use ICT to serve our customers. For example, we manage construction in a new way with ICT embedded road stabilizers using cloud computing, and use GLOCAL-EYEZ [▶ P.31](#), a road inspection system using a smartphone.

The more we depend on ICT, the more we have ICT-specific risks. We consider that information security management in particular is one of key managerial challenges for many companies. Given this situation, the Company has established a Basic Policy for Information Security and strives to advance its information security management across the entire Group. Based on the Basic Policy for Information Security, the Nichireki Group has improved its system for the centralized management of information security by appointing a Director of the Company as Information Management Supervising Manager and appointing General Managers of departments, offices and branches and presidents of Group companies as information management officers. Another Director of the Company is appointed as Information Handling Manager to mainly work on information disclosure, especially timely disclosure.

The Nichireki Group has its internal regulations and rules in place, such as the Information Management Regulations, and makes sure that all of its officers and employees are aware of information security by providing an employee training session, an explanatory session, and other learning opportunities.

Information management system diagram



Basic Policy for Information Security

1 Subject

Information assets subject to this policy shall be all the information obtained in the course of business activities and held by the Nichireki Group.

2 Scope

This policy shall be applicable to all officers and employees of the Nichireki Group, and they shall strive to conduct safe operations and to protect information assets.

3 Information management system

A director shall be appointed as Information Management Supervising Manager under the Board of Directors, and an information management system shall be established covering all departments, offices and branches.

4 Group's internal regulations and rules in place

The Nichireki Group shall have its internal regulations and rules in place that stipulate information handling, information system operations standards, standards for developing and introducing information systems, physical security measures, and outsourcing standards among others to implement and manage information security practices.

5 Internal audit

Internal audit shall be regularly performed to verify if the Group's internal regulations and rules successfully work and are appropriately adhered to by its officers and employees.

6 Improving security literacy

The Nichireki Group shall provide its officers and employees with education and training on an ongoing basis to maintain and improve their security literacy.

7 Adapting to changes in the business climate

The Nichireki Group shall flexibly adapt to changes in its business domains, information assets being handled and the ICT (information and communications technology) landscape, and review its information security management rules and systems.

Directors



Manabu Obata
President and Representative Director

April 1982 Joined the Company
May 2007 Executive Officer and Tokyo Area Manager of the Company
President and Representative Director of Nichireki Tokushu Koji K.K.
June 2011 Senior Executive Officer and Vice General Manager, Business Division of the Company
June 2013 Managing Director and General Manager, Business Division of the Company
June 2015 President and Representative Director of the Company
June 2020 President and Representative Director of the Company (to present)



Yuji Kawaguchi
Executive Vice President and Representative Director

April 1980 Joined the Company
June 2011 Director, Senior Executive Officer, and Kanto Area Manager of the Company
June 2013 Managing Director and Kanto Area Manager of the Company
President and Representative Director of NICHIREKI ROAD CO., LTD.
April 2018 Managing Director and Tokyo/Kanto Supervising Manager of the Company
June 2018 Senior Managing Director and Tokyo/Kanto Supervising Manager of the Company
June 2020 Senior Managing Director, Tokyo/Kanto Supervising Manager, and Tokyo Area Manager of the Company
April 2021 Senior Managing Director and East Japan Supervising Manager of the Company
June 2022 Executive Vice President and Representative Director of the Company (to present)



Osamu Kobayashi
Outside Director

March 1983 Registered as a certified public accountant
June 1983 Registered as a certified tax accountant
August 1996 Director of Kobayashi Accounting Office (to present)
June 2004 Outside Auditor of the Company
June 2015 Outside Director of the Company (to present)



Haruko Shibumura
Outside Director

April 1994 Registered as an attorney-at-law (Daini Tokyo Bar Association)
Joined Law Offices of Homma & Komatsu (currently, Homma & Partners)
April 1999 Partner Attorney, Homma & Partners (to present)
June 2015 Outside Auditor of the Company
June 2019 Outside Director of the Company (to present)

Significant concurrent positions:
Outside Director who is an Audit & Supervisory Committee Member of TAMURA CORPORATION
Outside Director who is an Audit & Supervisory Committee Member of Yokogawa Bridge Holdings Corp.



Akiyoshi Hanyu
Senior Managing Director
General Manager, Technology Development Division

April 1982 Joined the Company
June 2011 Executive Officer and General Manager, Technical Research Center of the Company
June 2013 Director, Senior Executive Officer, and General Manager, Technical Research Center of the Company
June 2015 Managing Director and General Manager, Engineering and Manufacturing Division of the Company
April 2020 Managing Director, General Manager, Technology Development Division, and General Manager, Technical Department of the Company
June 2020 Managing Director, General Manager, Technology Development Division, and General Manager, Technical Department of the Company
April 2024 Managing Director and General Manager, Technology Development Division of the Company
June 2024 Senior Managing Director and General Manager, Technology Development Division of the Company (to present)



Hiroyuki Totsuka
Managing Director
General Manager, Business Division

April 1985 Joined the Company
April 2013 General Manager, Tohoku Branch of the Company
April 2014 Executive Officer, Tohoku Area Manager, and General Manager, Tohoku Branch of the Company
April 2017 Senior Executive Officer, Tohoku Area Manager, and General Manager, Tohoku Branch of the Company
April 2018 Senior Executive Officer, Tohoku/Hokkaido Supervising Manager, Tohoku Area Manager, and General Manager, Tohoku Branch of the Company
April 2021 Senior Executive Officer, North Japan Supervising Manager, Tohoku Area Manager, and General Manager, Tohoku Branch of the Company
April 2023 Senior Executive Officer and Vice General Manager, Business Division of the Company
June 2023 Managing Director, General Manager, Business Division, and General Manager, Overseas Business Department of the Company (to present)



Takuya Kidokoro
Outside Director

October 2001 Registered as an attorney-at-law (Tokyo Bar Association)
Joined Okuno & Partners
April 2011 Partner, Okuno & Partners (to present)
June 2019 Outside Auditor of the Company
June 2021 Outside Director of the Company (to present)

Significant concurrent positions:
Executive Director and Lawyer of RiSA Loan Servicing, Inc.
Adviser (Administrative Law Judge) to Financial Services Agency



Mieko Fukuda
Outside Director

April 2001 Registered as a small and medium enterprise management consultant (a member of Chuo Chapter, Tokyo Small and Medium Enterprise Management Consultant Association)
April 2021 Representative, Fukumoku Research Office (to present)
June 2021 Outside Director of the Company (to present)



Jun Yamamoto
Director
General Manager, Administration Division

March 2020 Joined the Company
General Manager, Legal Affairs Office and General Manager, Compliance Office of the Company
April 2020 Senior Executive Officer and General Manager, Legal Affairs and Compliance Department of the Company
April 2021 Senior Executive Officer, General Manager, Legal Affairs and Compliance Department, and General Manager, Investment Strategy Office of the Company
June 2021 Director, General Manager, Administration Division, General Manager, Legal Affairs and Compliance Department, and General Manager, Investment Strategy Office of the Company (to present)



Tatsuya Ito
Director
General Manager, Planning Division

April 1986 Joined the Company
April 2013 General Manager, Technical Department of the Company
April 2015 Executive Officer and General Manager, Technical Department of the Company
April 2016 Executive Officer, General Manager, Corporate Planning Department, and General Manager, Human Resources Department of the Company
April 2020 Senior Executive Officer, General Manager, Corporate Planning Department, and General Manager, Human Resources Department of the Company
June 2021 Senior Executive Officer, Vice General Manager, Planning Division, General Manager, Corporate Planning Department, and General Manager, Human Resources Planning Department of the Company
April 2022 Senior Executive Officer, Vice General Manager, Planning Division, and General Manager, Human Resources Planning Department of the Company
June 2022 Director, General Manager, Planning Division, and General Manager, Human Resources Planning Department of the Company (to present)

Directors who are Audit and Supervisory Committee Members



Masaaki Nohara
Chair of the Audit and Supervisory Committee

April 1985 Joined the Company
April 2013 General Manager, Corporate Planning Department of the Company
April 2014 General Manager, General Affairs Department of the Company
April 2018 Executive Officer and Vice General Manager, Administration Division of the Company
June 2019 Full-time Auditor of the Company
June 2024 Chair of the Audit and Supervisory Committee of the Company (to present)



Tsutomu Kanitani
Outside Director

August 1996 Joined Akira Nakamura Tax Accountant Office
May 2000 Registered as a certified tax accountant
Director of Tsutomu Kanitani Tax Accountant Office (to present)
June 2015 Outside Auditor of the Company
June 2024 Outside Director (Audit and Supervisory Committee Member) of the Company (to present)



Noriko Kawate
Outside Director

July 2001 Registered as a certified public accountant
November 2004 Registered as a certified tax accountant
February 2008 Representative Director of Clea Consulting Co., Ltd. (to present)
November 2011 Registered as a U.S. certified public accountant
February 2015 Partner, Cast Global Group (to present)
June 2021 Outside Auditor of the Company
June 2024 Outside Director (Audit and Supervisory Committee Member) of the Company (to present)

Significant concurrent positions:
Outside Director of Ichigo Inc.
Outside Corporate Auditor of Sumitomo Bakelite Co., Ltd.

Key Financial Data (Consolidated)														
		FY2014	FY2015	FY2016	FY2017	FY2018		FY2019	FY2020	FY2021	FY2022	FY2023		
Financial Results													Financial Results	
Net sales	(Million yen)	57,865	48,713	54,439	60,570	62,919		66,725	71,471	78,001	78,397	73,832	Net sales	(Million yen)
Operating profit	(Million yen)	5,018	4,382	5,742	5,445	5,593		6,009	9,140	8,566	7,566	6,019	Operating profit	(Million yen)
Ordinary profit	(Million yen)	5,155	4,474	5,872	5,628	5,731		6,225	9,574	9,311	8,104	6,390	Ordinary profit	(Million yen)
Profit attributable to owners of the parent company	(Million yen)	10,698	2,671	3,762	3,882	3,589		1,821	6,357	6,811	6,284	4,488	Profit attributable to owners of the parent company	(Million yen)
Comprehensive income	(Million yen)	11,297	1,919	4,365	4,702	2,837		856	7,787	6,800	6,144	6,426	Comprehensive income	(Million yen)
Financial Position													Financial Position	
Net assets	(Million yen)	42,035	42,977	46,768	50,811	52,889		52,827	62,010	68,075	72,470	74,836	Net assets	(Million yen)
Total assets	(Million yen)	60,141	59,144	65,406	69,838	70,297		71,487	82,732	88,425	91,474	95,094	Total assets	(Million yen)
Cash Flows													Cash Flows	
Cash flows from operating activities	(Million yen)	6,973	5,447	5,640	4,645	5,417		3,203	9,098	7,737	6,556	7,388	Cash flows from operating activities	(Million yen)
Cash flows from investing activities	(Million yen)	(3,612)	(2,790)	(2,607)	(3,604)	(5,482)		(3,352)	(5,694)	(2,361)	(5,834)	(3,853)	Cash flows from investing activities	(Million yen)
Cash flows from financing activities	(Million yen)	(1,143)	(1,020)	(611)	(1,151)	(845)		(1,027)	2,512	(1,430)	(3,115)	(2,824)	Cash flows from financing activities	(Million yen)
Cash and cash equivalents at end of period	(Million yen)	15,293	16,887	19,289	19,195	18,367		17,181	23,110	27,091	24,709	25,445	Cash and cash equivalents at end of period	(Million yen)
Per Share Information													Per Share Information	
Basic earnings per share	(Yen)	367.92	92.34	131.24	135.42	125.18		63.53	219.72	222.91	205.73	152.74	Basic earnings per share	(Yen)
Net assets per share	(Yen)	1,445.65	1,498.89	1,613.15	1,772.17	1,844.66		1,842.51	2,048.05	2,226.97	2,394.76	2,546.12	Net assets per share	(Yen)
Dividends per share	(Yen)	20.00	20.00	23.00	27.00	32.00		34.00	38.00	42.00	50.00	70.00	Dividends per share	(Yen)
Management Indicators													Management Indicators	
Equity ratio	(%)	69.9	72.7	71.5	72.8	75.2		73.9	74.9	77.0	79.2	78.7	Equity ratio	(%)
Ordinary profit to total assets	(%)	8.4	7.5	9.4	8.3	8.2		8.8	12.4	10.9	9.0	6.9	Ordinary profit to total assets	(%)
Rate of return on equity	(%)	29.2	6.3	8.4	8.0	6.9		3.4	11.1	10.5	8.9	6.1	Rate of return on equity	(%)
Operating profit to net sales	(%)	8.7	9.0	10.5	9.0	8.9		9.0	12.8	11.0	9.7	8.2	Operating profit to net sales	(%)
Ordinary profit to net sales	(%)	8.9	9.2	10.8	9.3	9.1		9.3	13.4	11.9	10.3	8.7	Ordinary profit to net sales	(%)
ROIC	(%)	10.0	7.4	9.1	7.8	7.5		8.0	11.2	9.3	7.6	5.9	ROIC	(%)
ROA	(%)	17.5	4.5	6.0	5.7	5.1		2.6	8.2	8.0	7.0	4.8	ROA	(%)
Dividend payout ratio	(%)	5.4	21.7	17.5	19.9	25.6		53.5	17.3	18.8	24.3	45.8	Dividend payout ratio	(%)
Non-financial Data (Consolidated)														
Number of employees	(persons)	714	728	742	797	831		917	924	958	972	977	Number of employees	(persons)
Research and development costs	(Million yen)	479	464	706	711	653		709	787	865	920	877	Research and development costs	(Million yen)
Number of patents maintained	(patents)	47	48	45	39	39		30	29	31	35	39	Number of patents maintained	(patents)
Capital investment	(Million yen)	2,705	2,780	2,511	2,858	2,866		1,700	7,539	3,352	2,944	5,295	Capital investment	(Million yen)
Depreciation	(Million yen)	2,215	2,199	2,109	2,179	1,855		2,113	1,899	2,070	2,157	2,228	Depreciation	(Million yen)
Energy use (oil equivalent)*	(kL)	7,380	7,289	6,976	7,173	6,228		5,705	6,523	6,238	5,488	5,773	Energy use (oil equivalent)*	(kL)
CO ₂ emission*	(t-CO ₂)	16,458	16,835	15,300	16,270	13,624		13,378	12,355	12,362	11,721	9,985	CO ₂ emission*	(t-CO ₂)

*Scope: 19 plants in Japan

Consolidated Balance Sheets

(Million yen)

	FY2022	FY2023
Assets		
Current assets		
Cash and deposits	27,319	25,745
Notes and accounts receivable - trade, and contract assets	20,218	17,880
Electronically recorded monetary claims - operating	2,696	2,385
Merchandise and finished goods	1,139	1,431
Costs on construction contracts in progress	238	142
Raw materials and supplies	1,335	1,317
Derivatives	175	—
Other	1,803	720
Allowance for doubtful accounts	(58)	(57)
Total current assets	54,867	49,564
Non-current assets		
Property, plant and equipment		
Buildings and structures	15,869	18,390
Accumulated depreciation	(8,887)	(9,465)
Buildings and structures, net	6,981	8,925
Machinery, equipment and vehicles	25,305	26,976
Accumulated depreciation	(22,146)	(22,949)
Machinery, equipment and vehicles, net	3,159	4,026
Land	10,859	11,145
Leased assets	707	788
Accumulated depreciation	(491)	(599)
Leased assets, net	215	188
Construction in progress	1,250	769
Other	3,071	3,311
Accumulated depreciation	(2,461)	(2,635)
Other, net	610	676
Total property, plant and equipment	23,077	25,731
Intangible assets		
Other	704	1,202
Total intangible assets	704	1,202
Investments and other assets		
Investment securities	5,990	9,753
Investments in capital of subsidiaries and associates	794	917
Retirement benefit asset	1,492	2,773
Deferred tax assets	128	76
Long-term time deposits	3,720	4,420
Other	752	712
Allowance for doubtful accounts	(54)	(58)
Total investments and other assets	12,823	18,595
Total non-current assets	36,606	45,529
Total assets	91,474	95,094

(Million yen)

	FY2022	FY2023
Liabilities		
Current liabilities		
Notes and accounts payable - trade	9,460	8,664
Electronically recorded obligations - operating	1,501	1,521
Short-term borrowings	1,300	1,300
Current portion of long-term borrowings	—	1
Lease liabilities	102	98
Accounts payable - other	1,278	2,020
Income taxes payable	1,250	1,123
Contract liabilities	305	493
Provision for bonuses	959	1,060
Provision for bonuses for directors (and other officers)	117	97
Other provisions	62	72
Other	1,311	1,411
Total current liabilities	17,650	17,865
Non-current liabilities		
Long-term accounts payable - other	0	0
Lease liabilities	130	105
Long-term deposits received	48	48
Deferred tax liabilities	1,039	2,048
Asset retirement obligations	134	135
Long-term borrowings	—	55
Total non-current liabilities	1,353	2,392
Total liabilities	19,003	20,258
Net assets		
Shareholders' equity		
Share capital	2,919	2,919
Capital surplus	3,681	4,028
Retained earnings	64,236	66,200
Treasury shares	(1,124)	(3,008)
Total shareholders' equity	69,713	70,140
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,127	3,565
Deferred gains or losses on hedges	66	—
Foreign currency translation adjustment	152	202
Remeasurements of defined benefit plans	409	927
Total accumulated other comprehensive income	2,756	4,695
Total net assets	72,470	74,836
Total liabilities and net assets	91,474	95,094

Consolidated Statements of Income

(Million yen)

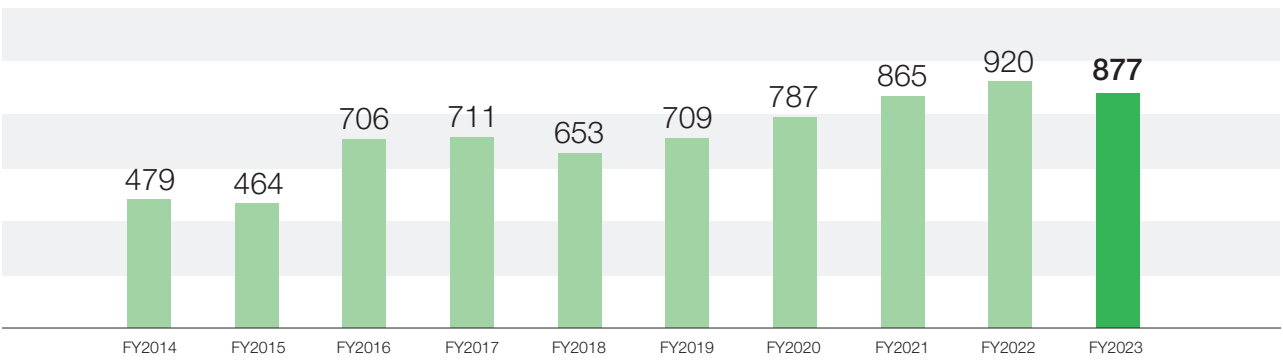
	FY2022	FY2023
Net sales	78,397	73,832
Cost of sales	60,935	57,368
Gross profit	17,462	16,464
Selling, general and administrative expenses	9,896	10,444
Operating profit	7,566	6,019
Non-operating income		
Interest income	9	18
Dividend income	124	216
Share of profit of entities accounted for using equity method	45	108
Foreign exchange gains	131	65
Derivative income	625	27
Other	26	32
Total non-operating income	962	468
Non-operating expenses		
Interest expenses	11	8
Loss on valuation of derivatives	397	—
Commission for purchase of treasury shares	—	67
Other	15	21
Total non-operating expenses	424	97
Ordinary profit	8,104	6,390
Extraordinary income		
Gain on sale of non-current assets	26	33
Gain on sale of investment securities	—	524
Gain on sale of investment in affiliated companies	27	—
Insurance claim income	19	9
Compensation income	18	235
Gain on revision of retirement benefit plan	1,202	—
Other	89	5
Total extraordinary income	1,383	808
Extraordinary losses		
Loss on retirement of non-current assets	218	92
Special repairs expenses	—	252
Other	30	13
Total extraordinary losses	249	358
Profit before income taxes	9,238	6,840
Income taxes - current	2,137	2,042
Income taxes - deferred	816	309
Total income taxes	2,954	2,352
Profit	6,284	4,488
Profit attributable to owners of the parent company	6,284	4,488

Consolidated Statements of Cash Flows

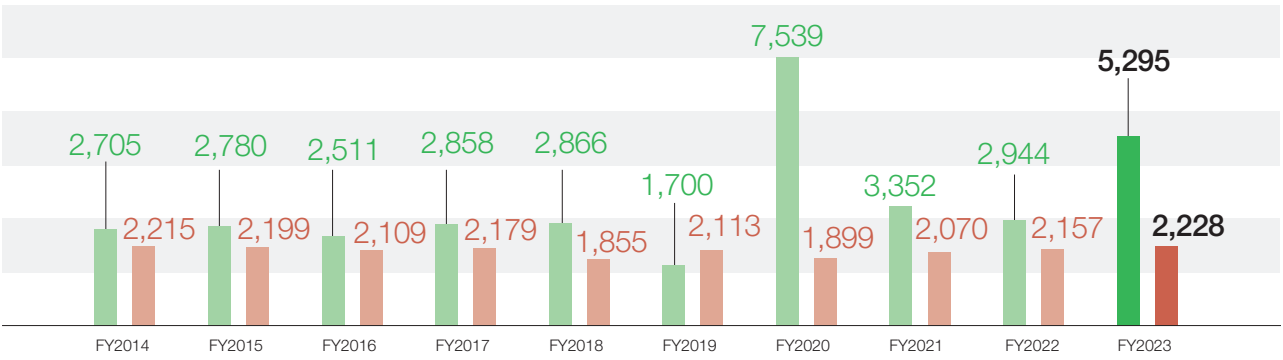
(Million yen)

	FY2022	FY2023
Cash flows from operating activities		
Profit before income taxes	9,238	6,840
Depreciation	2,157	2,228
Increase (decrease) in allowance for doubtful accounts	(390)	3
Increase (decrease) in retirement benefit liability	(1,455)	(627)
Increase (decrease) in other provisions	(148)	90
Interest and dividend income	(134)	(234)
Loss (gain) on valuation of derivatives	397	—
Interest expenses	11	8
Insurance claim income	(19)	(9)
Loss (gain) on sale of non-current assets	(26)	(32)
Loss (gain) on sale of investment securities	0	(524)
Compensation income	(18)	(235)
Special repairs expenses	—	252
Loss on retirement of non-current assets	218	92
Subsidy income	(4)	(4)
Decrease (increase) in trade receivables	125	2,912
Decrease (increase) in other current assets	(657)	(152)
Decrease (increase) in inventories	164	(157)
Increase (decrease) in trade payables	(1,046)	(1,188)
Increase (decrease) in other current liabilities	(74)	438
Increase (decrease) in accrued consumption taxes	62	(381)
Share of loss (profit) of entities accounted for using equity method	(45)	(108)
Loss on disaster	25	12
Other	1,069	259
Subtotal	9,451	9,482
Interest and dividends received	134	259
Subsidies received	4	4
Proceeds from insurance income	19	9
Proceeds from compensation	18	235
Interest paid	(11)	(8)
Income taxes paid	(3,034)	(2,328)
Payments provision for special repairs	—	(252)
Payments associated with disaster loss	(24)	(12)
Cash flows from operating activities	6,556	7,388
Cash flows from investing activities		
Payments into time deposits	(3,710)	(1,010)
Proceeds from withdrawal of time deposits	1,910	2,610
Purchase of property, plant and equipment	(2,567)	(3,808)
Proceeds from sale of property, plant and equipment	25	28
Payments for retirement of property, plant and equipment	(203)	(7)
Purchase of intangible assets	(401)	(521)
Purchase of investment securities	(1,307)	(1,870)
Proceeds from sale of investment securities	137	703
Loan advances	(3)	(4)
Proceeds from collection of loans receivable	266	1
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	26
Other	18	(0)
Cash flows from investing activities	(5,834)	(3,853)
Cash flows from financing activities		
Proceeds from short-term borrowings	3,000	3,000
Repayments of short-term borrowings	(3,000)	(3,000)
Repayments of lease liabilities	(112)	(111)
Purchase of treasury shares	(465)	(2,501)
Decrease (increase) in deposits for purchase of treasury shares	(1,331)	1,331
Dividends paid	(1,207)	(2,507)
Proceeds from sale of treasury shares	—	998
Other	—	(33)
Cash flows from financing activities	(3,115)	(2,824)
Effect of exchange rate change on cash and cash equivalents	11	25
Net increase (decrease) in cash and cash equivalents	(2,382)	736
Cash and cash equivalents at beginning of period	27,091	24,709
Cash and cash equivalents at end of period	24,709	25,445

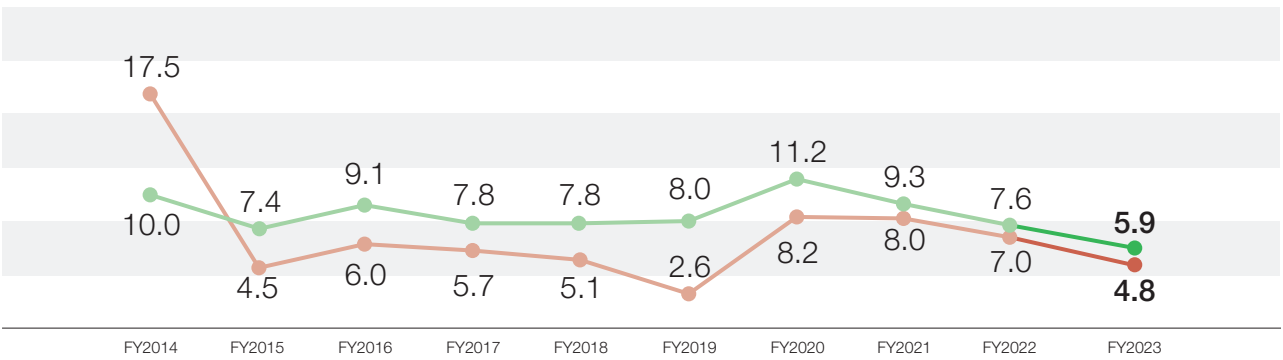
Research and Development Costs (Million yen)



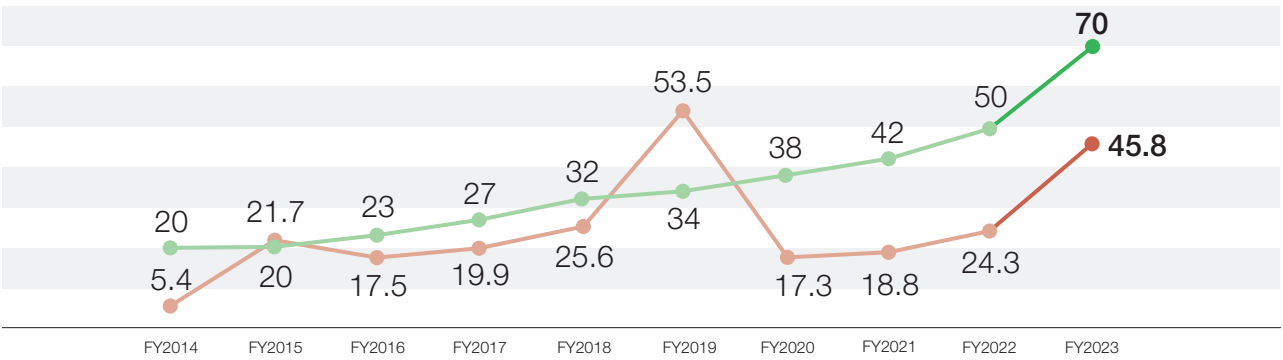
Capital Investment/Depreciation Capital investment Depreciation (Million yen)



ROIC/ROA ROIC ROA (%)



Dividends Per Share/Dividend Payout Ratio Dividends per share (yen) Dividend payout ratio (%)



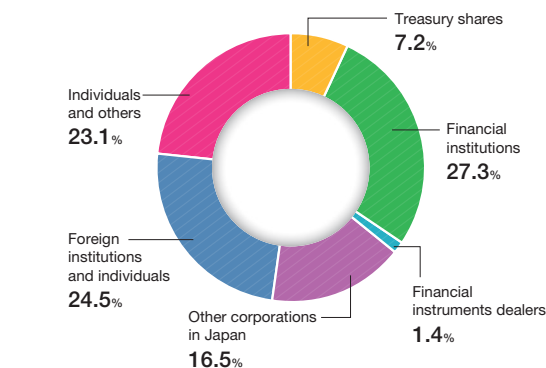
Company profile

Name	NICHIREKI CO., LTD.	Established	September 1949
Head office location	4-3-29, Kudan-kita, Chiyoda-ku, Tokyo, Japan	Share capital	¥2,919 million
Founded	October 1943	Number of employees	977 (consolidated) 455 (non-consolidated)

Stock information

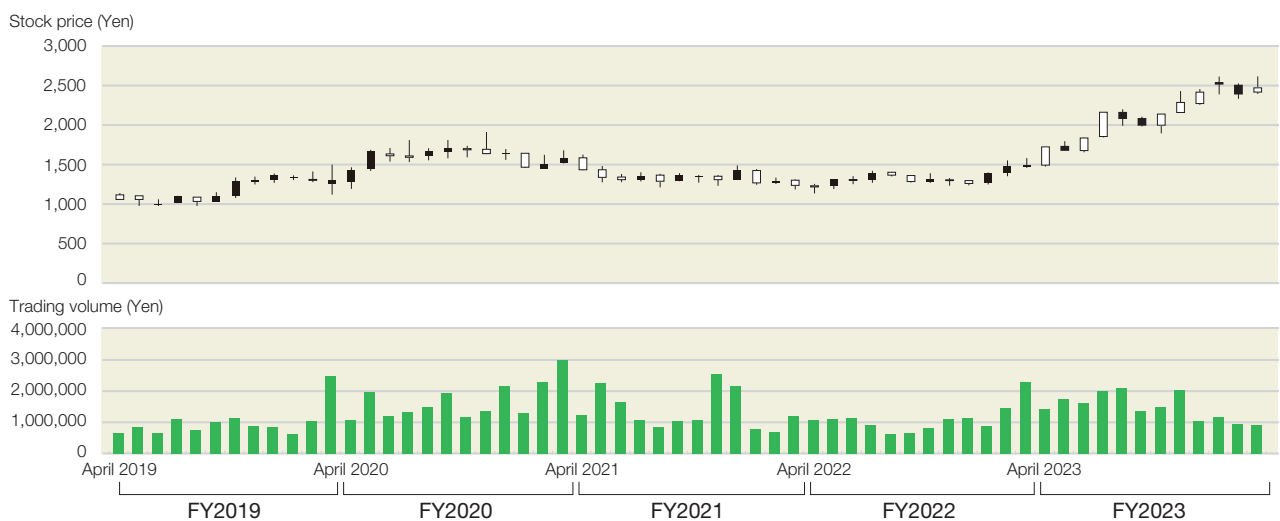
Securities code	5011
Listed stock exchange	Prime Market of the Tokyo Stock Exchange (TSE)
Shareholder registry administrator	Sumitomo Mitsui Trust Bank, Limited
Status of shares	
Total number of shares issued	29,392,297 shares <small>*Excluding 2,293,658 treasury shares</small>
Number of shareholders	11,193

Shareholder distribution



* Excluding shares less than one trading unit (80,755 shares)

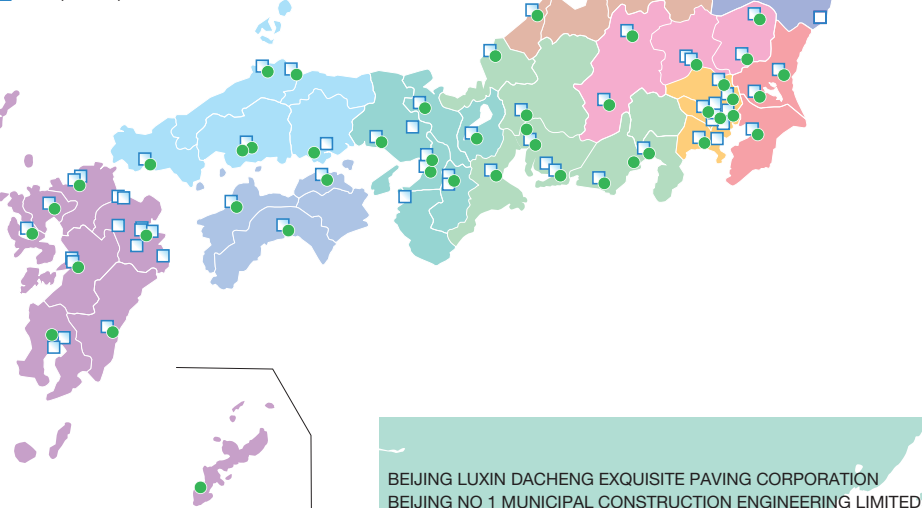
Stock price trends



Group companies

HOKKAIDO NICHIREKI CONSTRUCTION CO., LTD.	CHUGOKU NICHIREKI CONSTRUCTION CO., LTD.
DOREKI KOGYO CO., LTD.	SHIKOKU NICHIREKI CONSTRUCTION CO., LTD.
TOHOKU NICHIREKI CONSTRUCTION CO., LTD.	EHIME NICHIREKI CO., LTD.
AOMORI NICHIREKI CO., LTD.	AK TECHNOS CO., LTD.
IWATE NICHIREKI CO., LTD.	KYUSHU NICHIREKI CONSTRUCTION CO., LTD.
AKITA NICHIREKI CO., LTD.	NISHIKYUSHU NICHIREKI CO., LTD.
FUKUSHIMA NICHIREKI CO., LTD.	KUMAMOTO NICHIREKI CO., LTD.
NICHIREKI ROAD CO., LTD.	KAGOSHIMA NICHIREKI CO., LTD.
NAGANO NICHIREKI CO., LTD.	LINEPHALT INDUSTRY CO., LTD.
CHIBA NICHIREKI CO., LTD.	HOKKAIDO LINEPHALT CO., LTD.
NICHIREKI SPECIAL CONSTRUCTION CO., LTD.	SHINWA KAKO CO., LTD.
SAITAMA NICHIREKI CO., LTD.	HEAT ROCK INDUSTRY CO., LTD.
CHUBU NICHIREKI CONSTRUCTION CO., LTD.	
KINKI NICHIREKI CONSTRUCTION CO., LTD.	

● Nichireki
□ Group companies



Japan

101

(Non-consolidated: 65 sites)

(Located in 44 prefectures out of 47)

Branch: 11 sites
Sales Branch: 39 sites
Satellite Office: 11 sites
Plant: 19 sites
Technical Research Center: 1 site

Overseas

5 sites

BEIJING LUXIN DACHENG EXQUISITE PAVING CORPORATION
BEIJING NO 1 MUNICIPAL CONSTRUCTION ENGINEERING LIMITED CORPORATION
NICHIREKI SHANGHAI CO., LTD.
SHANGHAI CHENGJIAN NICHIREKI SPECIAL ASPHALT CO., LTD
PS NICHIREKI PTE. LTD.