Review of FY2022 and Medium-Term Management Plan 2023

Nishimatsu Construction positioned Medium-Term Management Plan 2023 (FY2021-2023) as a transition period for becoming a company with overall capabilities and focused on efficiently undertaking investment for growth and improving corporate value on a sustainable basis based on the foundation built during the three years of Medium-Term Management Plan 2020 (FY2018-2020).

Medium-Term Management Plan 2023: Basic Policies

1. Organic Partnerships on Various Projects

Overseas development business: Construction of the Grand Nikko Bangkok Sathorn hotel commenced, and is scheduled to open for business in 2025
(Urban Development & Real Estate Business × International Business)

Student dormitory project: Began operation of Keio University Shonan Fujisawa Dormitory and Takanawa Dormitory, and scheduled to begin operation of Miraisozojuku project
(Urban Development & Real Estate Business × Domestic Building Business)

PFI project: Received order for funeral hall PFI project in Kurashiki City
(Environment and Energy Business × Domestic Building Business)

2. Initiative for the Realization of a Decarbonized Society

Wood biomass power generation business: The subsidiary Sanyo-Onoda Green Energy Co., Ltd. was established, and is scheduled to begin operations in FY2024.

Geothermal power generation business: A hot spring binary power plant began operation in the town of Oguni in Kumamoto Prefecture's Aso District.

Medium-to-large sized wooden buildings: Individual rating was jointly acquired from The Building Center of Japan for the medium-to-large-sized wooden construction method.

3. Collaboration with Partners from Other Industries

Formed a capital and business alliance agreement with ITOCHU

Collaboration with ITOCHU (Shibata General Gymnasium Development Project, Hotel JAL City Toyama)

Formed a comprehensive partnership agreement for the realization of a decarbonized society with a local government in Kyushu

4. Shareholder Returns

Provided stable annual dividends of 221 yen per share for FY2021 and FY2022

Based on the shareholder return policy under Medium-Term Management Plan 2023, in FY2021 treasury shares valued at 54.39 billion yen were acquired

Results

	FY2021	FY2022 Initial Performance Targets	FY2022 End Results
Net sales	¥323.7 billion	¥338.5 billion	¥339.7 billion
Operating income	¥23.5 billion	¥24.0 billion	¥12.6 billion

Factors behind the significant deterioration in operating income:

- Soaring material prices in the Domestic Building Business
- Construction issues and soaring material and energy costs in the International Business

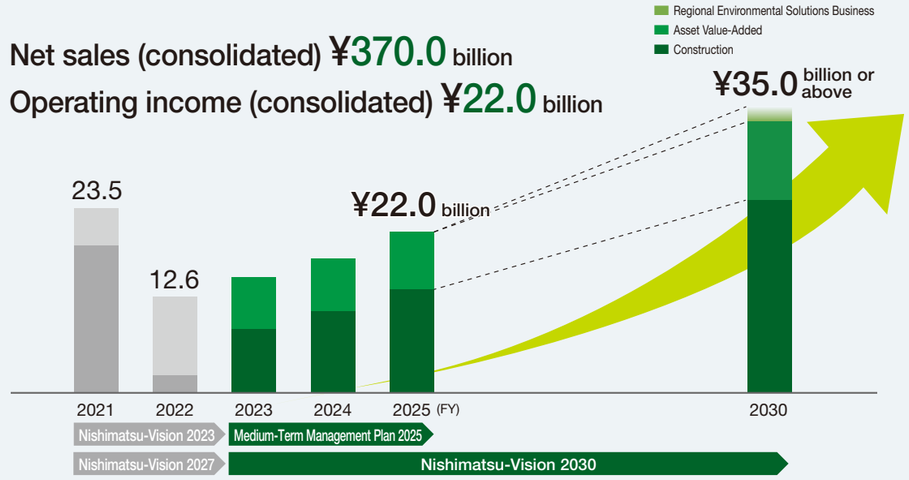
Finance

	FY2021	FY2022
ROE	8.5%	6.4%
Capital to assets ratio	31.7%	29.0%
D/E ratio	1.1	1.1
Dividend payout ratio	70.8%	90.4%
Annual dividend per share	¥221	¥221

Medium-Term Management Plan 2025

Under Nishimatsu-Vision 2030, we will pivot from construction project-focused social infrastructure development, and aim to expand and grow the rebuilding of social functions in areas covered by the Group's value creation activities through growth of the Asset Value-Added and the Regional Environmental Solutions Businesses.
From FY2023 to FY2025, the Company will improve earnings in the Building Businesses and International (civil engineering) Businesses and focus on medium- to long-term initiatives aimed at achieving Nishimatsu-Vision 2030.

FY2025 Performance Targets



FY2025 Financial Indicators

Financial Indicators	FY2025	FY2030
ROE	8% or more	10% or more
Capital to assets ratio	Approx. 30%	35% or more
D/E ratio	Approx. 1.5 times	Approx. 1.0 times
Dividend payout ratio	FY2023-FY2025 70%	

FY2025 Investment Plan

Investment classifications	Major investments	FY2023-FY2025	FY2023-FY2030
GX Community creation	Renewable energy Community creation	¥40.0 billion	¥150.0 billion (Investment ¥250.0 billion, Recovery ¥100.0 billion)
Asset value-added	Five growth areas	¥70.0 billion (Investment ¥110.0 billion, Recovery ¥40.0 billion)	
Human resources development DX Technological development, etc.	**Management foundation** Development and cultivation of human resources, DX **Research and development in construction field** Labor savings, workplace environment improvement, infrastructure renovation, environment, etc.	¥10.0 billion	
Total		¥120.0 billion	

Reform Program

Awaken individual strengths (the ambition, persistence, and autonomy of individuals) and maximize organizational strengths

Reforming our mindsets and actions → Strengthening our organizational abilities → Creating growth resources

→P.44

Message from the General Manager of the Management Division

We will focus on improving profitability while promoting investment in growth sectors to continuously provide more stable returns to shareholders.

Yuichi Kono

Representative Director and Executive Vice President,
General Manager of the Management Division,
in charge of Investor Relations

Looking Back On Medium-Term Management Plan 2023

In FY2022, the second year of Medium-Term Management Plan 2023, earnings in the Domestic Building Business and Overseas Civil Engineering Business deteriorated significantly due to the surge in construction material prices and other factors. Construction orders received, including those from subsidiaries, increased 1.9% year on year, to 340.3 billion yen. Net sales climbed 4.9% year on year, to 339.7 billion yen owing mainly to the increase in real estate business. On the earnings front, however, operating income decreased 46.4% compared with the previous fiscal year, to 12.6 billion yen owing to such factors as the downturn in gross profit on completed construction contracts for domestic building and overseas projects. Ordinary income declined 43.9%, to 13.1 billion yen, and profit attributable to owners of the parent fell 36.1%, to 9.6 billion yen. Nishimatsu Construction reported a poor operating performance with profit falling below 10 billion yen for the first time since FY2014.

As far as key financial indices are concerned, ROE dropped 2.1 percentage points compared with the previous fiscal year, to 6.4%. The Company's equity and D/E ratios came in at 29.0% and 1.1x, respectively. None of these indices reached our targets.

Due to the difficulties encountered in achieving the performance targets and financial indices identified in Medium-Term Management Plan 2023 owing to this prevailing operating environment, we reviewed our numerical targets and formulated Medium-Term Management Plan 2025, which ends in FY2025.

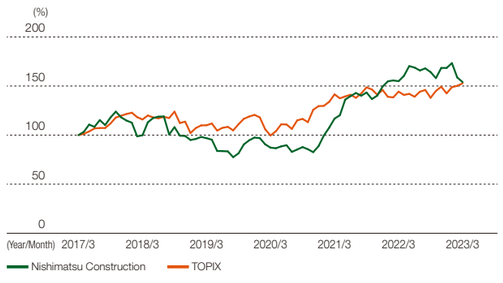
Making Investments in Growth of 120 Billion Yen on a Cumulative Basis Over Three Years

Under Medium-Term Management Plan 2025, we will make investments totaling 120 billion yen over three years to expand our value creation activities. First, in the area of GX and community creation, we will invest 40 billion yen, mainly in the renewable energy activities undertaken by the Regional Environmental Solutions Business (formerly the Environmental and Energy Business). Currently, we are focusing on small-scale hydraulic power generation, woody biomass power generation, geothermal power generation, biogas power generation, and pumped-storage power generation projects.

Next, we will continue to promote a circular reinvestment model in the Asset Value-Added Business (formerly the Urban Development & Real Estate Business) and plan to invest 110 billion yen and recover 40 billion yen for a net investment of 70 billion yen. In pushing forward asset strategies, we will work to build a competitive portfolio by investing in five growth areas (working spaces, residences, tourism and entertainment, lifestyle support and healthcare, and data centers and logistics). Our focus will be on development projects conducted jointly with ITOCHU, as well as land readjustment, urban redevelopment, and overseas development projects. We also plan to launch a private REIT in FY2023 and increase its asset size to around 100 billion yen by FY2027.

Moreover, we will actively invest in human resources development, DX, technological development, and other areas to improve corporate value on a sustainable basis. In addition to promoting DX through the Nishimatsu Employees' University, which is responsible for human resources development and training, and creating smart construction sites, we will work to improve productivity in the Construction Business and develop high added-value buildings through the development of labor-saving technologies such as operator-less construction and technologies for ZEB and ZEH. We will invest 10 billion yen over three years to strengthen these management foundations and develop technologies in the construction field.

TSR



(Billions of yen)

Investment classifications	FY2022 results	FY2023-FY2025
GX and community creation	1.5	40.0
Asset value-added	27.5	70.0 (Investment 110.0 Recovery 40.0)
Human resources development / DX / Technological advances, etc.	4.3	10.0
Total investment	33.3	120.0

Financial Strategy Under Medium-Term Management Plan 2025

The financial index targets of Medium-Term Management Plan 2025 are to maintain an ROE of at least 8%, an equity ratio of approximately 30%, and a D/E ratio of approximately 1.5x. With our investments in growth expected to bear fruit in two to three years at the earliest, we will raise medium- to long-term funds while keeping financial costs low through such ESG financing as the sustainability link bonds issued recently. We will also implement appropriate financial strategies, keep a close eye on interest rate trends going forward, and maintain a balance between financing, redemption, and investment. Moreover, we will look to maintain financial soundness by separating and managing the balance sheets of our Construction and Asset Value-Added Businesses, and by developing financial strategies for each.

Nishimatsu Construction has already implemented a dividend payout ratio of 70% and a large-scale purchase of its own shares, and is now managing the Company with financial leverage in mind. Looking at its stock price as of the end of August 2023, however, the Company's P/B ratio currently stands at slightly less than 1.0. We will gradually improve the profitability of our Domestic Building and Overseas Civil Engineering Businesses based on the Earnings Improvement Plan of Medium-Term Management Plan 2025 to achieve a return on capital in excess of the cost of capital. Furthermore, we intend to maintain and improve our stock price earnings ratio by proactively disclosing information on our path to future growth. Through these means, we aim to achieve a P/B ratio of at least 1.0.

Initiatives to enhance corporate value

Enhance corporate value (PBR improvement measures)

Return on capital (ROE) improvement measures

- **Achievement of Medium-Term Management Plan 2025**
  - Improving the profitability of the Domestic Building and Overseas Civil Engineering Businesses based on the Earnings Improvement Plan of Medium-Term Management Plan 2025 and fulfilling this Plan are prerequisites to improving ROE.
- **Financial leverage-oriented management**
  - In accordance with Medium-Term Management Plan 2025, in addition to investments in growth using interest-bearing debt, the Company is engaging in financial leverage-oriented management that encompasses such factors as a consolidated dividend payout ratio of 70% and other shareholder returns.
- **ROE and ROIC management on a Group-wide and segment basis**
  - Implement balance sheet management by segment from FY2023
  - Refine analyses and evaluation through ROE and ROIC management on a Group-wide and segment basis

Measures to maintain and improve the Company's stock price earnings ratio

- **Promote sustainability management**
  - Established the Sustainability Committee while pursuing initiatives to achieve sustainability-oriented management
  - Further strengthen the provision of information regarding sustainability while aiming for a higher share price through improvements in the Company's ESG rating and selection as an ESG stock
- **Further reduce cross-shareholdings**
  - The Company's policy is to hold only those equities that are necessary in terms of business operations as cross-shareholdings, and to reduce any other equities except in special circumstances. Improve asset and capital efficiency through continued reduction.
- **Enhance information disclosure to investors**
  - We will enhance information disclosure to investors by disclosing details not only concerning our Construction Business, but also the path to future growth in our Asset Value-Added and Regional Environmental Solutions Businesses, as well as the results of collaboration with partners in other industries, such as ITOCHU.

Shareholder Return Policy

Comprehensively taking into consideration the operating environment and the Company's results, Nishimatsu Construction has adopted the basic policy of providing stable and continuous returns to shareholders while upgrading and expanding internal reserves. The Company's dividend payout ratio, which was set at 70% or more during the period of the previous Medium-Term Management Plan, is set at 70% until FY2025, the final fiscal year of Medium-Term Management Plan 2025. First, we will focus on improving profitability and promote investment in growth areas to realize more stable returns to shareholders on an ongoing basis.

Domestic Civil Engineering Business

General Manager of
Civil Engineering Division
Makoto Isshiki

Significance of the Civil Engineering Division
Infrastructure construction to create a sustainable society in which people can live with peace of mind

Nishimatsu Construction's Civil Engineering Division utilizes its technologies, which have been acquired over 150 years, to build social infrastructure, such as roads, railways, power facilities, and dams. By utilizing this knowledge for development of seamless consolidated national land and disaster prevention measures in preparation for the future of Japan given its declining population, we will contribute to carrying out Japan's national spatial plans and building resilient national infrastructure. Further fine-tuning our strength in tunnel technology to make use of underground space, we will continue to take on challenges in new fields such as renovations and offshore wind power. In addition to promoting DX by creating "smart construction sites," we will make headway in strengthening our organizational capabilities.

Looking Back On Medium-Term Management Plan 2023

Having considered large-scale government construction, renovation construction and land readjustment projects, and the development of automation technology for tunnel construction as our strategic initiative fields, and further having adopted investments and measures for growth, the Civil Engineering Business has been engaged in business activities under Medium-Term Management Plan 2023. In FY2022, we completed construction projects for tunnels, dams, sluices, and other public sector works, and large-scale solar power generation facilities in the private sector. Generally, good progress was made with public construction projects in FY2022, and overall net sales and operating income for the Civil Engineering Business were roughly in line with initial plans.

Orders received were 102.4 billion yen (target: 110 billion yen) in FY2021 and 107.5 billion yen (target: 115 billion yen) in FY2022, thus slightly short of the initial plan for the second consecutive year. In addition to mainly tunnel construction, dam construction, and Shinkansen viaduct construction, we also received orders for private land readjustments, Linear Shinkansen viaduct construction and other projects.

As the difficult order environment is expected to continue for some time, from now on we will increase the number of bids we make and strengthen our bidding system for public works.

The ratio of completed private sector construction projects in Japan has remained at 22–23% over the past two years. Although we received orders for large-scale construction work at the end of FY2022, we will continue to focus on renewal work and land readjustment projects.

With respect to the development of automation technology for tunnel construction, we are conducting on-site trials of a remote operation system for each construction machine and working on improvements while incorporating feedback from the site. We will continue to develop this system toward the goal of automating construction.

Issues and Initiatives Toward Achieving Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

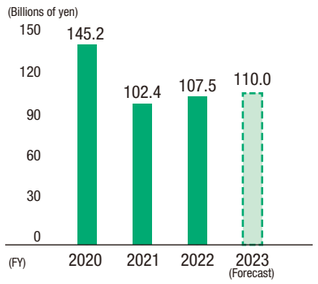
In Nishimatsu-Vision, we aim to solidify the foundations of the Civil Engineering Business and strengthen our personnel and organizational capabilities, targeting net sales of 110 billion yen and gross profit of 17 billion yen in FY2025. This period will serve as a stepping stone for our transformation into a company with comprehensive capabilities.

New construction work ordered by government offices is expected to increase slightly or remain flat. We will continue to position tunnel construction as the core of the Civil Engineering Business, leverage our existing technology and track record, and maintain our sales scale by strengthening our system for large-scale and highly complex construction projects. In particular, we will promote automation in mountain tunnel and shield tunnel construction to bring about improvements in productivity while optimizing staffing, aiming to achieve high profitability.

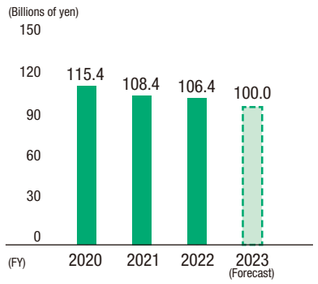
We will allocate management resources to disaster prevention and mitigation-related construction, which is expected to increase in the years to come, infrastructure upgrades and renewable energy-related construction, which are growing fields, and private sector facility upgrades. We also plan to increase sales of land readjustment projects through horizontal collaboration with the Asset Value-Added Business Division.

In April 2024, overtime cap regulations will be applied to the construction industry. We have long been implementing a range of initiatives to reform work styles to reduce long working hours, and we will continue these efforts and make further improvements. Therefore, in addition to developments in construction technology, we will promote DX using ICT technologies such as BIM/CIM and AI to further improve on-site efficiency. As most of the carbon dioxide emitted from construction sites is emitted by civil engineering operations, we will also focus on environmental measures in accordance with the ZERO30 road map by utilizing electricity from renewable energy sources and implementing energy conservation measures.

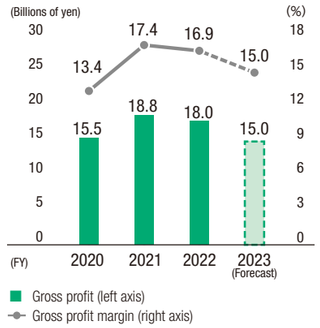
Orders received (non-consolidated basis)



Net sales (non-consolidated basis)



Gross profit/Gross profit margin (non-consolidated basis)



Materiality and Medium-Term Management Plan 2025 Priority Measures

Materiality	Priority Measures	Initiatives
Building sustainable social infrastructure (civil engineering infrastructure and buildings)	Strengthen personnel and organizational capabilities	• Increase staffing of bidding departments by 20% (compared with FY2022) and utilize external resources • Form teams for comprehensive evaluation analysis and exploration, streamline proposals
	Take on challenges in new fields	• Develop and improve technologies for tunnel lining refurbishment • Promote the development of technologies for road slab replacement • Take part in offshore wind power generation projects
Creating rewarding workplaces	Develop new production systems	• Promote DX to accelerate smart construction site activities

Contributing to SDGs (construction completed in FY2022)

Received Japan Society of Dam Engineers technology award for contributions to technological development

Construction of Biratori Dam body (Phases 1 to 3), part of Saru River Dam Comprehensive Development Project

Nishimatsu Construction undertook the construction of the dam body for a concrete gravity dam with a levee height of 55 m, a crest length of 350 m, and a levee volume of 178,000 m³ in Biratori Town, Hokkaido Prefecture. As rare birds of prey were confirmed to be inhabiting the area, we gave consideration to the breeding season (suspension of construction work and periods to allow the birds to become accustomed to our presence), carefully selected equipment and machinery color schemes (use of low-luminosity paint), and adjusted lighting angles for night operations. Having achieved flood control, the maintenance of normal running water functions, and the supply of tap water, this project received the 2022 Technology Award from the Japan Society of Dam Engineers in recognition of its significant contribution to the development of dam technology.

Dam body construction at the Biratori Dam

Construction of large-scale solar power generation facility, including site preparation

Construction of solar power generation facility in Minamiyamashiro, Kyoto Prefecture, and Shimagahara, Mie Prefecture

Nishimatsu Construction carried out the site preparation and panel installation work for a large-scale solar power generation facility construction project that straddles the Kyoto-Mie prefectural border. In addition to a development area of approximately 80 hectares, an earthworks volume of approximately 2.9 million m³, 15 regulating ponds, and large-scale river channel replacement, the scale of construction included the installation of approximately 140,000 solar panels. The facility's power generation capacity is approximately 60.5MW, which is equivalent to approximately 15,000 ordinary households. The reduction in CO_2 emissions is equivalent to that of 8,000 ordinary households, contributing to the realization of a decarbonized society.

Large-scale solar power generation facility that straddles Kyoto-Mie prefectural border

Domestic Building Business

General Manager of Building Division
Kazutoyo Hamada

Leveraging our strengths in design and construction to establish differentiating factors in our fields of specialization

Rebuilding our portfolio, achieving a transformation to a high-profit corporate structure

In the Building Business, we are working to deepen dialogue with customers and improve our planning and proposal capabilities, develop sales by fully making use of our internal and external relationships, and establish differentiating factors in our fields of specialization that leverage our strengths in design and construction. We will achieve a transformation to a high-profit corporate structure by building a portfolio that remains unaffected by the ebb and flow of economic tides. We will further solidify the social infrastructure development capabilities that we have been cultivating, seeking improvements in customer satisfaction and continuing to grow as a company with comprehensive capabilities by working together toward the rebuilding of social functions.

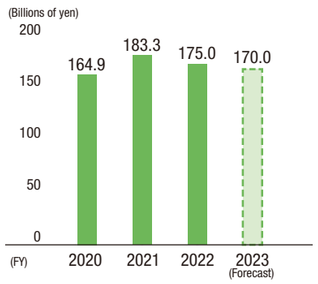
Looking Back On Medium-Term Management Plan 2023

In FY2022, construction profitability worsened as a result of soaring material prices, leading to a significant decrease in operating income. As a result of having reviewed our risk countermeasures and switched to placing emphasis on profitability midway through the period, our target for orders received was not achieved. In addition to internal restructuring and continuing negotiations with customers regarding construction work affected by price increases, we worked to minimize the risk from price fluctuations on future construction orders. Of all construction projects completed in FY2023, 54% remain affected by price increases. However, it is expected that this will decrease to 27% in FY2024 and to 4% in FY2025, and business performance is expected to continue improving.

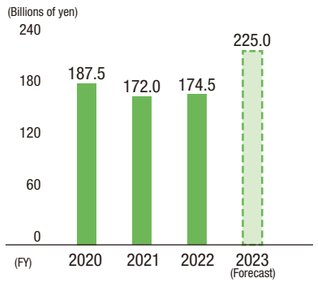
While the individual initiatives focused on as priority areas under Medium-Term Management Plan 2023 achieved certain results, the following tasks remained: (1) In logistics facilities, even in the fierce competition for orders, becoming able to receive orders at appropriate profit levels; (2) For environmental facilities (incineration plants), collecting medium- to long-term business information and systematically cultivating people with experience in design and construction; and (3) In urban redevelopment projects, although we have been able to demonstrate our strengths by leveraging our overall capabilities, we must also handle price fluctuations in the business plan over the long term.

From front loading that utilizes BIM, which is one of our priority measures, I am sensing a positive effect in reducing production costs by improving construction efficiency and believe that the results will take visible shape in Medium-Term Management Plan 2025. Construction of our Company facility, which was designed using advanced ZEB technology, was completed in FY2022. Going forward, we will conduct a variety of quality and performance verifications and aim to establish our environmental design technology.

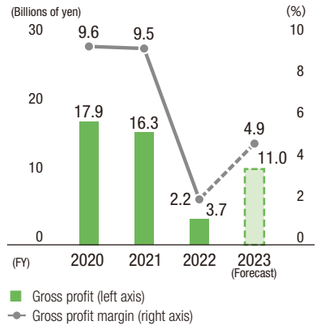
Orders received (non-consolidated basis)



Net sales (non-consolidated basis)



Gross profit/Gross profit margin (non-consolidated basis)



Materiality and Medium-Term Management Plan 2025 Priority Measures

Materiality	Priority Measures	Initiatives
Building sustainable social infrastructure (buildings)	Improve capabilities to develop plans and proposals	• Improvements to planning departments and planning design departments: Engage in deeper dialogue with customers to propose optimum plans that include costs
	Fully utilize internal and external relationships to engage in sales	• Form alliances with partners in different industries (ITOCHU Group, etc.) • Strengthen internal coordination in urban redevelopment projects
	Establish differentiating factors in priority fields	• Data centers and refrigerated/frozen goods warehouses: Application of logistics facility design and construction technologies • Environmental facilities (waste incineration plants): Pass on and improve design and build technologies with extensive track records, leverage relationships with plant operating companies
Creating rewarding workplaces	Develop new production systems	• Promote DX to accelerate smart construction site activities

Issues and Initiatives Toward Achieving Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

In addition to working to transform to a high-profit corporate structure to achieve Nishimatsu-Vision 2030, we will engage our capabilities in creating worthwhile structures —that is, our sales, planning, design, and construction capabilities—and involve the relevant people while bringing together diverse capacities and further strengthening our abilities to achieve our goals. By establishing ZEB and wooden construction technologies, we will respond to social issues such as climate change and decarbonization. Evolving from our Building Division, we will also contribute to the growth of our Asset Value-Added Business and Regional Environmental Solutions Business.

As part of our efforts to transform to a high-profit corporate structure under Medium-Term Management Plan 2025, the planning and design departments will be actively involved from early project stages. We will propose optimal plans, which will include cost controls, by delving more deeply into customer needs. In addition to creating synergies with partners in different industries, including the ITOCHU Group, we will promote horizontal collaboration within the Company on urban redevelopment and land readjustment projects. We will also focus on data centers as an area in which we can ascertain customer needs and capture market share by leveraging the expertise we have cultivated through the design and construction of logistics facilities. In environmental facilities, we aim to secure stable orders by passing on technology and strengthening relationships with plant companies. Additionally, we will promote DX in building new production systems that will contribute to improved productivity, such as developing IT solutions for on-site inspections.

Contributing to SDGs (construction completed in FY2022)

Local community-based 3R activities win Grand Prize at the 2022 Kinki Region Construction Recycling Awards

Takuma Co., Ltd. Harima Factory reconstruction

This project involved rebuilding a factory in Takasago City, Hyogo Prefecture, operated by Takuma Co., Ltd., which manufactures biomass boilers and other products.

For this construction project, we implemented 3R activities that included: Reduce (reducing waste generation by utilizing BIM, reducing wood waste generation by using steel molds); Reuse (reuse of construction soil on site and at other sites, reuse of existing stone walls and gutter iron covers); and Recycle (internal use of construction sludge, thorough separation of industrial waste, a public-private partnership agreement for horizontal recycling of plastic bottles). We also worked to reduce CO_2 emissions by utilizing energy-saving heavy construction machinery and adding combustion accelerators to heavy construction machinery fuel. In recognition of these efforts, in February 2023 we received the Grand Prize at the 2022 Kinki Region Construction Recycling Awards, hosted by the Kinki Regional Construction & Demolition Waste Measure Liaison Council.

View of exterior on northeast side of factory

Other initiatives implemented that are grounded in local community interests included: installing citizens' awareness SDGs signs jointly with Takasago City; the holding of on-site lectures on community development SDGs; participating in local food loss reduction activities; and a food donation charity event in aid of the Takasago City Children's Cafeteria.

Sign to increase SDGs awareness

International Business

General Manager of International Division
Yoshikuni Nakano

Restructuring markets and mitigating business risks while expanding our International Business

In the civil engineering field, we are leveraging the underground construction experience we have cultivated over the years to expand our efforts in ODA construction. In the building field, we are promoting localization in Thailand, Laos, and Vietnam, and strengthening our implementation structure for receiving orders from foreign-affiliated companies. To strengthen collaboration between business divisions, the Asset Value-Added Business Division is responsible for the construction of hotel businesses that are being promoted overseas. As a project that will contribute to the rebuilding of local social functions, we are also aiming to participate in a pumped storage power generation project in Australia in collaboration with the Regional Environmental Solutions Business Division.

Looking Back On Medium-Term Management Plan 2023

Under the Medium-Term Management Plan 2023's focus on ODA projects for transportation infrastructure in newly entered countries, the civil engineering business received an order for the construction of a subway tunnel in the Philippines. In anticipation of gaining projects in a newly entered country, we also established a preparatory office and put in place preliminary investigation and preparation systems in Australia. In the building business, we began construction for an in-house development project in Bangkok in June 2022 as part of our efforts in building projects. Regarding local- and foreign-affiliated clients, we worked to increase orders from local clients, including CP ALL Public Company Limited. With an eye toward localization, we have also established a training center in Thailand and commenced training sessions for local staff and partner companies.

As for our business results, in FY2021 the building business fell below plan targets due to the impact of the prolonged COVID pandemic. Contrastingly, in the civil engineering business we received an order for tunnel construction in Singapore and secured completed construction revenue as the progress of construction exceeded plans. As a result, the International Business as a whole achieved its operating profit target. In early 2022, however, material and energy prices soared due to the conflict between Russia and Ukraine, increasing construction costs. In addition to construction project delays and project cancellations brought about by the weak yen, operating income for FY2022 was significantly lower than planned due to additional costs incurred caused by construction issues in Singapore and a deterioration in profit.

Issues and Initiatives Toward Achieving Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

Under Medium-Term Management Plan 2025, we will implement priority measures designed to mitigate market environment risks while securing stable profits.

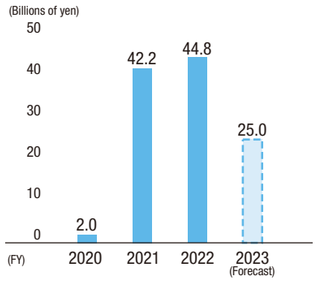
In international bids for civil engineering projects, price competition with overseas contractors is intensifying for underground infrastructure projects at existing bases such as Hong Kong and Singapore. Furthermore, profits have deteriorated due to rising prices brought about by the soaring materials and energy prices and the emergence of construction risks, making it necessary to review the structure and scale of the business. Going forward, we will specialize in tunnel construction, in which we possess a high degree of technological superiority, and strive to mitigate market environment risks. In the ODA market, where efforts are being strengthened, there are also concerns about the impact on business due to differences in legal systems and business practices in newly entered countries. We will therefore focus on winning construction orders while quickly building a framework for working with local partners and conducting risk analyses.

In the building business, although construction investment by Japanese-affiliated companies has slowed due to factors that include the weaker yen, construction investment by foreign-affiliated companies has remained steady. Up to now, our orders have largely been from Japanese-affiliated companies, and we have been influenced by their trends. In the years to come, however, we will promote collaboration with local partners, localize our organization, and establish a new construction management system by which to strengthen construction for foreign-affiliated companies and the horizontally-linked hotel business. Establishing a one-stop solution through collaboration with specialized contractors and engineering companies, we are working to set ourselves apart from local competitors by responding to demand not only for design and construction but also for facility maintenance and management, which will lead to expanding our customer base.

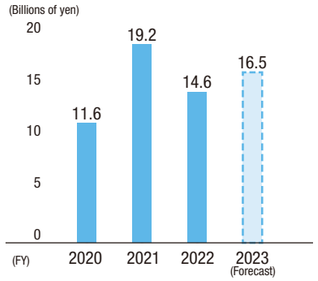
Materiality and Medium-Term Management Plan 2025 Priority Measures

Materiality	Priority Measures	Initiatives
Southeast Asia Construction of transportation infrastructure	Strengthen implementation structure for ODA construction projects	• Aim rapidly to build an implementation structure with local partners based on past cases • Conduct risk analyses, aim to receive construction orders in Bangladesh • Continue surveys in Indonesia, Vietnam, etc
Expanding business at existing locations and securing stable profits	Strengthen systems to work on construction projects for foreign-affiliated companies	• New construction management system through promotion of localization • Construction system based on collaboration with local partners • Achievement of one-stop solutions through collaborations with engineering companies • Ongoing efforts in building construction using in-house development projects as a foothold

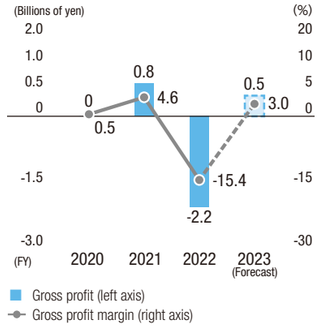
Orders received (non-consolidated basis)



Net sales (non-consolidated basis)



Gross profit/Gross profit margin (non-consolidated basis)



Contributing to SDGs (construction completed in FY2022)

Construction of food processing manufacturing facility in Vietnam

Contributing to food supply to meet population growth

Kowa General Foods (Vietnam) Co., Ltd. factory construction work

In Vietnam, we have constructed a processed food manufacturing and supply factory capable of providing a stable supply of safe food. In this country where the population has exceeded 100 million and is continuing to grow, awareness of food safety is increasing as people become more health conscious. During this construction project, we significantly reduced the use of forming materials (wood) by pre-casting the columns and also worked to reduce construction byproducts by using most of the excavated soil as backfill.

Kowa General Foods (Vietnam)'s factory

Singapore subway infrastructure construction

Contributing to improved lifestyle convenience

Keppel Station tunnel construction on Singapore's subway Circle Line

Construction of Singapore's urban mass rapid transit (MRT) system Circle Line began in 2002, with the subway route extended several times since. In the sixth and final stage of construction, we undertook construction of the tunnel that connects the existing system to the current terminal station. Construction of this tunnel began in 2017 and concluded in May 2023, completing a loop line of 40 km that, as its name suggests, forms a complete circle.

The Keppel Station tunnel on Singapore subway's Circle Line

Asset Value-Added Business

General Manager of
Asset Value-Added Business Division
Yoshiyuki Sawai

At astounding speed, creating living spaces that excite users

(1) Embracing customer-oriented ideas, working to expand our solid customer base by globally creating exciting assets (living spaces that excite users).

(2) Actively expanding value-added business investments with a focus on growth areas, creating a system for sustainable growth based on a circular reinvestment model.

(3) As professionals, each and every one of us aims to fine tune our talents and remain a top-notch producer of exciting projects.

Materiality and Medium-Term Management Plan 2025 Priority Measures

Materiality	Priority Measures	Initiatives
Providing user-friendly construction-related services	In-house development business/ Equity investment business	• Investment in growth fields asset strategy • Customer network creation
	Urban redevelopment projects/Land readjustment projects	• Establishment of a model for horizontal collaboration × cross-industry collaboration • Formation of businesses that fully utilize newly created real estate
	Overseas Business	• Stable growth through high efficiency, risk diversification and carefully selected investments
	Investment management business/ Property management business	• Expansion of assets under management by Nishimatsu Asset Management Co., Ltd. • Strengthening of PBM functions of Nishimatsu Jisho Co., Ltd.
	Responding to decarbonization	• Implementation of ZERO30 road map

Looking Back On Medium-Term Management Plan 2023

Together with making active investments based on an asset strategy that has focused on growth areas, under Medium-Term Management Plan 2023 we have been working to enhance profitability and improve asset efficiency by evolving into the circular reinvestment model through timely asset replacements. At the same time, we have been strengthening organic collaboration with our Building Business Division while aiming to expand the Group's revenue.

Our efforts during the plan period in the hotel business, which is one of our key assets in the tourism and entertainment area, include the opening of the Korinkyo boutique hotel (Kanazawa City) and Hotel JAL City Toyama (Toyama City) in FY2021 and of the Prince Smart Inn Hakata (Fukuoka City) in FY2022. We are currently engaged in the hotel business not only in Japan but also overseas, with the Grand Nikko Bangkok Sathorn scheduled to open in the Thai capital of Bangkok in 2025.

In the residence sector, we are also engaged in the business of university student dormitories. In this business, we are proposing one-stop solutions that include planning and development, design and construction as well as subsequent ownership, management and operation by a Group company. In addition, for Keio University's Shonan Fujisawa Campus H Village, which began joint operation in March 2023, we are actively incorporating environmentally friendly initiatives such as solar power generation facilities and storage battery equipment.

In FY2022, we also started the formation of private placement funds, taking steps toward the circular reinvestment model.

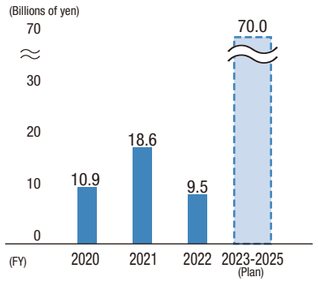
Issues and Initiatives Toward Achieving Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

Under Medium-Term Management Plan 2025, we will steadily build up our revenue base, evolve into the circular reinvestment model, and contribute to the Building Business, thereby achieving sustainable growth for the Nishimatsu Construction Group.

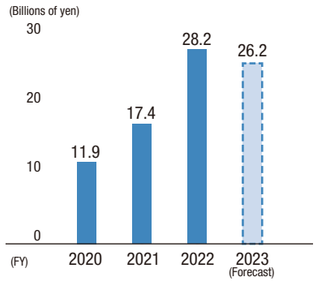
Our asset strategy aims to build a portfolio with a competitive advantage by creating exciting assets through investment in growth areas and timely asset replacements.

Specifically, while speeding up the preparation and commercialization of in-house development projects, we will actively engage in equity investment development projects. Our plan is to form a private REIT in FY2023 and further increase the speed of capital recovery, making net investments of 70 billion yen in five key asset areas over three years. In overseas business, we will also increase capital efficiency, focusing on real estate investment and development businesses in developed country markets and growth markets, and expand our scope for earning revenue. In addition, we will strive to expand business opportunities and increase profitability for the Nishimatsu Group by organically collaborating with the Civil Engineering Business Division and the Building Business Division, for example by organizing land readjustment projects and urban redevelopment projects. We will also strengthen our investment management, property management, and building management operations across the Group. We will contribute to the realization of a decarbonized society by making our owned properties energy efficient and renewable energy-oriented, and by promoting specifications that meet the ZEB Ready standards for new properties.

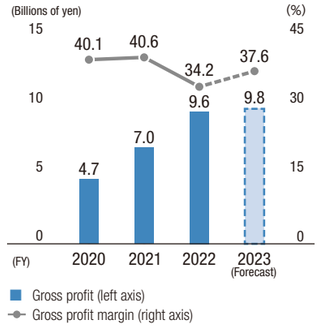
Net investment



Net sales (consolidated basis)



Gross profit/Gross profit margin (consolidated basis)



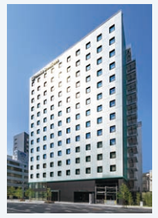
Contributing to SDGs

Adopting cutting-edge technologies and universal design to create comfortable spaces for everyone

Prince Smart Inn Hakata

We planned a hotel that would take full advantage of the location potential of the Hakata exit area of Hakata Station and satisfy domestic travel and growing inbound tourism demand.

As we took universal design into consideration and proactively incorporated ICT and AI technologies to support human activity, the hotel provides increased convenience for guests and a comfortable working environment for its employees. An open space on the premises that can be used by people other than hotel guests also serves as an everyday rest area.



Prince Smart Inn Hakata

Safe and secure housing that is environmentally friendly and equipped with disaster response equipment

Keio University Shonan Fujisawa Campus H Village

Keio University's first on-campus student dormitory project provides a place for students from Japan and overseas to live in and engage in international exchange.

This project has received CASBEE Kanagawa A Rank rating as a result of the environmentally friendly measures taken, such as the rooftop installation of solar panels to supply electricity.

To enhance preparedness for earthquakes and other natural disasters, the dormitories are fully equipped with emergency storage batteries and disaster relief supplies. In the event of a disaster, this campus village can also serve as an evacuation center, making it a residence with safety and peace of mind.

Keio University Shonan Fujisawa Campus H Village

Regional Environmental Solutions Business

General Manager of Regional Environmental Solutions Business Division
Masakazu Hosokawa

Aiming for further business co-creation through proposal and implementation of solutions to regional issues

From Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025, our business name has been changed from the Environmental and Energy Business to the Regional Environmental Solutions Business. Building on the renewable energy and town development businesses that we have been involved in until now, the Regional Environmental Solutions Business aims to co-create further business by working closely with urban and regional areas and proposing and implementing solutions to the issues they are facing. Up until now, our Company's business activities have focused on social infrastructure development such as civil engineering and building projects. Going forward, in addition to social infrastructure development projects, we will make the expansion of value creation activities an important policy and work to ensure that the Regional Environmental Solutions Business plays a part in growth strategy business and becomes a new Nishimatsu strength.

Looking Back On Medium-Term Management Plan 2023

In the Regional Environmental Solutions Business, we have been able to achieve the following results mainly through co-creation with local governments and partners in other industries, which we have built up through our civil engineering and building business, and collaboration with other divisions in our Company.

1. Initiatives for the Realization of a Decarbonized Society

- Wood biomass power generation business: Established in April 2022, subsidiary Sanyo-Onoda Green Energy Co., Ltd. is scheduled to begin operations in FY2024
- Geothermal power business: A hot spring binary power plant began operation in the town of Oguni in Kumamoto's Aso District → P.35

2. Collaboration with Partners from Other Industries

- Formed a Comprehensive Partnership Agreement for the Realization of a Decarbonized Society with a local government in Kyushu

3. Organic Partnerships on Various Projects

- PPP/PFI business
  Kurashiki City central funeral hall facility maintenance project (representative company)
  Tohoku University research base facility improvements project
  New funeral hall maintenance and operation project in Osaki City

As mentioned above, although we made progress in accumulating track records and know-how, the amount of investment was lower than planned as most of the projects were small-scale. Going forward, in addition to establishing an initiative framework to increase the number of high-quality projects, we will also aim to strengthen organizational cooperation.

We will leverage renewable energy projects and community development projects as a foothold to work closely with local communities, and aim to create local business by proposing and implementing measures to solve the issues faced by urban and regional areas.

Materiality and Medium-Term Management Plan 2025 Priority Measures

Materiality	Priority Measures	Initiatives
Carbon neutral initiatives	Active business investment	• Collaborating with local governments and partner companies to form businesses • Making use of internal and external relationships to gather project information • Expanding projects with multiple local governments using the comprehensive partnership agreement with a local government as a model • CVC investment in/M&A of companies whose businesses are on track (later stage)
Providing user-friendly construction-related services	Development of high added-value businesses	• Introduction of pioneering technologies through collaboration between academia and industry, and investment in venture companies • Effective use of experts and the knowledge of co-creation partners

Issues and Initiatives Toward Achieving Nishimatsu-Vision 2030 and Medium-Term Management Plan 2025

To achieve profitability by FY2030, as set forth in Nishimatsu-Vision 2030, for Medium-Term Management Plan 2025 we will focus on two key measures: proactive business investment and high added value in our business. In particular, we plan to invest approximately 40 billion yen in growth over three years, with the period up to FY2025 being that of proactive business investment. I would like to use this investment to grow our renewable energy and urban development businesses.

Specifically, we are considering a growth scenario as shown in the diagram at the bottom left.

One example from our growth scenario is our geothermal power generation business in Oguni Town, Aso District, Kumamoto Prefecture. In December 2022, we took over operations of a hot spring binary power plant from a local business. Through this power plant, we will supply stable renewable energy to the local community. Although we are still at the beginning with Step 1, we aim to use this long-established community power plant to coexist and associate symbiotically with the local community and build a sustainable local recycling society by returning surplus heat and hot water generated from power generation projects to the local community and contributing to its further development. Through business operations that are deeply rooted in the local community, we will also aim to identify local issues and propose and implement solutions to them.

Contributing to SDGs

Using solar power generation installation business as a gateway to proposing solutions to resolving local issues

Munakata City Tourism and Local Product Center

We were selected as a business operator in a power purchase agreement (PPA) project to install solar panels on the roof of a tourism and local product center in Munakata City, Fukuoka Prefecture. The project duration is planned to be 20 years starting from 2023, and the expected power generation and CO_2 emission reduction amounts are 120,000 kWh/year and 35.9 t-CO_2/year, respectively, contributing to the reduction of local CO_2 emissions by the supply of clean energy. We also aim to use this project as a starting point to identify local issues in Munakata City and to propose solutions to resolve them.


Munakata City Tourist and Local Product Center

Selected for JOGMEC subsidy project for resource survey towards implementation of geothermal power generation

Geothermal resources survey of Mt. Usu

The geothermal resource survey that our Company is conducting in the southern area of Mt. Usu, Date City, Hokkaido, has been selected for the 2023 Japan Oil, Gas and Metals National Corporation (JOGMEC) subsidy project. This study aims to assess the amount of resources for geothermal power generation available in the area. Once the amount of resources has been confirmed and the viability of the business determined, our policy will be to drill geothermal wells and construct and operate a power plant. This is expected to lead to decarbonization and the creation of industry and employment through the effective use of local resources.


Geothermal resources survey of Mt. Usu

Technology Development

In working to achieve Nishimatsu-Vision 2030, the Technical Research Institute has taken the lead in developing technologies intended for infrastructure renovation and smart construction sites, as well as those that contribute to decarbonization and a recycling-oriented society.

Moving forward, we will continue to develop and provide new technologies that both support social infrastructure and create the future.

Renewal of infrastructures

Renewing tunnels without regulating traffic

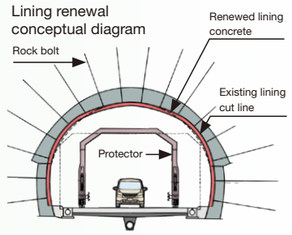
We undertook the Project of technology development of renewal of the mountain tunnel lining for the Hokuriku Expressway from Central Nippon Expressway Company Ltd. (FY2021-FY2022) and conducted the technology development work.

Assuming the renewal works of tunnel lining would be carried out while the traffic was in service, we developed the technologies of Cutting of existing lining, Design and Manufacturing of protectors, and Cast in-situ concrete. Finally, the requirements by the client were fully satisfied.

Moreover, we conducted the transport test of tunnel lining shutter using a multi-axis trolley assuming the condition that expressway would be allowed to be closed one night. The availability of delivery of tunnel lining shutter roughly one kilometer away from the site was verified and confirmed.

We leverage these results and aim to receive the orders for actual projects in the future.

Lining renewal conceptual diagram



Water jet cutting was used to develop the technology to cut the existing lining

A life-size collision test used to develop the protective work technology

Completed development pouring for renewed lining technology

Slide form transport test using a multi-axis trolley

Smart construction sites

Accelerating initiatives to enable operator-less mountain tunnel construction

In order to improve safety and reduce labor requirements for underground operations during mountain tunnel projects, we are developing Tunnel RemOS, an operator-less construction system for mountain tunnels, with a practical application target of FY2027.

During the first phase of the project, we sought to develop the remote-control systems (underlying technologies) for each of the seven main construction machine types, including wheel loaders, drill jumbos, and shotcrete machines. We have already completed development of the wheel loader remote-control system (Tunnel RemOS-WL), and are conducting on-site tests for actual operations.

During the second phase, we will effectively combine each of these underlying technologies with the aim of organizing a comprehensive system that enables the entire construction to be operator-less and automated.

Remote-control operations room　Remotely operated wheel loader

On-site tests for the wheel loader remote-control system (Tunnel RemOS-WL)

Technologies for decarbonization

Developing AAM* Concrete as a new cement-free construction material

Completely free of any cement, AAM Concrete instead uses blast furnace slag, a byproduct generated during the steel making process, as the powder and fine aggregate, and a uniquely formulated alkali solution to drive the reaction and curing process. AAM Concrete is a new construction material that reduces CO_2 emissions at the time of concrete production by more than 70% compared with conventional concrete, offers excellent strength development and freeze-thaw resistance, and can also be used for onsite construction and precast concrete products. This material was jointly developed with JFE Steel Corporation, Tohoku University, and Nihon University.

*AAM: Alkali Activated Materials

Concrete fluidity

Placing (bucket)

Placing (agitator car's shoot)

Precast concrete block

We received an individual rating from the Building Center of Japan for a medium- to large-sized wooden construction method for realizing medium- and large-scale wooden buildings

Against the backdrop of growing interest in the SDGs, expansion of ESG investments, activity to promote the use of timber resources, and the increasing availability of high-strength wooden building materials, medium- to large-sized wooden buildings have been attracting attention in recent years.

The Building Technique Research and Development Group, in which Nishimatsu Construction participates, developed a medium- to large-sized wooden construction method using a hybrid approach primarily based on a wooden framework, which received an individual rating from the Building Center of Japan in October 2022. By applying this method, we have enabled the construction of wooden buildings up to ten stories tall.

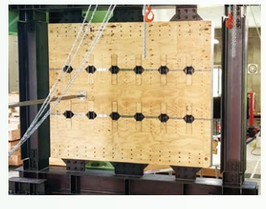
This method applies a steel rod insertion and adhesive bonding joint construction technique that was newly developed for the post and beam joint sections. The method also incorporates high-strength shear walls made of laminated veneer wooden panels, thereby dramatically increasing earthquake resistance compared to conventional wooden buildings.

The development of this method progressed through a joint research and development project with the Building Technique Research and Development Group, represented by ICHIURA HOUSING & PLANNING ASSOCIATES CO., LTD. Going forward, we will promote the application of this method in the actual construction of properties.

Medium- to large-sized wooden building construction method for which an evaluation has been acquired

Rigidity and strength testing for the post and beam joint section

A strength test loading jack was used to apply a horizontal force (equivalent to the force of an earthquake) to the post and beam joint section as part of a test to confirm the rigidity and strength of the post and beam joint section.



Rigidity and strength testing for shear walls

A loading jack was used to apply a horizontal force (equivalent to the force of an earthquake) to the shear walls as part of a test to confirm the rigidity and strength of the shear walls.

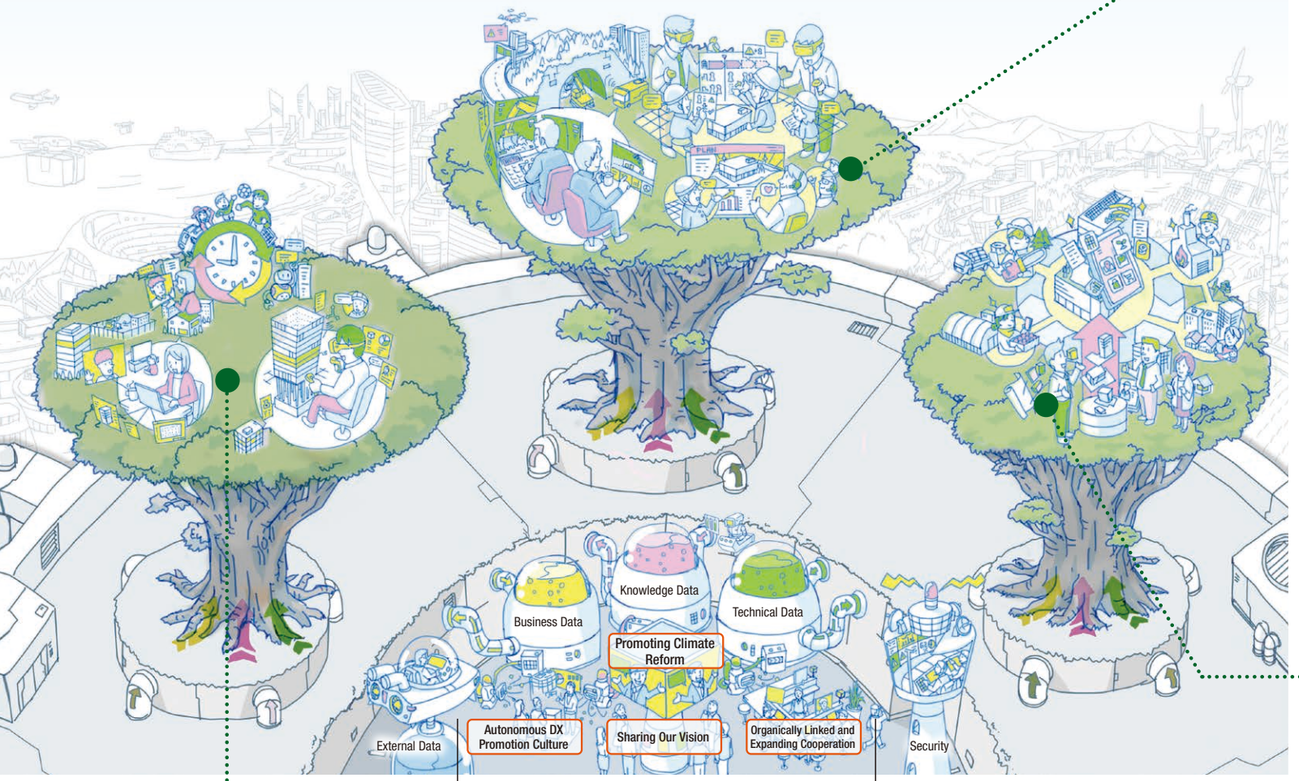
Digital Transformation Certification
Certified in July 2022

The DX certification system certifies that a company is ready to transform its business digitally (DXReady), including the formulation of a vision and the development of a strategy and system for realization of DX.

Nishimatsu DX Vision & Road Map

2030 and Beyond “We will Innovate Spaces Digitally”

Nishimatsu Construction will create security, vibrancy, and bonds between people at worksite “spaces,” “spaces” related to workstyles, and “spaces” that create and use buildings, real estate, and energy. In this way we will transform these into unconventional “spaces.” At the same time, we will provide these “spaces” to all those involved, including our employees, partner companies, and customers, as well as to society, communities, and towns.



A “Workstyle” Where Every Individual Can Play an Active Role in the Fusion of the Virtual and the Real

Together with the aim of creating an “I” that allows each individual to have a sense of fulfillment in their work, we will create growth resources by ensuring everyone demonstrates a high level of performance while maintaining a good work-life balance.

Workstyle DX that Guarantees Both Job Comfort and Job Satisfaction While Maximizing Capabilities

	Step 1: 2023-2026 Workstyle DX that enhances engagement			Step 2: 2027-2030 Workstyle DX that maximizes capabilities	
	Concept	Goals		Concept	Goals
Job Comfort	Work comfortably (flexible hours)	Freeing up time	Good work-life balance	Ability to focus on creative work	Ability to maximize one’s capabilities
	Freely select one’s work location				
	Share what needs to be done with colleagues	Ability to work with peace-of-mind		Ability to take on the challenge of creative work	
	Play an active role in various situations				
	Work under conditions that ensure health				
Job Satisfaction	Learn on one’s own	Ability to improve oneself and feel appreciated			
	Feel appreciated by customers and the Company				

Culture that Promotes Autonomous DX

We will promote autonomous DX initiatives by improving transformation skills through an individual transformation mindset and challenges

Organic Linkage and Expanding Cooperation

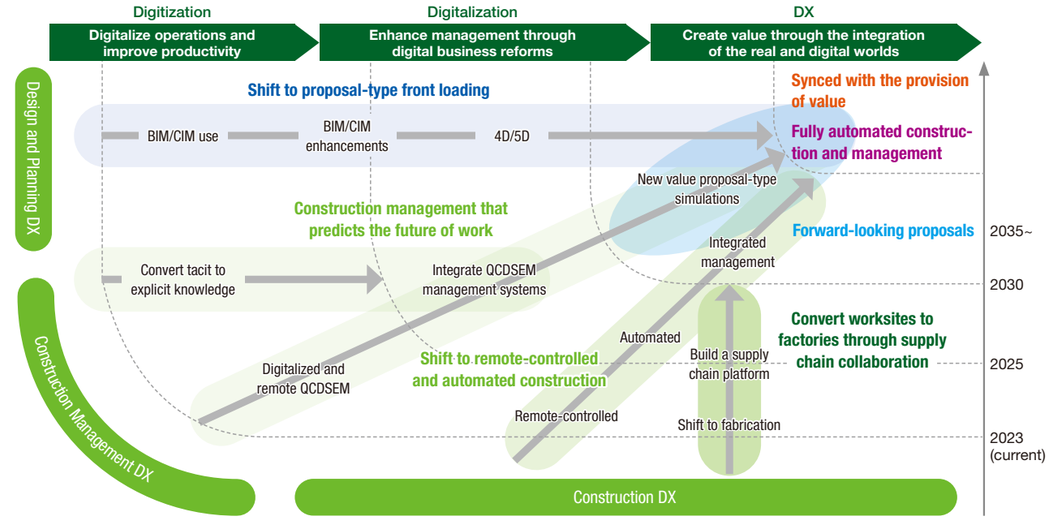
We will discover new opportunities for taking on challenges through information cooperation across organizations, and further expand our network through cross-organizational initiatives

See the Company’s website for details regarding our approach to DX. WEB https://www.nishimatsu.co.jp/dx/

Smart “Construction sites” with Synced/Integrated On-site Capabilities

We aim to create “smart (highly efficient) construction sites” that are able to correctly understand past and present conditions using data and technology, and predict the future (evolve), while applying digital technologies to further improve (deepen) the on-site capabilities that we have acquired thus far, through which we will support social infrastructure.

Development of new production systems



Businesses that Create New Services and Spaces in the Ecosystem

We will create an ecosystem that circulates data on construction, energy, and real estate in order to create new businesses that provide customers and society with unconventional and ideal spaces, and to contribute to the rebuilding of social functions.

Maximizing regional value and creating vibrancy by multiplying the creation of physical spaces with the creation of experiences

	2023~2025 Create vibrant spaces through the combination of business and digital tools		2030~
Business Concept	Create convenient, comfortable spaces to revitalize regional economic activity	Provide content support for regional vitality	Provide urban planning services offering a variety of physical spaces and experiences that revitalize regions
	Create attractive lifestyles and amusements in virtual spaces	Create new experiences through a combination of the Metaverse and AR/MR	
	Fully understand regions and provide secure lifestyles	Improve efficiency of space management costs	

Promote DX in the creation of physical spaces and human resources by the construction industry, aim for industry-wide quality improvements and supply capacity increases

	2023~2025 Provide know-how possessed by the construction industry in creating physical spaces and human resources		2030~
Business Concept	Bring manufacturing up to date and instill construction DX	Reduce workloads in the construction industry	Provide a fully digital construction platform for training, worksites, materials, and construction equipment, etc.
	Increase the population involved in construction and raise performance	Improve the working environment and solve the technical skill succession problem	
	Build an ecosystem to optimize the supply chain	Improve the flow of operations involved in transporting construction materials and equipment, etc.	

Special Feature Collaboration with ITOCHU Corporation

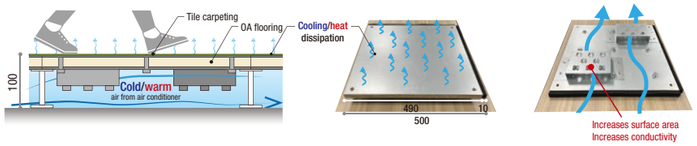
Through collaboration with ITOCHU Corporation (hereinafter referred to as “ITOCHU”) and the ITOCHU Group, and by combining each other’s management resources and know-how, Nishimatsu Construction will go beyond the boundaries of construction and provide people with security, vibrancy, and bonds.

Collaboration Topic 1

Office version of Yukarela all-air floor radiant air-conditioning system jointly developed

Nishimatsu Construction has jointly developed an office version of the Yukarela all air-blown floor radiant heating and cooling system with DAIKEN Corporation (hereinafter referred to as “DAIKEN”), an ITOCHU Group company.

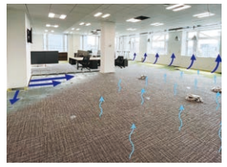
Going forward, we will work with DAIKEN to verify the product’s energy efficiency and comfort, while aiming to find practical applications.



Trials in Aikawa Technical Research Institute’s ZEB technology demonstration space

We completed the renovation work of the elemental technology demonstration space at Aikawa Technical Research Institute in March 2023, with the goal of strengthening ZEB design capabilities was completed in March 2023. For this renovation, we installed a different air-conditioning technology in each of the office spaces, for which the usage patterns were assumed to be different. From now on, the plan is to undertake the verification of their energy efficiency and comfort.

Exterior view of Aikawa Technical Research Institute



Yukarela air-conditioning system
While transmitting heat to the OA flooring by flowing air under the floor, solar radiation load is reduced by releasing it into the office from recirculating ports near windows

Collaboration Topic 2

Hotel development project "ASAI Kyoto" attracted Dusit International

Aiming to expand its Asset Value-Added Business, Nishimatsu Construction is investing in tourism-related assets as a growth area on which to focus.

Kyoto is one of the most popular tourist cities in the world, and we have been actively exploring business opportunities there. Planning to remain competitive over the long term, the Company and the ITOCHU Group attracted Japan’s first hotel brand from Dusit International (hereinafter referred to as “Dusit”), Thailand’s leading hospitality company, and ASAI Kyoto Shijo opened in June 2023. Thailand is also known as a country that is pro-Japan, and the number of visitors to Japan is expected to increase further in the years to come. Dusit is also committed to realizing a sustainable industry in Thailand, where the tourism industry is well-developed, by operating an educational business aimed at training the human resources involved in the hospitality industry. The fusion of Japanese and Thai tradition and culture provided by this hotel will add value, and we are aiming for ASAI Kyoto Shijo to become the hotel of choice for people from around the world.

In the years to come, we will continue to collaborate with ITOCHU, which is developing a range of businesses both domestically and internationally, to create businesses that are in line with Nishimatsu Construction’s asset investment strategy.

Special Feature Measures that Bring Solutions to Social Issues

We are committed to supplying stable renewable energy to the region and contributing to the further development of local communities.

Geothermal power generation (Waita Green Energy Geothermal Power Plant) Operations commence at the hot springs binary power generation plant

Nishimatsu Construction has launched a geothermal power generation project in Oguni Town, Kumamoto Prefecture. This project took its first steps after we obtained the business of a hot springs binary power plant that had been owned by Ishimatsu Noen Limited (Head office: Oguni Town, Aso District, Kumamoto Prefecture; President: Yuji Ishimatsu) . This hot springs binary power plant will make effective use of surplus steam from the hot spring wells. As the first project in our geothermal power generation business, we will acquire expertise in the development and operation of geothermal power plants coexisting with local communities, and position this facility as a pilot project to promote further geothermal development projects. In addition, since there is excess steam to be utilized, we plan to conduct various initiatives as a worksite that acquires know-how for future geothermal development, including demonstrations of smaller-scale binary power generation and field trials for the utilization of excess heat and excess hot water. We will continue to develop geothermal power projects as a purely domestic baseload power source, taking advantage of Japan’s potential as one of the world’s preeminent countries in terms of volcanic resources.

Power generation plant overview

Name: Waita Green Energy Geothermal Power Plant
Location: 2831-1 Nishisato, Oguni Town, Aso District, Kumamoto Prefecture
Power generation type: Hot springs binary power generation
Rated power output: 49kW

Building a Regional Recycling-Oriented Society

In our efforts to build a regional recycling-oriented society, we are planning to provide surplus hot water generated from hot springs binary power generation to Circulife, Inc., a company that taps the unused resource of Oguni cedar trees to produce wooden thread-derived herb dyes. Under the Nishimatsu Construction version of the zero-emission city concept, we aim to realize a regional recycling-oriented society by returning excess heat and hot water to local industries and supplying stable renewable energy to the region.

Herb-dyed products provided by Circulife

Co-Creation and Coexistence with Local Communities

With the aim of implementing this as a long-term project in Oguni Town over a period of 10 to 20 years, our goal is to position the power plant as a member of the community, and to contribute to the further development of the town while working with it in close cooperation to co-create and coexist with its residents.

Together with the local neighborhood association, we are engaged in activities to support the community. This includes covering aqueducts used for local agriculture and other purposes with metal plates that prevent sediment from blocking water passage.

Installation of metal plates on local aqueducts in collaboration with the local neighborhood association