



May 13, 2021

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CO., LTD.
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Notice Regarding Formulation of Medium-Term Business Plan (FY2021–FY2023)

WAKACHIKU CONSTRUCTION CO., LTD. (the “Company”) hereby announces that it has formulated the Medium-Term Business Plan (FY2021–FY2023) with FY2021 as the first year of the plan.

Under the previous Medium-Term Business Plan (FY2018–FY2020), the Company established a basic policy of “strengthening profitability by effectively utilizing management resources for further growth” and put all of its efforts into various initiatives for achieving the goals of the plan.

In the construction industry during this period, investment in the public sector and capital investment in the private sector were both firm and, based on a strong business environment overall, a trend of increasing sales and earnings in the business results continued until the second year (FY2019) of the plan and the Company was able to achieve its profit goals one year ahead of schedule. In the final year of the plan, although sales and earnings decreased significantly due to a drop in net sales of completed construction contracts, coupled with the provision for warranties for construction completed in the previous fiscal year, the equity ratio improved due to an increase in net assets during the plan period and, regarding dividends, the Company paid a 130th anniversary commemorative dividend and was able to achieve its goal of a dividend payout ratio of 25% or more for the final year.

Regarding the future business environment, although the novel coronavirus disease (COVID-19) is expected to have a prolonged impact on the global economy, we believe that the impact on the construction industry will be limited. In addition, the Japanese government’s national resilience policy and other continuing social infrastructure development are expected to be strong and, regarding private capital investment, a recovery is expected in demand over the long term, mainly in urban areas. However, there are concerns about a decrease in the number of construction workers in the future, and workstyle reforms, including five-day workweeks, increasing productivity, securing workers, etc. have become urgent issues for the entire industry. Companies are also being called upon to realize both economic value and social value and proactively respond to global warming and other social problems.

Based on this business environment, as a new start looking ahead to the 140th anniversary of the Company’s founding, the Company has formulated a long-term vision with a basic policy of “pursuing sustainability.” For the new Medium-Term Business Plan (FY2021–FY2023) during the first period of this vision, the Company is strengthening the business foundation and promoting ESG management. By promoting each basic strategy, aiming to be “a company able to respond to the expectations of all stakeholders,” and striving to achieve the goals of the plan with making company-wide efforts, the Company will improve its corporate value.

The figures presented in these materials regarding future plans are based on information available to the Company as of the date of this notice. Actual business results may differ due to various factors going forward.



Medium-Term Business Plan 〔2021-2023〕



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WAKACHIKU CONSTRUCTION CO., LTD.



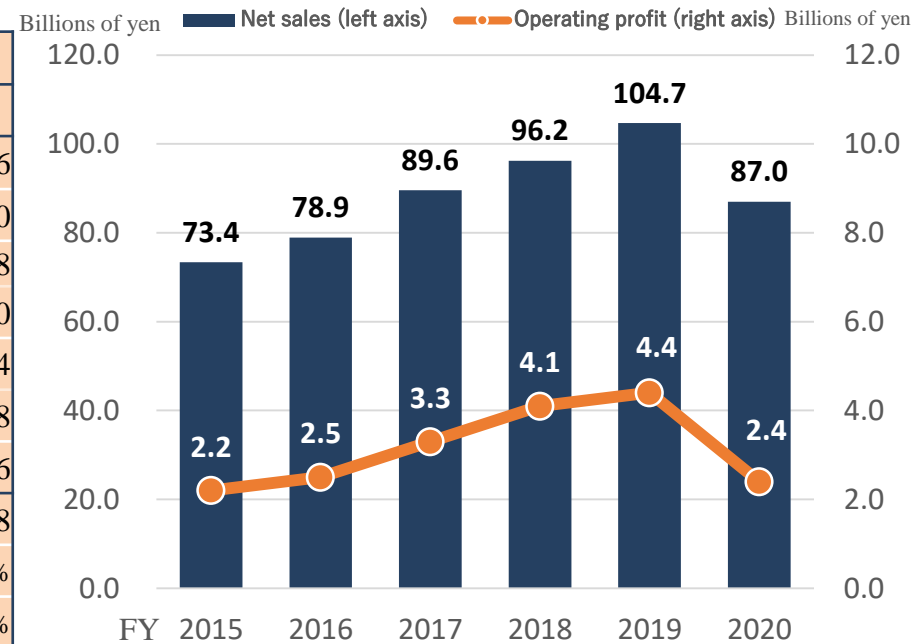
1. Previous Medium-Term Business Plan in Retrospect



1. Previous Medium-Term Business Plan (FY2018-FY2020) in Retrospect

● Review of quantitative targets (unconsolidated)

	FY2018		FY2019		FY2020	
	Target	Results	Target	Results	Target	Results
Construction orders received	95.0	92.1	97.0	95.4	100.0	87.6
Net sales	90.0	96.2	93.0	104.7	96.0	87.0
Gross profit	8.3	9.4	8.9	10.0	9.3	7.8
(%)	9.3	9.8	9.6	9.6	9.7	9.0
Operating profit	3.3	4.1	3.9	4.4	4.2	2.4
(%)	3.7	4.3	4.2	4.2	4.5	2.8
Ordinary profit	3.2	4.0	3.8	4.2	4.1	2.6
Net assets	—	28.1	—	29.8	30.0 or more	30.8
ROE	Approx. 9%	11.3%	Approx. 9%	9.7%	Approx. 9%	5.5%
Dividend payout ratio	20% or more	23.3%	20% or more	27.5%	25% or more	42.3%



- **Construction orders received:** Construction orders received were below target and decreased markedly by 7.7% in FY2020 due to the COVID-19 pandemic.
- **Operating profit margin:** The target was achieved in FY2018 and FY2019, but the OPM fell significantly below the target in the plan's final fiscal year as a result of the Company having recognized provision for warranties for construction completed with respect to construction projects in the previous fiscal year, in addition to a downturn in net sales of completed construction contracts.
- **Net assets:** Net assets surpassed the target of ¥30.0 billion for the final fiscal year of the plan.
- **ROE:** ROE significantly exceeded the targets for FY2018 and FY2019, but fell short of the target for the final fiscal year of the plan for the aforementioned reasons.
- **Dividend payout ratio:** The Company paid dividends exceeding the plan's target.

1. Previous Medium-Term Business Plan (FY2018-FY2020) in Retrospect

● The basic strategies in retrospect

○ Gradual increasing net sales of completed construction contracts centered on quality and safety

- Net sales of completed construction contracts: ¥88.8bn (2017) → ¥95.4bn (2018) → ¥104.1bn (2019) → ¥85.9bn (2020)

○ Further strengthening of civil works segment

- Disseminate ICT technologies; Upgrade construction information modeling (CIM) at ports; Adopt AI technologies

○ Upgrading the private sector segment

- Orders related to renewable energy: Maintain high proportion of orders related to renewable energy
- Private sector architecture: Expand into multiple fields (expressway service areas, biomass power generation facilities, etc.)

○ Staffing, employee training, and enhancing worker vitality

- Gradually increase recruitment of recent graduates; Actively offer internships; Create Wakachiku Construction Scholarship Program
- Launch Wakachiku Employee Education Project “Hagukumi”

○ Strengthening foundations of overseas business

- Orders involving large construction projects → Increase in business volume

○ Aggressive capital investment in further growth

- Aggressive investment in ICT-related R&D → Worksite adoption of labor-saving technologies, safety management technologies, etc.
- Shift to monetary payment for subcontracting

○ Engaging in initiatives involving workstyle reforms

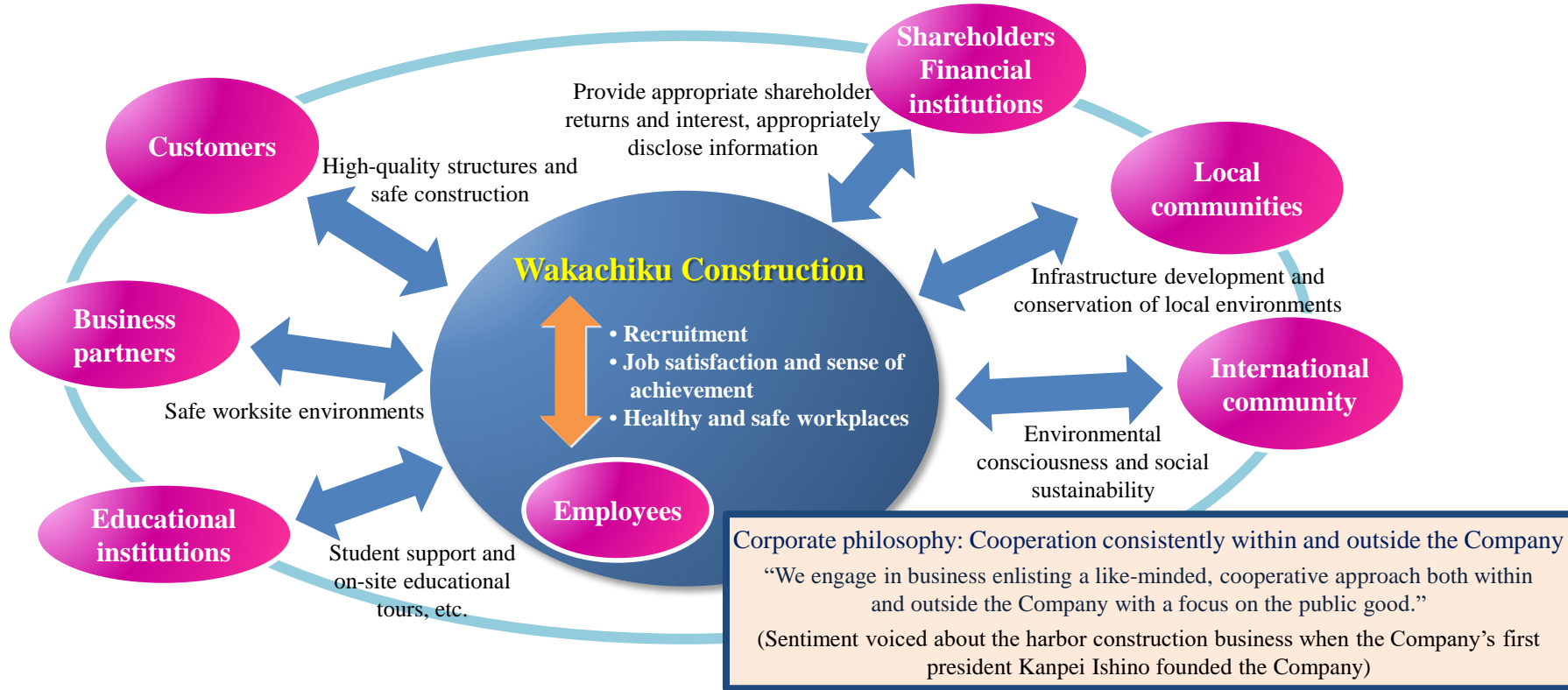
- Draw up roadmap for five-day workweek; Improve work using ICT and shift to digital solutions for on-site work
- Empowerment of female employees: “Kensetsu-Komachi” commendations and special awards for empowerment of women; Appointment of women to serve as outside directors



2. Long-term Vision



Vision = Serve as a company that meets the expectations of all of its stakeholders

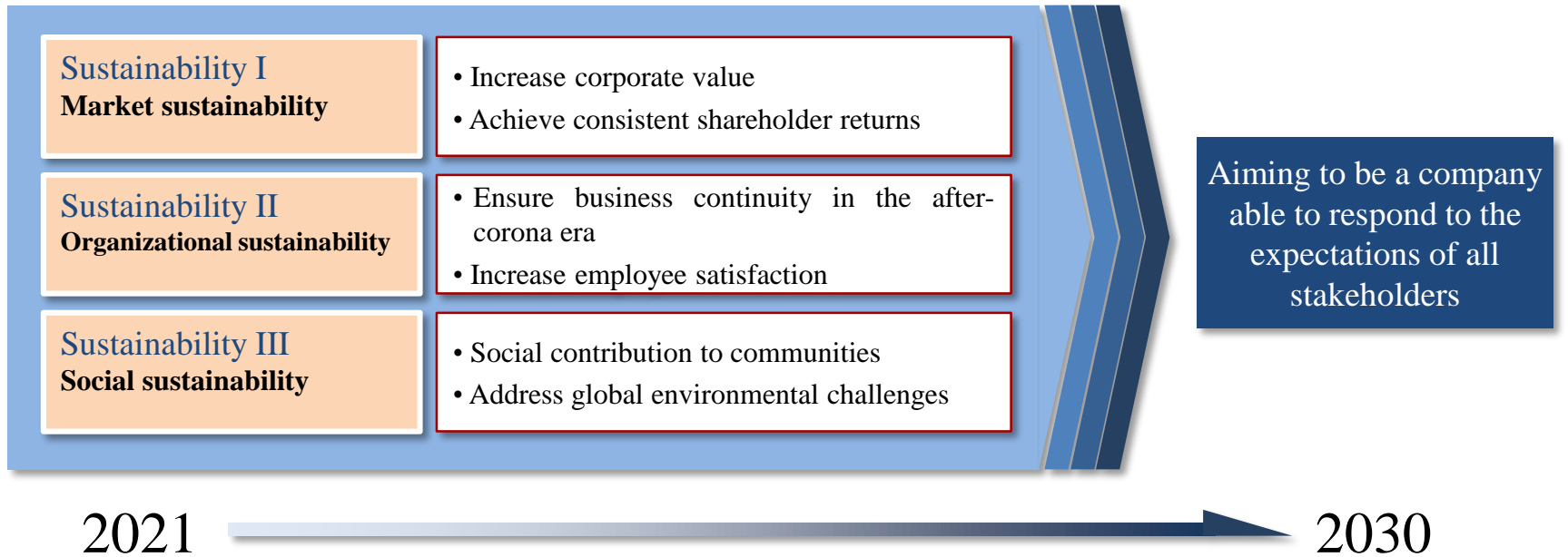


Working together to achieve a sustainable society



“Leave no one behind” serves as a principle underpinning the Sustainable Development Goals (SDGs)

Pursuing sustainability: Looking toward Wakachiku Construction's 140th anniversary
 Pursuing **three components of sustainability** underpinned by construction centered on quality and safety



Medium-Term Business Plan

Phase 1 (2021-2023)
 Strengthen business foundations and promote ESG management

Phase 2 (2024-2026)

Phase 3 (2027-2029)

SUSTAINABLE DEVELOPMENT GOALS
 Wakachiku Construction's 140th anniversary





3. Medium-Term Business Plan FY2021-FY2023



	Sustainability I Market sustainability	Sustainability II Organizational sustainability	Sustainability III Social sustainability
The Company's challenges	<ul style="list-style-type: none"> • Improve PBR • Upgrade information disclosure 	<ul style="list-style-type: none"> • Worksite employee mix • Ensure productivity 	<ul style="list-style-type: none"> • Enhance initiatives to address SDGs
Related circumstances	<ul style="list-style-type: none"> • Securities market restructuring • Amendments of the Companies Act and Corporate Governance Code 	<ul style="list-style-type: none"> • Workstyle reforms • Securing workers 	<ul style="list-style-type: none"> • Carbon neutrality • Expectations for renewable energy

Essential strategies

Strengthen business foundations and promote ESG management

Strengthen business foundations	Environment (E)	Social (S)	Governance (G)
<ul style="list-style-type: none"> ▶ Enhance planning and proposal capabilities to address customer needs ▶ Increase productivity ▶ Enhance human resources ▶ Strengthen financial standing 	<ul style="list-style-type: none"> ▶ Focus on field of renewable energy ▶ Reduce CO₂ emissions in construction work ▶ Improve marine environments through efforts that include those involving blue carbon ecosystems 	<ul style="list-style-type: none"> ▶ Provide safe and top-quality infrastructure ▶ Achieve rewarding workplace environments in the after-corona era ▶ Develop professionals for the construction industry ▶ Achieve coexistence with partner companies ▶ Contribute to local communities 	<ul style="list-style-type: none"> ▶ Manage risks based on new approaches ▶ Strengthen governance practices ▶ Ensure thorough compliance ▶ Strengthen IR



● **Business strategy:** Enhance planning and proposal capabilities to address customer needs

▶ **Civil works business**

- Increase share of work involving government agencies by improving capability to make comprehensive assessments and proposals
- Maintain and increase orders related to renewable energy
- Enhance sales capabilities involving planning and proposals for private-sector customers
- Strengthen handling of the ECI order method



Kyushu Shinkansen Ureshino Overpass



Hirara Port Wharf (-10m)



Shichiri-nagahama Wind Farm



Showa Yokkaichi Sekiyu Co., Ltd.
Yokkaichi Refinery Pier

▶ **Overseas business**

- Actively seek involvement in ODA projects
- Strengthen sales efforts geared to Japanese companies seeking overseas expansion
- Train local engineers



Port of Apia (Samoa)

▶ **Architecture business**

- Expand into multiple fields: Factories, warehouses, transportation facilities, hospitals, schools, etc.
- Strengthen sales in port areas: Hinterland in international strategic ports, etc.
- Work in partnership with the real estate business

▶ **Real estate business**

- Make effective use of real estate holdings
- Enhance efforts with revenue-generating lease properties



Biomass power plant



Expressway service area facilities



Elementary school building



Hospital



Residential care housing for senior citizens



● Increase productivity: Promotion of Wakachiku digital transformation (DX)

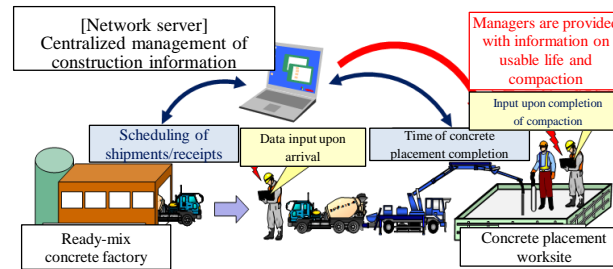
- ▶ R&D regarding labor-saving construction
- Upgrade semi-automated systems using ICT
- Develop precast technologies
- Contactless, remote technologies, etc.

SDG KPIs to be achieved by 2030

Achieve five or more technological developments that boost work productivity by 20% (One technological development completed and two in process thus far)



Underwater Gyro that controls suspended load rotation



Concrete compaction management system

- ▶ Establishment of worksite support rooms
- Strengthen efforts to take on BIM/CIM
- Promote and instill worksite ICT



Scenario involving adoption of Port CIM

- ▶ Operational streamlining
- Enhance coordination among existing systems
- Adopt robotic process automation (RPA), etc.

● Enhance human resources

- ▶ Bolster recruitment efforts
- ▶ Promote diversity
- ▶ Improve employee engagement through workstyle reforms
- ▶ Deploy the “Hagukumi” education system



Online employee training

● Strengthen financial standing

- ▶ Achieve flexible and consistent financing
- ▶ Shorten the cash conversion cycle
- ▶ Improve the equity ratio

Environment (E)



● Focus on field of renewable energy



- ▶ Engage in initiatives involving offshore wind power
 - Carry out R&D on reducing construction costs
 - Take part in business involving maintenance of facilities related to offshore wind power
 - Engage in initiatives that involve building multi-purpose work vessels
- ▶ Take part in business involving large-scale biomass power
- ▶ Continue work involving solar and small hydropower



Akita Port



Noshiro Port

Offshore wind terminal maintenance

SDG KPIs to be achieved by 2030

Construction of renewable energy-related facilities
Cumulative annual power generation of 10 billion kWh

Cumulative total of 3 billion kWh thus far

● Reduce CO₂ emissions in construction work



- ▶ Operate hybrid dredgers
- ▶ Increase work productivity
- ▶ Use low carbon fuel (BDF, GTL, etc.)
- ▶ Set up worksite-based solar houses

Wakawashi-maru hybrid dredger (Owned by Wakachiku Construction)

- Environmentally-sound engine-driven generators
- Use of regenerative energy
- ICT dredging management system



SDG KPIs to be achieved by 2030

30% reduction in CO₂ emissions at the construction phase (relative to 1990)

26% average reduction over the last 3 years

● Environmental restoration & reduction of environmental impact



- ▶ Environmental restoration business
 - Lake and river dredging
- ▶ Develop technology for reducing environmental impact
 - Technology for reducing volume of dredged soil
 - Technology for effective utilization of construction byproducts



Sediment removal at Shinjuku Gyoen National Garden

● Redouble efforts to improve marine environments



- ▶ Beach cleaning and other volunteer initiatives
- ▶ Initiatives involving blue carbon ecosystems
- ▶ Reduction of pollution in maritime construction



Beach cleaning campaign



Social (S)

● Provide safe and top-quality infrastructure

- ▶ Eliminate occupational accidents: Effective risk assessment practices
 - Worksite deployment of crane camera AI
- ▶ Enhance quality control systems (better worksite communication)
 - Quality advisor system and cross-checking patrols
 - Construction patrols performed remotely
- ▶ Improve skills of technical workers
 - Hierarchy-specific online education and training
 - Upgrading skills enlisting recurrent education programs



Worker recognition through crane camera AI



Patrols performed remotely

● Achieve rewarding workplace environments



- ▶ Promote health management
- ▶ Fully implement the five-day workweek
 - Operational streamlining enlisting Wakachiku digital transformation (DX)
 - Outsourcing of on-site work
- ▶ Improve work-life balance through a diverse range of work arrangements
 - Adoption of telework arrangements



Daily meeting for telework employees

● Achieve coexistence with partner companies



- ▶ Integrated initiatives to achieve worksite labor savings
- ▶ Support employee education including technology sharing sessions
- ▶ Provide support for administering construction career advancement programs

● Develop professionals for the construction industry



- ▶ Human resource development programs for laying the foundations of a maritime nation
 - Educational programs enlisting industry-government-academia collaboration; Wakachiku Scholarship Program
- ▶ Worksite tours, visiting lectures, internship programs

● Contribute to communities



- ▶ Initiatives for projects on disaster prevention and mitigation
- ▶ Social assistance for areas in the vicinity of construction sites
 - Patrols, cleaning campaigns, etc.
- ▶ Donation campaigns (LED nighttime lighting, etc.)
- ▶ Tours of Wakachiku Museum
 - Education on the history and roles of the construction industry



Wakachiku Museum

Governance (G)



● Manage risks based on new approaches

- ▶ Engage in thorough measures to combat infectious disease
 - Ensure social distancing initiatives that include contactless and remote solutions
 - On-site work arrangements aligned with status of infection
- ▶ Draw up business continuity plans for the new normal era
 - Enhance systems for gathering information in the event of crisis, etc.
- ▶ Strengthen core systems
 - Shift to cloud data storage and bolster information security



Shielding using acrylic board



Social distancing at morning gatherings

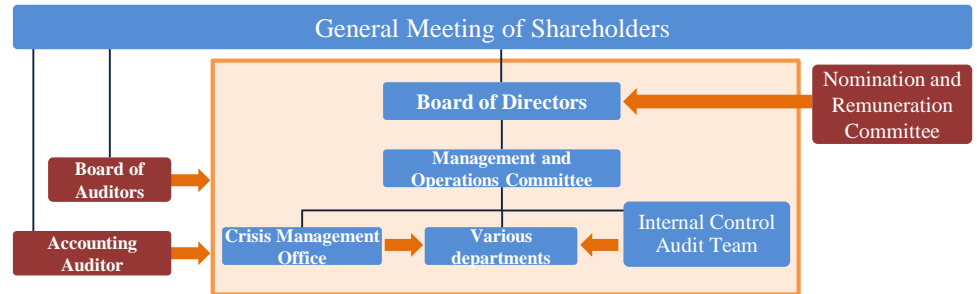


Contactless body temperature measurement

● Strengthen governance practices



- ▶ Instill the corporate philosophy: Cooperation consistently within and outside the Company
- ▶ Strengthen the governance framework
 - Increase the number of independent outside directors, which are to account for at least one-third of the number of directors
 - Ensure effective administration of the Nomination and Remuneration Committee
 - Adopt performance-linked remuneration and stock-based compensation plans



● Ensure thorough compliance

- ▶ Effectively operate internal and external reporting systems
- ▶ Have the Crisis Management Office flexibly take action
- ▶ Enhance audits performed enlisting respective management systems



Integrated quality and environmental management systems

Internal control system

Occupational safety management system

Disaster prevention management system

● Strengthen IR

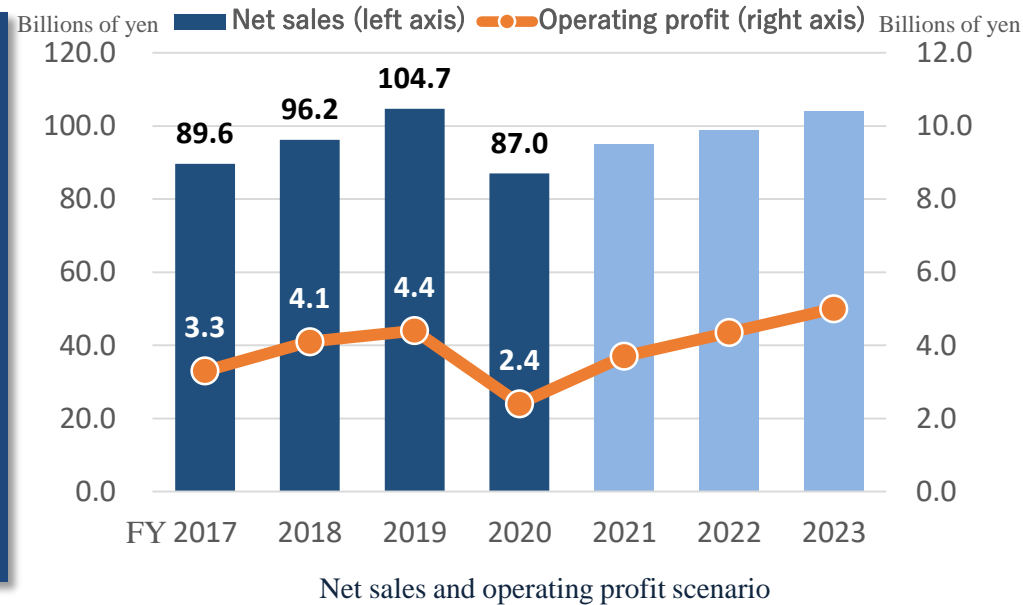


- ▶ Achieve consistent shareholder returns
 - Review and implement share buybacks
- ▶ Ensure truthful and timely information disclosure
 - Issue corporate reports
 - English-language information disclosure (financial result reports, corporate website)
- ▶ Enhance dialogue with shareholders and investors

Quantitative business targets

(non-consolidated, final fiscal year of the MTBP)

Construction orders received	¥100.0 billion
Operating profit	¥5.0 billion
ROE	9%
Dividend payout ratio	30%
Equity ratio	40%



Investment plans

Capital investment	Ship machinery, profit-generating real estate, etc.
R&D investment	Geotechnical, concrete, maritime construction, ICT construction, environment, etc.
DX investment	ICT equipment, rationalization of core systems, etc.
HR investment	Hierarchy-specific training, scholarship programs, improving recruitment, etc.

Estimated investment of ¥8.0 bn over three years