



WAKACHIKU CONSTRUCTION CO., LTD.

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# Medium-Term Business Plan 2024-2026



May 14, 2024

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In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

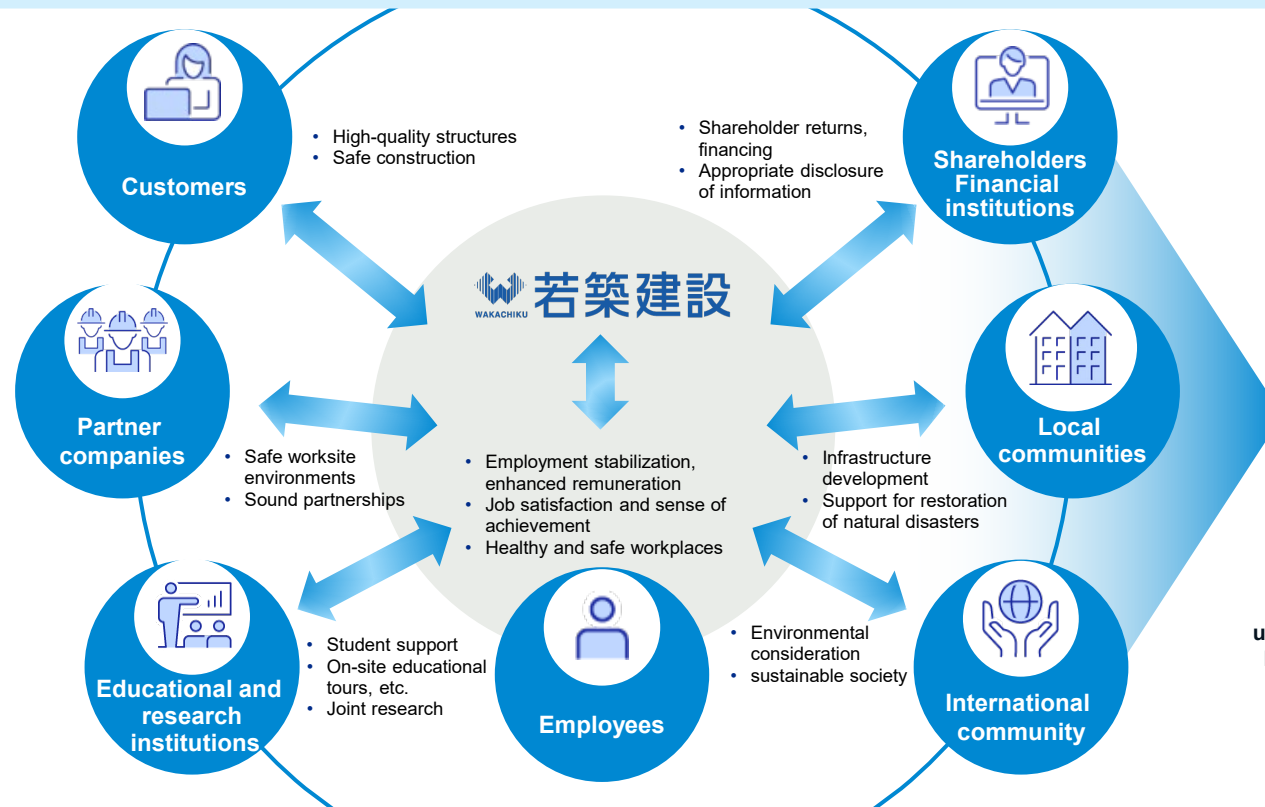
# Long-term Vision 2030 — Ideal Target in 10 Years

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

Corporate philosophy “内外一致 同心協力”

“We engage in business enlisting a like-minded, cooperative approach both within and outside the Company with a focus on the public good.”

(Sentiment voiced about the harbor construction business when the Company's first president Kanpei Ishino founded the Company)



Working together to achieve a sustainable society



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

# Long-term Vision 2030

## Pursuing sustainability: Looking toward Wakachiku Construction's 140<sup>th</sup> anniversary

Pursuing three components of sustainability underpinned by construction centered on quality and safety

### 2030

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

SUSTAINABLE DEVELOPMENT GOALS

 若築建設

Wakachiku Construction's 140<sup>th</sup> anniversary

Sustainability I  
**Market sustainability**



- Increase corporate value
- Achieve consistent shareholder returns

Sustainability II  
**Organizational sustainability**



- Ensure business continuity in the after-corona era
- Increase employee satisfaction

Sustainability III  
**Social sustainability**



- Social contribution to communities
- Address global environmental challenges

### Medium-Term Business Plan

Phase1 (2021-2023)

Strengthen business foundations and promote ESG management

Phase2 (2024-2026)

Pursuing sustainability through greater coordination with stakeholders

Phase3 (2027-2029)

# Review Up to Previous Medium-Term Business Plan

On average, past Medium-Term Business Plans (FY2015 to FY2023) achieved target profits, but we recognize issues and room for growth in terms of orders.

	2015-2017	2018-2020	2021-2023			
	Further strengthen business foundations	Embark on a new stage on the 130 <sup>th</sup> anniversary since foundation in 2020	Strengthen business foundations and promote ESG management			
Units: million yen						
	Target	Results	Target	Results		
Orders	100,000	▶ 91,400	100,000	▶ 95,417 (2019)	100,000	▶ 100,873
Operating profit	2,970	▶ 3,312	4,200	▶ 4,450 (2019)	5,000	▶ 6,534
Profit	2,400	▶ 2,679	-	▶ 2,798 (2019)	-	▶ 4,968
ROE	Around 10%	▶ 10%	Around 9%	▶ 9.7%	9%	▶ 12.1%

# Review of Previous Medium-Term Business Plan (FY2021 to 2023)

## Basic Strategies of Previous Medium-Term Business Plan

### 1 Strengthen business foundations

- Enhance planning and proposal capabilities to address customer needs
- Increase productivity
- Enhance human resources
- Strengthen financial standing

#### Achievements

- Established new Technical Planning Department for increasing proposal capabilities
- Achievements with ECI projects (Mageshima, Tanga Market)
- Renewable energy facilities: participation from basic design
- VE proposals for private projects
- Increased efficiency with ICT construction
- Increased numbers of female engineers and ratio of male employees taking childcare leave
- Increased equity ratio (50.5% in March 2024)

### 2 Environment (E) — Promoting ESG management

- Focus on field of renewable energy
- Reduce CO<sub>2</sub> emissions in construction work
- Improve marine environments through efforts that include those involving blue carbon ecosystems

#### Achievements

- Developed the wind-blade-install construction method
- Improved the offshore wind power division
- Used GTL fuel
- Adopted green power
- Proposed measures to management local governments to protect against rocky-shore denudation

### 3 Social (S) — Promoting ESG management

- 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

#### Achievements

- Disaster response (removal of pumice stone and drifting objects, transport of relief supplies)
- Flexible workstyles in response to COVID-19 pandemic
- Enhanced scholarship program
- Supported regional promotion efforts (Kitakyushu area)
- Supported introduction of CCUS
- Certified as Excellent Corporation for Health Management

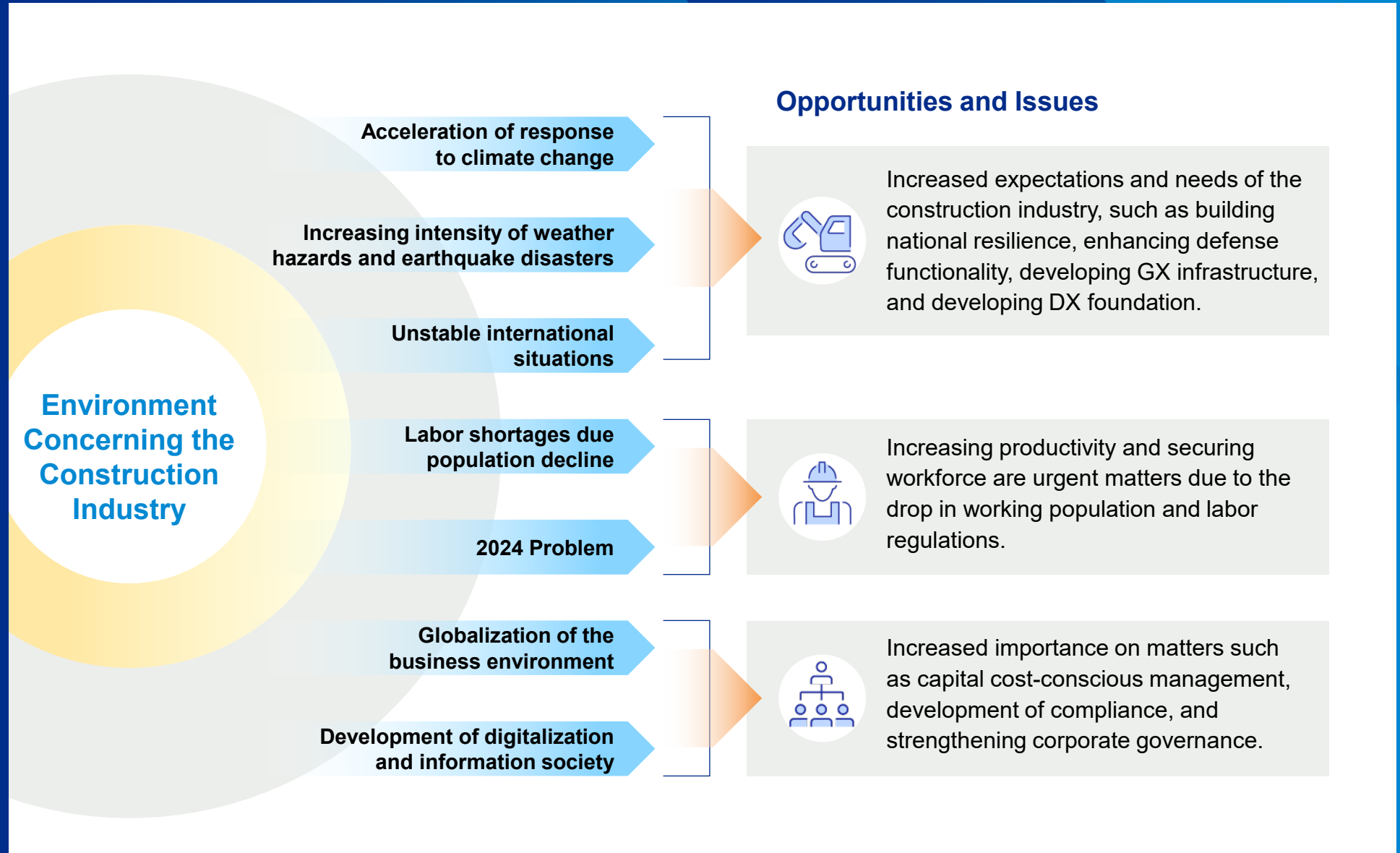
### 4 Governance (G) — Promoting ESG management

- Manage risks based on new approaches
- Strengthen governance practices
- Ensure thorough compliance
- Strengthen IR

#### Achievements

- Implemented workplace COVID-19 vaccinations
- Supported influenza vaccinations
- Achieved structure with 1/3 external directors
- Ensured thorough harassment training
- Increased disclosure in English

# Environment Concerning the Construction Industry



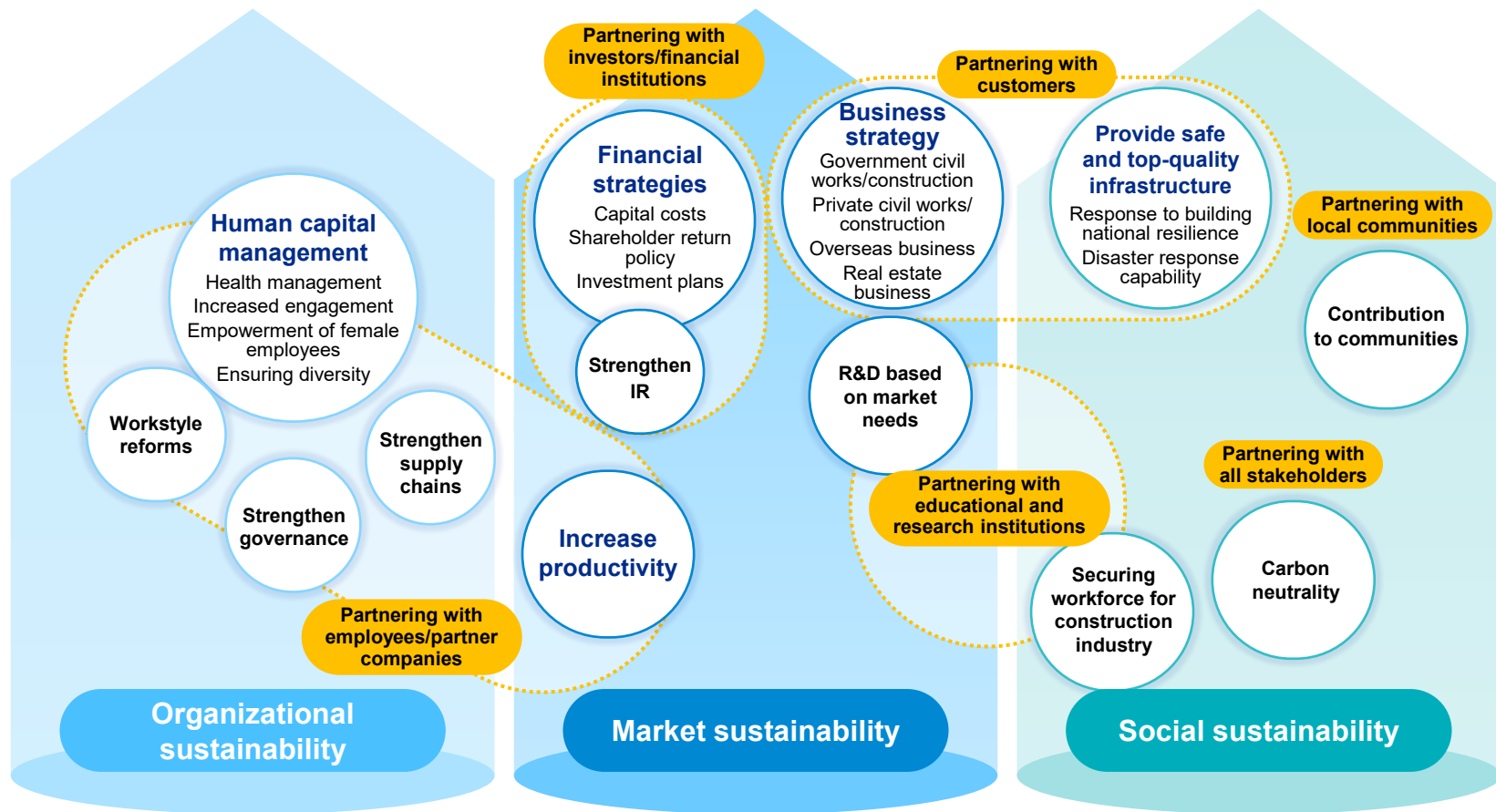
# Medium-Term Business Plan <2024 to 2026> Basic Policies

## Phase 2: Strengthening foundation for growth

Pursuing sustainability through greater coordination with stakeholders

Ideal vision in 10 years

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





# Business Strategy — Achieve larger scale and greater profitability of projects through business development that leverages the strengths of each division

## Government

Greater technical proposal capabilities  
Greater response to ECI systems  
Greater comprehensive evaluation proposal capabilities

### Civil works

- Cover a wide range of infrastructure development projects with a focus on harbors and airports (including defense applications)
- Greater response to large-scale onshore works (rivers, roads, rail, land improvement projects, etc.)

### Construction

- Cater to defense-related facility business
- Expressway facilities (service areas, etc.)
- Construction of environment-related facilities such as waste processing plants

## Overseas business

- Focus on ODA projects
- Increase sales to private Japanese companies in the new energy sector, etc.
- Develop new markets such as coastal regions of Africa
- Build employee system for expanding business, including education of management personnel and training of local engineers and supervisors



## Private

Greater design proposal capabilities  
Business development centered on the renewable energy sector

### Civil works

- Strengthen organization by creating new energy division
- Cover extensive renewable energy business such as offshore wind power, onshore wind power, biomass, and small hydroelectric power businesses
- Provide comprehensive engineering, from surveys, design and construction to maintenance

### Construction

- Proactive approach to large-scale projects such as logistics facilities and renewable energy facilities
- Greater planning proposal capabilities leveraging BIM, etc.
- Expand design division with a view to increasing projects

## Real estate business

- Continue investment into rental properties with stable income
- Effective use of existing assets

Partnerships



Customers



Partner companies



# Business Strategy — Business development in new energy sector

## As a key player in offshore wind power generation business



**JWFC SUNRISE**

- Preparing to respond to 2<sup>nd</sup> round and 3<sup>rd</sup> round of the project based on extensive achievements such as development of wind hub ports and undersea seabed surveys
- Joint ownership between 6 companies of jack-up vessel “JWFC SUNRISE”
- Studies for construction and ownership of offshore wind power jack-up vessels
- Streamlining and cost-cutting construction
- GI Fund: Participation in floating offshore wind power projects

## Other renewable energy businesses



**Wind-blade-install construction method**

- Onshore wind power generation — development of wind-blade-install construction method, capability for replacement work
- Small hydro power generation, biomass power generation, etc. — business development based on construction achievements
- Ocean thermal energy conversion, wave power generation, tidal power generation, geothermal power generation, etc. — extensive R&D and support

### Initiatives as a renewable energy business operator

- Participation in Akita small hydro power generation business

## Extensive construction achievements



Offshore wind power hub ports



Onshore wind power



Mega solar



Biomass



Small hydro power

Partnerships



Customers



Partner companies



Local communities

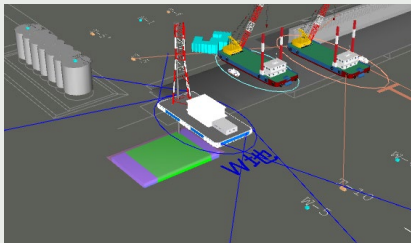
# Increase productivity



## For further increases in productivity

### Instill and enhance worksite ICT

- Development of ICT infrastructure foundation (LPWA, expansion of on-site IoT)
- Standardization of remote site live system
- Full-scale roll-out of BIM/CIM, etc.
- Digital transformation of construction management (data sharing with system utilization)



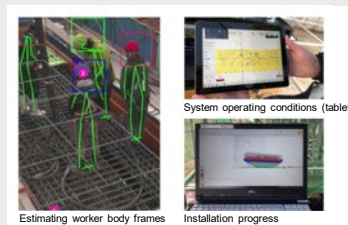
Example of CIM utilization



Example of BIM utilization

### R&D for streamlining construction

- Concrete AI compaction management system
- Fine-tuning pre-cast technology
- R&D for autonomous/automated work vessels
- Further advances in ICT construction (automation, semi-automation, etc.)
- Reduction in man-hours by utilizing metaverse technology



Concrete AI compaction management system

Partnerships



Customers

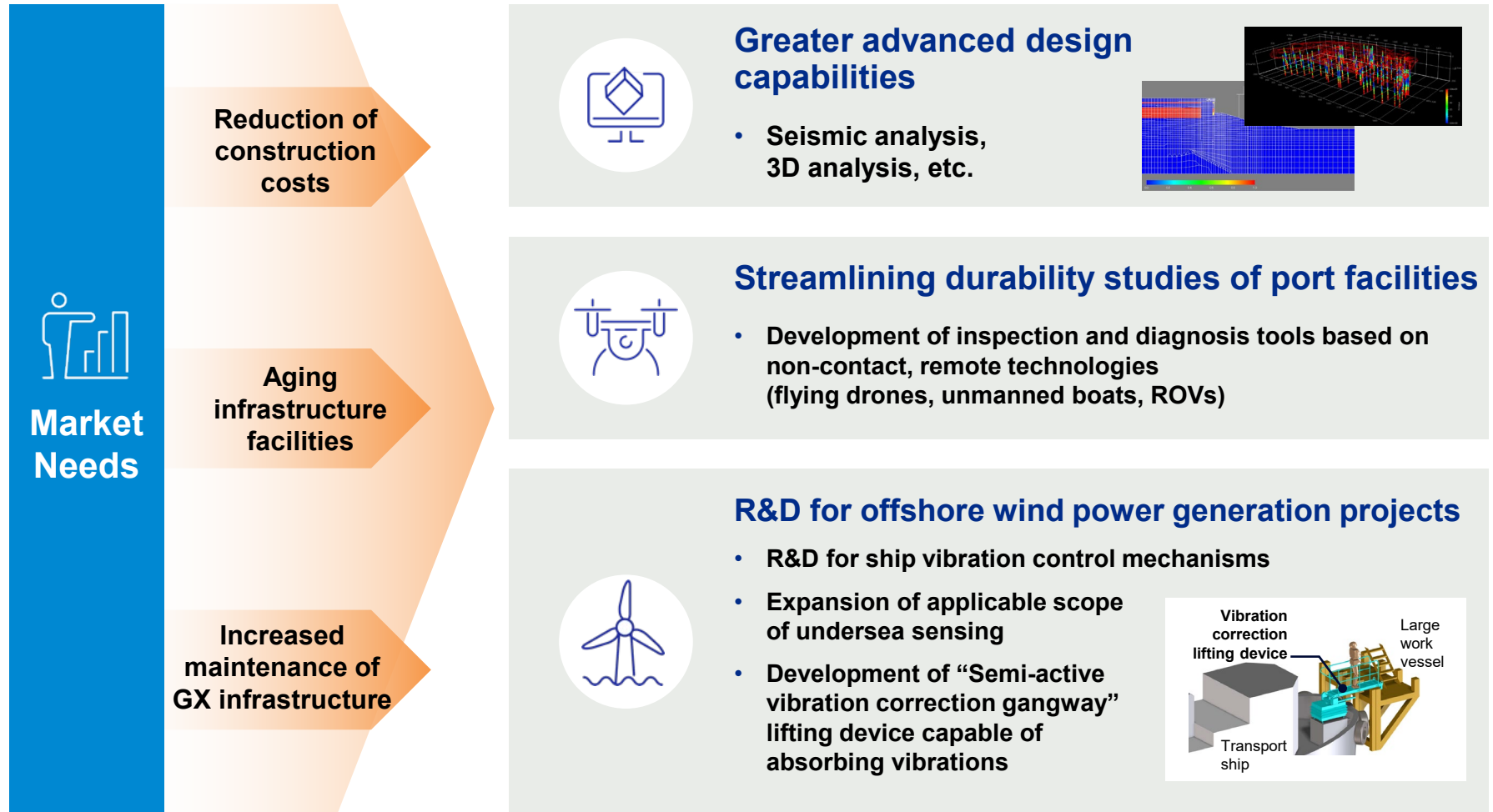


Partner companies



Educational and research institutions

# R&D based on market needs



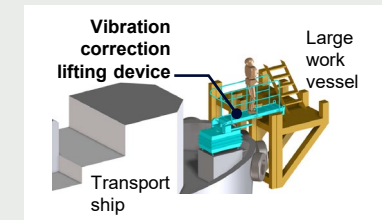
Partnerships



Employees



Customers

Educational and  
research institutions

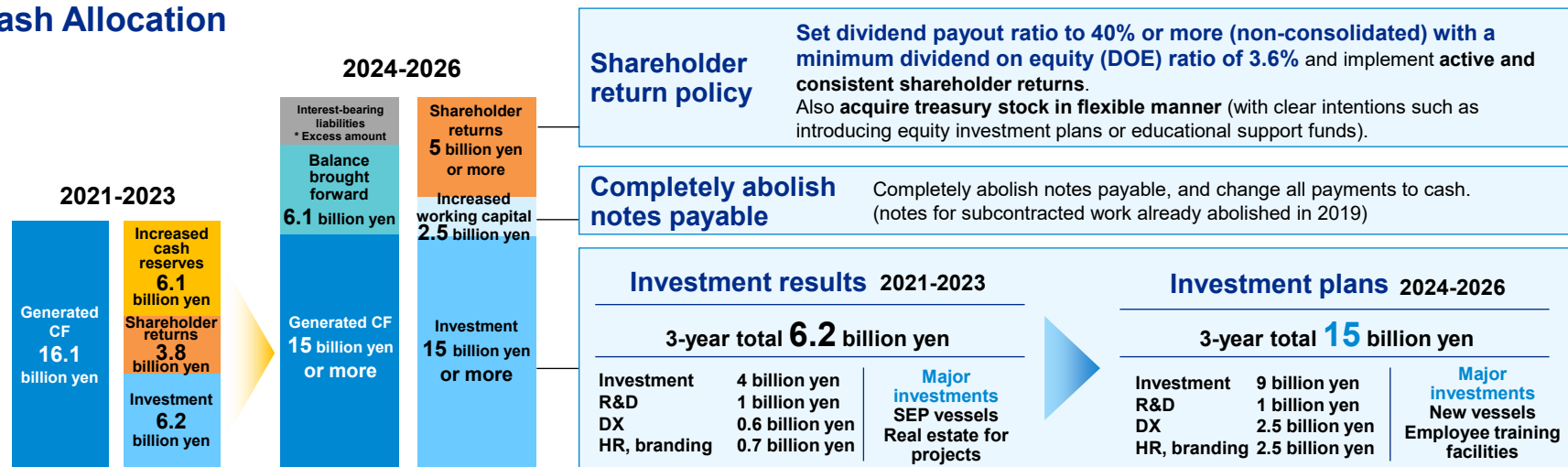
# Financial Strategies/Strengthen IR

## Financial strategies

### Capital Efficiency

Achieve “consistent and active shareholder returns” and “effective investments” to secure operating profits, with the aim of maintaining a reliable ROE of 9%

### Cash Allocation



## Strengthen IR

### Enhanced IR activities

- Financial briefing by top management
- Hold active dialogue with investors and provide feedback to the Board of Directors **KPI**
- Comprehensive corporate report
- Enhance information disclosed in English

### Environmental-related information disclosure

- Continue TCFD disclosures
- Acquire third party certification for GHG emissions

### Actively introduce external sustainability-related evaluations



# Human capital management



## Create a rewarding and comfortable environment

- Continue promoting health management
- Conduct work engagement surveys **KPI**
- Increase ratio of male employees taking childcare leave **KPI**
- Consider rolling out share incentive plan for employees



## Secure human resources

- Bolster recruitment efforts **KPI**  
(develop appealing personnel system, promote corporate branding)
- Promote diversity **KPI**
- Appoint female managers, employ the physically challenged, diverse workstyles, etc.
- Employment system for harnessing “work abilities” of seniors
- Increase recruitment of ship crew for group companies



## Nurture human resources

- “Hagukumi” education program  
(enhance skills of young employees)
- Enhance hierarchy-specific training
- Support acquisition of qualifications
- Develop employee training facilities



Partnerships



Employees



# Workstyle Reforms/Strengthen Supply Chain Coordination

## Workstyle reforms

Create comfortable work environment to address labor shortages and increase productivity



### Enhance worksite support system

- Assign operations support supervisor
- Remote support through outsourcing
- Enhance productivity improvement training



### Streamline operations through Wakachiku DX

- Develop Wakachiku data platform
- Utilize generative AI company-wide
- Thorough reduction of documents



### Secure appropriate construction time

- Declaration to secure appropriate construction time
- Implement full 2 holiday week system KPI



### Reform awareness for reducing overtime work

- Reminders with PC log system

Partnerships



Employees



Customers



Partner companies

## Strengthen supply chain coordination

Maintain positive relations with partner companies and customers, and strengthen coordination.



### Strengthen coordination with partner company organizations

- Exchange information by top management
- Support skills improvement by implementing mutual training and group training programs
- Increase safety awareness through joint safety patrols
- Initiatives to secure employees, such as support for registering construction career advancement system
- Completely abolish notes payable (cash for all payments)



### Express stance of solidarity for co-existence and co-prosperity

- Partnership declaration
- Create and spread code of conduct for partner companies to encourage consideration for human rights and environment

Partnerships



Customers

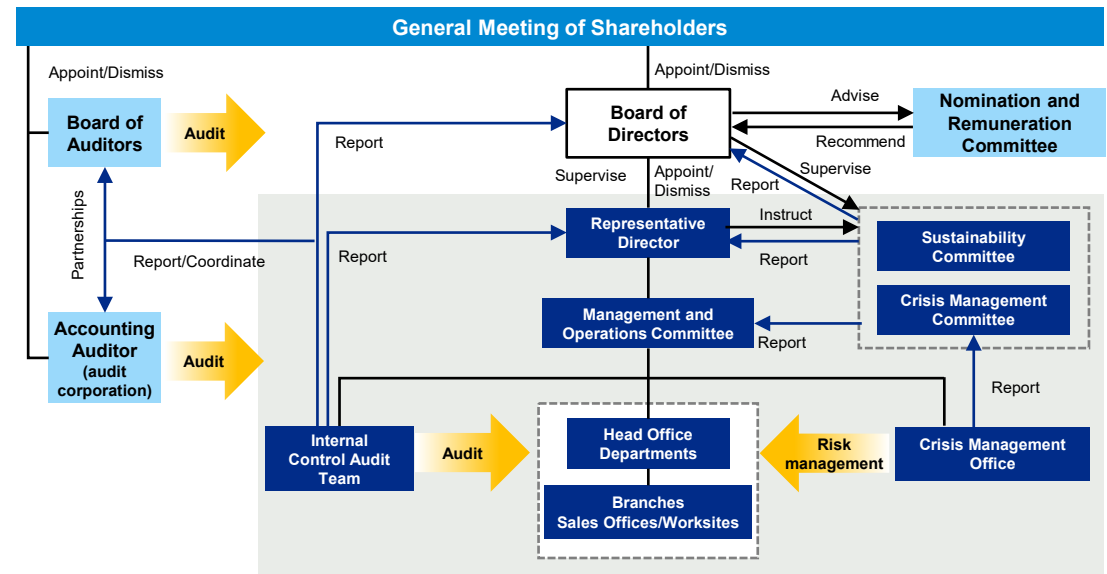


Partner companies



# Strengthen governance

**Continue enhancing governance to ensure global capabilities and fulfill social responsibility.**



## Strengthen risk management system



- Update the internal auditing system, by creating new Risk Control Department, etc.
- Improve ways to address cyber risks
- Provide regular compliance education
- Strengthen monitoring and supervision with Board of Directors

## Strengthen monitoring with Board of Directors



- Periodic reporting on status of activities
  - Sustainability Committee
  - Crisis Management Committee
  - Internal Control Audit
- Hold period outside board meetings

## Strengthen governance system



- Instill the corporate philosophy “内外一致 同心協力”
- Increase knowledge through training
- Hire third party institutions to assess effectiveness of Board of Directors

Partnerships



Employees



Partner companies

# Provide Safe and Top-quality Infrastructure/Achieve Carbon Neutrality

## Contribute to building national resilience with our businesses and resources

- Construct and develop national land conservation infrastructure and basic industrial infrastructure through businesses
- Respond to disasters by harnessing our technologies and personnel, such as efforts after the Noto Peninsula Earthquake and pumice removal work at Unten Port
- Maintain disaster response capabilities, such as concluding disaster response agreement, revising BCP functions, and protecting data



River disaster prevention work



Emergency reopening work



Disaster restoration work

## Diligent pursuit of safety and quality that underpins business

- Thorough risk management at worksites
- Multi-tiered safety and quality patrols
- Enhance assessments of technical risks by utilizing BIM/CIM
- Meticulous worksite leadership by quality advisors



President patrols



Partner company patrols



Outside director patrols

Partnerships



Employees

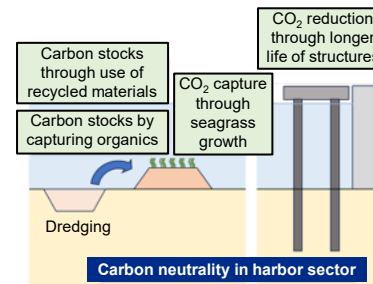


Partner companies

## Carbon neutrality during construction



- Use hybrid work vessels and electric heavy machinery
- Use efficient GTL fuel
- Install solar power



## R&D for carbon neutrality

- Research into carbon capture and storage using dredged material and recycled material
- Quantify effects of LCCO<sub>2</sub> reduction through increased durability and longer life of port facilities



## Activities as an eco-first company

- 100% use of Shabondama Soap (soap that is completely free from chemicals and synthetic additives)
- Aim for 90% acquisition rate of Certification Test for Environment Specialists (Eco Test)

Partnerships



All stakeholders

# Secure Workforce for Construction Industry/Contribution to Communities



## Secure Workforce for Construction Industry

Conduct public relations activities to encourage nurturing and trigger interest amongst young workers for the future of the construction industry.



Educational programs enlisting industry-government-academia collaboration



### Human resource development programs for laying the foundations of a maritime nation

- Educational programs enlisting industry-government-academia collaboration
- Wakachiku Scholarship Program for technical college students

### School educational support

- Enhance internship programs
- Hold worksite tours and visiting lectures

### Various publicity to showcase the appeal of the construction industry

- Enhance operation of the Wakachiku Museum
- Run exhibits at engineering exhibitions
- Stream videos, run social media sites, etc.



Partnerships

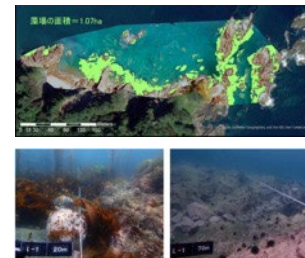


Educational and research institutions



## Contribution to communities

Conduct contribution activities to stimulate local communities through businesses.



### Support based on maritime technologies

- Cooperation with blue carbon business (Iwaizumi Town, Iwakuni City)
- Hold maritime education programs at Wakachiku Museum



### Community communication through construction

- Volunteer activities such as beach cleanups
- Support for communities after natural disasters
- Worksite tours for elementary and junior high school students



### Support regional promotion efforts

- Support and participate in community events such as the Wakamatsu Port Festival and the Beppu-Oita Mainichi Marathon

Partnerships



Local communities

# Numerical Targets

## Targets in 3 Years (non-consolidated)

Orders

**110 billion yen  
or more**

Net sales

**110 billion yen  
or more**

Operating profit

**6.5 billion yen  
or more**

Profit

**4.5 billion yen  
or more**

ROE

**9%  
or more**

## Non-financial Information KPI

### Targets by 2030

GHG emissions  
during  
construction stage

**40% reduction**  
compared to FY2013  
(17.7% actual reduction)

Annual cumulative  
total of power  
generated through  
construction of  
renewable energy-  
related facilities

**10 billion kWh**  
(4.1 billion kWh)

Technical  
development to  
boost work  
productivity by 20%

**15 projects  
or more**  
(5 projects completed,  
5 projects under  
development)

### Targets in 3 Years

Work engagement  
score

**2.70**  
(2.63 in 2023)  
(National average 2.52)

Ratio of Saturday  
closures

**100%**  
(66% in 2023)

No. of employees  
recruited

**80/year**  
(61 in 2023)

Ratio of newly hired  
female graduates

**30%**  
(26% in 2023)

Ratio of male  
employees taking  
childcare leave

**100%**  
(25% in 2023)

No. of meetings  
with investors  
and analysts

**30/year**  
(15 in 2023)



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