
TAKUMA CO., LTD.

9th Mid-Term Management Plan – An Overview

FY 2009-2011

Introduction

The ideals of the TAKUMA corporate vision are to contribute to society, increase corporate value, achieve long-term development, and meet stakeholder expectations through the provision of goods, services, and technical solutions developed in accordance with the needs and values of society.

While upholding these ideals throughout the duration of the 8th Mid-Term Management Plan, the fundamental two strategies of which were to promote overall management of TAKUMA group companies and strategic selection and concentration of resources, while at the same time focus on the three more specific goals of promoting corporate social responsibility and compliance, strengthening corporate competence, and developing and implementing an operational strategy tailored to the strengths of the company, TAKUMA focused its efforts on organizational reform and restoration of profitability.

Implementation of the 8th Mid-Term Management Plan produced such positive results as the realization of a robust and comprehensive compliance initiative, the establishment of a corporate risk management structure, the realignment of TAKUMA group companies and business units, strengthened cost competitiveness, and restored profitability of the package boiler business.

However, intense price competition brought about by deteriorating public sector market conditions in Japan, escalating materials and equipment prices, substantial losses associated primarily with a project in the United Kingdom, and a sudden decline in economic conditions caused by the United States subprime mortgage crisis, ultimately led to unsatisfactory financial results for the three-year period ending March 31, 2009.

The 9th Mid-Term Management Plan reflects on the downturn in financial performance over the last several years, identifies those aspects of operations that should undergo change as well as those that should remain, and is positioned as the next step in achieving an early return to improved financial performance and securing sustained profitability.

- **Repositioning of Business Units**
 - **Project Risk and Cost Management Systems**
 - **Restructuring of European Operations**
 - **Human Resources Policy Reform**
 - **Financial Stability**
 - **Compliance and Risk Management**
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Repositioning of Business Units

Redirect management resources to the following five core business units:

- Municipal Solid Waste Treatment Plant Business
- Boiler and Industrial Waste Treatment Plant Business
- Operation and Maintenance Business
- Asia Boiler Plant Business
- Package Boiler Business

Place particular emphasis on and concentrate management resources on design, build, and operate (DBO) projects within the municipal solid waste treatment plant business.

Maximize results of other operations that do not belong to the five core business units by giving due consideration to market conditions, competitiveness, and opportunities for synergy.

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Repositioning of Business Units (...cont'd.)

Municipal Solid Waste Treatment Plant Business

- Increase competitiveness through reduced life cycle costs and comprehensive proposals that take account of both commercial and technical aspects.
- Strengthen operational risk management capabilities.

Boiler and Industrial Waste Treatment Plant Business

- Establish a sales promotion mechanism to secure orders for fuel conversion boiler plants.
- Establish a mechanism to secure orders for subsidized plants with small/medium scale power generation.

Operation and Maintenance Business

- Strengthen intra-group company cooperation and promote small/medium scale refurbishment projects.
- Promote all-inclusive and multi-year contracts as a means to retain customers.

Asia Boiler Plant Business

- Concentrate resources on markets and regions for which the company has a technical and competitive advantage, and is also able to deliver high levels of added value.
- Develop an organizational structure that facilitates consistent profitability by avoiding price competition with local manufacturers as well as contract risks.

Package Boiler Business

- Increase efforts to secure repeat orders from existing customers.
 - Promote further expansion of maintenance services.
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Project Risk and Cost Management Systems

Decision Making Process

- Undertake risk assessments of all potential major projects.
- Include contingency in project proposal prices that accurately reflects the results of risk assessments.
- Undertake evaluations of all potential major projects through an internal review committee prior to acceptance of orders.

Estimated Cost Accuracy and Comprehensive Cost Management

- Integrate customer support by establishing designated teams of technical and marketing professionals to manage each client.
- Reduce costs through comprehensive budget control.

Project Monitoring

- Undertake periodic assessments of risks associated with projects under construction.
- Report the status of projects at executive management meetings on a regular basis.

Group Company Management

- Evaluate potential major projects at executive management meetings to determine their viability.
 - Report the status of group company operations at executive management meetings.
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Restructuring of European Operations

KAB TAKUMA GmbH

- Position German subsidiary company KAB TAKUMA GmbH at the forefront of European operations.

Market Development

- Establish a solid foundation in the European market through KAB TAKUMA GmbH.

Business Model

- Develop and implement a business model based on the delivery of systems associated with the water steam cycle, the field of KAB TAKUMA GmbH expertise.
 - Achieve an early return to profitability that secures sustained returns through the successful implementation of the water steam cycle business model.
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Human Resources Policy Reform

Policy Reform

- Develop convincing policies for placement of personnel, evaluation of performance, and remuneration.

Work-Life Balance

- Promote the pursuit of a balance between life at work and life at home.

Utilization of Experience

- Identify and expand opportunities to more effectively utilize the experience of veteran personnel.
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Profitability and Liquidity

- Generate sustained profits through core business units.
- Increase cash and other current assets through the rationalization of fixed assets.

Control of Expenditures

- Scrutinize investment and financing activities.
- Achieve savings through reductions in fixed costs.

Management of Current Assets

- Strengthen management and utilization of cash and other current assets.
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Compliance and Risk Management

Compliance

- Reinforce awareness of compliance through continued promotion of the corporate group ethics charter and code of behavior.
- Hold internal educational activities on a regular basis to provide the opportunity for personnel to reinforce their understanding of relevant rules, regulations and internal policies.

Risk Management

- Utilize the risk management system developed in accordance with the company risk management policy to successfully assess, mitigate, and manage the risks to which the company is exposed.
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Consolidated Financial Targets

FY 2011 Ordinary Income Target: \geq 5 Billion Yen

