

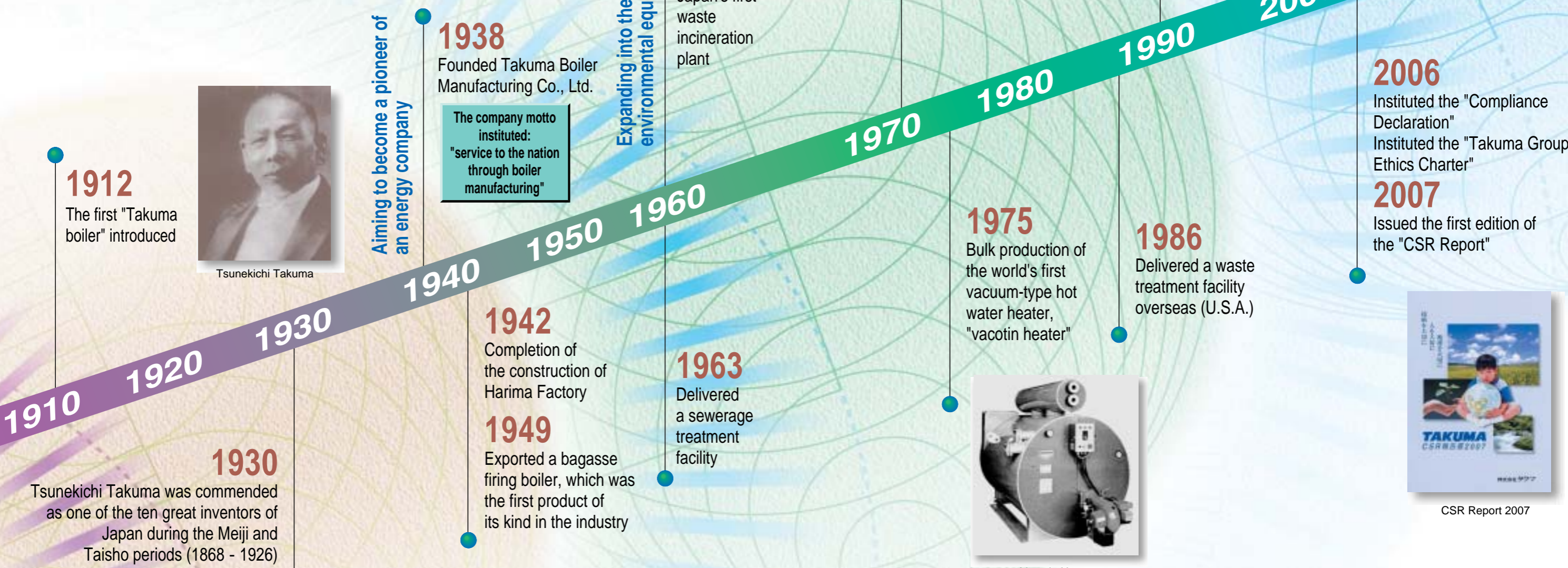
And toward the Age of CSR

The Origin of the CSR of Takuma

Company Motto:
Value Technology, People,
and the Earth

For the Sake of the Energy of
Japan and Worldwide

For the Sake
of the Environment of
Japan and Worldwide



Tsunekichi Takuma



Japan's first waste incineration plant



Vacotin Heater



CSR Report 2007

Toward the Age of CSR

Aiming to become a pioneer of an energy company

Expanding into the field of environmental equipment

The company motto instituted: "service to the nation through boiler manufacturing"

A new company motto instituted: "Value Technology, People, and the Earth"

The Mid-term Management Plan

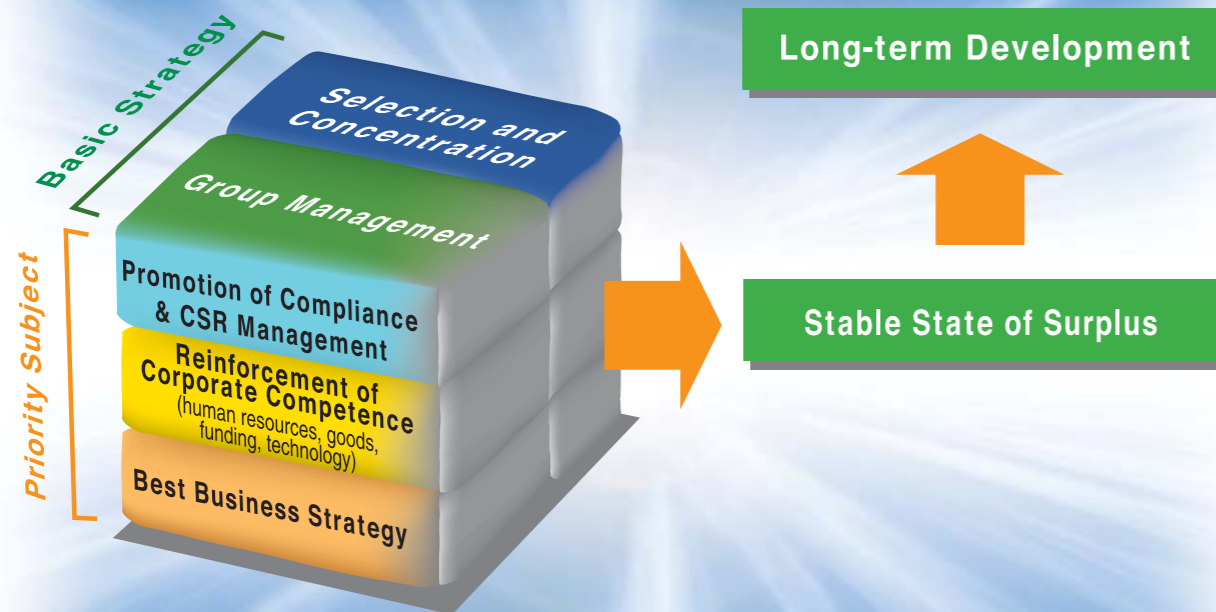
The Company instituted the 8th mid-term management plan whereby "compliance and the promotion of CSR management" was covered in April 2006 and striving toward the implementation of such a goal.

Corporate Vision

- To become a vital component of Japanese society as a leader in renewable energy and environmental protection
- To become the leading company in the Japanese packaged boiler market
- To expand overseas business operations to the same level as those of Japanese operations

Basic Strategy and Priority Subject

We aim to achieve the numerical targets for this mid-term management plan and the subsequent long-term development of our business performance by establishing the following two points of "group management" and "selection and concentration" for basic strategy while setting the three priority subject of "promotion of compliance & CSR management", "reinforcement of corporate competence" and "establishment of best business strategy".



Report on CSR Activities in Fiscal 2007

Compliance Education

In fiscal 2007, compliance promotion organization for the management personnel of the overall Takuma Co., Ltd. was held three times (in April, July and December), during which compliance education was subsequently provided in each division. As part of the compliance education, a test on the comprehension of such compliance was also implemented.

- Main theme of education implemented in April: Antitrust laws
- Main theme of education implemented in July: Subcontract law
- Main theme of education implemented in December: Safeguards for those disclosing information in the public interest

Through these educational programs, a number of inquiries were transmitted from each department and the responses were placed on the website of the CSR Division.

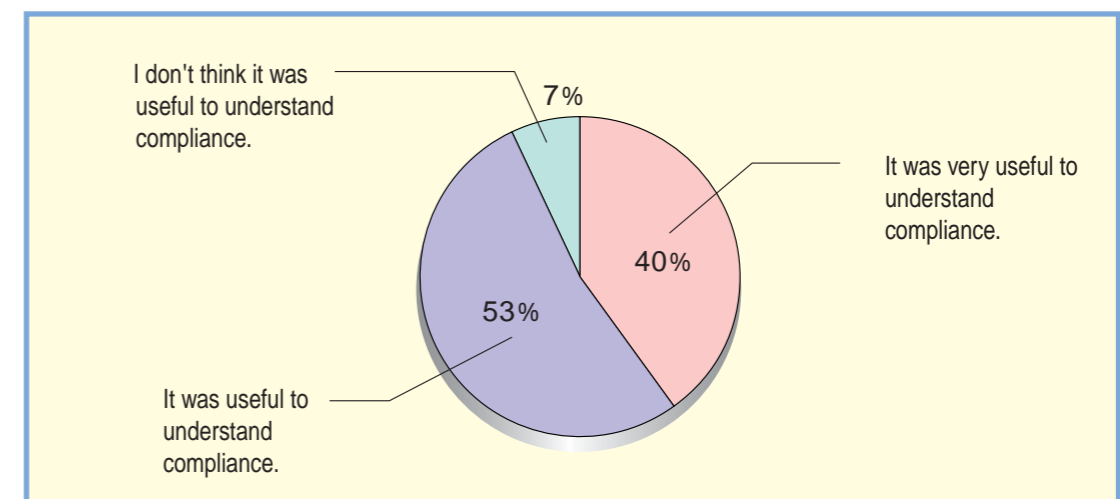
We have also conducted an in-house questionnaire survey, which was received from 93% of employees with responses such as "It was very useful for understanding compliance" or "It was useful for understanding compliance". In addition, we also received feedback with praise such as "I had previously mistaken knowledge about how to behave in accordance with social norms, including compliance and I regret previous misjudgments - this educational occasion helped me a lot", "It was a good method to understand as we could discuss issues that each of us could point out by reading out loud together rather than reading silently to ourselves", while some requested remediation as "It could be easier to indicate concrete examples, meaning to place the situation in our company's position".

We plan to implement education, aiming to further improve understanding toward compliance, while reviewing the improvement of compliance education.

The Company will continue to strive to prevent any failure to comply.



Compliance education at each division



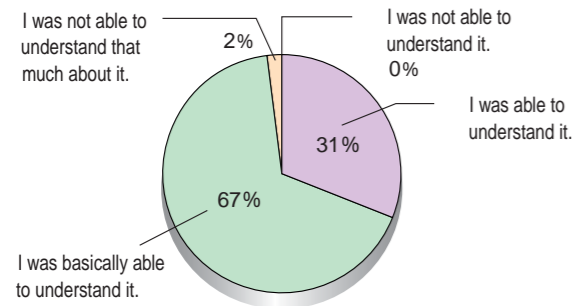
[Questionnaire on Compliance Education]

◆ The Implementation of a "Reading Session of the CSR Report"

During the period from October to December 2007, we implemented a "Reading session of the CSR Report" a total of 18 times. Ninety percent of the object persons for our "Takuma Group Code of Conduct" participated in the session in the Head Office, Tokyo Office, respective branches and the Harima Factory.

Although the CSR Report was the very first issue, the compiled questionnaire received mostly positive feedback, such as comments that it clarified the "CSR activities of Takuma" and successfully helped people understand the positioning of "CSR" in day-to-day operations.

Q : Did you understand details of the CSR activities of Takuma?



Reading Session of the CSR Report

◆ In-house Reporting System

In August 2006, we launched an in-house reporting system, which has since got underway. It targets the promotion of compliance management by detecting illegality and injustice at an early stage and implementing corrective measures. Having the CSR Division and external law firm as contact points, employees are able to report via email, written instruments and interview. In addition, the Takuma Group Code of Conduct specifies that informers must never be unfavorably treated.

With the aim of ensuring the in-house reporting system is correctly understood and utilized, we conduct activities to disseminate the system in the compliance education program by distributing cards with information concerning reporting contacts for all employees.

◆ Personal Information Protection

We have been striving toward a personal information protection by instituting the "Personal Information Protection Policy", since April 2005.

< Personal Information Protection Policy >

Takuma Co., Ltd. (hereinafter referred to as Takuma) understands the importance of effectively safeguarding personal information and has implemented the following procedures that are applicable to all personal information handled throughout the course of business operations.

1. Takuma will comply with the Act for the Protection of Personal Information and other related laws and ordinances.
2. Takuma will clarify all applicable rules and regulations concerning the handling of personal information, ensure that all employees are made aware of such rules and regulations, and conduct necessary and appropriate supervision of subcontractors that handle personal information supplied by Takuma.
3. When obtaining personal information, Takuma will notify each individual of or publicly announce the intended use of such information. All personal information will be handled within the range of its intended use.
4. Should any individual request that his or her personal information be disclosed, revised, supplemented, deleted, canceled, or otherwise processed, Takuma will comply with that request within a reasonable scope and period of time.
5. Takuma will take all necessary measures to prevent the accidental leakage, loss, or tampering of personal information in its possession.
6. Takuma will continuously review and strive to improve the contents of this policy and other internal regulations.

◆ The Deployment of Compliance and CSR activities for the Group Companies

In 2006, we launched the "Takuma Group Coordinating Committee for Compliance & CSR" by Takuma and its group companies and hold meetings on a regular basis in order to establish a system to promote compliance and CSR activities for the entire group.

Concrete Activities

- Commoditizing educational material for compliance
- Establishment of an in-house reporting system (established by nine companies)
- Report on compliance-related efforts by each company

◆ Participation in the UN Global Compact

On November 10, 2006, the Takuma Group joined the United Nations Global Compact, pledging to adhere to universal principles covering human right, labor right, the environment and anti-Corruption. The Global Compact is a voluntary corporate citizenship initiative proposed by former U.N. Secretary-General Kofi Annan in 1999 at the world Economic Forum. Our company practices a social contribution through the active conduct of business in support of the ten principles.



The ten principles of the UN Global Compact

< Human Right >

- Principle 1 : Businesses should support and respect the protection of internationally proclaimed human rights; and
- Principle 2 : make sure that they are not complicit in human rights abuses.

< Labor Standards >

- Principle 3 : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- Principle 4 : the elimination of all forms of forced and compulsory labor;
- Principle 5 : the effective abolition of child labor; and
- Principle 6 : the elimination of discrimination in respect of employment and occupation.

< Environment >

- Principle 7 : Businesses should support a precautionary approach to environmental challenges;
- Principle 8 : Undertake initiatives to promote greater environmental responsibility; and
- Principle 9 : encourage the development and diffusion of environmentally friendly technologies.

< Anti-Corruption >

- Principle 10 : Businesses should work against all forms of corruption, including extortion and bribery.

◆ Internal Control

◆ Improvement and Establishment of Internal Control Concerning the Financial Report

From the fiscal year commencing from April 1, 2008, a move to make "evaluation by management and audit by an auditing corporation concerning the effectiveness of internal control in terms of financial report" compulsory under the Financial Instruments and Exchange Law, enacted in June 2006, will be imposed on listed companies.

Takuma and its group companies have been promoting the improvement and establishment of internal control applicable to financial reports throughout the company, acknowledging the need to "secure the credibility of financial reports" required in the Financial Instruments and Exchange Law as one of the significant business management issues.

In readiness for its enforcement in April this year, we have been promoting preparation by implementing document production for evaluation with items including company-wide internal control, company-wide accounting and a financial report process, a business process for significant account items and IT overall control, while also implementing the revision of rules and regulations, as well as improving newly established rules.

The operation has been underway since April and we will evaluate its state of improvement, as well as the effectiveness of operational conditions concerning improved and established internal controls in terms of the financial report of the Company and its group companies.



Response Commission toward the Japanese SOX Act

◆ Evaluation Structure

As an internal audit division, we have established the Audit Division under the direct rule of the president. The Audit Division implements independent evaluations concerning the credibility of the financial report of the Company and its group companies, based on an annual audit plan, and issues recommendations concerning items to be improved.

Risk Management

In accordance with the following risk management policy, the Company is corresponding to any risks relating to corporate business activities.

Depending upon business contents, the sections of risk are classified as "potential risks", "elicitable risks", "project risks" and "crises". The "potential risks" and "elicitable risks" are controlled by the Risk Management Code, while for projects where ordering is targeted or where orders have successfully been received, they are controlled by the "Project Risk Management Code".

Moreover, for risks having become obvious, where company-wide measures need to be taken, or in the event of encountering a contingency situation such as an earthquake, fire or accident, we have a system involving the adoption of measures based on the "Crisis Management Code".

Risk Management Policy

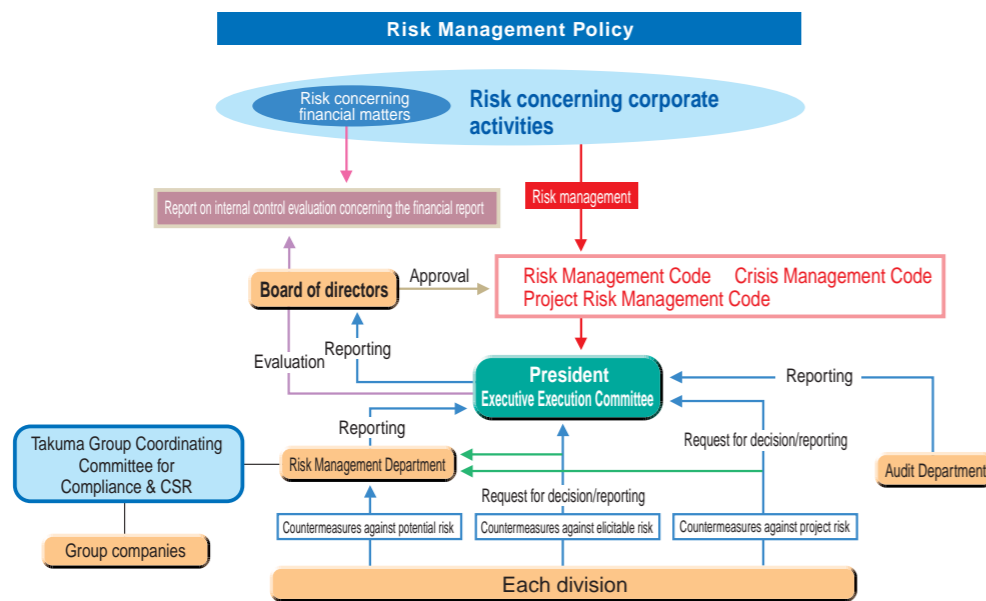
[Risk Management Basic Objective]

Risk represents all events that could potentially inhibit business objectives being achieved and result in a loss or penalty being inflicted on stakeholders.

Our group addresses risk management with the aim of enhancing corporate value by pursuing maximized returns while also minimizing the risk of negative impact.

[Risk Management Principles]

1. The responsibility concerning our risk management lies on the President, who is the chief executive officer.
2. All directors and employees shall participate in the risk management activities.
3. Risk management activities shall be implemented based on various risk related codes such as the Risk Management Code.
4. Risk management activities shall be implemented according to the medium-term management plan, as well as the annual plan, and improved on an ongoing basis.
5. In the event of a risk being actualized, we shall swiftly take responsible actions in order to minimize the losses and respond to it by establishing a temporary organization on an as-required basis.
6. The risk management activities of each group company shall be implemented based on their independent policy and plan and the organization of the Company shall provide assistance.



[Overall Picture of the Risk Management System]

Information Security

Information security considered by Takuma

The Company defines information security management as "maintaining an environment in which we can use an information system for our business operations, including information and equipment distributed on the network and/or the network itself, without losing confidentiality, perfectibility and availability" and considers it necessary for information security management to appropriately operate information by taking measures based on personal, organizational, technical and physical factors.

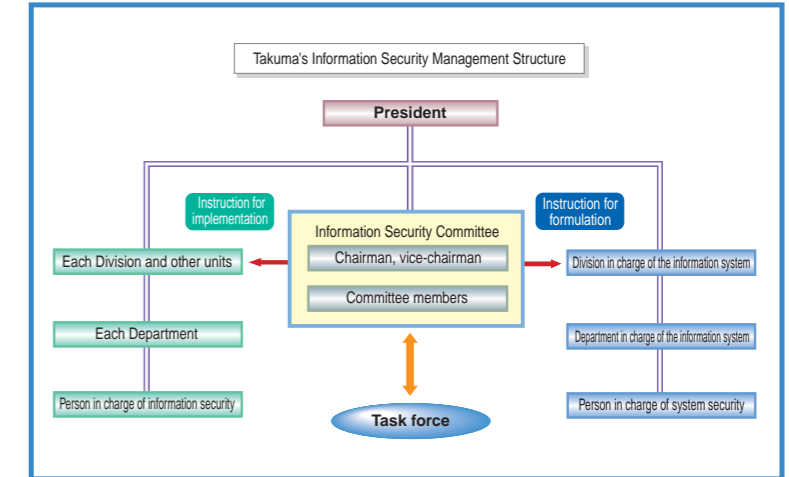
With this in mind, the Information Security Policy was instituted by the Information Security Committee, established in December 2002. Since then the Company has implemented education and audits as measures against personal and organizational factors as well as providing thorough information security activities via the introduction of various functions as measures against technical and physical factors and striving to promote further highly developed information security measures by continuing such activities.

Information Security Management Structure

Our information security management is conducted at the initiative of the Information Security Committee, which is organized under the direct rule of the president, as indicated below:

1 Information Security Committee

The Information Security Committee is a decision-making body, while conducting planning and promotion in terms of information security management. In addition, it comprises all members of the committee, including the chairman and vice-chairman, who are responsible for each office organization, whereby operating officers double up the posts, to facilitate prompt decision-making within committees.



2 Each Division and Center

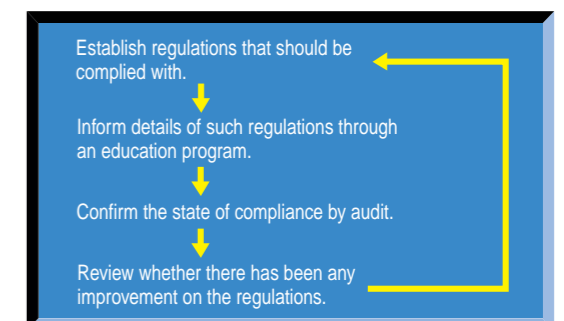
It is an organization chaired by an Information Security Committee member, which utilizes information assets while complying with information security policy as well as directions from the information security committee, with recognition of the significance of the policy.

3 Department in charge of the information system

Based on measures determined by the Information Security Committee, the department installs the hardware and software required, as well as being responsible for the administration of such matters.

Our Approach toward Information Security

As well as any risk that emerges outside the company, such as from computer viruses and unauthorized access, our information security policy also prioritizes the response to any risk existing within the company. Basically, repeating the procedural flow shown on the right diagram is stipulated as part of personal and organizational measures, whereby various technical and physical measures are incorporated.



1 Approaches being implemented along the way

- (1) Personal and organizational measures
 - Establishment of the Information Security Policy and implementation of its revision
 - Implementation of an information security education program for all members
 - Implementation of an information security education program for new employees
 - Implementation of an information security education program for people forwarding emails
 - Implementation of an information security audit
 - Issuing warnings to violators based on individual access logs
- (2) Technical and physical measures
 - Installation of firewalls on all contact points on the company internal and external network
 - Introduction of computer antivirus software and automatic updating of definition files
 - Set up an automatic start for the neutralization of viruses in incoming and outgoing emails
 - Protection measures against information leakage from computers taken out of the company by installing an encryption tool
 - Saving of all incoming and outgoing emails as well as Web access logs
 - Installation of constraints on entry to the server room, fire extinguishing equipment and a surveillance system

2 Approaches implemented in fiscal 2007

The following items in particular were implemented in fiscal 2007:

- (1) Personal and organizational measures
 - Security education
Total completion time of participants (man-days): 1,100
 - Security audit
Audit items: Implemented 16 items
 - Revision of the Information Security Policy implemented, as well as production of 15 documents being issued
- (2) Technical and physical measures
 - Restraining unauthorized operation by obtaining PC operation logs for computers used by all, as well as securing a tracking system in the event of any incidents occurring
 - Clarification of various application procedures via the introduction of a workflow system, as well as saving authorization history
 - Securing availability via the introduction of a tool for recording settings and change of network equipment

3 Approaches scheduled to be implemented in fiscal 2008 or later

- (1) Personal and organizational measures
 - Implementation and strengthening of the information security audit in order to develop internal control
 - Provision of continuous periodic education with the aim of enhancing knowledge
 - Implementation of revisions as well as document management for various procedural manuals as part of IT control
 - Revision of the information security policy as well as deployment of the same toward group companies
 - Formulation of a business continuity plan and operation of the same
 - Revision of the information security policy
 - Development of regulations on taking data outside the company
- (2) Technical and physical measures
 - Clarification of access authority via user licensing and complete control of authority
 - Access inhibited to websites of certain categories by introducing WEB filtering
 - Enhancement of the business continuity plan by improving data backup
 - Connection inhibited to company networks for those devices that fail to meet security standards via the introduction of a quarantine network



Shogo Anei
Manager,
Information System Department

I feel that awareness of information security for all objective persons is improving through our previously implemented activities. I would like to continue such activities in order to fulfill the social responsibility that involves the proper treatment of such obtained information.

Protection of Intellectual Property

Since November 2006, the management of intellectual property has been implemented by the Planning Center of the Engineering Division with the aim of strengthening and promoting intellectual property strategies integrally with the Operating Department.

The Planning Center promotes the reinforcement of intellectual property activities, including patents and know-how, while also promoting the reinforcement of management, such as efficient possessions of patents and preventing the leakage of know-how.

Patents

In accordance with the revision of the Patent Act, in April 2006, the Company revised the regulations for handling inventions and encouraging invention, as well as guaranteeing the rights of inventors, as established by law. Commendation for obtaining patents and significant achievements are provided annually on the company foundation day.

In fiscal 2007, Mr. Yoshimoto of the Energy & Environmental Development Department was commended for having achieved patent technology applied to a "nozzle and filter-type dust collector" Japanese Patent No. 3841807). As well as a dust filtering application for filtration type dust collection equipment, this nozzle also enabled the delivery of actual equipment in the shape of an oil-fired burner nozzle.

License

The Planning Center is engaged in domestic and international license management, as well as engaging in the latest foreign-intelligence collection and investigation. Prime examples of licensing-in as well as licensing-out are shown below.

Examples of licensing-in

Technology	Licensors
Biological Anaerobic Treatment Plants for Solid Waste	W. Schmid AG (Switzerland)
Energy-saving agitator for wastewater treatment	Lonkwitz Anlagenbau GmbH & Co. KG (Germany)
Regenerative Thermal Oxidizer	Durr Systems, Inc. (U.S.A.)

Examples of licensing-out

Technology	Licensors
N-type Palm Wastes Fired Water Tube Boiler	P.T. Super Andalas Steel (Indonesia)
Vacotin Heater	Kyungdong Navien (Korea)
Absorption Chiller Heater	Kyungdong Navien (Korea)

When being commended for invention



Satoshi Yoshimoto
Assistant Section Manager,
Energy & Environmental
Development Department

Firstly, I would like to express my gratitude to the parties involved for their understanding and cooperation in the course of implementation of this patent technology.

Although this patent technology is just one of the small technical elements in our business fields, it has been such an

honor to have this accomplishment recognized and commended. I will continue to further strive to develop new technology based on this experience.



Kazuhiro Koga Assistant Section Manager, Technology Planning & Administration Department

Our technology is contributing to environmental improvement overseas in the form of licensing. I would like to continue to be committed to my role as a member of the planning center, which assumes the role of protecting and fostering our technology, patents - the essence of technology - and know-how.