

FROM THE PRESIDENT

Based on the basic policy of the new Mid-Term Management Plan, we will promote our “CSR Management”, by returning to the grassroots; namely, “we will strive for social contribution by yielding goods and services needed and recognized as valuables in society”.

In fiscal 2008, the business environment surrounding the manufacturing industry, including Takuma, changed drastically. The rapid worsening of the US economy, in which the financial crisis acted as a trigger, impacted on the entire world and our group was also affected by various actions such as the postponement of projects and order cancellations centering on both private-sector demand projects as well as those overseas. Although it is mentally difficult to continue efforts under such uncertain circumstances, we recognize this is a time when you need to have unshakable policy and our Management Principles: “we will strive for social contribution by yielding goods and services needed and recognized as valuables in society” is one society expects from us. With this in mind, we will implement CSR management by confirming the direction of all employees while enhancing the sustainability of our company toward establishing a highly sustainable society.

Currently, pro-environmental behavior in business operation is strongly urged in society and we take pride in ensuring our products are best matched with such needs; meaning our product line is eco-friendly. Therefore, we believe our core business is one that makes a contribution to society.

Regarding the New Mid-term Management Plan

In the 9th Mid-term Management Plan, launched in April this year, we set six basic policies for guidance concerning how we should proceed. Reflecting on the deterioration in earnings of the past few years, we formulated such guidance to indicate the directions in which the Takuma group should be going by clarifying what we should continue and what we should modify respectively.

The first policy is “selection and concentration of management resources”. In order to exercise competitive superiority, it is essential to effectively invest manpower, goods and funds; however, providing sufficient management resources in every field that the company requires is impossible. Our strength is in the environmental department, particularly in the fields of waste treatment and biomass power generation, centering on combustion technology, as supported by abundant past results. The IPCC* Report, issued two years ago, concludes that “There is a high possibility that the factor of increases in world average temperature, which has been observed since the mid-twentieth century, could be predominantly due to increased human-caused greenhouse gas emissions”. Moreover, at the G8 Summit held at Lake Toya in Hokkaido, Japan last July, the main topic of discussion there was global environmental issues, meaning that coping with global warming issues within a worldwide framework has become essential. We can say that the products supplied by the Takuma group are those optimally suited to meet such social demand. We will continue to focus on the area of specialty, especially the DBO** business for waste power generation.

The second policy involves “implementing further thorough risk and cost management”. Over the past three years, the ultimate cause of deterioration in ordinary loss has been loss by unprofitable projects and this is indeed due to the lack of thorough risk management implemented before and after order receipt. Based on such reflections, we will continue striving for carefully-raftered cost reducing measures by improving the decision-making process for order receipt.

The third policy is the “reconstruction of EU operations”. According to our survey, power plant construction projects, involving municipal solid waste treatment annual average volumes of 10,000 to 12,000 tons per day, and to the value of exceeding 100 billion yen, are expected in the next five years in Europe. Although we made losses in overseas projects, recognizing the fact that accumulated know-how obtained from the lesson of failure leads to the next opportunity, we will promote the development of the Takuma brand in Europe by forging a solid footing through reorganizing the company structure as well as EU subsidiaries.

The fourth policy is “revision of personnel affairs with the aim of educating as well as revitalizing employees”. Without mentioning the expression: “The success of a company depends on personnel”, fostering human resources as well as personnel strategy, which musters the motivation of employees, forms the basis of company management. We will promote a personnel system that rewards motivation and the efforts of employees, who are also members of our stakeholders, by promoting personnel allocation in response to significant issues as well as improving the personnel assessment system as a pillar of the mid-term management plan.

The fifth policy is “reinforcement of financial grounding”. Our financial environment has also been extremely severe due to the economic crisis having occurred last year. We have been promoting measures in preparation for agile strategic investment, including enhancing funds on hand via the liquidation of assets within the Takuma group and/or combining funds.

The sixth policy is the “promotion of CSR management”, which was also stated in the 8th Mid-term Management Plan. In terms of compliance with the law and corporate ethics, which forms a pillar of CSR management, we feel that its significance has been penetrating thanks to enhanced employees awareness through the implementation of in-house education programs and training; activities in which the Compliance & CSR Promotion Division plays a central role. We will continue to strive to create products that meet the satisfaction of our stakeholders, including customers, the local community and suppliers, by inculcating the concept of compliance by transmitting a message to employees that helps them to discipline as well as enhance the individual sense of ethics, while making them proud to have joined the Takuma group.

* Intergovernmental Panel on Climate Change

** Corporate structure whereby contracts for design, building and operation are undertaken as a single package



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