

Financial Briefing Materials for FY2021

Takuma Co., Ltd. | May 25, 2022

TAKUMA

- ▶ **1 Overview of FY2021(Ended 3/2022) Financial Results**
- ▶ **2 Progress on 13th Medium-Term Management Plan (2021-2023)**
- ▶ **3 Market Environment**
- ▶ **4 Financial Forecast for FY2022(Ended 3/2023)**
- ▶ **5 Reference Material**

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FY2021 results

- Both sales and profit were down with net sales of ¥134.0 billion and ordinary profit of ¥10.6 billion.
- Orders received were a **record high of ¥192.2 billion**.
- The order backlog also increased substantially to ¥445.3 billion. **Long-term O&M accounts for around 50% of this.**

Forecasts for FY2022

- The forecast for orders received is ¥170.0 billion as we expect strong demand for municipal solid waste treatment plants, biomass power plants, etc.
- **Both sales and profit are expected to be up** with net sales of ¥143.0 billion and ordinary profit of ¥12.5 billion.

Achieving Vision 2030

- Recurring revenue model businesses such as municipal solid waste treatment plant operations are growing steadily.
- While aiming for steady growth in each business centered on maintenance and expansion of the EPC business and expansion of recurring revenue model businesses, we will expand out business in the environment and energy field through new businesses and M&A.

- **Both sales and profit were down** due primarily to changes in the project mix and rising prices of materials and machinery in the Domestic Environment and Energy Business.
- **Orders received reached a record high**, trending at high levels against a backdrop of strong demand for municipal solid waste treatment plants, biomass power plants, etc.
- **The order backlog also increased substantially** owing to steady orders for EPC projects and long-term O&M.

(Millions of yen)

	FYE 3/2020 (FY2019)	FYE 3/2021 (FY2020)	FYE 3/2022 (FY2021) Beginning of year plan	FYE 3/2022 (FY2021) Plan after Q3 revision	FYE 3/2022 (FY2021)	YoY change	Change vs. beginning of year plan
Orders received	148,830	188,563	180,000	180,000	192,244	3,680	12,244
Order backlog	345,315	387,152	430,152	432,152	445,304	58,152	15,152
Net sales	134,454	146,726	137,000	135,000	134,092	(12,633)	(2,908)
Operating profit	9,600	10,473	10,400	9,700	9,928	(544)	(472)
Operating margin	7.1%	7.1%	7.6%	7.2%	7.4%	0.3pt	(0.2)pt
Ordinary profit	10,300	11,028	11,000	10,300	10,647	(381)	(353)
Profit attributable to owners of parent	7,445	7,529	7,600	7,300	7,434	(94)	(166)
Profit per share (yen)	90.36	92.73	93.57	89.83	91.53	(1.20)	(2.04)

FY2021(Ended 3/2022) | Breakdown by Segment

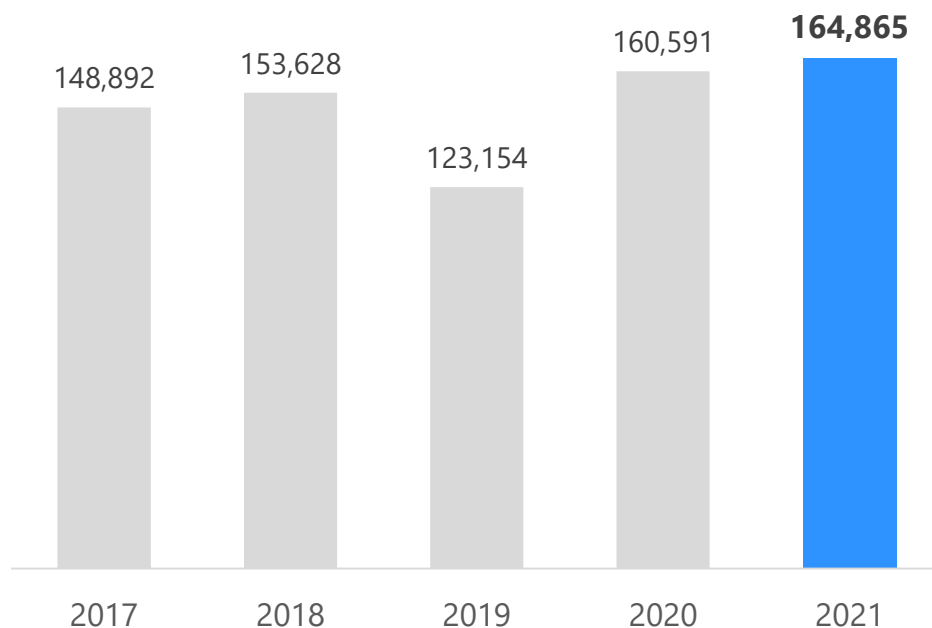
(Millions of yen)

	FYE 3/2020 (FY2019)	FYE 3/2021 (FY2020)	FYE 3/2022 (FY2021) Beginning of year plan	FYE 3/2022 (FY2021) Plan after Q3 revision	FYE 3/2022 (FY2021)	YoY change	Change vs. beginning of year plan
Orders received							
Total	148,830	188,563	180,000	180,000	192,244	3,680	12,244
Domestic Environment and Energy	123,154	160,591	151,500	152,200	164,865	4,273	13,365
Overseas Environment and Energy	1,351	883	3,000	1,800	2,035	1,152	(965)
Package Boiler	17,925	17,524	18,000	17,500	16,830	(693)	(1,170)
Equipment and Systems	6,790	10,166	8,000	9,000	8,917	(1,248)	917
Net sales							
Total	134,454	146,726	137,000	135,000	134,092	(12,633)	(2,908)
Domestic Environment and Energy	108,123	120,770	110,000	109,600	108,657	(12,113)	(1,343)
Overseas Environment and Energy	1,143	1,188	500	900	1,005	(183)	505
Package Boiler	17,868	16,931	18,000	17,000	16,498	(433)	(1,502)
Equipment and Systems	7,840	8,271	9,000	8,000	8,590	319	(410)
Operating profit							
Total	9,600	10,473	10,400	9,700	9,928	(544)	(472)
Domestic Environment and Energy	10,619	11,475	-	-	10,906	(568)	-
Overseas Environment and Energy	(202)	(140)	-	-	(218)	(77)	-
Package Boiler	966	640	-	-	672	32	-
Equipment and Systems	384	876	-	-	656	(220)	-

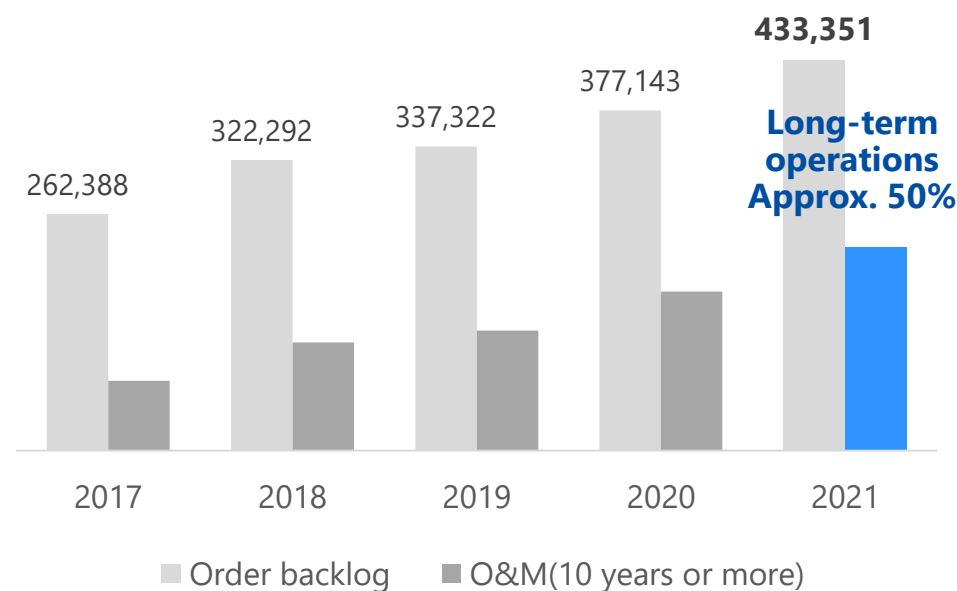
- Demand was steady, and stable orders received were secured for the full year.
- Around 50% of the order backlog was for long-term operations (O&M). Orders received are also increasing steadily in after-sale service overall.

(Millions of yen)

Orders received
 ▶ **Approx. ¥4.3 billion increase**

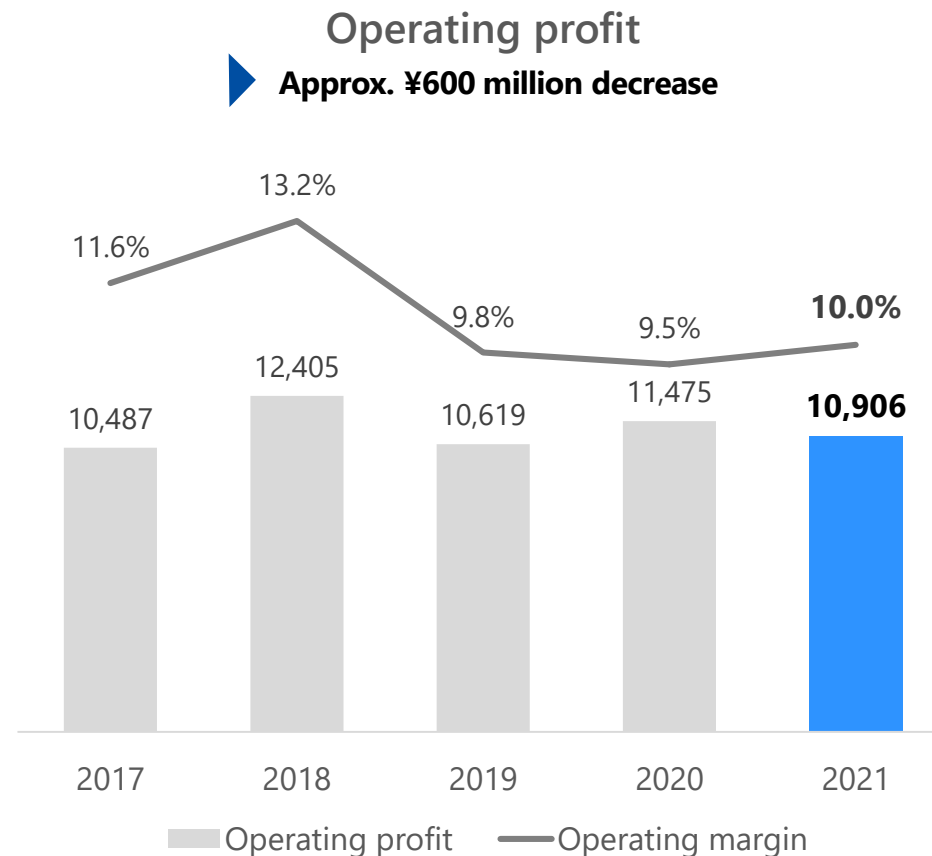
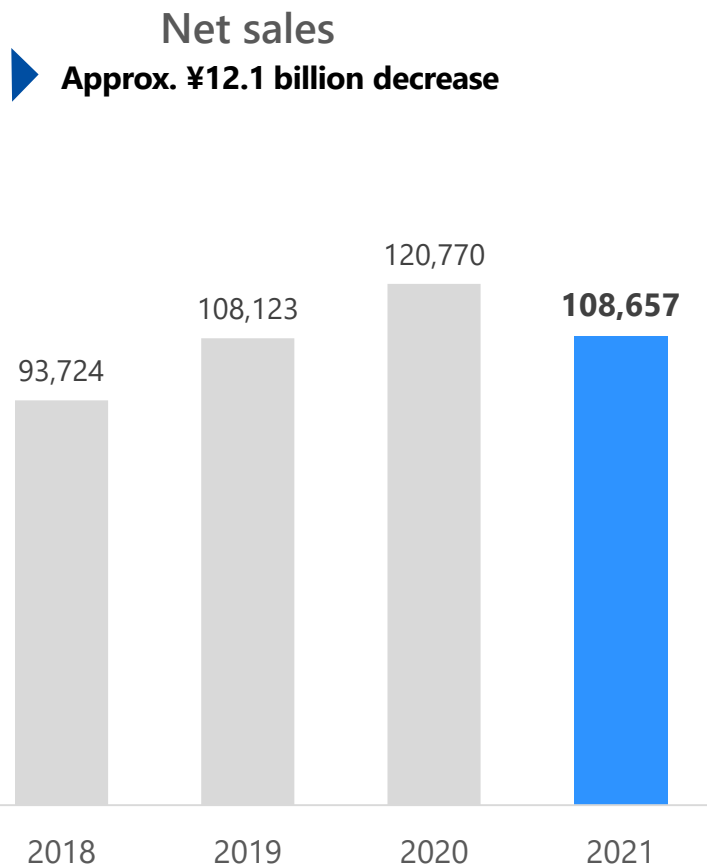


Order backlog
 ▶ **Approx. ¥56.0 billion increase**



Both sales and profit were down due primarily to changes in the project mix and rising prices of materials and machinery in the EPC business despite steady growth of recurring revenue model businesses.

(Millions of yen)

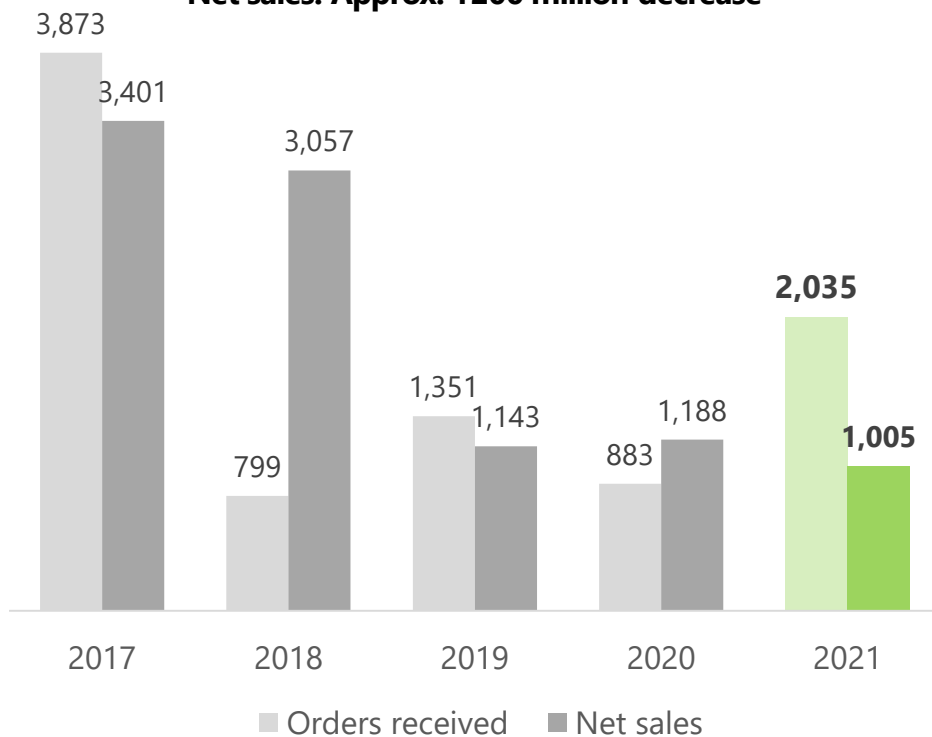


- A stoker upgrade order was received for Taiwan in the midst of restrictions on operating activities and postponed plans due to COVID-19.
- The majority of net sales over the past 3 years has been maintenance. We will build a structure for taking continuous orders for new construction and upgrade projects.

(Millions of yen)

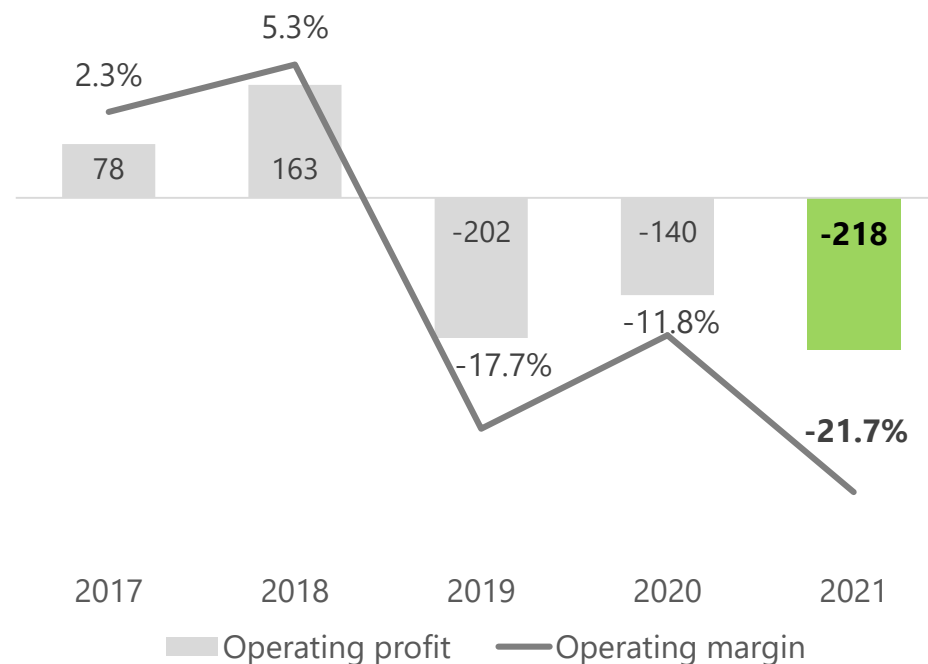
Orders received / Net sales

▶ **Orders received: Approx. ¥1.2 billion increase**
Net sales: Approx. ¥200 million decrease



Operating profit

▶ **Approx. ¥100 million decrease**

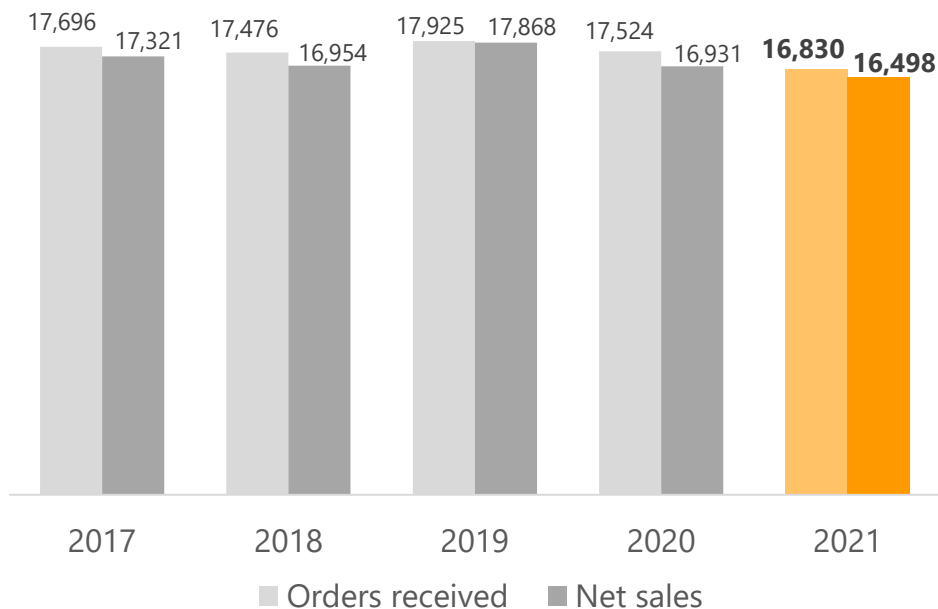


- Demand remains sluggish, primarily for lodging, due to COVID-19.
- Although sales were down, restrictions on operating activities resulted in a decrease in operating expenses, leading to a slight increase in profit.

(Millions of yen)

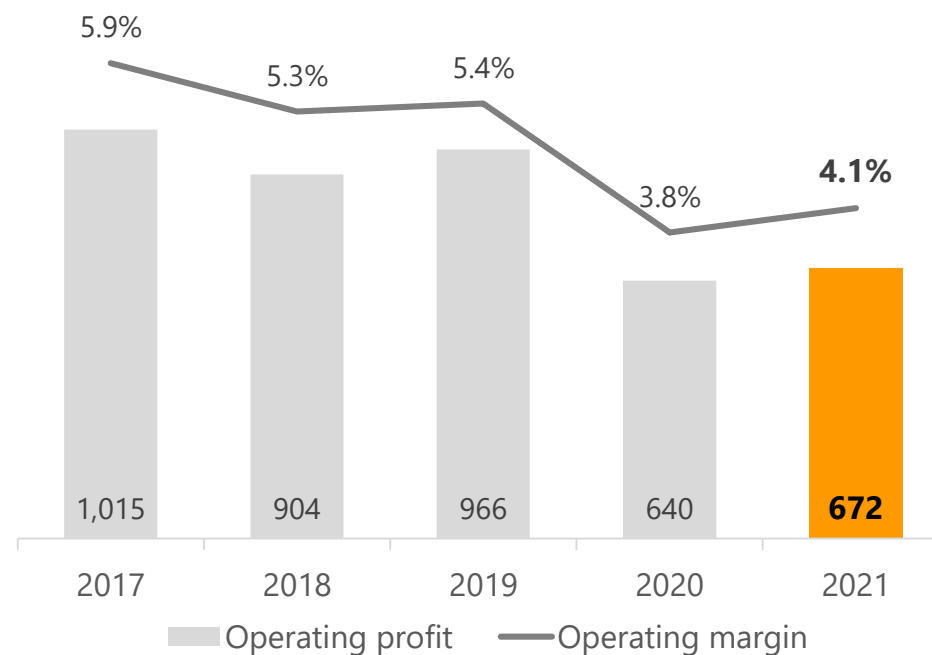
Orders received / Net sales

▶ **Orders received: Approx. ¥700 million decrease**
Net sales: Approx. ¥500 million decrease



Operating profit

▶ **Approx. ¥30 million increase**

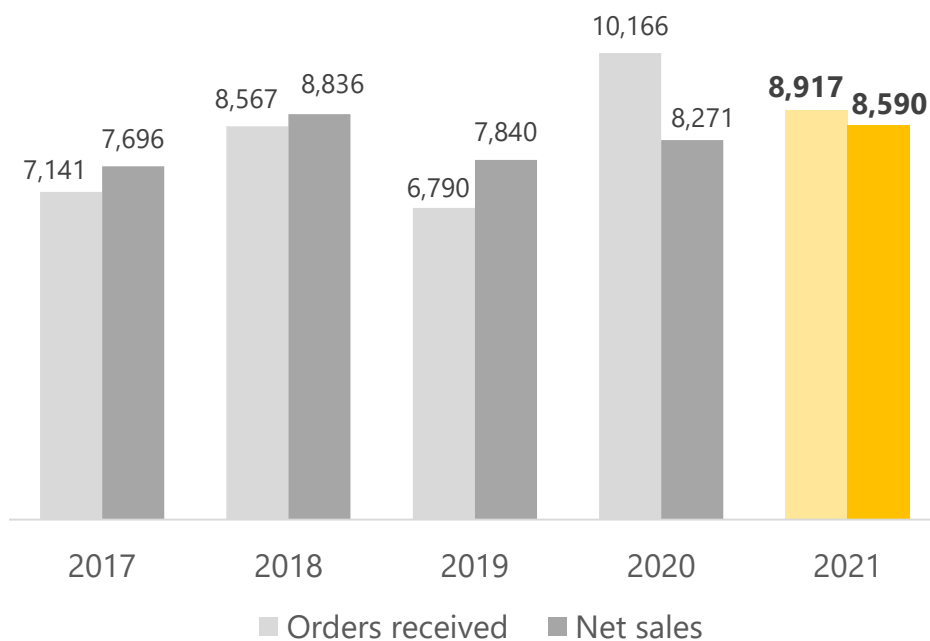


- Orders received for semiconductor industrial equipment were favorable. In the building equipment business, orders received were low due to sluggish demand arising from plans postponed as a result of COVID-19 and intensification of competition.
- Sales were up owing to semiconductor industrial equipment, but profit was down due to sluggishness in the building equipment business.

(Millions of yen)

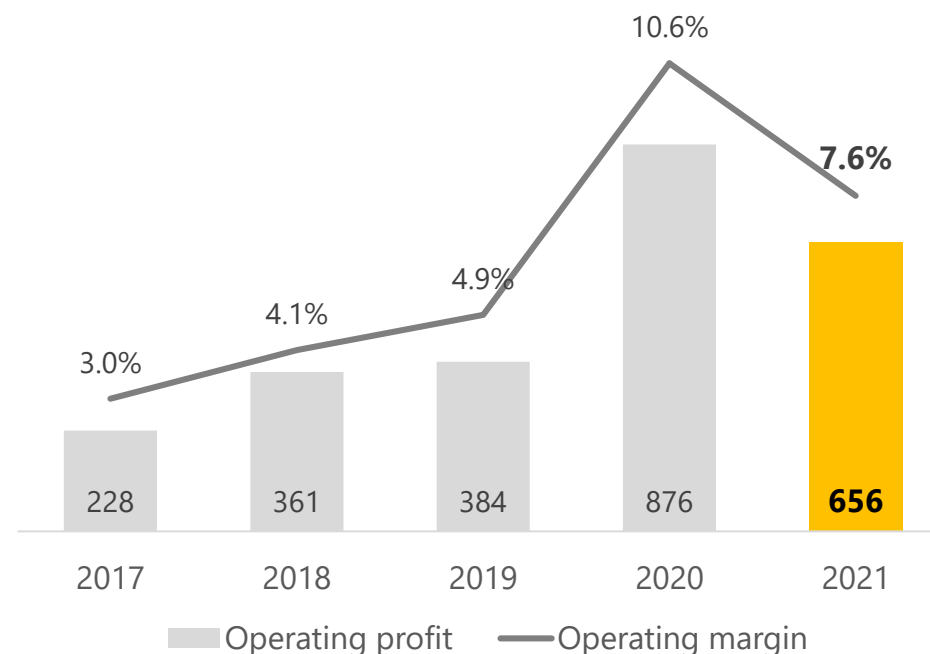
Orders received / Net sales

▶ **Orders received: Approx. ¥1.2 billion decrease**
Net sales: Approx. ¥300 million increase



Operating profit

▶ **Approx. ¥200 million decrease**



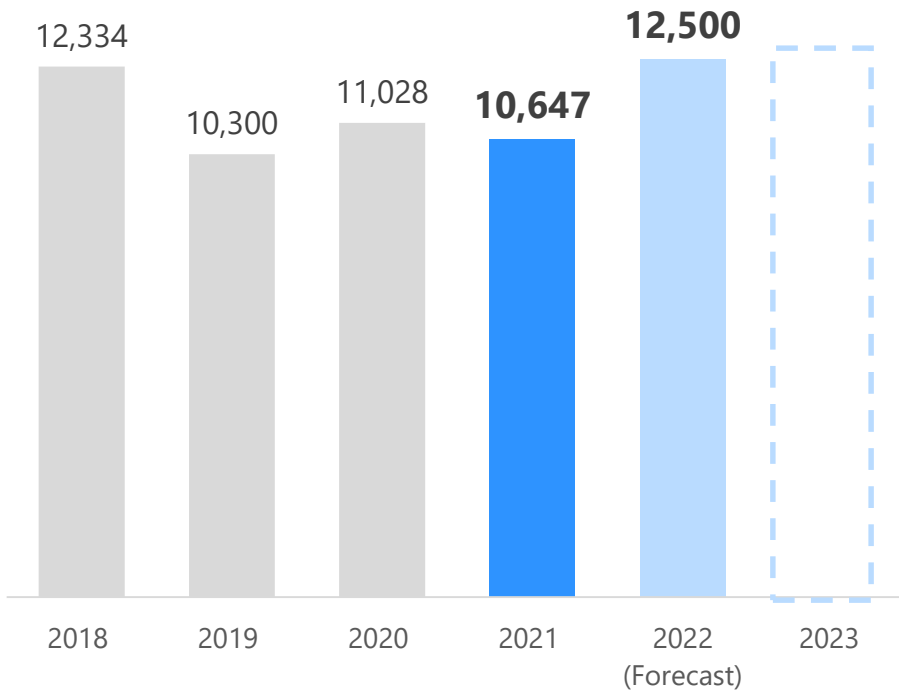
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We fell slightly short of the plan in the first year, but our aim is to achieve ordinary profit of ¥36.0 billion by steadily accumulating orders.

2021-2023
Target ordinary profit
(cumulative)

¥36.0 billion

Ordinary profit

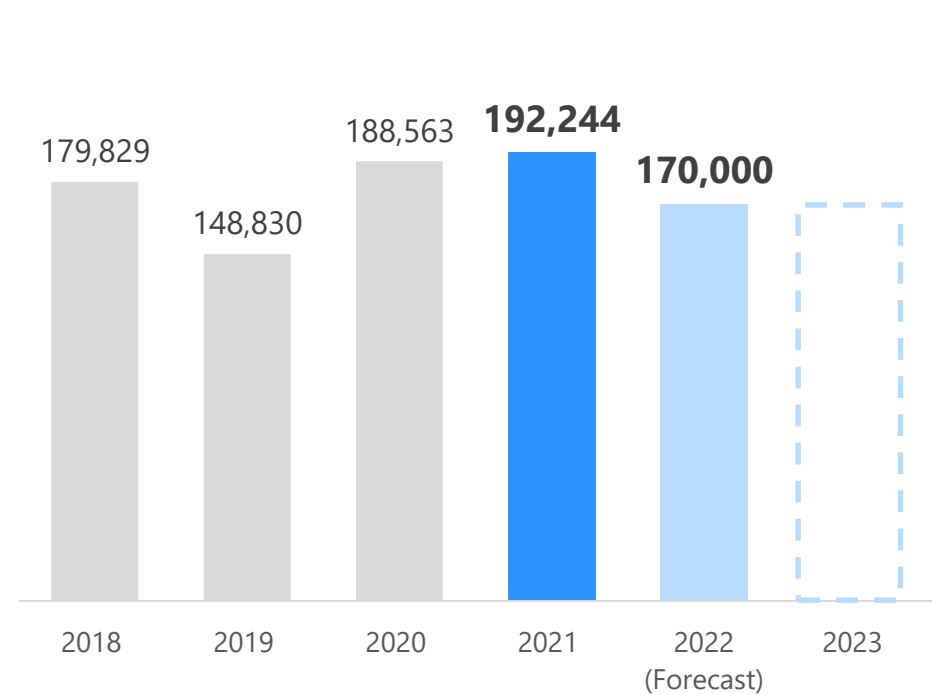


2021-2023
Orders received
(cumulative) *Reference

¥450.0 billion

(Millions of yen)

Orders received



Orders were steady, including 3 waste treatment plant DBO (design, build, operate) projects and 6 biomass power plants.

Segment	Delivered to:	Location	Capacity	Scheduled Completion
Municipal solid waste treatment plant	Q1 Uwajima Public Association (O&M*1)	Ehime	120 t/day	3/2031 (10 years)
	Q2 Hakodate City (DBO*2)	Hokkaido	300 t/day	3/2029 (22 years of operations starting 4/2022)
	Q4 Okayama City (DBO)	Okayama	200 t/day	3/2027 (20 years of operations starting 4/2027)
	Shida Public Association (DBO)	Shizuoka	223 t/day	12/2026 (20 years of operations starting 1/2027)
Energy plant • Biomass power plant • Industrial waste treatment plant	Q1 Company A (Biomass power plant, FIT*3)		1,990 kW	
	Q2 Kumamoto Clean Energy Co. (Biomass power plant, FIT)	Kumamoto	1,990 kW	Autumn 2023
	Q3 Sanko Inc. (Industrial waste treatment plant)	Tottori	93.6 t/day	07/2024
	Q4 Aizu Komorebi Power Plant (Biomass power plant, FIT)	Fukushima	7,100 kW	11/2024
	Chugoku Mokuzai Co., Ltd. Noshiro Plant (Biomass power plant, Heat utilization)	Akita	2,090 kW	03/2024
	Company B (Biomass power plant, FIT)		9,990 kW	
	Company C (Biomass power plant, FIT)		9,990 kW	
	Company D (Biomass power plant, O&M)			
Water treatment plant	Q3 Ochiai Water Reclamation Center (Sand filtration)	Tokyo	130,000m ³ /day	01/2025
Overseas business	Q3 TA-HO LU-TSAO ENVIRONMENT CO., LTD. (Stoker upgrade)	Taiwan	900 t/day	11/2024

*1 O&M: Operation & Maintenance

*2 DBO: Stands for Design, Build, Operate. A method of contracting private companies for the design, construction, and operation of facilities, paid for by public funds.

*3 FIT: Feed-in Tariff

In addition to enhancing our hiring and training of human resources for sustainable growth, we will work on R&D including CO₂ separation, capture, and utilization technology, as well as increasing added value through the utilization of digital technology.

R&D ·CO ₂ separation, capture, and utilization technology	Participation in C2X	We will participate in the C2X open innovation platform, which seeks to commercialize CCUS technology. https://www.takuma.co.jp/news/2021/20210610.html
	Carbon solidification	Together with Shizuoka University, we are promoting R&D on technology for creating carbon for use as a raw material in chemical products by capturing the CO ₂ contained in flue gas from waste incineration facilities. https://www.takuma.co.jp/news/2021/20211124.html
	NEDO study	We were commissioned by NEDO (New Energy and Industrial Technology Development Organization) for a study on energy-saving separation and capture of CO ₂ at biomass power facilities. https://www.takuma.co.jp/news/2021/20211011.html
	Biomethanation	We are promoting R&D such as methane generation technology using technology for fermenting methane from kitchen waste. March 3, 2022 edition of Nikkan Kogyo Shimbun
Digital technology	Improving value offered by utilizing AI and Solution Lab	We reduced manual waste incinerator operations by 99% using an AI-based combustion control system. This system and the remote technology we established allow continuous and stable waste treatment operations even with small numbers of workers. https://www.takuma.co.jp/news/2021/20210628.html
Capital investment	Construction of new Harima Factory	Steady progress is currently being made for launch of operations in December 2022.

13th Medium-Term Management Plan | Human Resources Investment, R&D, and Capital Investment

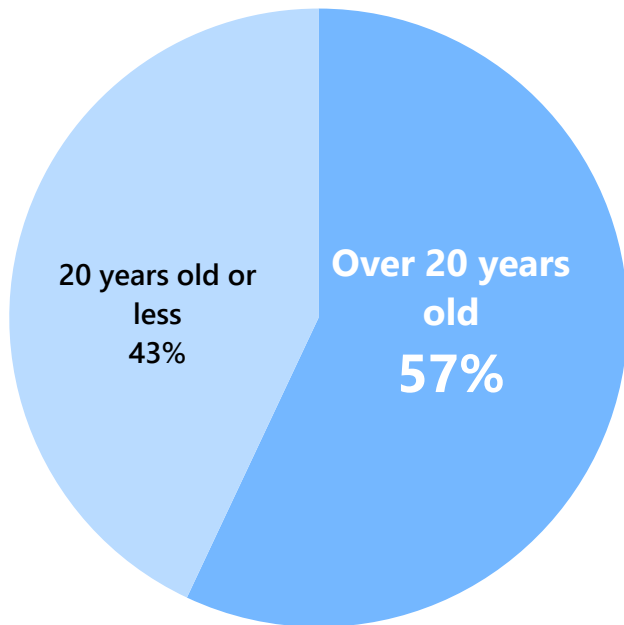
- We will step up our hiring efforts in our Construction, Engineering, and Maintenance divisions to expand our resources.
- In addition to R&D for further fine tuning of our core technologies and decarbonization, we are making progress on construction of the new Harima Factory as a part of our capital investment.

Human resources investment (people)	2016	2017	2018	2019	2020	2021	2022 (Forecast)
Number of employees (consolidated)	3,447	3,609	3,619	3,816	3,925	4,145	
Number of employees (non-consolidated)	824	837	852	875	894	958	
New graduate hires (non-consolidated)	18	24	21	20	25	26	
Mid-career hires (non-consolidated)	11	10	22	25	37	53	
R&D/capital investment (millions of yen)							
R&D expenses	972	928	960	1,154	1,047	1,006	1,600
Capital investment	342	505	638	1,564	2,420	3,844	9,000

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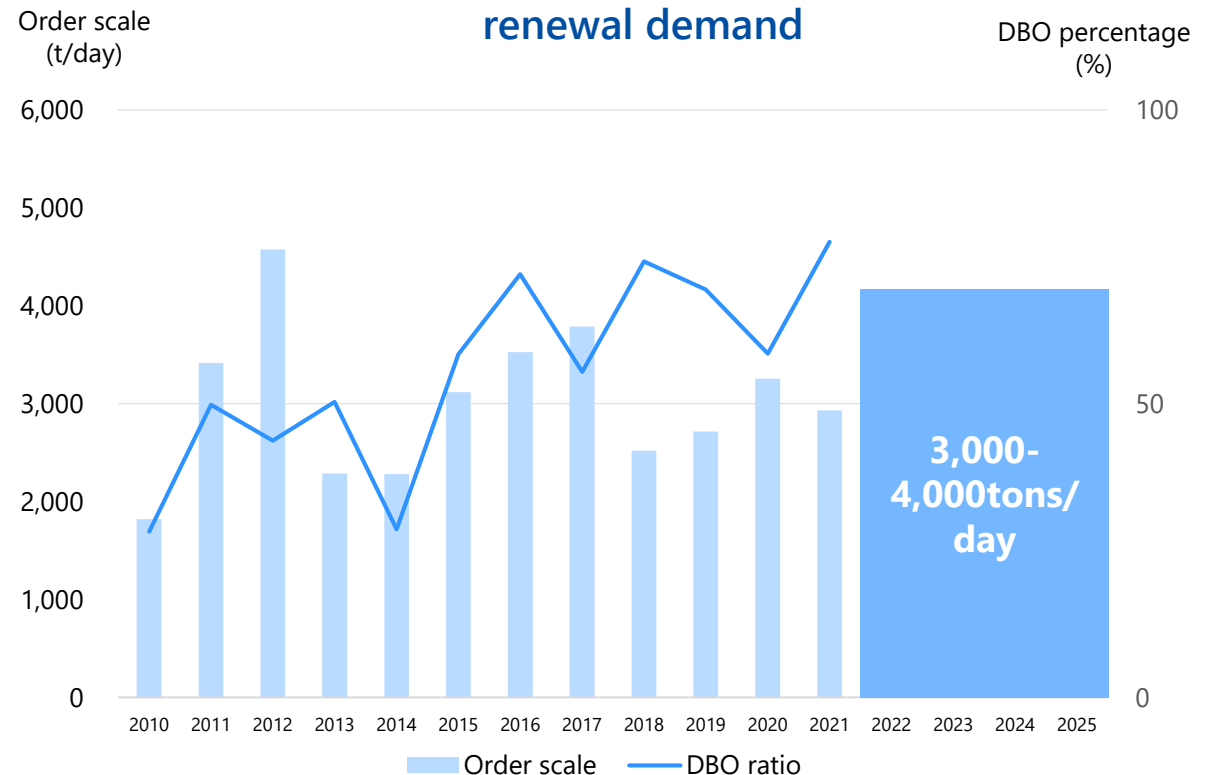
- Demand for renewal and lifetime improvement will continue due to the aging of facilities, and the market size for renewal demand is expected to remain at 3,000-4,000 tons/day for the time being.
- DBO orders are on the rise from the standpoint of utilizing the private sector, so we seek to continue capturing demand.

Number of facilities (1,056 facilities)
Percentages by age



Source: Prepared by the Company based on the "2020 Survey of Municipal Solid Waste Treatment" by the Ministry of the Environment.

Market size for
renewal demand



*Based on research by the Company

Market Environment | Municipal Solid Waste Treatment Plant (Domestic Environment and Energy Business)

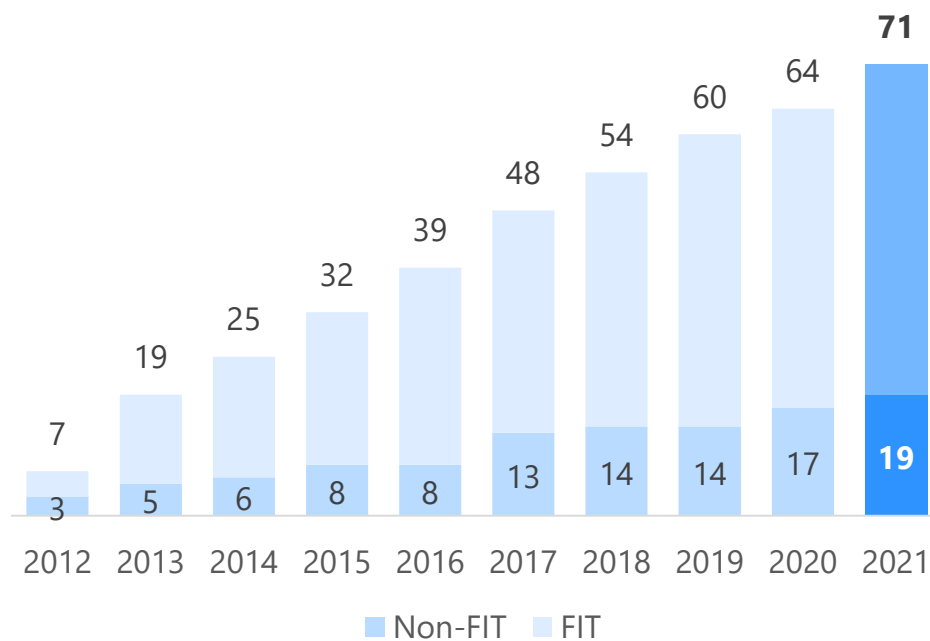
- Our operation business is increasing steadily, and as of the beginning of FY2022, we have received orders for 18 facilities, 12 of which are in operation. *DBO only
- We will continue working to capture after-sales service demand and O&M.

Ordering party	Operations period	2007	-	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		
Okayama City, Okayama	●FY2021 order																						-2046	
Shida Public Association (Yaizu City and Fujieda City, Shizuoka)	●FY2021 order																							-2046
Sapporo City, Hokkaido																								-2044
Saitama City, Saitama																								-2039
Nishichita Medical Service and Public Welfare Association (Tokai City and Chita City, Aichi)																								-2043
Osaka Wide Area Environmental Facility Association (Osaka City, Yao City, Matsubara City, and Moriguchi City, Osaka)																								-2042
Hakodate City, Hokkaido	●FY2021 order																							-2043
Machida City, Tokyo	19 years, 3 months																							-2040
Nanetsu Seiso Kumiai (Sanitation Association) (Echizen City, Minamiechizen Town, and Ikeda Town, Fukui)	20 years																							-2040
Regional Cleaning Union of the city of Ota and three towns (Ota City, Gunma, Chiyoda Town, Ōizumi Town, Ora Town)	20 years																							-2040
Miyazu Yoza Union Environment (Miyazu City, Ine Town, and Yosano Town, Kyoto)	19 years, 8 months																							-2039
Imabari City, Ehime	20 years																							-2037
Lake Administrative Affairs Association (Okaya City, Suwa City, and Shimosuwa Town, Nagano)	20 years																							-2036
Hokutan Administrative Association (Toyooka City, Kami Town, and Shinonsen Town, Hyogo)	20 years																							-2036
Kurume City, Fukuoka	20 years																							-2036
Anan City, Tokushima	20 years																							-2033
Hitachinaka City, Ibaraki	19 years, 11 months																							-2031
Fujisawa City, Kanagawa	20 years																							-2031

12 facilities
in
operation

- Small and medium-sized biomass power generation centered on domestic materials and post-delivery maintenance demand are trending steadily. Fuel conversion demand has also increased against a backdrop of soaring energy prices and CO₂ reduction initiatives, so we will work to capture this demand.
- FIT*¹ plans expected to continue for biomass power generation of less than 10 MW. About FIP*², for the time being, we expect a cautious stance with respect to use.

Number of orders for energy plants (cumulative)



*Non-FIT refers to plants that do not engage in FIT-based power generation. Heat utilization, in-house power generation, and industrial waste treatment plants.

*1 FIT: Feed-in Tariff

*2 FIP: Feed-in Premium

FIT price trends

		2021	2022	2023
Unused wood • Timber from thinning	Less than 2,000 kW	40 yen	40 yen*	40 yen*
	Less than 10,000 kW	32 yen	32 yen*	FIP
	10,000 kW or more	32 yen	FIP	FIP
Regular wood • Mill ends • Imported fuel	Less than 2,000 kW	24 yen	24 yen*	24 yen*
	Less than 10,000 kW	24 yen	24 yen*	FIP
	10,000 kW or more	Bid	FIP (Bid)	FIP (Bid)

*Regional utilization requirement

Source: Compiled by Takuma based on the website of the Agency for Natural Resources and Energy (Ministry of Economy, Trade and Industry).

- In emerging countries, there is potential robust demand for waste power. We will continue to work on establishing a system (including partnerships with local companies) for acquiring orders with local subsidiaries as our bases of operations.
- In Thailand, we will continue to focus on acquiring orders for new construction and maintenance projects as demand for biomass power generation for sugar factories and others remains firm against the backdrop of government policies promoting the introduction of generation of renewable energy.



Taiwan

Primary equipment improvement and renewal demand associated with aging facilities that generate energy from waste

Thailand

- Demand for new installation, renewal, and expansion of bagasse (sugar byproduct) fuel boilers at sugar factories
- Demand for biomass power generation based on government policy

Emerging countries

There is demand for energy from waste as populations grow and urbanization

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- **We expect an increase in both sales and profit** owing to an improvement in the EPC project mix in the Domestic Environment and Energy Business.
- We expect demand to remain strong for municipal solid waste treatment plants and biomass power plants. **Our aim is to keep orders received at a high level** even if lower than the previous year.
- Although there is concern over further increases in the prices of machinery and materials and delayed deliveries, we aim to achieve our target profit by implementing measures to mitigate the impact, including placing orders earlier and proposing inflation adjustments (indexation).
- We do not expect a substantial improvement in the impact of COVID-19.
- We are not directly impacted by the Russia/Ukraine situation.

(Millions of yen)

	FYE 3/2021 (FY2020)	FYE 3/2022 (FY2021)	FYE 3/2023 (FY2022) Beginning of year forecasts	YoY change
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Order backlog	387,152	445,304	472,304	27,000
Net sales	146,726	134,092	143,000	8,908
Operating profit	10,473	9,928	11,800	1,872
Operating margin	7.1%	7.4%	8.3%	0.8pt
Ordinary profit	11,028	10,647	12,500	1,853
Profit attributable to owners of parent	7,529	7,434	8,800	1,366
Profit per share (yen)	92.73	91.53	109.29	17.76

FY2022(Ended 3/2023) | Results Forecasts by Segment

(Millions of yen)

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Orders received				
Total	188,563	192,244	170,000	(22,244)
Domestic Environment and Energy	160,591	164,865	141,500	(23,365)
Overseas Environment and Energy	883	2,035	3,000	965
Package Boiler	17,524	16,830	17,000	170
Equipment and Systems	10,166	8,917	9,000	83
Net sales				
Total	146,726	134,092	143,000	8,908
Domestic Environment and Energy	120,770	108,657	117,500	8,843
Overseas Environment and Energy	1,188	1,005	1,000	(5)
Package Boiler	16,931	16,498	17,000	502
Equipment and Systems	8,271	8,590	8,000	(590)
Backlog				
Total	387,152	445,304	472,304	27,000
Domestic Environment and Energy	377,143	433,351	457,351	24,000
Overseas Environment and Energy	427	1,457	3,457	2,000
Package Boiler	4,521	4,852	4,852	0
Equipment and Systems	5,348	5,676	6,676	1,000

- Takuma has adopted a policy of returning profits to shareholders founded on the principle of maintaining a stable dividend while working to strengthen its constitution to ensure competitiveness in an increasingly challenging market and taking into account a comprehensive range of factors, including business performance.
- The purchase of treasury stock is one of our options, and we execute such purchases flexibly after making a comprehensive judgment based on the stock price and other factors.

(Millions of yen)

Fiscal year	2016	2017	2018	2019	2020	2021	2022 (Forecast)
Net sales	116,309	118,198	121,950	134,454	146,726	134,092	143,000
Ordinary profit	11,605	10,669	12,334	10,300	11,028	10,647	12,500
Dividend per share (yen)	13.00	16.00	22.00	31.00	36.00	36.00	36.00
Interim dividend per share (yen)	6.00	7.00	10.00	13.00	18.00	18.00	18.00
Dividend payout ratio (%)	12.6	16.9	20.5	34.3	38.8	39.3	
Amount of treasury stock purchased				1,999		747	Up to 2,000 in FY2021 & FY2022 in total

We are steadily expanding recurring revenue by such means as entering comprehensive contracts for municipal solid waste treatment plant operations and new deliveries of biomass power plants, so we expect recurring revenue model businesses to grow as a stable revenue foundation.

We also believe the role that our Group, which offers technologies and services primarily in the fields of environment and energy, plays will become more and more important for achieving a decarbonized society and sustainable society.

Continuing to focus on environment and energy-related businesses as a major growth field, we will pursue sustainable growth together with our customers and society via ESG management. Thank you in advance for your understanding and support.

A large, bold, blue TAKUMA logo is centered at the bottom of the slide. The letters are thick and slanted slightly to the right.

May 2022

Takuma Co., Ltd.

President and CEO

Hiroaki Nanjo

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- In 1912, founder Tsunekichi Takuma invented the first boiler in Japan using purely Japanese technology.
- He founded the company in 1938 with the founding spirit "Serve society through boiler manufacturing". The Management Principles of the Takuma Group are found in this founding spirit, which entails contributing to the world through the goods and services we create.
- This approach, which also translates to sustainability, remains at the core of our business activities today.



Founder
Tsunekichi Takuma

Founding Spirit
"Serve society
through boiler
manufacturing"



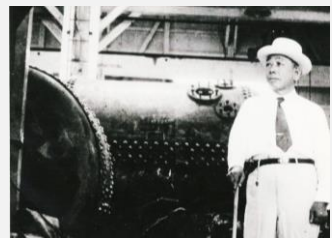
Management
Principles

Serving the country, in other words, contributing to the society through business activities including the manufacture and sale of and services related to boilers

*This was the mission statement of Takuma (Takuma Boiler Manufacturing Co., Ltd. at that time) established by founder Tsunekichi Takuma, who was one of the ten great inventors of Japanese during the period of Meiji and Taisho.

Takuma will strive for social contribution, corporate value enhancement, long-term corporate development and the satisfaction of all stakeholders by providing goods and services that are needed and recognized as valuable in society.

- In 1912, founder Tsunekichi Takuma invented a boiler using purely Japanese technology, and in 1938, he founded Takuma as a boiler manufacturing company. While improving boiler technology, the Company cultivated combustion and water treatment technologies and utilized them in waste incineration. In 1963, the Company delivered Japan's first 24 hour operating waste incineration plant and expanded its business as a manufacturer of environmental facilities.
- Since then, the Company has provided technologies and services for solving customer and societal challenges, primarily in the field of environmental/energy plants.

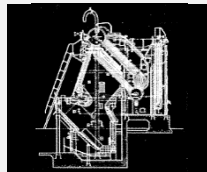


The Takuma boiler was launched by Tsunekichi Takuma.

1912

Takuma Boiler Manufacturing Co., Ltd., was founded

1938

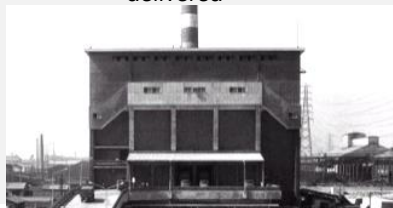


Bagasse-fired boiler, the first product of its kind to be exported

1949

Japan's first 24 hour operating waste incineration plant delivered

1963



Company renamed TAKUMA CO., LTD.

1972

1975



Mass production began on "Vacotin Heater" the world's first vacuum-type hot water heater
Supply to hotels and hospitals nationwide



Japan's largest waste incineration plant delivered

1998

1999

Act on Special Measures against Dioxins enacted.

2010



Energy from Waste plant delivered in Europe (U.K.)

2012

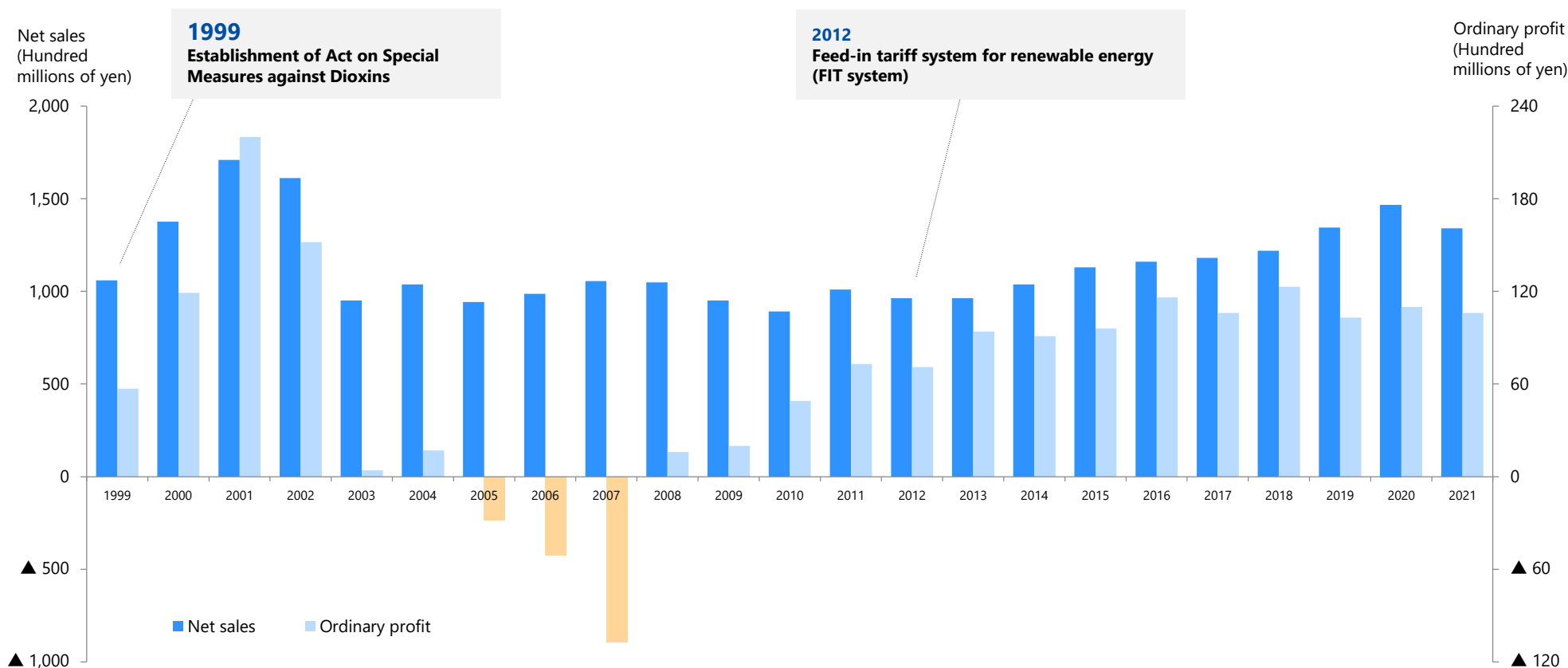
Feed-in tariff (FIT) program launched.

2014



Takuma's first biomass power plant under Japan's FIT program was launched. Thereafter, many more plants were delivered.

- A significant amount of renewal/remodeling work on municipal solid waste treatment plants was concentrated in the period up to around the year 2000. We developed our overseas business to make up for the diminished demand following this work, but we still recorded a significant loss.
- In the latter half of the 2000s, we focused on establishing its footing in Japan and after-sales service, which would provide its earnings base. Demand for biomass power plants also increased rapidly, restoring stability to both net sales and profits.



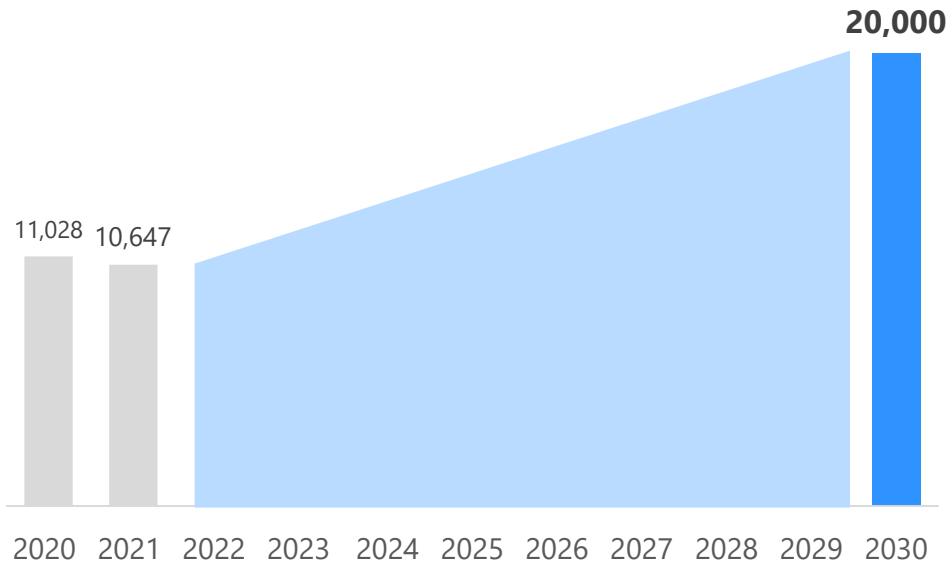
We aim to maintain our role of being an indispensable presence in society as a leading company in the field of renewable energy utilization and environmental protection by promoting ESG management together with customers and society for sustainable growth.

Target ordinary profit for FY2030



¥20.0 billion

Ordinary profit (Millions of yen)



Business Structure

Recurring revenue model businesses

Further expansion as a **core driver of growth**

Maintenance, operation management, O&M, energy services, etc.

EPC* Business

Maintain and expand position as leading company

Various plant design, procurement, and construction

Overseas Business

Expand primarily in emerging countries in Asia to **become a business pillar**

Energy from Waste plant and biomass power plant EPC and after-sale service

Package Boiler Business

Expand business domain as specialized manufacturer of broad range of heat source equipment

Equipment and Systems Business

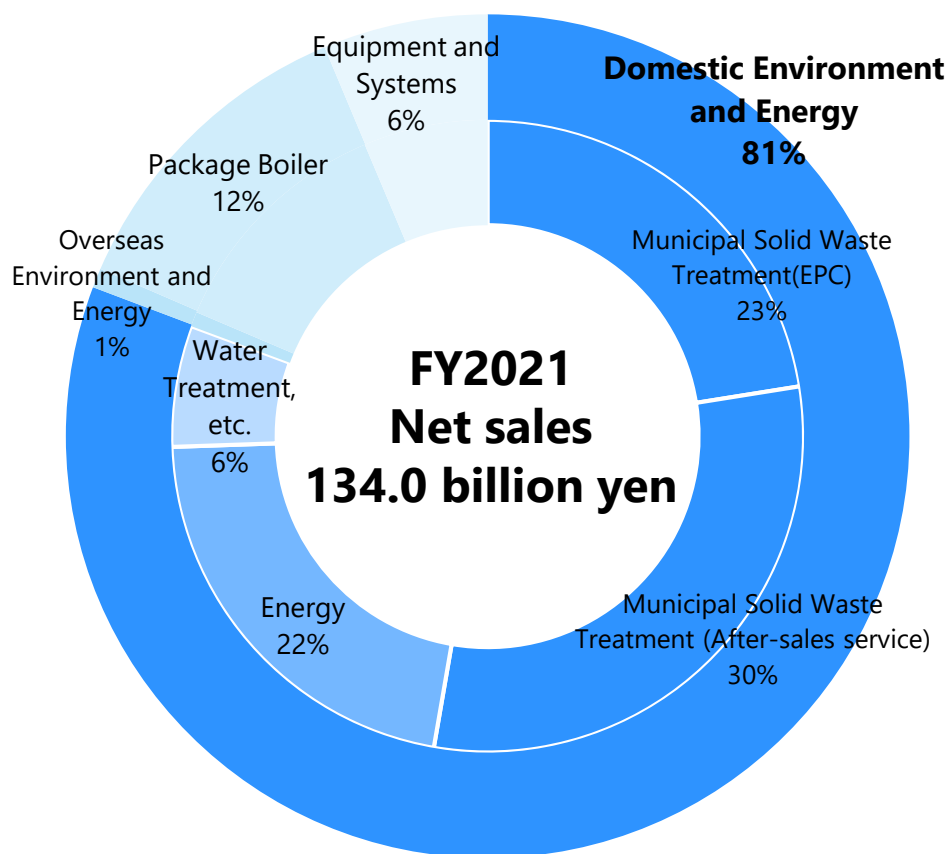
Steady growth through enhancement of corporate capability

New businesses

Create new business opportunities centered on fields of renewable energy and environment

*EPC: Engineering, Procurement, and Construction

- Out of our four segments, the Domestic Environment and Energy Business accounts for roughly 80% of net sales. Profits were also driven by this business.
- Out of these net sales, the Municipal Solid Waste Treatment Plant Business accounts for around 60%, the Energy Plant Business 30%, and the Water Treatment Plant Business 10%.



Domestic Environment and Energy	<p>Municipal Solid Waste Treatment Plant Business Municipal solid waste treatment plant EPC and after-sale service for municipalities</p> <p>Energy Plant Business Large boiler, biomass power plant, and industrial waste treatment plant EPC and after-sale service for private enterprises</p> <p>Water Treatment Plant Business Sewage treatment facility EPC and after-sale service for municipalities</p>
Overseas Environment and Energy	<p>Energy from Waste plant and Energy plant EPC and after-sale service</p>
Package Boiler	<p>Manufacture and sale of and after-sale service related to heat source equipment such as general-purpose boilers and vacuum-type water heaters</p>
Equipment and Systems	<p>Sale of and after-sales service related to building equipment (air conditioning, water supply and drainage work, etc.) and products for the semiconductor manufacturing industry</p>

- Plants delivered by the Company are required to operate in a stable manner long term for 20 and 30 years as important infrastructure that supports regional waste treatment and supplies electricity and heat.
- By constructing plants that operate in a stable manner long term and providing ongoing after-sale services, we will support the administrative services and business activities of our customers and build relationships of trust.

EPC
Approx. 2-5 years

Recurring revenue model businesses (after-sale services)
Approx. 20-30 years

Engineering (E)

Procurement/
manufacturing
(P)

Construction/
trial operation
(C)

After-sale services

Engineering

Specialists in various fields, including overall plant systems, combustion technology and flue gas treatment work together to finalize detailed specifications for the plant.

Procurement/manufacturing

Placement of orders with suppliers for necessary equipment or in-house manufacturing

Construction

Control and supervision of equipment installation, plumbing, and electrical work as a construction manager

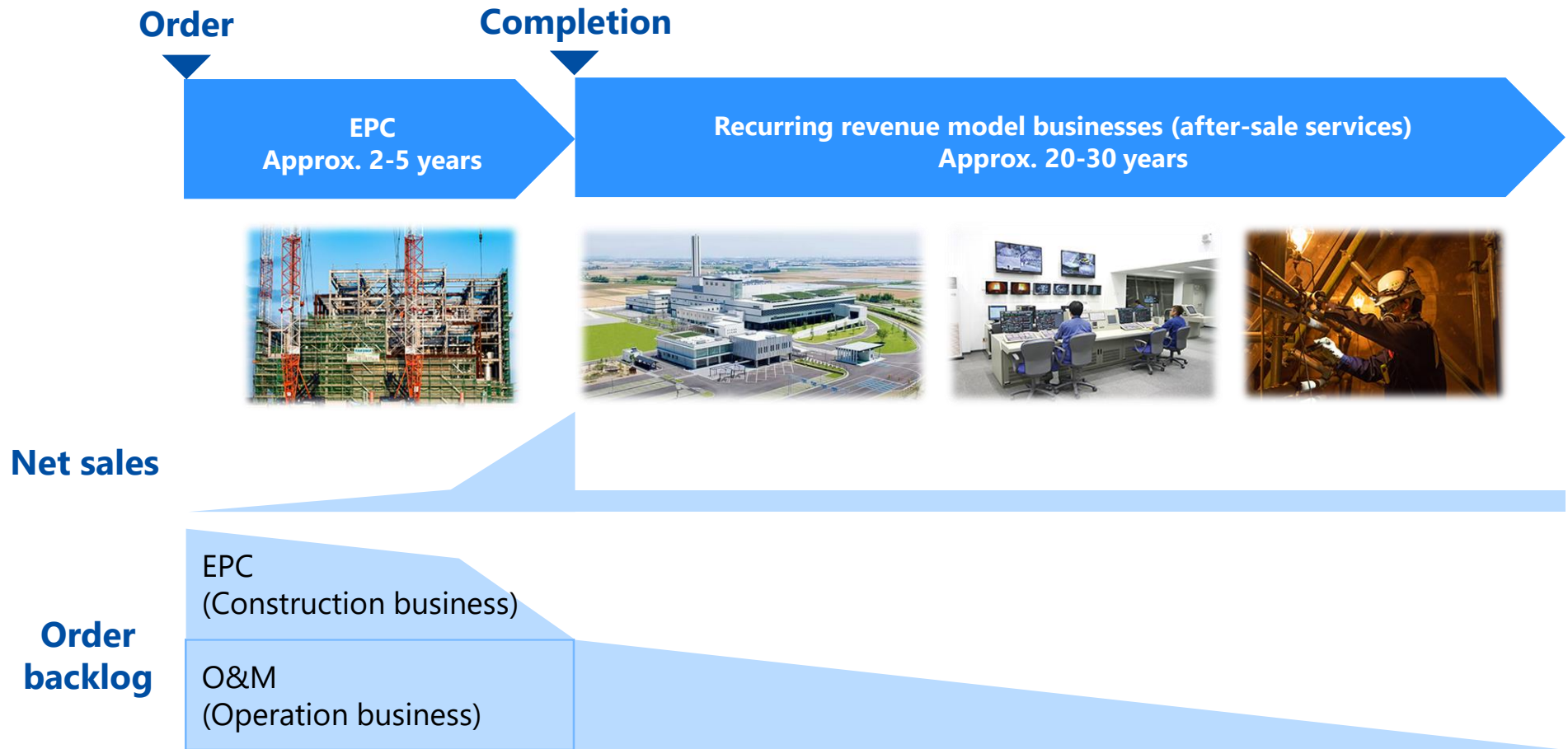
Commissioning

Inspection of equipment after plant completion and check plant performance

After-sale services

- Maintenance and improvement of performance through ongoing plant operation management, maintenance, and remodeling work.
- At municipal solid waste treatment plants, O&M (Operation & Maintenance) and DBO (Design, Build, Operate) contracts in which operation management is combined with maintenance for long periods of 10 or 20 years are increasing.

- The EPC portion is recorded as sales according to progress on the project. More tends to be recorded in the latter half of a project as construction progresses.
- The O&M portion is recorded as orders when contracts are signed, and after plants are completed, they are recorded as net sales over the business period.



In the core business of municipal solid waste treatment plants, the amount of each order is substantial, so the amount of orders received fluctuates depending on the timing of the contract when looking at the data by quarter.

(Millions of yen)

Orders received	E 3/2020 (FY2019)				E 3/2021 (FY2020)				E 3/2022 (FY2021)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total	27,511	42,731	25,424	53,164	77,308	41,625	37,885	31,745	35,531	56,602	16,322	83,789
Domestic Environment and Energy	20,293	36,105	19,032	47,724	69,700	33,822	32,347	24,722	28,658	48,896	9,241	78,070
Overseas Environment and Energy	694	106	264	287	221	174	(5)	493	231	164	1,115	525
Package Boiler	5,012	4,807	4,523	3,583	4,978	4,937	3,871	3,738	5,063	4,276	4,070	3,421
Equipment and Systems	1,570	1,805	1,733	1,682	2,602	2,830	1,868	2,866	1,664	3,381	1,900	1,972
Backlog												
Total	332,181	343,416	335,713	345,315	390,334	393,896	396,549	387,152	395,571	420,052	401,929	445,304
Domestic Environment and Energy	321,651	332,693	325,547	337,322	379,819	381,937	386,058	377,143	383,408	406,554	388,058	433,351
Overseas Environment and Energy	898	866	641	733	713	375	138	427	534	364	1,247	1,457
Package Boiler	5,455	5,430	5,257	3,928	5,694	6,406	5,948	4,521	6,391	6,316	6,054	4,852
Equipment and Systems	4,353	4,545	4,401	3,453	4,372	5,471	4,701	5,348	5,440	6,930	6,588	5,676

As for net sales, much work is delivered at the end of the fiscal year, and progress and deliveries tend to increase going into the fourth quarter, so net sales tend to be higher in the fourth quarter.

(Millions of yen)

Net sales	E 3/2020 (FY2019)				E 3/2021 (FY2020)				E 3/2022 (FY2021)			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total	26,269	31,496	33,127	43,562	32,289	38,063	35,232	41,142	27,112	32,122	34,445	40,413
Domestic Environment and Energy	20,933	25,064	26,178	35,948	27,203	31,705	28,225	33,637	22,393	25,749	27,738	32,777
Overseas Environment and Energy	321	137	490	195	241	512	231	204	124	335	231	315
Package Boiler	3,429	4,831	4,696	4,912	3,212	4,225	4,329	5,165	3,192	4,351	4,333	4,622
Equipment and Systems	1,720	1,612	1,877	2,631	1,682	1,732	2,638	2,219	1,572	1,891	2,243	2,884
Operating profit												
Total	1,261	2,469	2,378	3,492	2,217	3,609	2,533	2,114	1,045	1,893	2,368	4,622
Domestic Environment and Energy	1,858	2,508	2,644	3,609	2,776	3,766	2,405	2,528	1,610	1,981	2,384	4,931
Overseas Environment and Energy	(65)	(46)	(67)	(24)	(53)	43	(63)	(67)	(98)	12	(55)	(77)
Package Boiler	(83)	390	214	445	(97)	137	269	331	(129)	239	331	231
Equipment and Systems	53	122	85	124	95	197	479	105	169	155	241	91
Operating margin												
Total	4.8%	7.8%	7.2%	8.0%	6.9%	9.5%	7.2%	5.1%	3.9%	5.9%	6.9%	11.4%
Domestic Environment and Energy	8.9%	10.0%	10.1%	10.0%	10.2%	11.9%	8.5%	7.5%	7.2%	7.7%	8.6%	15.0%
Overseas Environment and Energy	-20.2%	-33.6%	-13.7%	-12.3%	-22.0%	8.4%	-27.3%	-32.8%	-79.0%	3.6%	-23.8%	-24.4%
Package Boiler	-2.4%	8.1%	4.6%	9.1%	-3.0%	3.2%	6.2%	6.4%	-4.0%	5.5%	7.6%	5.0%
Equipment and Systems	3.1%	7.6%	4.5%	4.7%	5.6%	11.4%	18.2%	4.7%	10.8%	8.2%	10.7%	3.2%

Reference Material | Breakdown of Consolidated Results for Domestic Environment and Energy Business

(100M yen)

	E 3/2020 (FY2019)	E 3/2021 (FY2020)	E 3/2022 (FY2021)
Orders received			
Domestic Environment and Energy	1,231	1,605	1,648
Municipal Solid Waste Treatment (EPC)	855	1,414	425
Municipal Solid Waste Treatment (After-sales service)			787
Energy	319	54	329
Water Treatment, etc.	56	136	103
Net sales			
Domestic Environment and Energy	1,081	1,207	1,086
Municipal Solid Waste Treatment (EPC)	706	911	301
Municipal Solid Waste Treatment (After-sales service)			405
Energy	282	208	291
Water Treatment, etc.	92	87	83
Backlog			
Domestic Environment and Energy	3,373	3,771	4,333
Municipal Solid Waste Treatment (EPC)	2,426	2,928	1,215
Municipal Solid Waste Treatment (After-sales service)			2,217
Energy	884	730	771
Water Treatment, etc.	62	112	128

* The breakdown and the total do not match due to rounding down of fractions.

* Adjustments are omitted.

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Please note that actual performance may diverge significantly from these forecasts for a variety of reasons.

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