

# Financial Briefing Materials for FY2022

Takuma Co., Ltd

May 25, 2023

**TAKUMA**

## 1. Corporate Information

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## 2. Overview of FY2022 (Ended 3/2023) Financial Results

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## 3. Progress on 13<sup>th</sup> Medium-Term Management Plan (2021-2023)

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## 4. Financial Forecast for FY2023 (Ended 3/2024) and Shareholder Return

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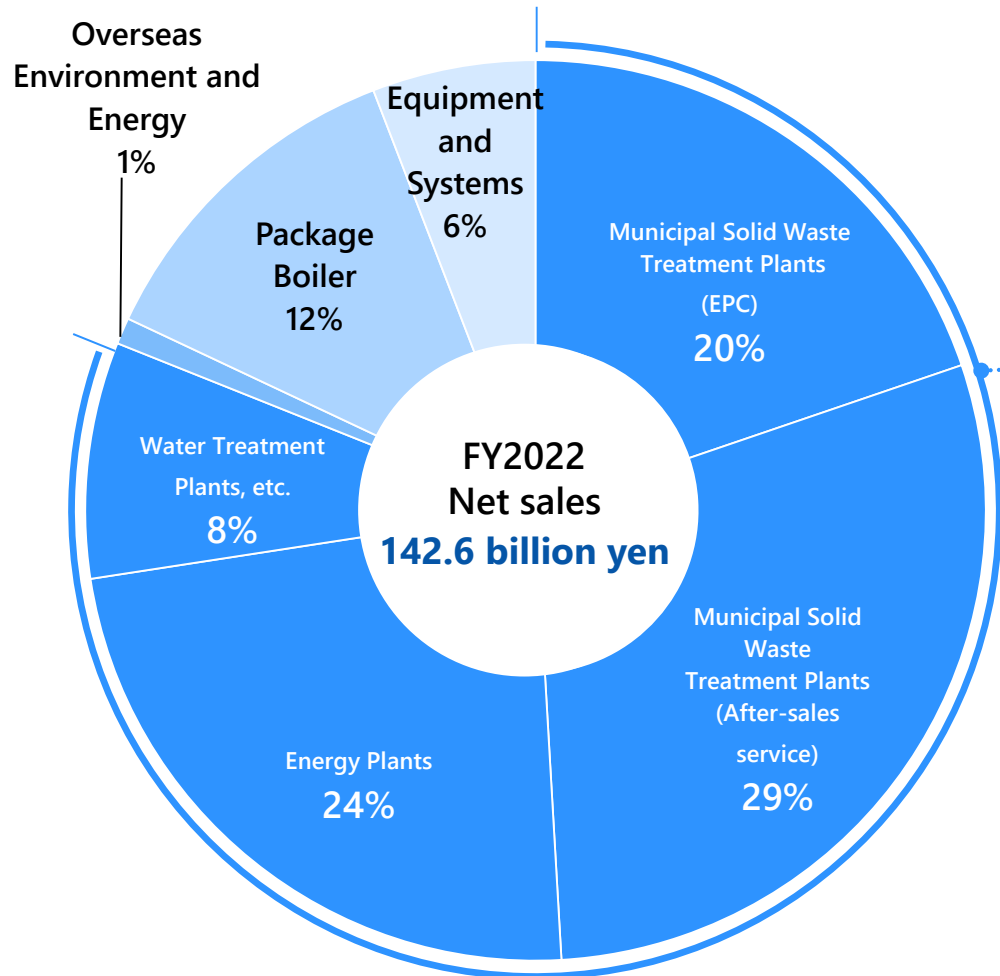
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## 4. Financial Forecast for FY2023 (Ended 3/2024) and Shareholder Return

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# Business Segment

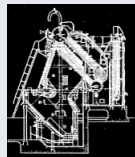
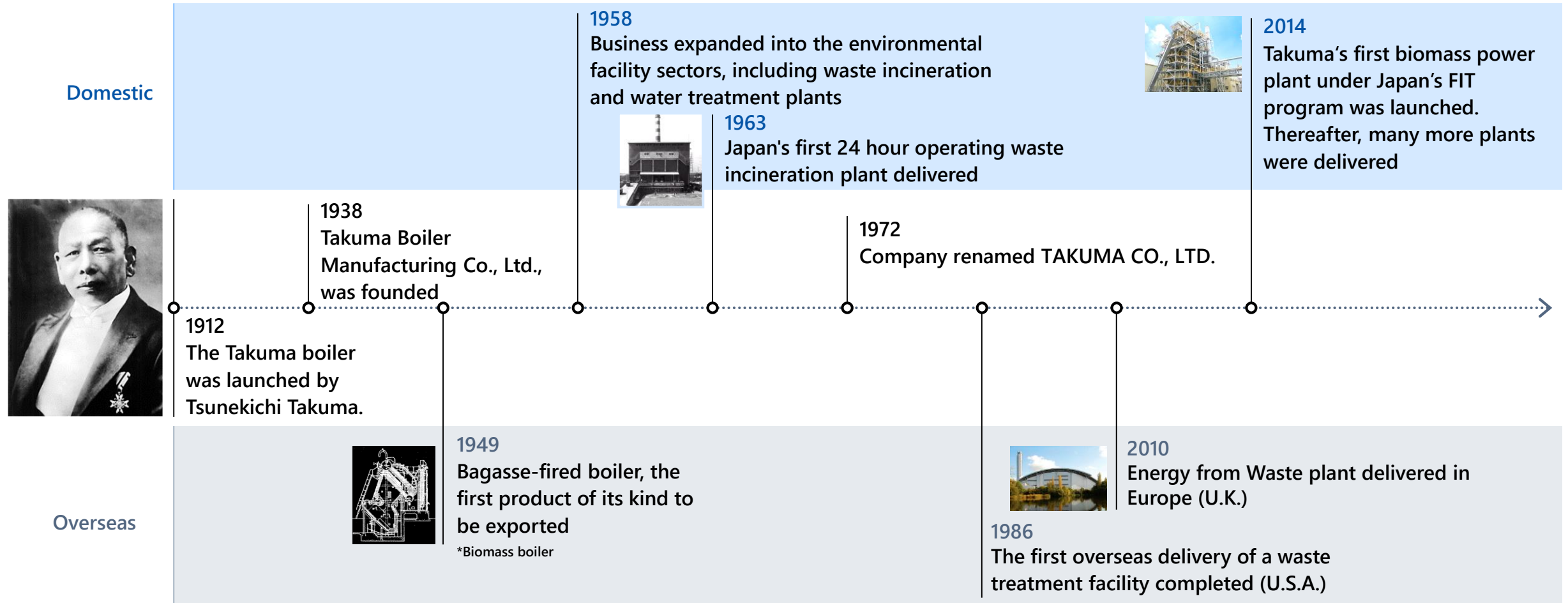
Our business is centered on engineering, procurement, and construction (EPC) and after-sales service of waste treatment facilities, biomass power plants, etc. based on the primary themes of “environment” and “energy”.



Domestic Environment and Energy	<b>Municipal Solid Waste Treatment Plant Business</b> Municipal solid waste treatment plant EPC and after-sales service for municipalities	
	<b>Energy Plant Business</b> Large boiler, biomass power plant, and industrial waste treatment plant EPC and after-sale service for private enterprises	
	<b>Water Treatment Plant Business</b> Sewage treatment facility EPC and after-sale service for municipalities	
	<b>Power Retail Business</b> Supply of electric power procured from delivered power plants and other facilities to public facilities and private companies	
Overseas Environment and Energy	Energy from Waste plant and Energy plant EPC and after-sale service	
Package Boiler	Manufacture and sale of and after-sale service related to heat source equipment such as general-purpose boilers and vacuum-type water heaters	
Equipment and Systems	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	

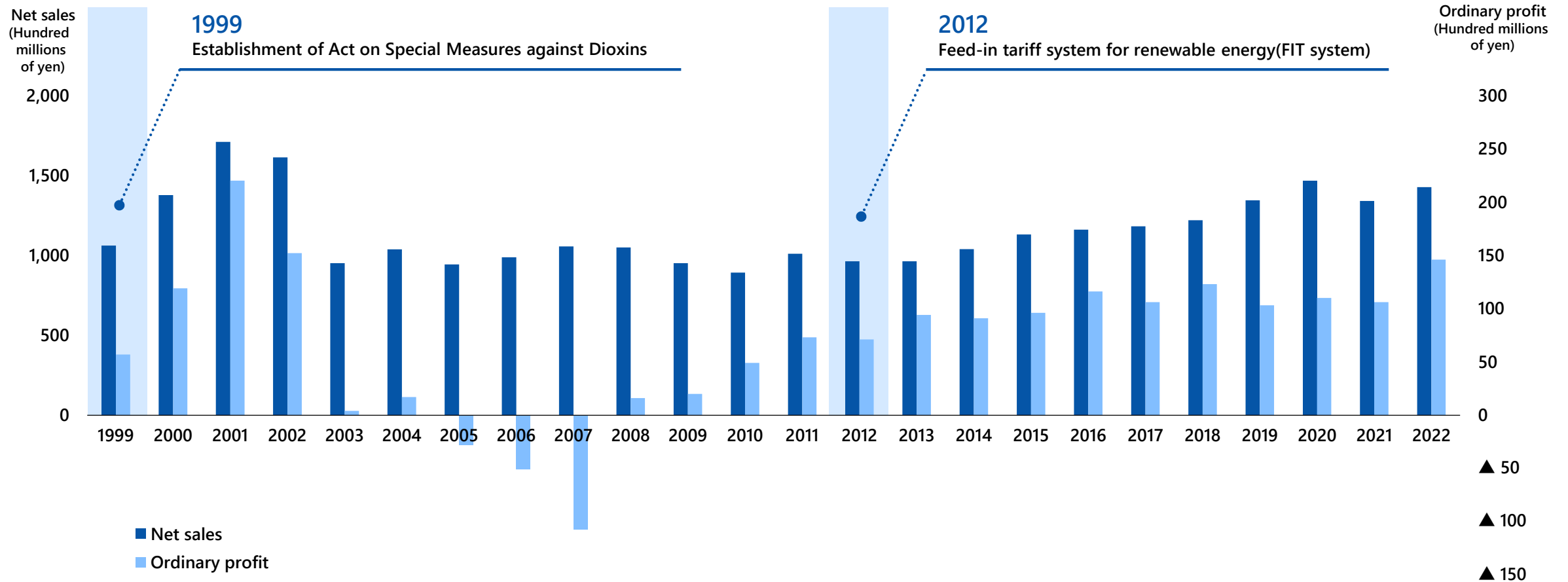
\*EPC: Engineering, Procurement, and Construction

In 1912, we invented the first boiler in Japan using purely Japanese technology. While improving boiler technology, the company cultivated combustion and water treatment technologies and utilized them to enter the environmental field, such as waste incineration plants. Since then, we have provided technologies and services for solving customer and societal challenges, primarily in the fields of environment and energy.

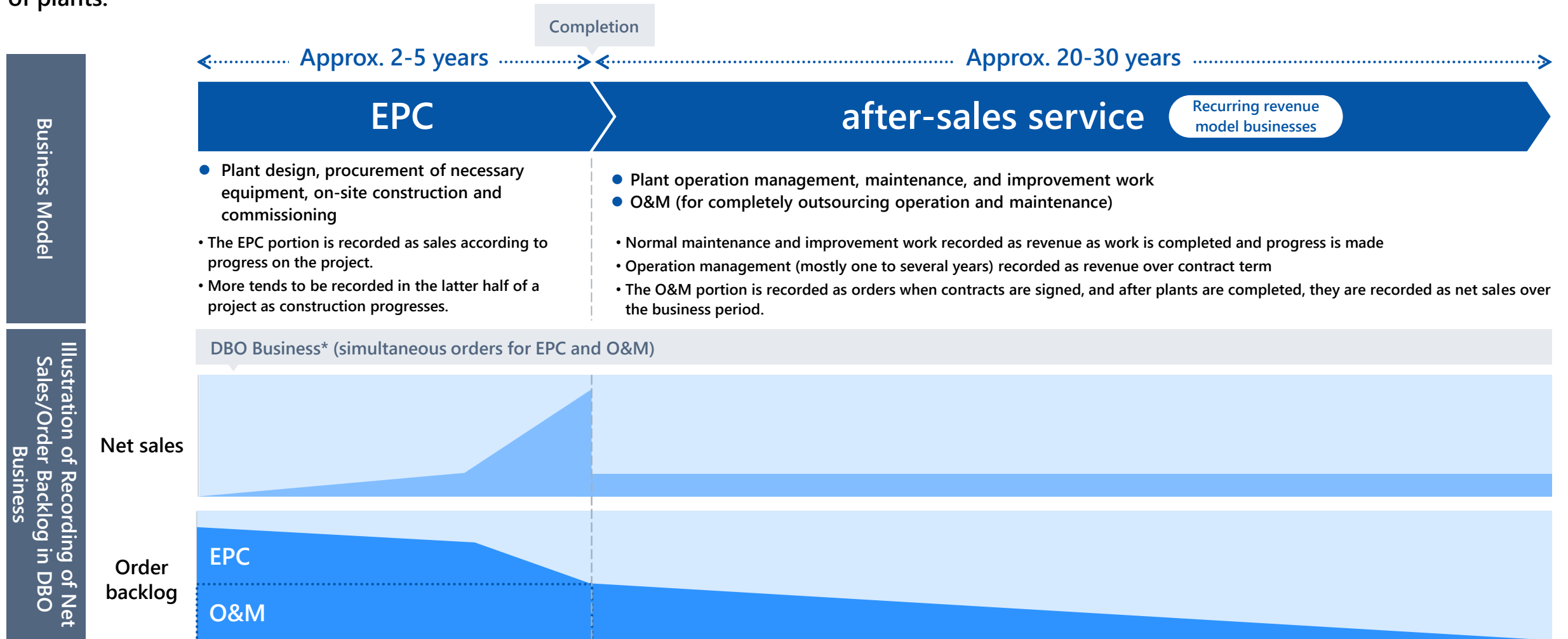


# Performance Trends

In the latter half of the 2000s, we focused on after-sales service, which would provide its earnings base. There has been steady demand for renewal and service life improvement of waste treatment plants and an increase in demand for biomass power plants, resulting in stable net sales and profits.



Revenue comes primarily from engineering and construction (EPC\*) and after-sales service (operational management, maintenance, O&M\*, etc.) of plants.



\*EPC:Engineering, Procurement, and Construction

\*O&M: A comprehensive contract for Operation & Maintenance of facilities

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Orders received have decreased but remain at a high level. Both sales and profit were up owing to a change in the EPC project mix.

- Orders received: In the Domestic Environment and Energy Business, although we received one order for the construction and operation of a waste treatment plant (BTO project) and seven orders for the construction of biomass power generation plants and other facilities, orders received were down YoY due to the absence of three orders for the construction and operation of waste treatment plants (DBO projects) received the previous year.
- Net sales and profit: Both sales and profit were up owing to a change in the EPC project mix in the Domestic Environment and Energy Business and an increase in recurring revenue model businesses such as O&M and power retail businesses.
- Order backlog: The order backlog is on the rise owing to steady orders for long-term O&M (operations projects with contract terms of 10 years or more, such as DBO/BTO projects).

(Millions of yen)	FYE 3/2021 (FY2020)	FYE 3/2022 (FY2021)	FYE 3/2023 (FY2022)	YoY change
Orders received	188,563	192,244	168,558	(12.3%)
Order backlog	387,152	445,304	471,211	5.8%
Net sales	146,726	134,092	142,651	6.4%
Operating profit	10,473	9,928	13,813	39.1%
Operating margin	7.1%	7.4%	9.7%	2.3pt
Ordinary profit	11,028	10,647	14,684	37.9%
Profit attributable to owners of parent	7,529	7,434	9,621	29.4%
Profit per share (yen)	92.73	91.53	120.22	31.3%

\* EPC: Engineering, procurement, and construction; one approach we use in our plant construction business. \* O&M: Operation and maintenance; one approach we use in our plant operation business.

\* DBO, BTO: Both of one approach we use in our plant construction and operation businesses (EPC + O&M). DBO: Design, build, and operate; BTO: Build, transfer, and operate

\* Primary equipment improvement work: Large-scale improvement work for the effective utilization of existing municipal solid waste treatment plants through maintenance and improvement of functions and extension of useful life

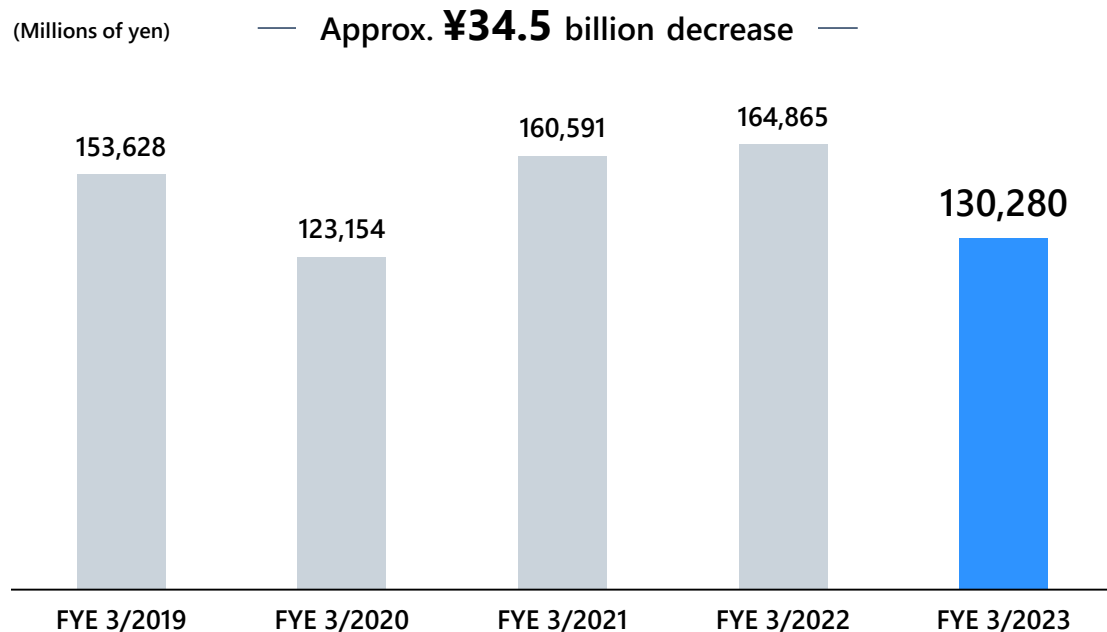
(Millions of yen)	FYE 3/2021 (FY2020)	FYE 3/2022 (FY2021)	FYE 3/2023 (FY2022)	YoY change
<b>Orders received</b>				
Total	188,563	192,244	168,558	(12.3%)
Domestic Environment and Energy	160,591	164,865	130,280	(21.0%)
Overseas Environment and Energy	883	2,035	5,922	191.0%
Package Boiler	17,524	16,830	18,400	9.3%
Equipment and Systems	10,166	8,917	14,328	60.7%
<b>Net sales</b>				
Total	146,726	134,092	142,651	6.4%
Domestic Environment and Energy	120,770	108,657	115,985	6.7%
Overseas Environment and Energy	1,188	1,005	1,351	34.4%
Package Boiler	16,931	16,498	17,312	4.9%
Equipment and Systems	8,271	8,590	8,360	(2.7%)
<b>Operating profit</b>				
Total	10,473	9,928	13,813	39.1%
Domestic Environment and Energy	11,475	10,906	14,875	36.4%
Overseas Environment and Energy	(140)	(218)	(172)	-
Package Boiler	640	672	915	36.1%
Equipment and Systems	876	656	826	25.9%

\* Adjustments are omitted.

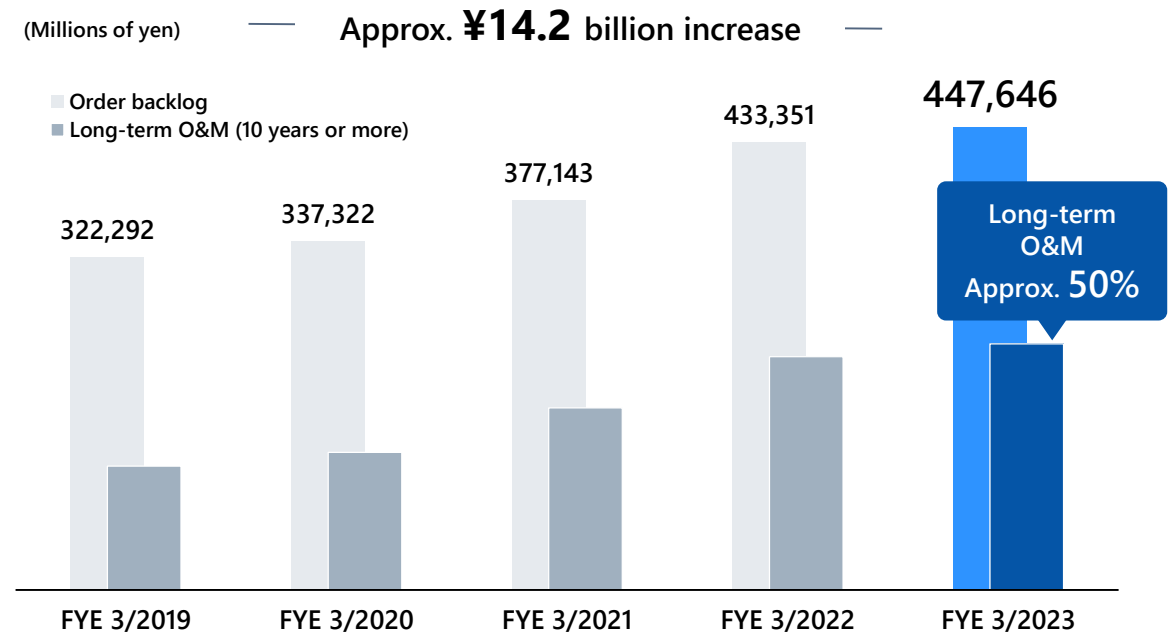
Orders received have declined due to fewer orders for waste treatment plant construction and operation projects. The order backlog is on the rise owing to orders for long-term O&M.

- Orders received were down YoY due to the absence of the three orders for waste treatment plant construction and operation projects (DBO projects) from the previous period despite orders received for one waste treatment plant construction and operation project (BTO project), one primary equipment improvement work, one long-term O&M project, and seven biomass power generation plant and other facility projects.
- The order backlog is on the rise owing to steady orders for long-term O&M (such as DBO and BTO projects). Around 50% of the backlog is long-term O&M.

### Orders received



### Order backlog

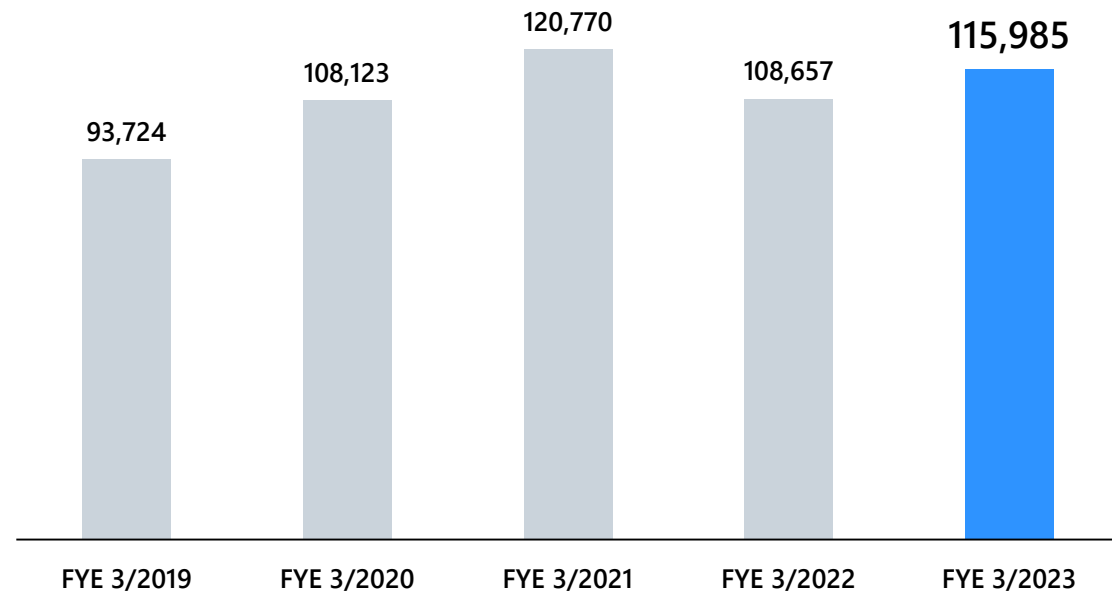


Sales and profit were up owing to a change in the EPC project mix and an increase in recurring revenue model businesses such O&M and power retail businesses.

### Net sales

(Millions of yen)

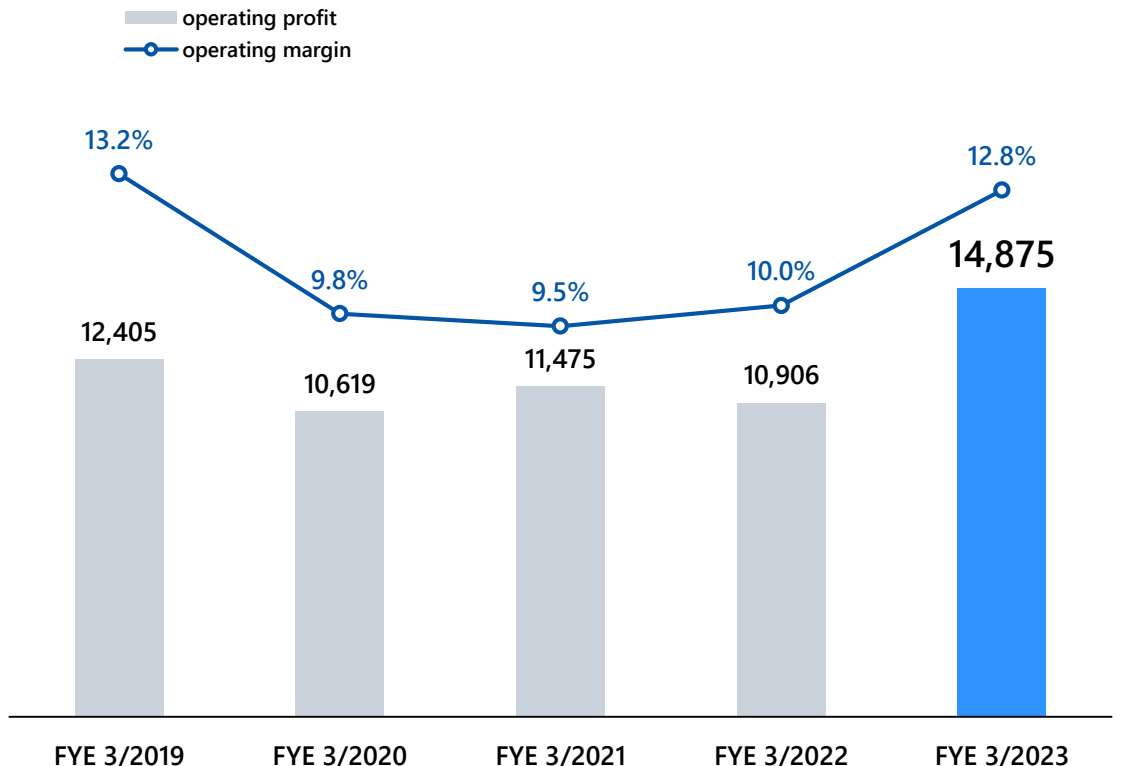
Approx. **¥7.3 billion** increase



### Operating profit

(Millions of yen)

Approx. **¥3.9 billion** increase

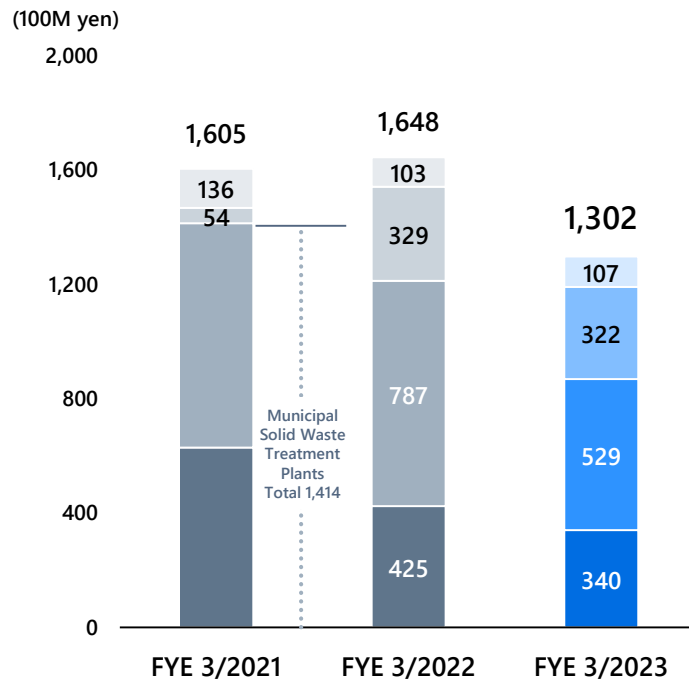


Orders received have declined due to fewer orders for municipal solid waste treatment plant construction and operation projects (3 DBO projects → 1 BTO project).

Net sales were up owing to an increase in energy plants, water treatment plants and others (EPC and after-sale service, power retail business, etc.).

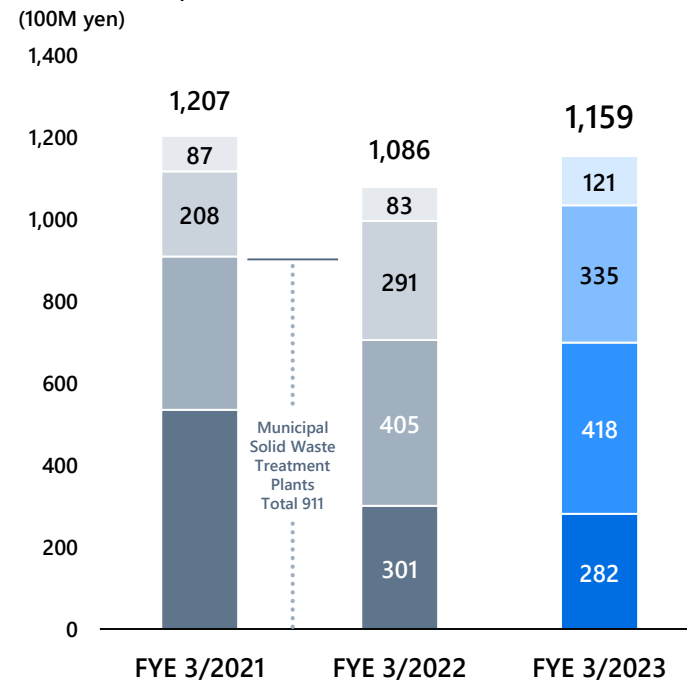
### Orders received

- Water Treatment Plants, etc.
- Energy Plants
- Municipal Solid Waste Treatment Plants (After-sales service)
- Municipal Solid Waste Treatment Plants (EPC)



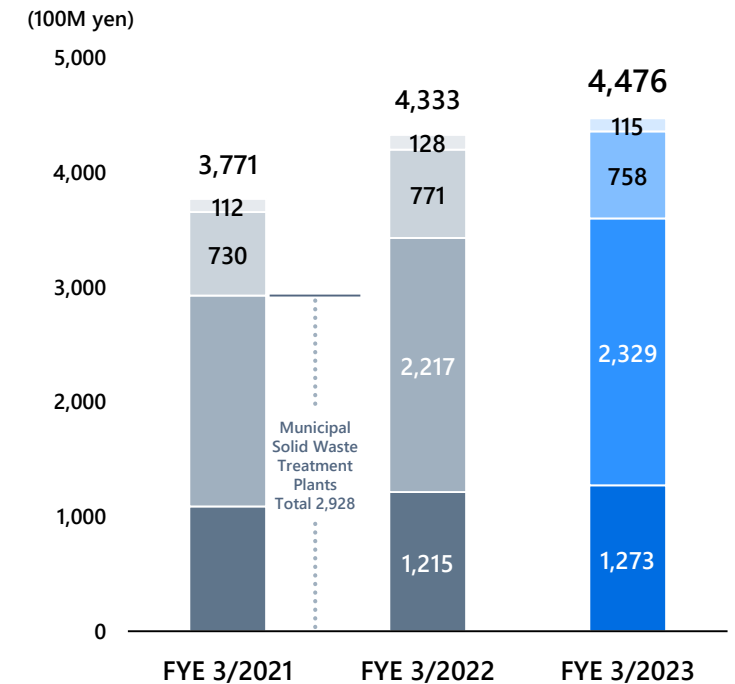
### Net sales

- Water Treatment Plants, etc.
- Energy Plants
- Municipal Solid Waste Treatment Plants (After-sales service)
- Municipal Solid Waste Treatment Plants (EPC)



### Order backlog

- Water Treatment Plants, etc.
- Energy Plants
- Municipal Solid Waste Treatment Plants (After-sales service)
- Municipal Solid Waste Treatment Plants (EPC)



\* Adjustments are omitted.

# Domestic Environment and Energy Business

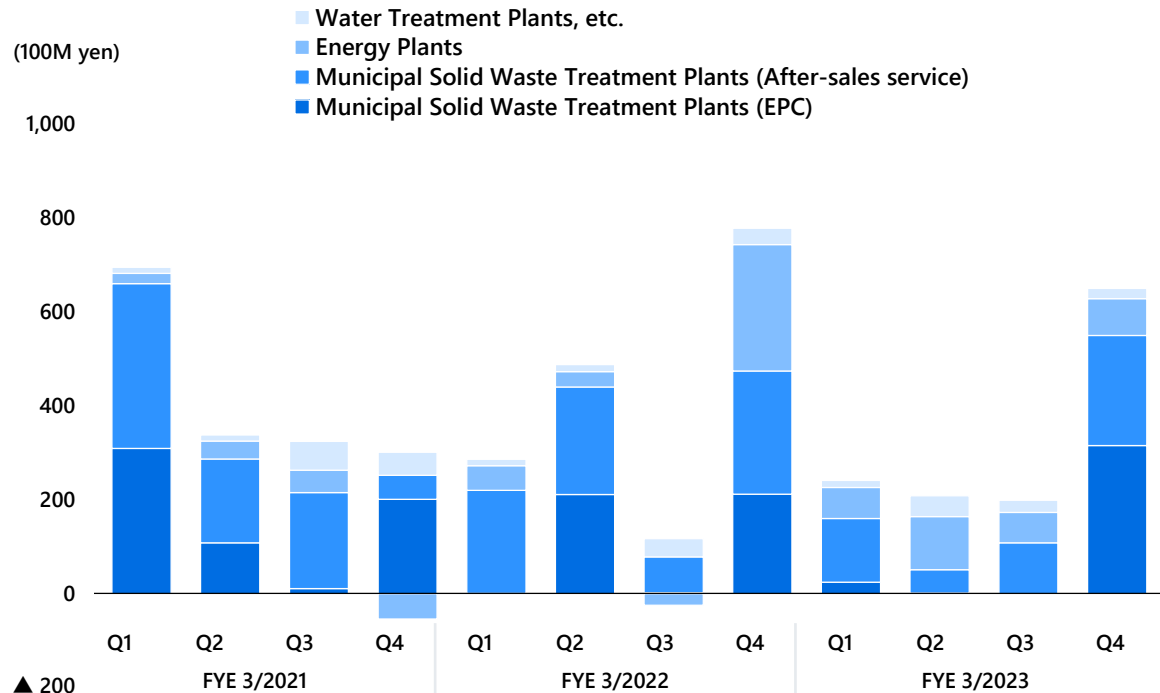
Quarterly trend in  
Orders received /  
Net sales (Reference material)



Orders received vary significantly depending on the timing that projects are recorded. Net sales tend to increase going into the fourth quarter.

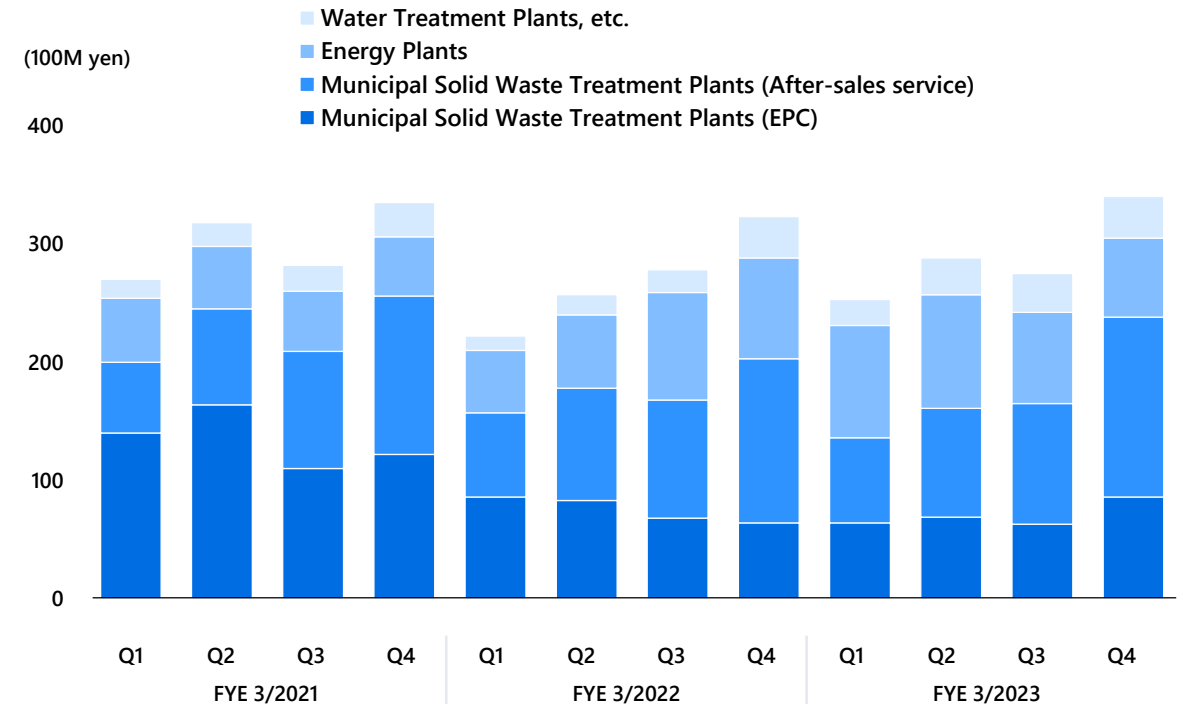
## Orders received (quarterly)

The amount of each EPC project is large, so orders received tend to vary significantly depending on the timing of the contract.



## Net sales (quarterly)

Although net sales vary depending on progress on construction of EPC projects for the period, municipal solid waste treatment plants (after-sales service) increases going into the fourth quarter, so overall net sales also tend to increase going into the fourth quarter.



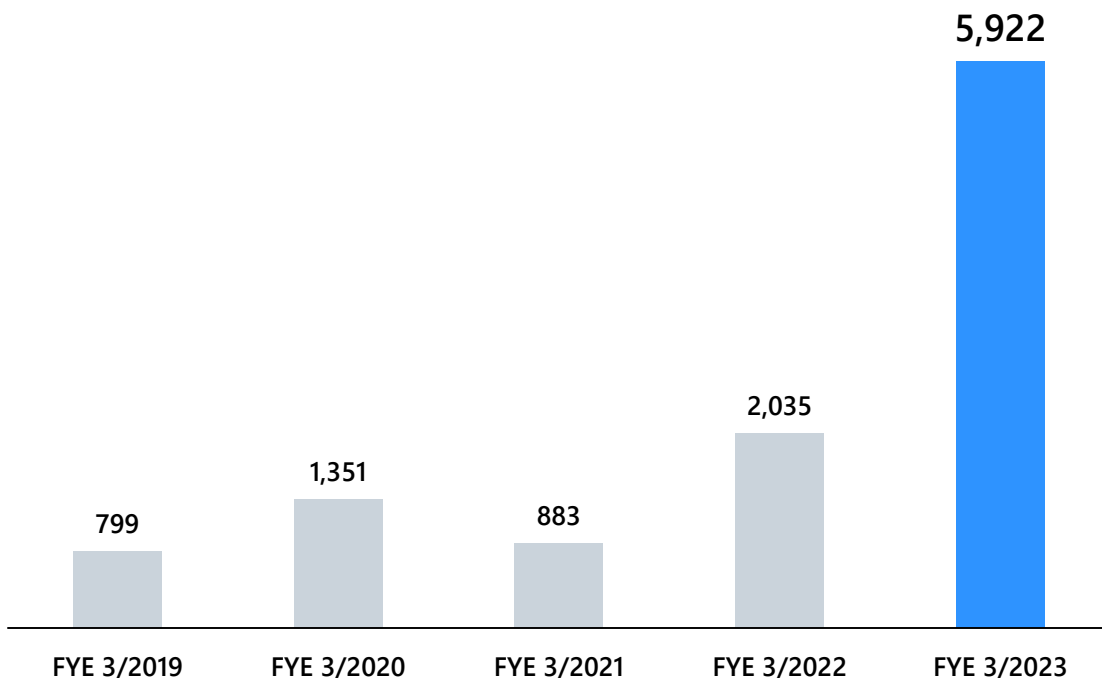
Both orders received and the order backlog increased significantly owing to orders for new plants.

We will continue going after new construction and replacement projects in addition to maintenance services.

### Orders received

(Millions of yen)

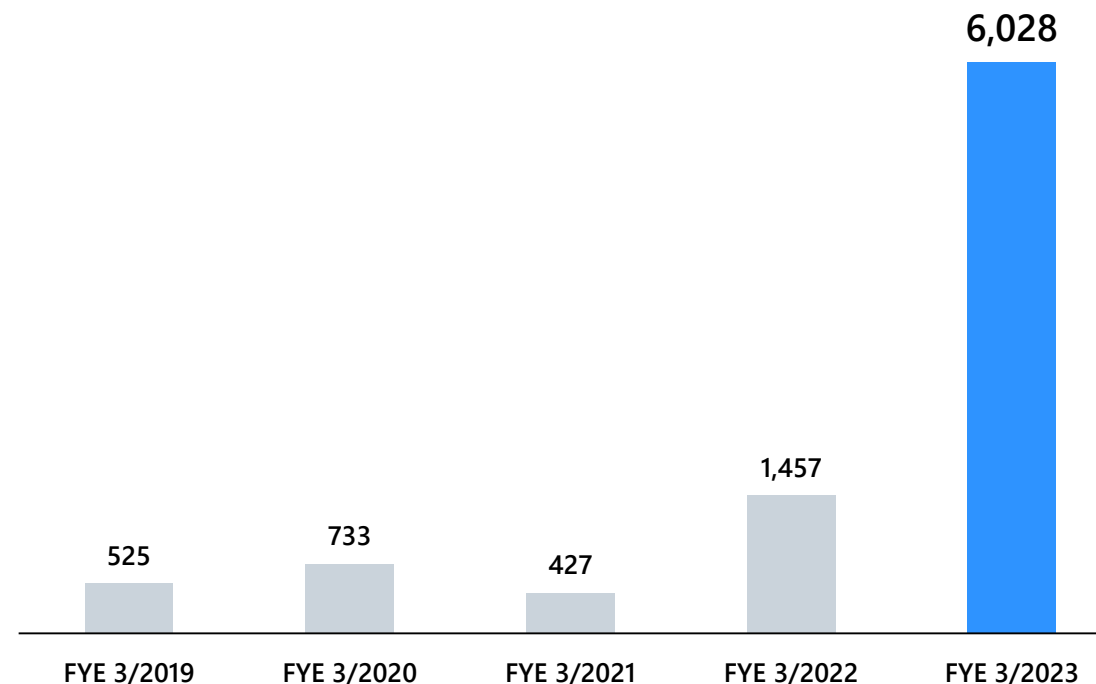
— Approx. **¥3.8 billion** increase —



### Order backlog

(Millions of yen)

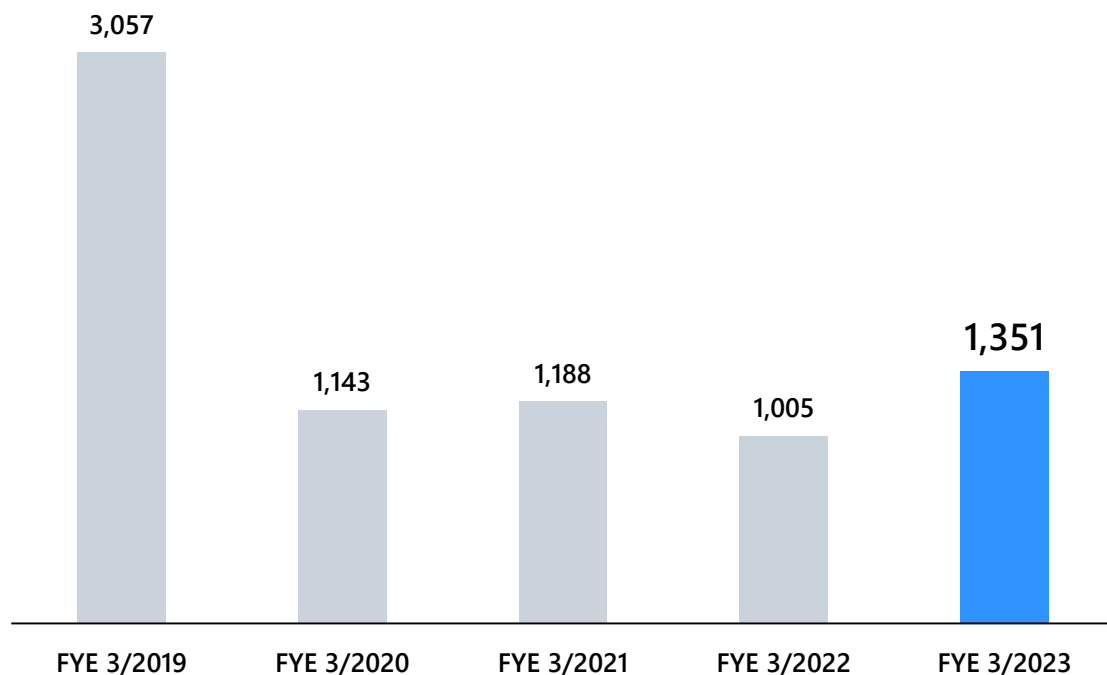
— Approx. **¥4.5 billion** increase —



Sales were up, and operating profit improved with progress on equipment replacement work at energy from waste plants ordered in the previous year in addition to maintenance services.

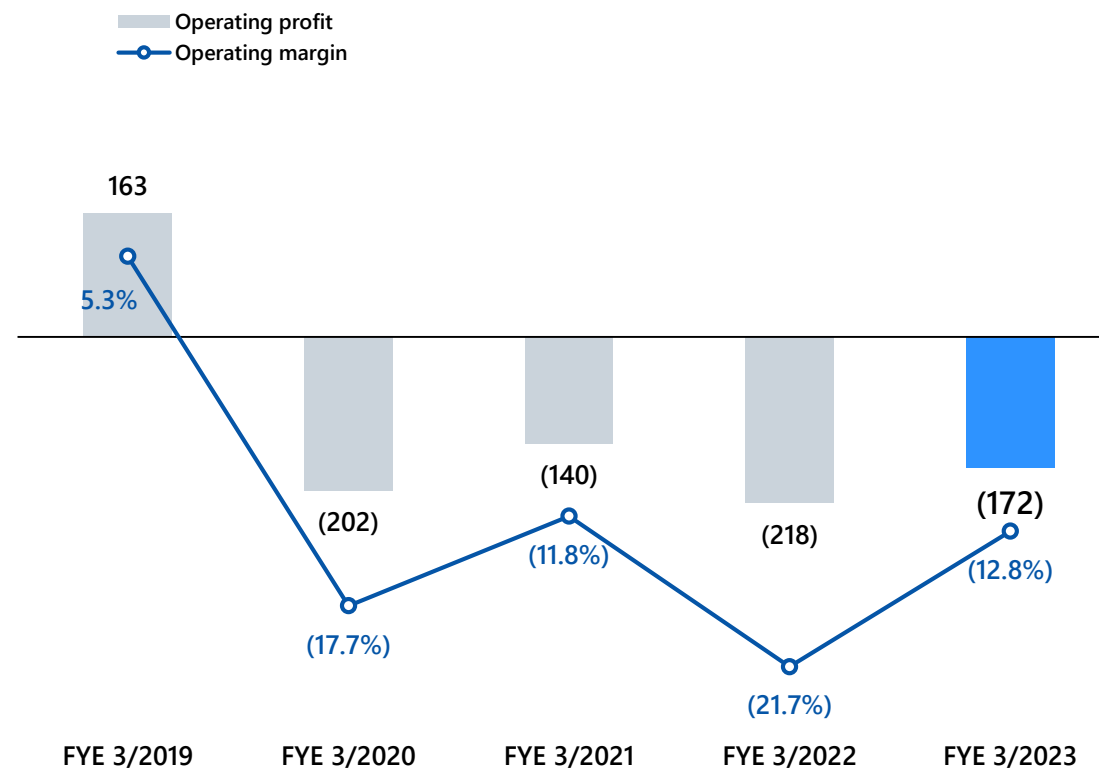
### Net sales

(Millions of yen) ——— Approx. **¥340** million increase ———



### Operating profit

(Millions of yen) ——— Approx. **¥40** million improve ———





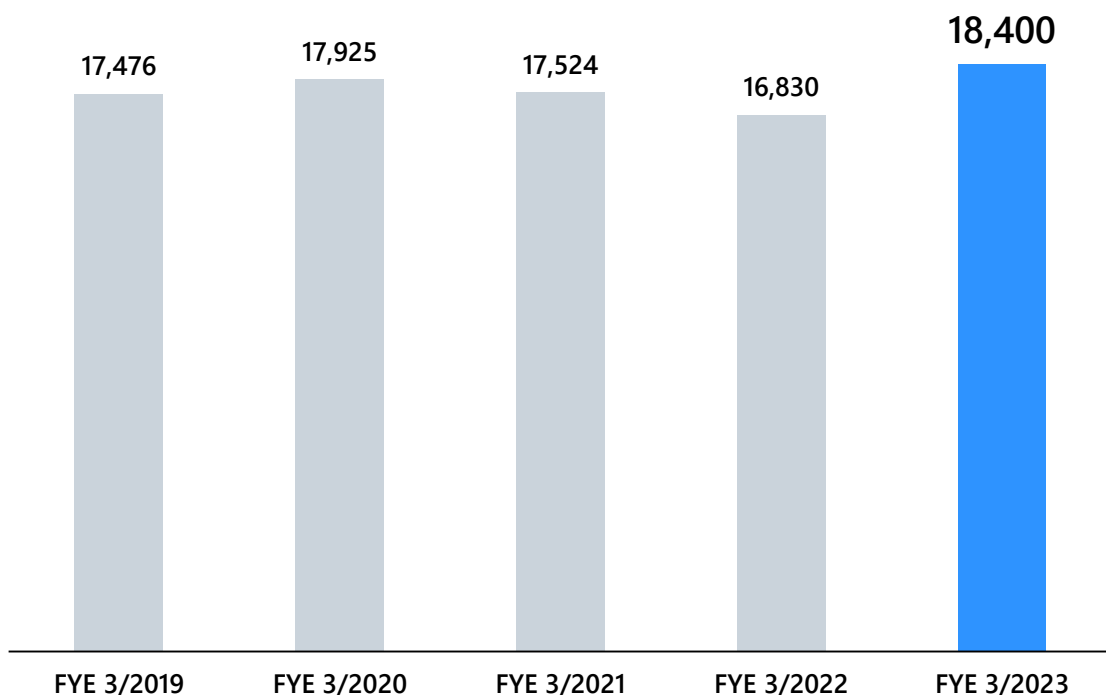
Orders received increased owing to a recovery in equipment utilization rates and demand for new equipment, which had declined during the COVID-19 pandemic.

The order backlog increased owing primarily to an increase in orders and an increase in projects with longer delivery periods.

### Orders received

(Millions of yen)

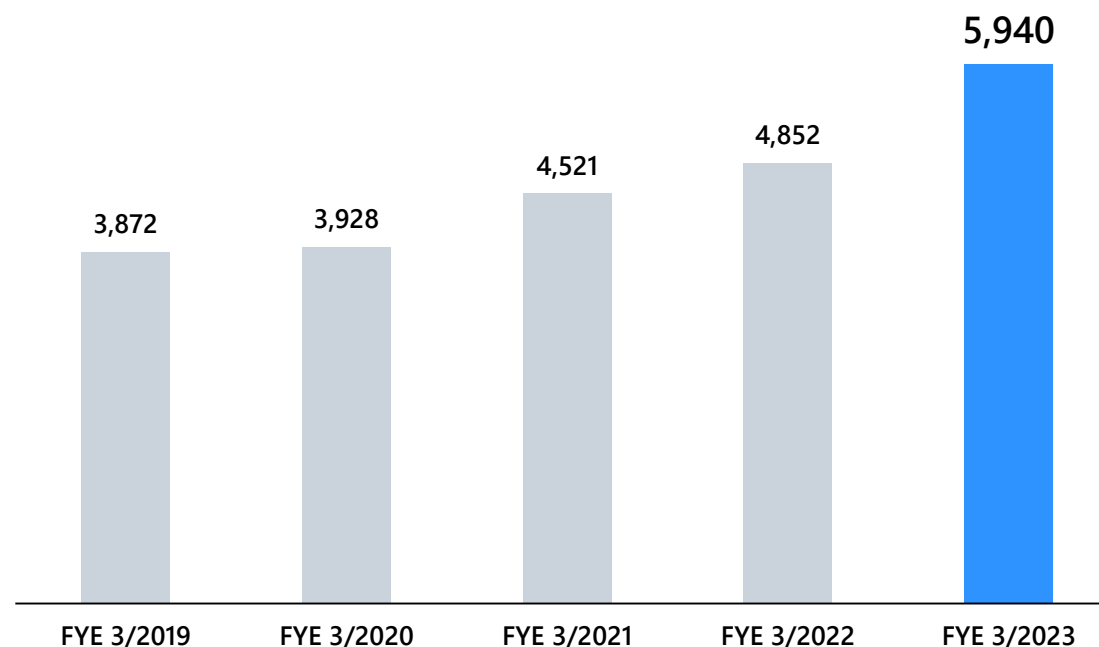
— Approx. **¥1.5 billion** increase —



### Order backlog

(Millions of yen)

— Approx. **¥1.0 billion** increase —

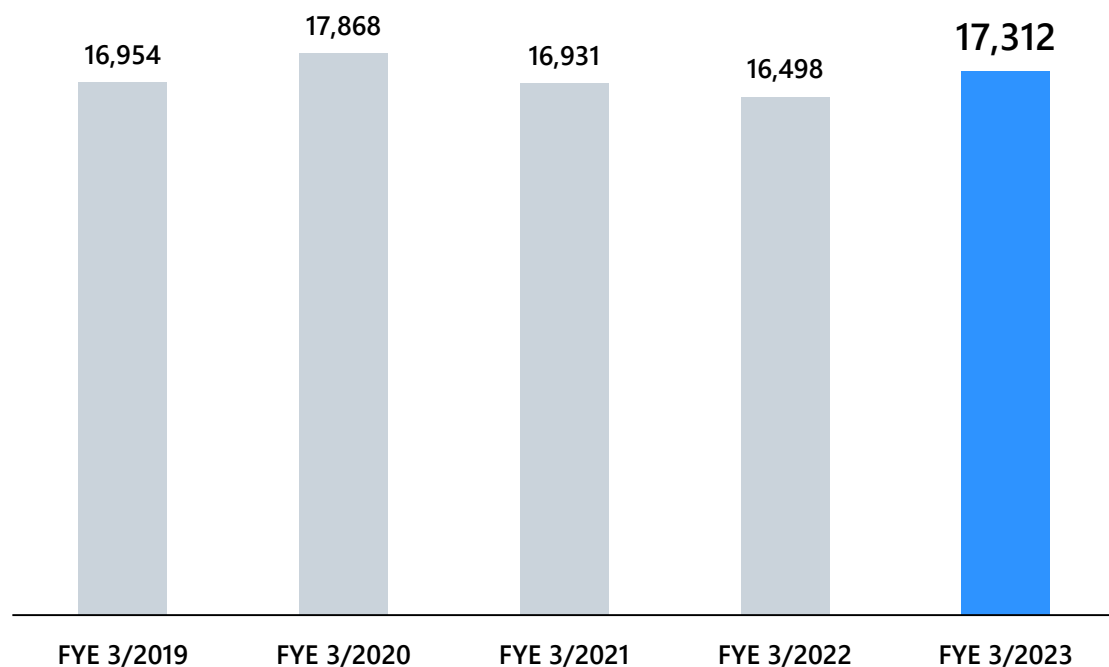


Sales and profit were up owing to an increase in orders received despite the increase in projects with longer delivery periods. Back at pre-COVID-19 levels.

### Net sales

(Millions of yen)

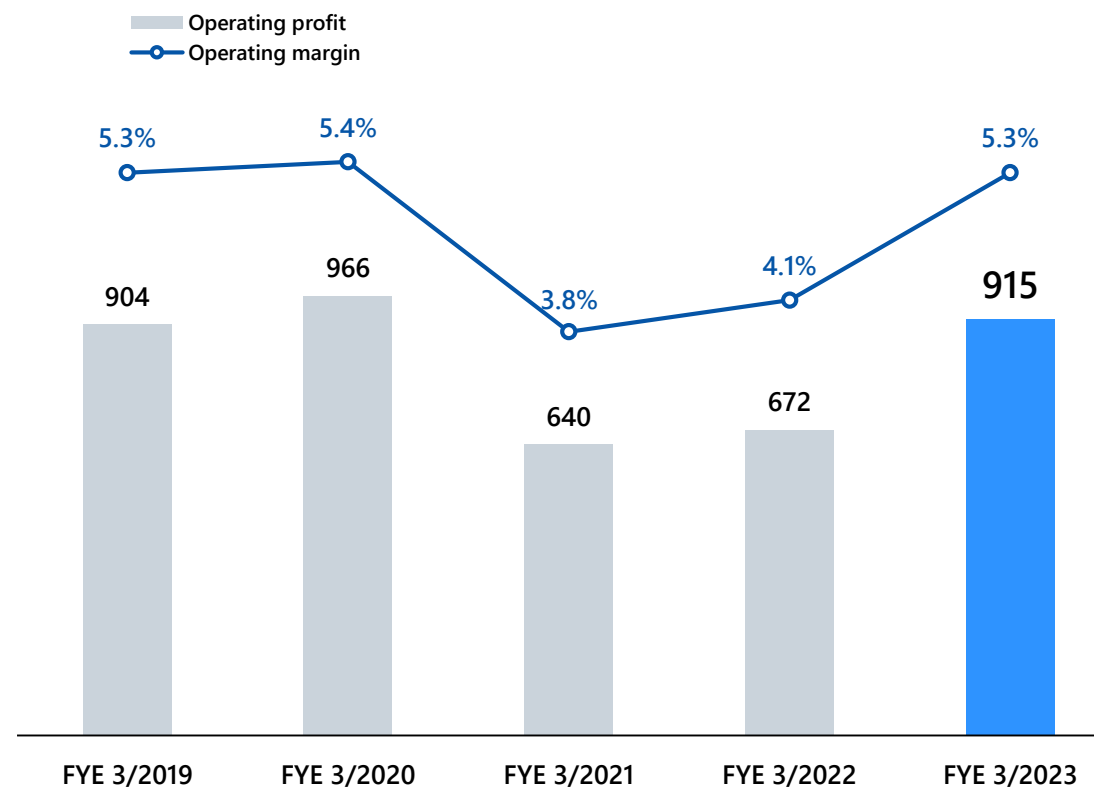
— Approx. **¥810** million increase —



### Operating profit

(Millions of yen)

— Approx. **¥240** million increase —

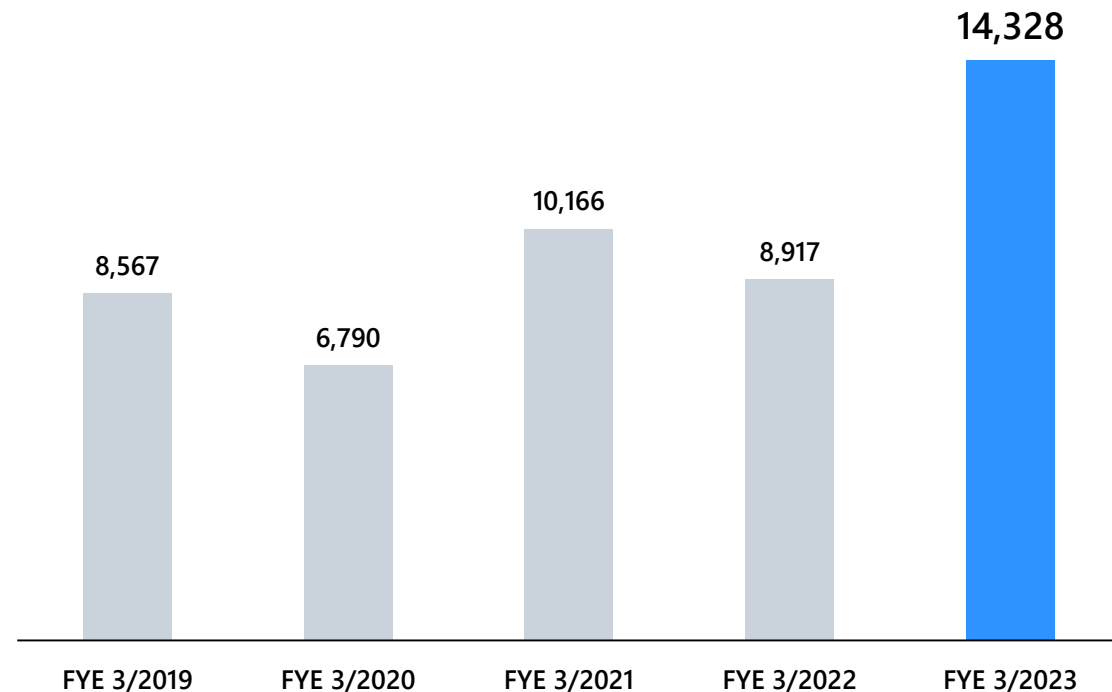


Demand for semiconductor industrial equipment was steady, and demand for building equipment is recovering. Orders received increased significantly with orders for large projects in the building equipment business (Q2).

### Orders received

(Millions of yen)

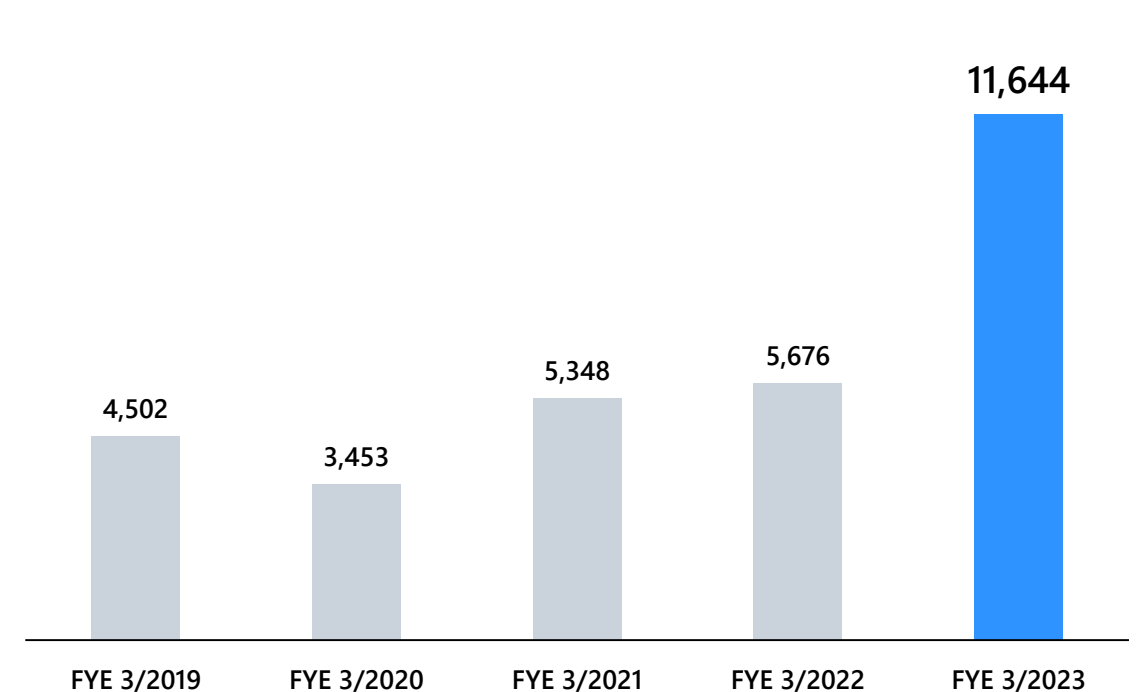
— Approx. **¥5.4 billion** increase —



### Order backlog

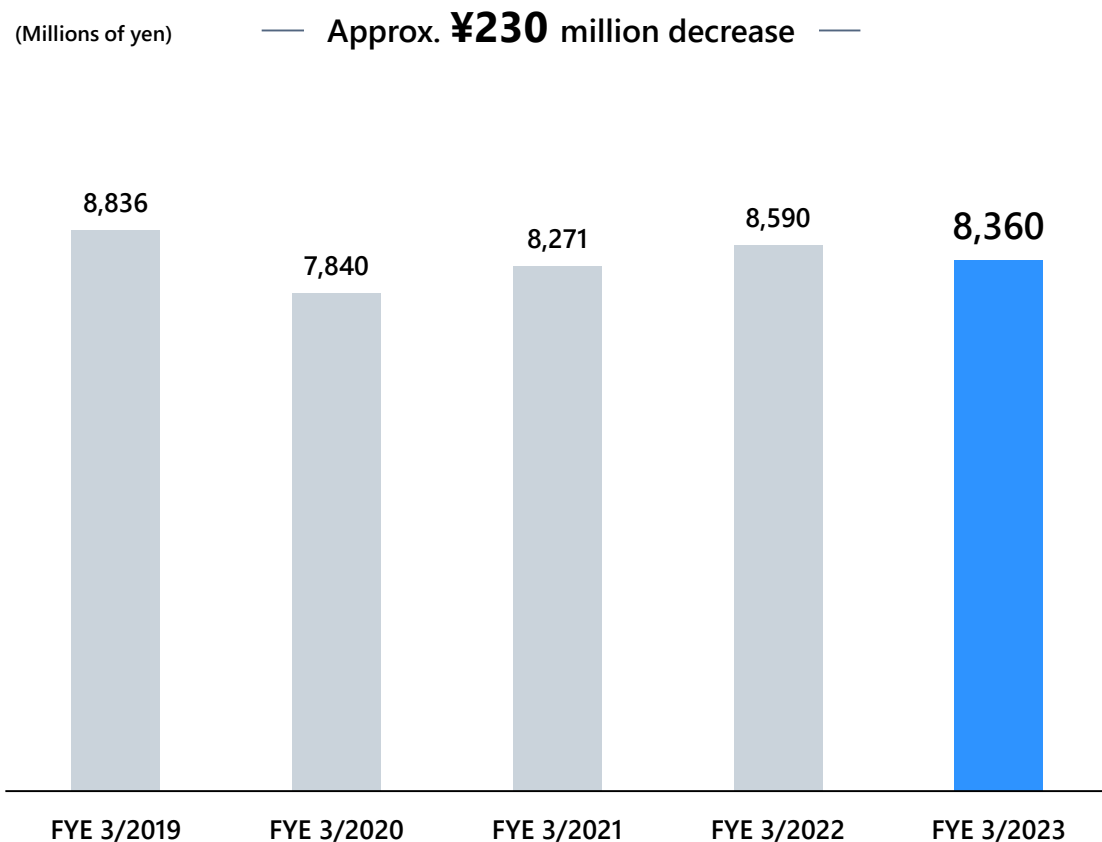
(Millions of yen)

— Approx. **¥5.9 billion** increase —

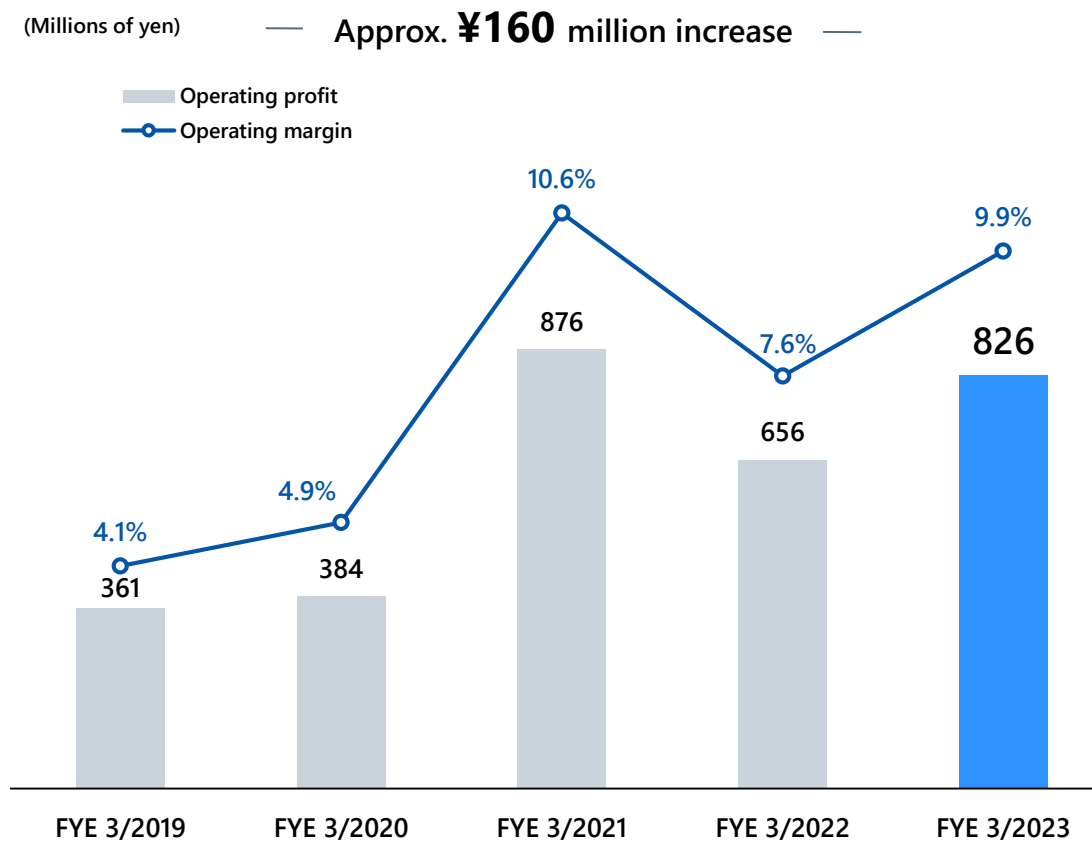


Net sales were on par with the same period of the previous year, due in part to longer lead times. Operating profit and the profit margin were up owing to improvement in losses posted in the building equipment business.

### Net sales



### Operating profit



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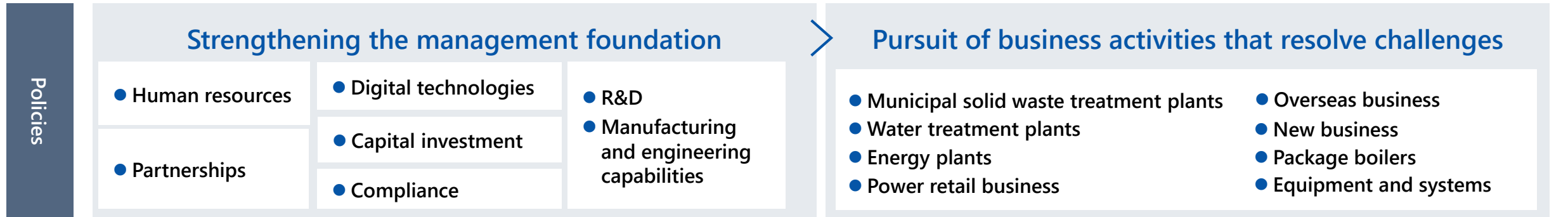
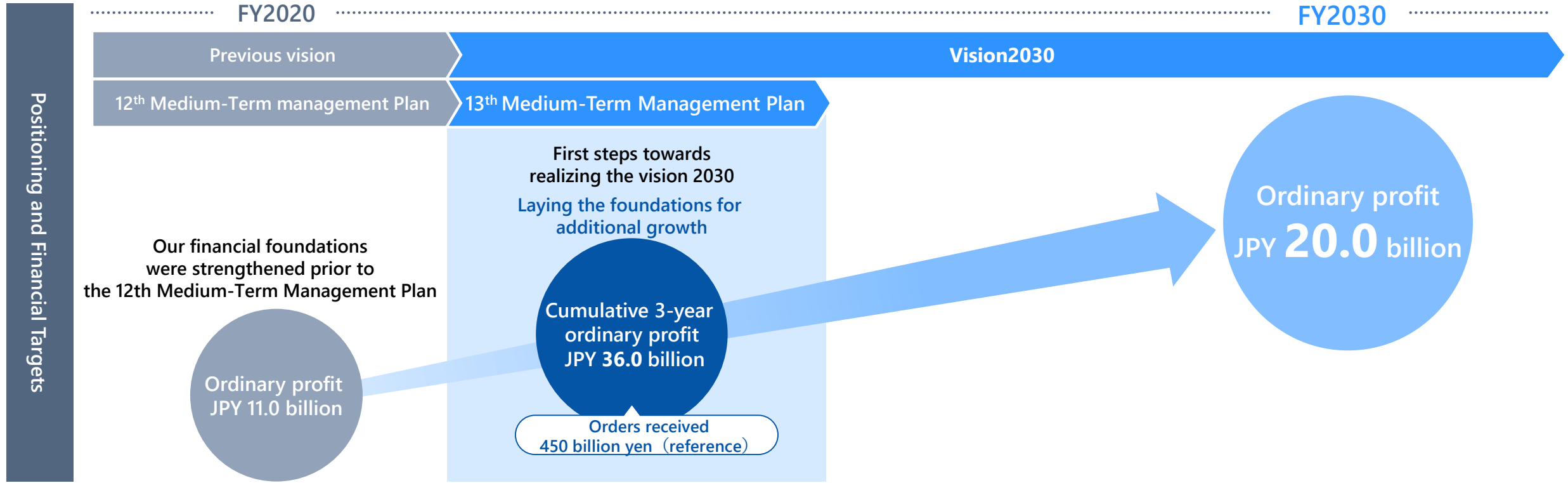
**3. Progress on 13<sup>th</sup> Medium-Term Management Plan (2021-2023)**

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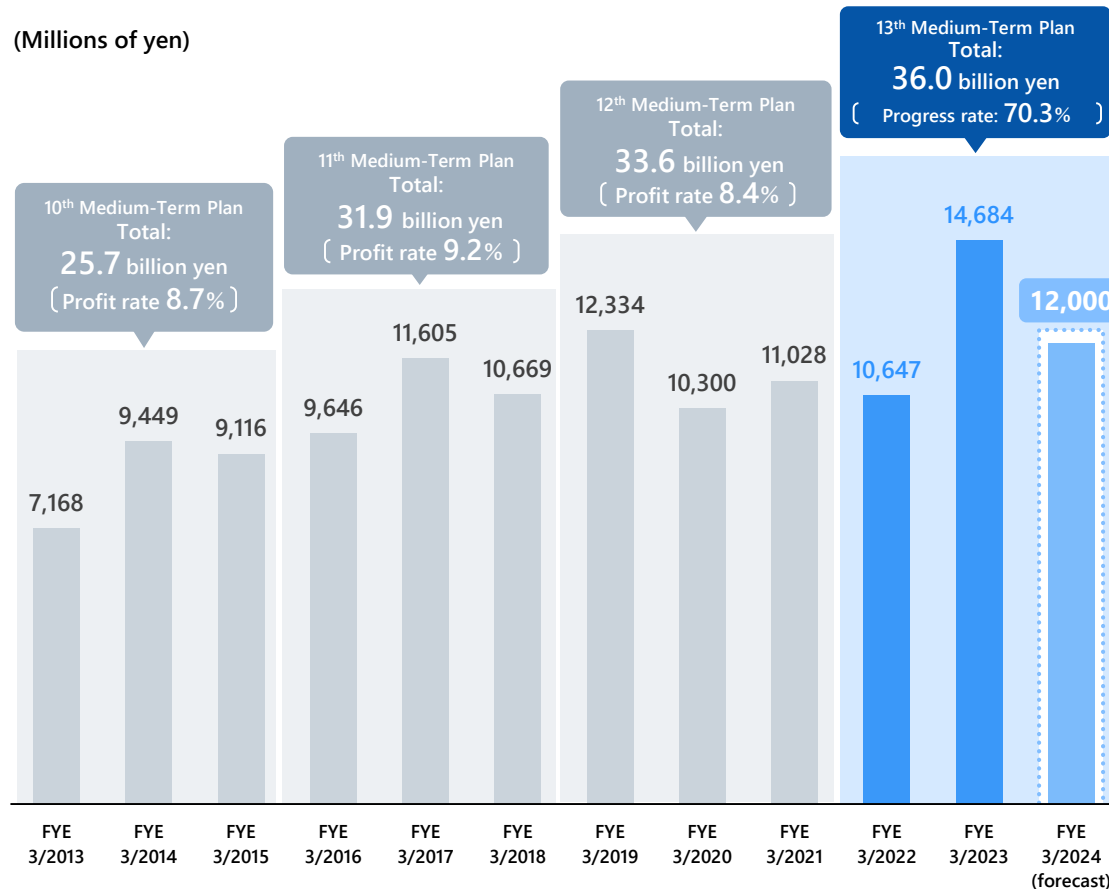
# 13<sup>th</sup> Medium-Term Management Plan (2021-2023)



- Steady progress is being made toward achievement of targets. Cumulative 3-year ordinary profit is to go higher than target of 36.0 billion yen.
- Lead times in the EPC Business are long, between three and five years, so single-year performance varies, but orders and profits are growing steadily over the three-year periods of the Medium-Term Management Plans.

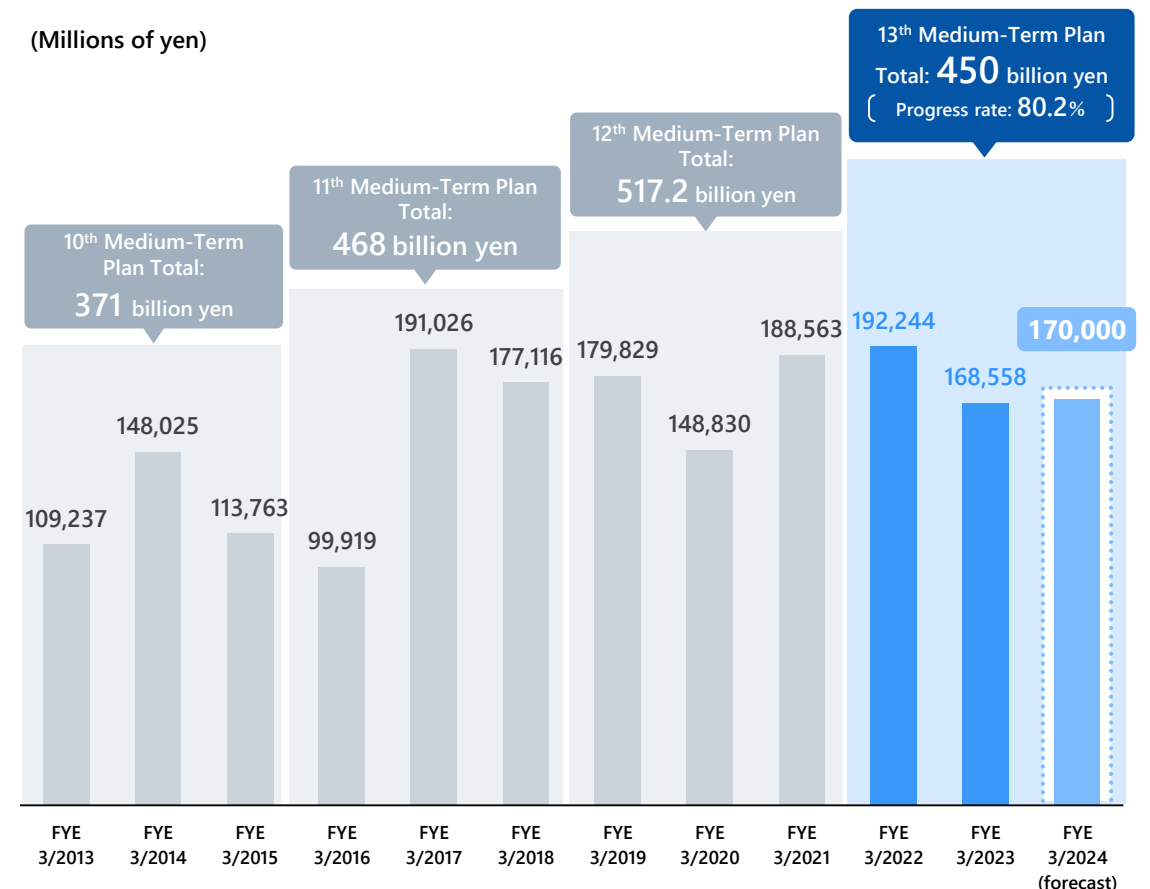
### Ordinary profit

(Millions of yen)



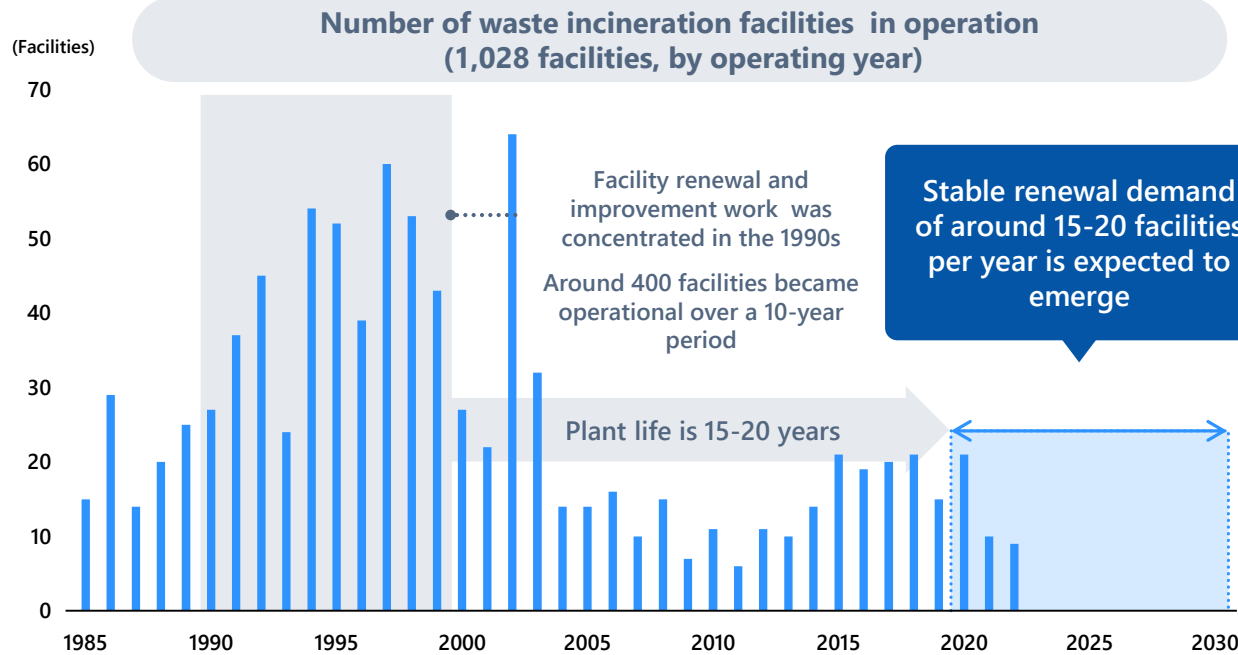
### Orders received (reference)

(Millions of yen)

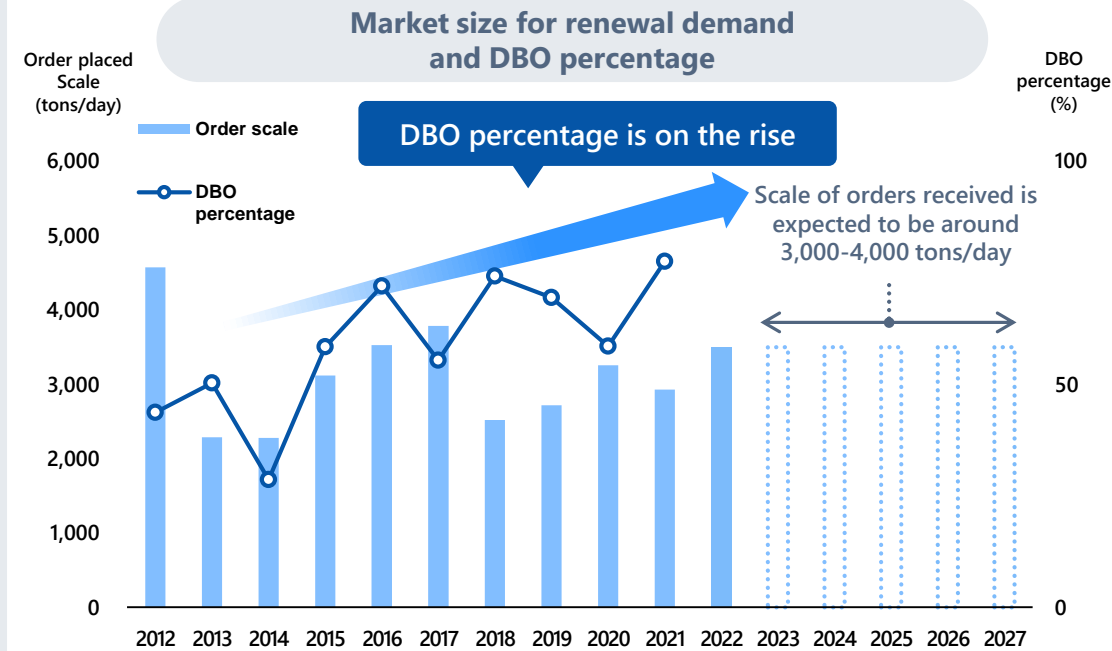


- Demand for renewal and service life improvement will continue due to the aging of waste treatment facilities. We expect renewal demand to continue for the time being.
  - DBO\* orders are on the rise utilizing know-how from the private sector. We expect this to continue.
- ※DBO: Stands for Design, Build, Operate. A method of contracting private companies for the design, construction, and operation of facilities, paid for by public funds.

External Environment



Source: Prepared by the Company based on the "2021 Survey of Municipal Solid Waste Treatment" by the Ministry of the Environment.  
\*Includes facilities under construction and where operations have been suspended.



\*Based on internal research \*DBO percentage does not include PFI method such as BTO (four BTO projects since 2010)

Internal Environment

- Strengthening our proposal capabilities for meeting regional needs leveraging our technology and expertise based on our extensive track record of delivery (approx. 370 facilities).
- Fine tuning existing core technologies through R&D and enhancing our strengths by incorporating the latest technologies such as AI and IoT.



Focus on winning ongoing orders through comprehensive proposals tailored to diversifying needs.

### Results

Steadily landing orders for EPC/O&M. Long-term O&M (contract period of 10 years or more) ratio in order backlog of Municipal solid waste treatment plant business is about 60%. In addition to maintaining and expanding the EPC Business, we expanded our recurring revenue model businesses.

### Future policy

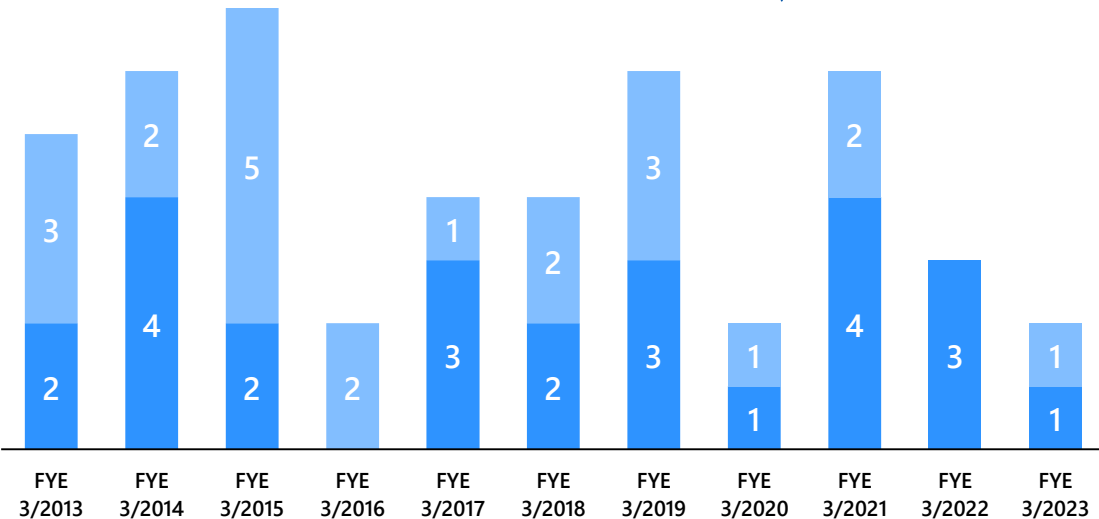
We will continue to differentiate ourselves by strengthening our proposal capabilities in areas other than price, centering on our technological capabilities, and aim to land two-three renewal projects orders per year on an ongoing basis.

### EPC orders

(Projects)

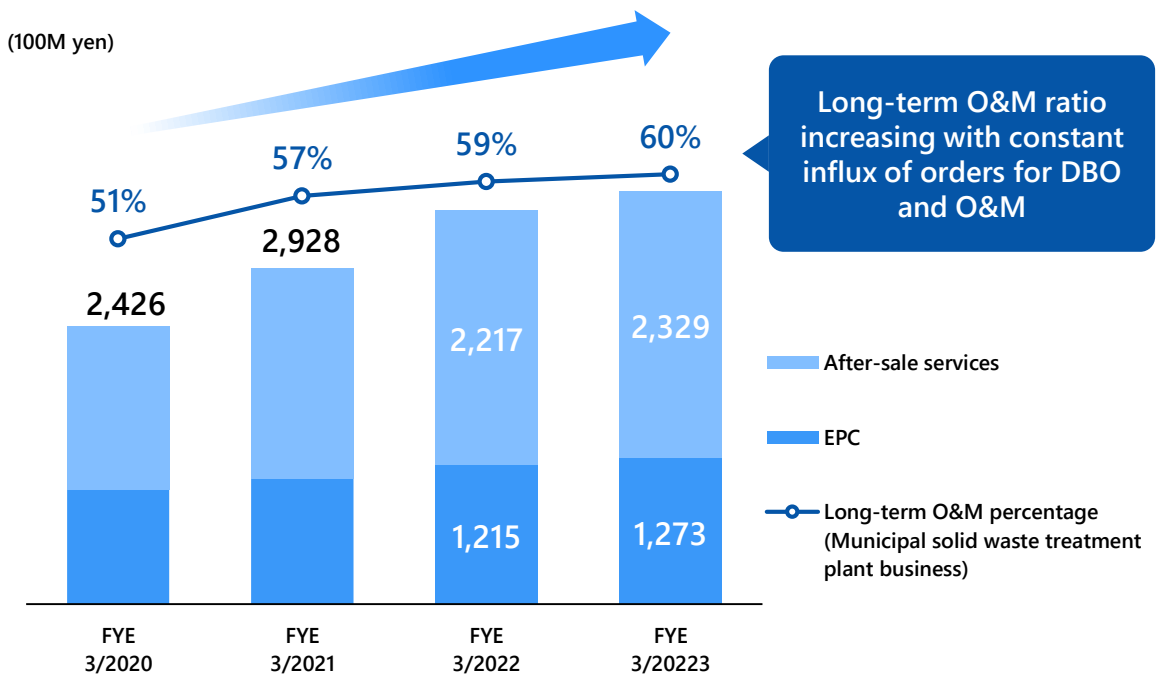
- Primary equipment improvement work
- New construction/renewal

Aiming to build up orders through expansion of resources in addition to steady orders



### Order backlog

(100M yen)



Long-term O&M ratio increasing with constant influx of orders for DBO and O&M

- After-sale services
- EPC
- Long-term O&M percentage (Municipal solid waste treatment plant business)

Aiming for sustainable growth of recurring revenue model businesses by strengthening O&M proposals.

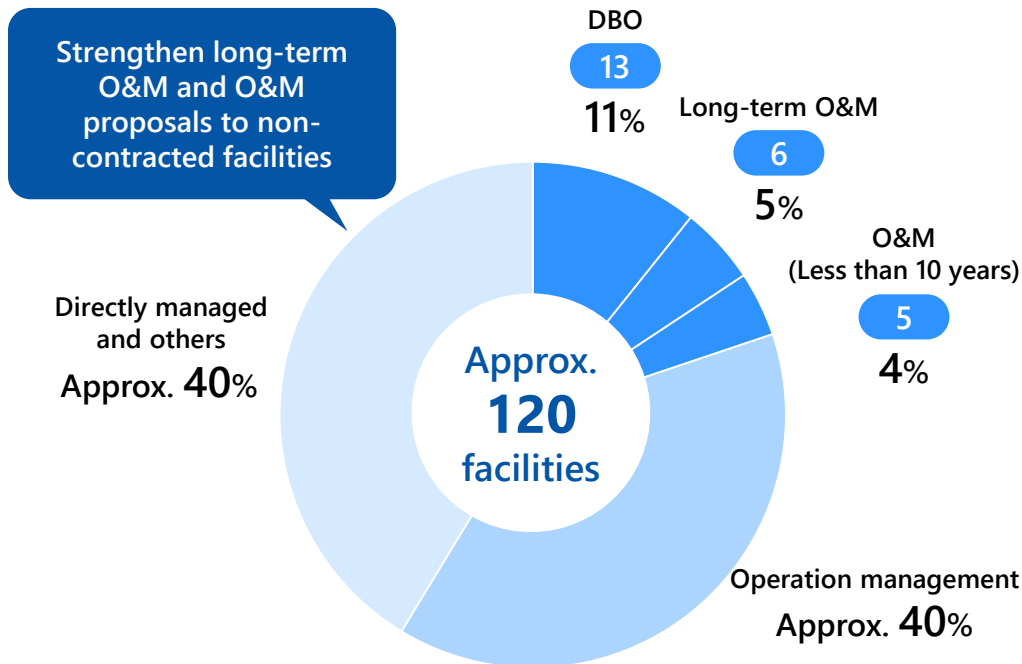
### Results

As of the beginning of FY2023, we had received orders for long-term O&M (contract period of 10 years or more) at 25 facilities, 19 of which are currently in operation. Operation management will gradually begin at remaining six.

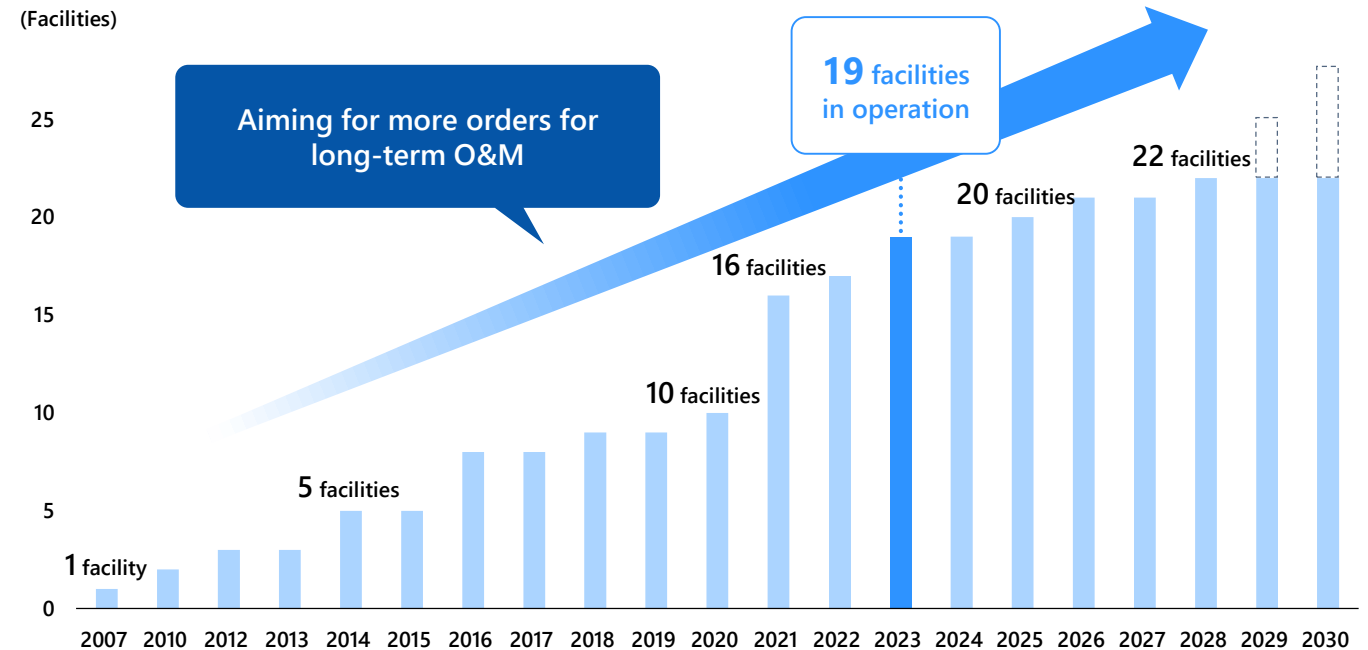
### Future policy

In addition to capturing ongoing demand for annual after-sale services, we aim to grow its recurring revenue model businesses by strengthening O&M proposals to non-contracted facilities.

Number of municipal solid waste treatment facilities in operation at beginning of FY2023



Number of long-term O&M (more than 10 years, including DBO and BTO projects etc.) contracts (results and forecasts)



\*Accumulation based on contract period of existing projects. The total does not come to 25 facilities because the contracts for some projects will expire before others begin operations.

Received orders mostly for DBO. We will continue going after steady orders in FY2023 and beyond.

	Year	Delivered to:	Notes	Capacity	Scheduled Completion	
Municipal solid waste treatment plant	FYE 3/2022	Q1	Uwajima Public Association	Long-term O&M	120 t/day	4/2021-3/2031(10 years)
		Q2	Hakodate City	DBO	300 t/day	3/2029 (22 years of operations starting 4/2022)
		Q4	Okayama City	DBO	200 t/day	3/2027 (20 years of operations starting 4/2027)
			Shida Public Association	DBO	223 t/day	12/2026 (20 years of operations starting 1/2027)
	FYE 3/2023	Q1	Senboku Environmental Improvement Facilities Association	Primary equipment improvement work	300 t/day	3/2024
		Q3	Okinoshima-cho	Long-term O&M	25 t/day	4/2023-3/2038 (15 years)
		Q4	Kohoku Wide Area Administrative Affairs Center	BTO※1	124 t/day	3/2030 (18 years of operations starting 4/2028※2)

\*1. BTO is an acronym for "Build, Transfer, Operate." It refers to a business method based on a private finance initiative (PFI) in which a private business operator procures funds and engages in EPC of the facility, transfers ownership of the facility to the public upon completion, and then the private business operator operates the facility.

\*2. Start of overall facility operations, including heat recovery facility



Hakodate City: completion image



Okayama City: completion image

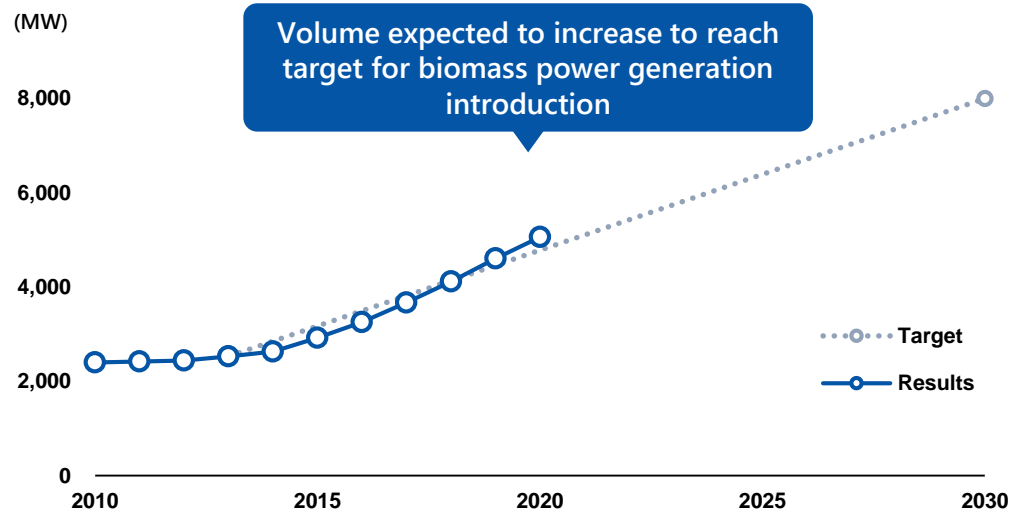


Kohoku Wide Area Administrative Affairs Center: completion image

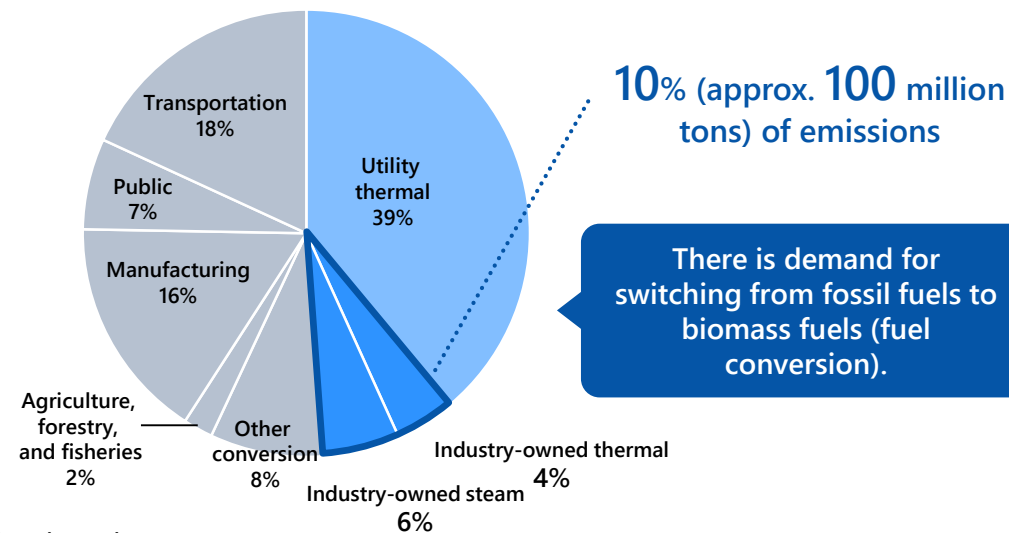
- Demand for small- and medium-sized biomass power generation, mainly from domestic fuels (such as unused timber), continues, driven by government policies for decarbonization and soaring energy prices.
- Despite the risk of rising costs for stable procurement and distribution of fuels, the Company expects investment needs mainly in the paper and lumber industries.
- Plans based on FIT<sup>\*1</sup> (output: small- and medium-sized biomass power generation of 2-10 MW) are the main focus, but plans based on FIP<sup>\*2</sup> are also gradually emerging.

External Environment

### Domestic biomass power generation introduction volume<sup>\*3</sup>



### Japan's energy-derived carbon dioxide emissions<sup>\*4</sup>



\*1. Feed-in Tariff \*2. Feed-in Premium is where a certain premium (subsidy amount) is added to the price of electricity sold on the market.

\*3. Source: 6th Basic Energy Plan from "Handbook of Energy and Economics Statistics 2022" by Institute of Energy Economics, Japan

\*4. Source: 2021 results from "Comprehensive Energy Statistics" by Ministry of Economy, Trade and Industry

Internal Environment

- We have delivered many boilers and plants for a wide range of fuels and waste.
- We possess combustion technology, high-efficiency power generation technology, and plant design capabilities for difficult-to-burn fuels and waste materials.
- We are strengthening research and development to address new fuels and waste.

Focus on steady orders for biomass power plants and other energy plants.

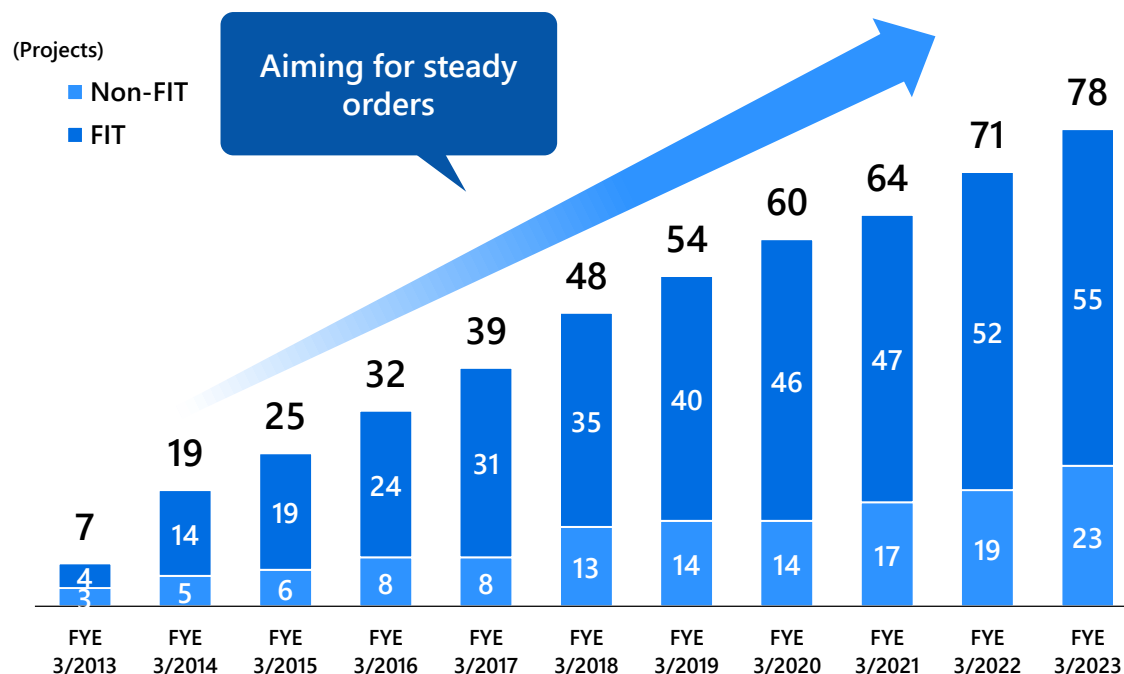
### Results

Since the start of the FIT program in 2012, we have received orders for 78 facilities nationwide. Maintenance orders have been received for many of the delivered projects. Long-term O&M orders have been received for three of these, contributing to an increase in revenue.

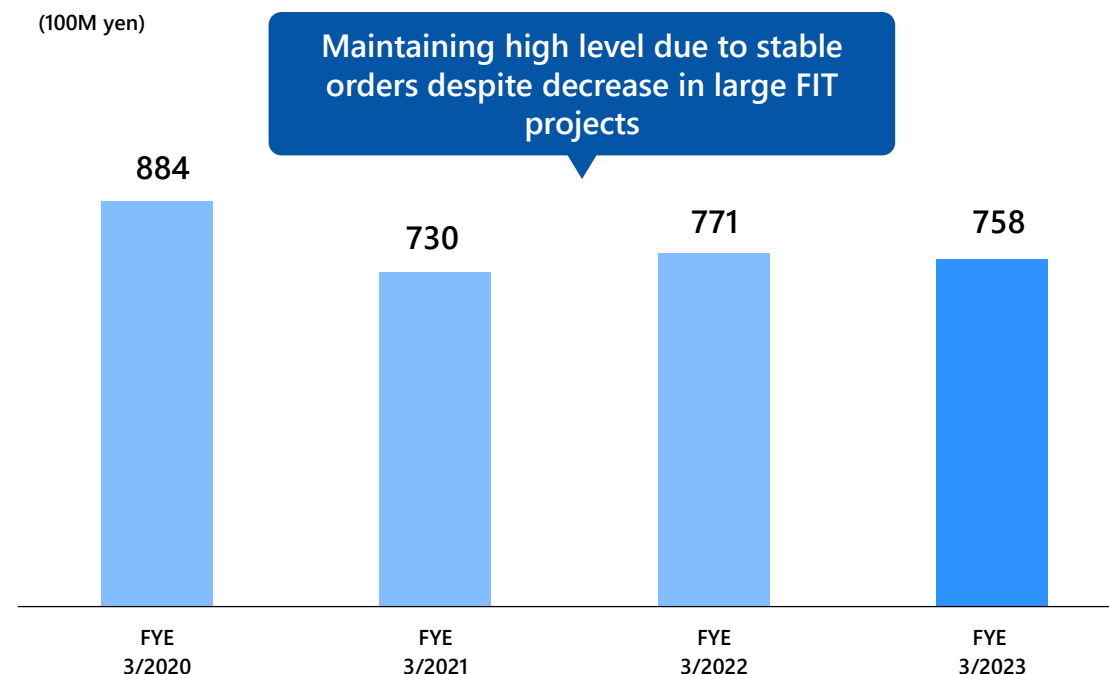
### Future policy

With EPC, the aim is to continue winning orders, particularly for biomass power generation plants. In recurring revenue model businesses (after-sales service), we will aim for growth by proposing solutions for energy savings, functional improvement, and service life extension, in addition to regular maintenance.

### Orders received (cumulative)



### Order backlog



# Situation by Segment

## Domestic Environment and Energy Energy plants

Main orders  
received

**TAKUMA**

In FY2022, we steadily increased orders, mainly for small- and medium-sized biomass power generation plants. We also won fuel conversion projects.

	Year	Delivered to:		Notes	Capacity	Scheduled Completion		
Energy plants	FYE 3/2022	Q1	Company A	Biomass	FIT	1,990kW		
		Q2	Kumamoto Clean Energy Co.	Biomass	FIT	1,990kW	Autumn 2023	
		Q3	Sanko Inc.	Industrial wastes	Industrial waste treatment	93.6 t/day	7/2024	
		Q4	Aizu Komorebi Power Plant LLC.	Biomass	FIT	7,100kW	11/2024	
			Chugoku Mokuzai Co., Ltd. Noshiro Plant	Biomass	Power generation and Heat utilization	2,090kW	3/2024	
			Chugoku Mokuzai Co., Ltd. Nagaragawa	Biomass	FIT	9,990kW	3/2025	
			Regional power Co.	Biomass	FIT	9,990kW	3/2025	
			Company B	Biomass	Long-term O&M			
		FYE 3/2023	Q1	Sanyo-Onoda Green Energy Co.	Biomass	FIT	1,990kW	6/2024
				Power Aid MIE LLC.	Biomass and others	Power generation	1,990kW	Winter FYE 3/2025
	Q2		Company C	Biomass	FIT	7,100kW		
			Soga Biomass Power Generation Co.	Biomass	FIT	1,990kW	11/2024	
			Company D *Fuel conversion	Biomass and others	Power generation and Heat utilization			
	Q3	Katsuta Co., Ltd.	Industrial wastes	Industrial waste treatment	150t/day	2/2026		
Q4	Company E	Biomass	Power generation	9,990kW				

Since entering the water treatment field in 1962, we have contributed to solving our customers' challenges with unique products based on our accumulated technology and expertise.

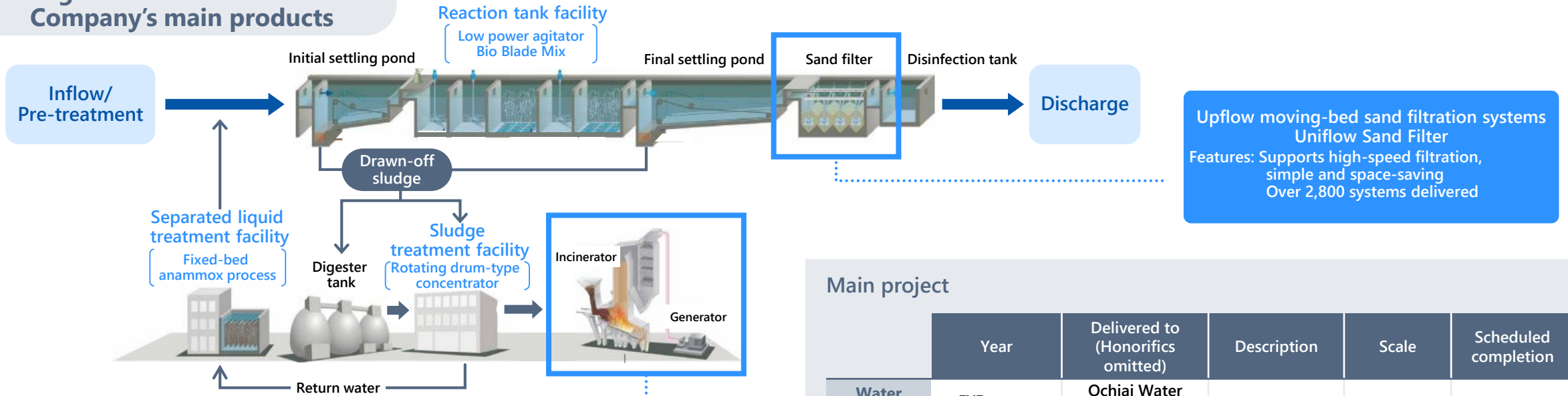
### Business Environment

In addition to renewal and service life improvement demand due to aging sewage treatment plants, demand for reduction of greenhouse gas emissions and effective utilization of biomass sewage sludge is growing in the sewage treatment field. Our step grate stoker type sewage sludge incineration and power generation system received two awards in FY2022 for CO<sub>2</sub> reduction, energy saving, and energy creation.

### Future policy

Focus on securing ongoing orders with mainstay products (step grate stoker type sewage sludge incineration and power generation system and sand filtration systems) that have high environmental performance and meet customer needs.

### Sewage treatment flow and the Company's main products



### Step grate stoker type sewage sludge incineration and power generation system

Features: Energy creation through power generation, low power consumption, reduction of greenhouse gas emissions

Awards: Director-General Prize of the Agency for Natural Resources and Energy, of the 2022 New Energy Grand Prize Institute Award (Technical Division), of the Japan Institute of Energy 2022 Award

### Main project

	Year	Delivered to (Honorifics omitted)	Description	Scale	Scheduled completion
Water treatment plant	FYE 3/2022 Q3	Ochiai Water Reclamation Center	Sand filtration system	80units	Jan 2025

# Situation by Segment

## Domestic Environment and Energy Power Retail Business

Contributing to stabilizing customers' electricity rates and reducing greenhouse gas emissions through the procurement and supply of electricity generated at delivered plants.

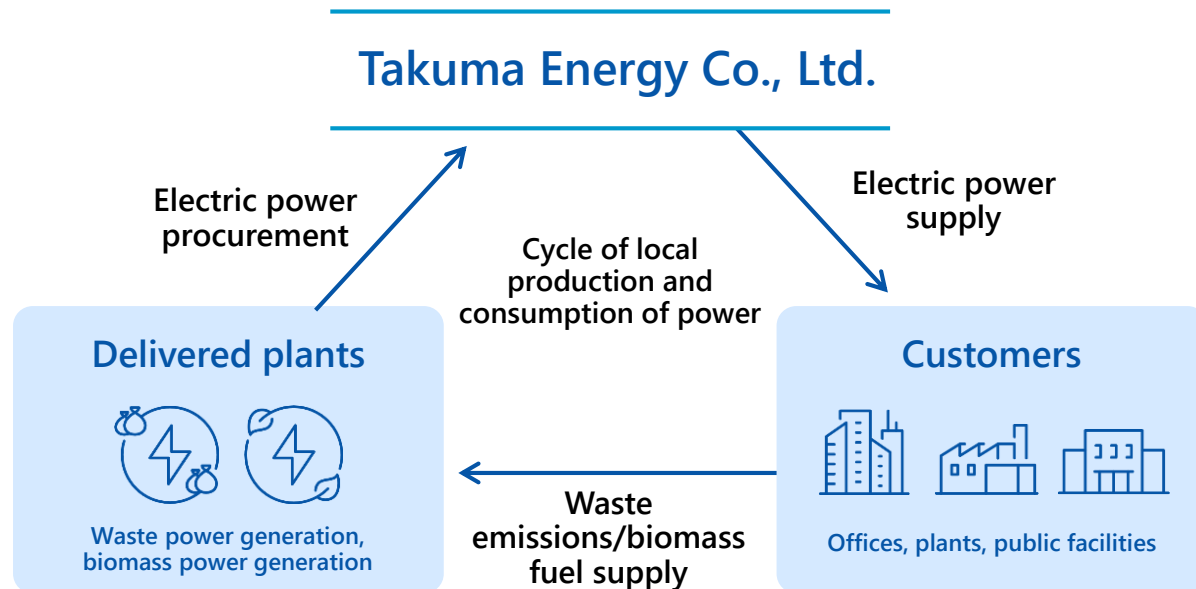
### Business Environment

Demand is increasing for renewable energy and CO<sub>2</sub>-free electricity for decarbonization. Demand is also increasing for local production of electric power for local consumption.

### Future policy

Leverage strength in stable power procurement to promote the supply of electric power to areas near power sources and to environmentally conscious customers.

### Example of services provided (local production of electric power for local consumption)



### Main project

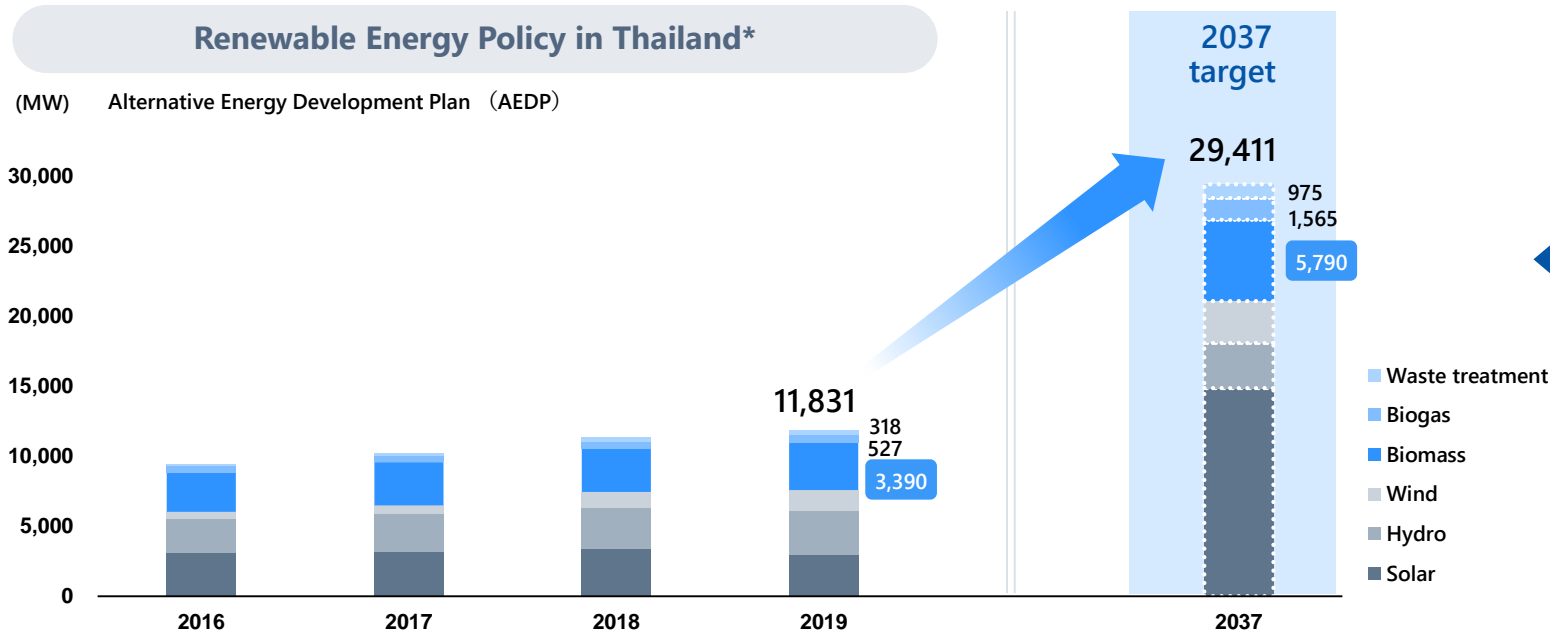
	Provided to	Main supplier	Start
Local production for local consumption/ supply of CO <sub>2</sub> -free electric power	Kunohe Village, Iwate	Iwate-Kenpoku Clean Co., Ltd.	Apr 2022-
	Imabari City, Ehime	Imabari City Clean Center	Apr 2022-
	Machida City, Tokyo	Machida City BioEnergy Center	Apr 2022-
	Kurume City, Fukuoka	Miyanojin Clean Center	Jan 2023-



- Population growth and economic growth in Southeast Asia have increased demand for biomass power generation and waste treatment plants.
- Demand for the construction of bagasse\* combustion boilers for sugar mills is particularly high in Thailand. Demand for biomass power generation is expected to grow, partly due to government promotion of renewable energy.
- In Taiwan, demand for facility renewal and service life extension is expanding due to the aging of waste power plants.

\*Bagasse: fiber remaining after sugarcane is crushed

External Environment



**Alternative Energy Development Plan (Thailand)**  
 Increase share of renewable energy in final energy consumption to **30.0% by 2037**

Internal Environment

- Established subsidiaries in Thailand and Taiwan. We have a track record of plant construction and maintenance services in each country.
- Building optimal schemes for each project through partnerships with local companies.

Focus on securing continuous orders for biomass power generation plants and Energy from Waste plants and improving the system.

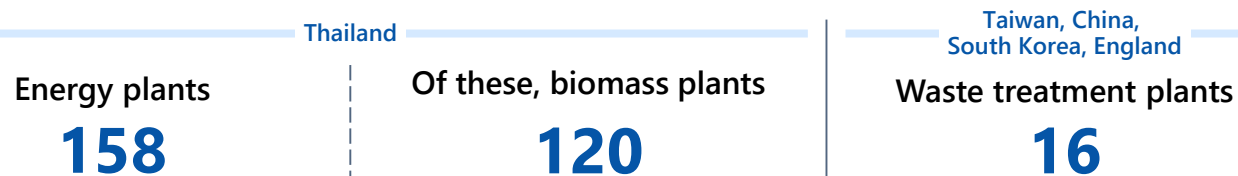
### Results

Promoted the development of a system to win orders via local subsidiaries in Thailand and Taiwan, and won 3 orders in FY2021-2022.

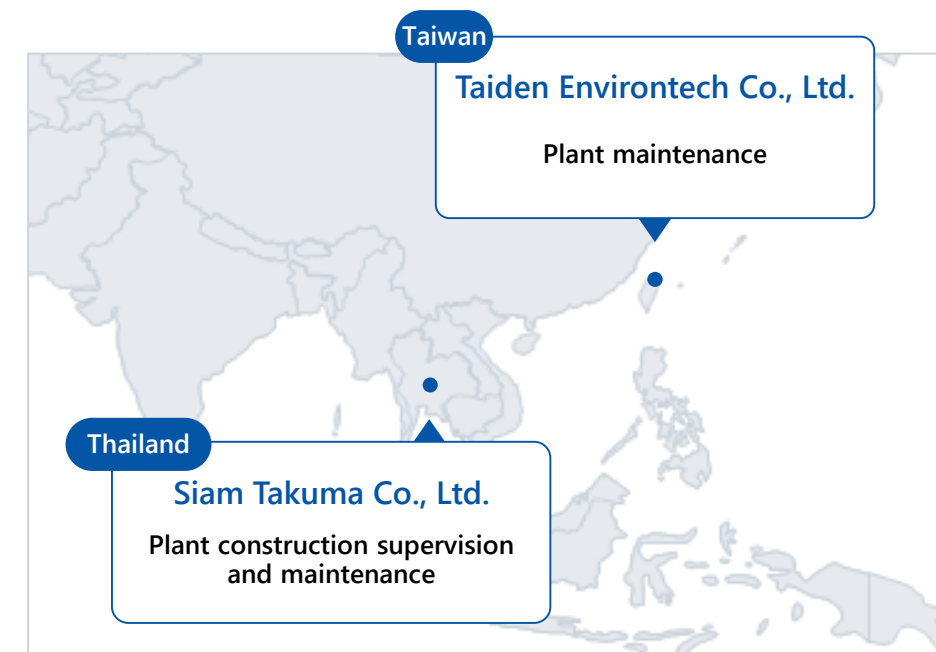
### Future policy

Expand partnerships with local companies to increase orders in Southeast Asia and Taiwan. Aim to achieve profitability and growth by continuing to receive at least one to two new construction orders per year through cost reductions achieved by expanding the scope of overseas procurement, and differentiating based on stable operation, high-efficiency technology, and enhanced maintenance services.

### Deliveries (cumulative)



### Local subsidiaries (2 companies)



### Main project

	Year		Delivered to (Honourifics omitted)	Description	Scale	Scheduled Completion
Energy from Waste plant	FYE 3/2022	Q3	TA-HO LU-TSAO ENVIRONMENT CO., LTD. (Taiwan)	Stoker upgrade	900 t/day	Nov 2024
Waste treatment plant	FYE 3/2023	Q4	Company A (Vietnam)	New construction	427 t/day	Sep 2025
Energy plant	FYE 3/2023	Q4	Company B (Thailand)	New construction		Mar 2025

### Package Boiler Business

Domestic market has matured, but we expect a certain level of demand for renewal and other work to continue for the time being.

We aim to expand the scale of orders by addressing higher efficiency, energy-saving, and decarbonization needs such as electric air-conditioning and biomass boilers and by expanding its overseas business.

#### Group company



Manufacture and sale of and after-sale services for steam boilers, hot water heaters, and other heating products

#### Main products



Once-through boilers



Vacuum-type water heaters



Hybrid hot water supply systems



Biomass boilers



Hydrogen-fired vacuum-type water heaters

### Equipment and Systems

#### Building equipment business

Robust demand is expected to continue due to the aging of various facilities. The Company will continue to further strengthen its sales and construction capabilities by securing and training human resources, thereby steadily expanding the scale of orders.

#### Semiconductor industrial equipment business

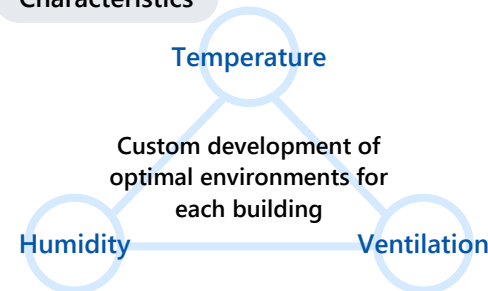
The market is growing due to the trend toward digitalization. The Company will enhance its competitiveness through customized product development in collaboration with universities and customers.

#### Group companies



Design and construction of air conditioning and plumbing equipment for buildings

#### Characteristics



Sale of and after-sale services for various semiconductor industrial systems

#### Main products



Chemical filters



AMC environmental concentration analyzers

Actively invest in further business expansion in the future.

## Human Resources Investment



FY3/2023 (results)

**69** people hired

(non-consolidated)

+44 people compared to previous year

Continuing to expand hiring and human resource development

New TAKUMA Building (Training Center) was built for the human resource development.

\* 10/2020 completed

## R&D



FY3/2024 (forecast)

**2.0** billion yen

+850 million yen compared to previous year

Expanding investment with a focus on fine-tuning core technologies and decarbonization technologies

## Capital investment



FY3/2024 (forecast)

**3.6** billion yen

-3.5 billion yen compared to previous year

Completed investment in New Harima Factory, which began operations in January 2023. Will demolish the old factory and construct a warehouse building in FY3/2024.

\*Total investment about 13 billion yen

## Partnerships/ Digital technologies



Seeking investment opportunities to develop new businesses and strengthen the competitiveness of/achieve labor savings in existing businesses

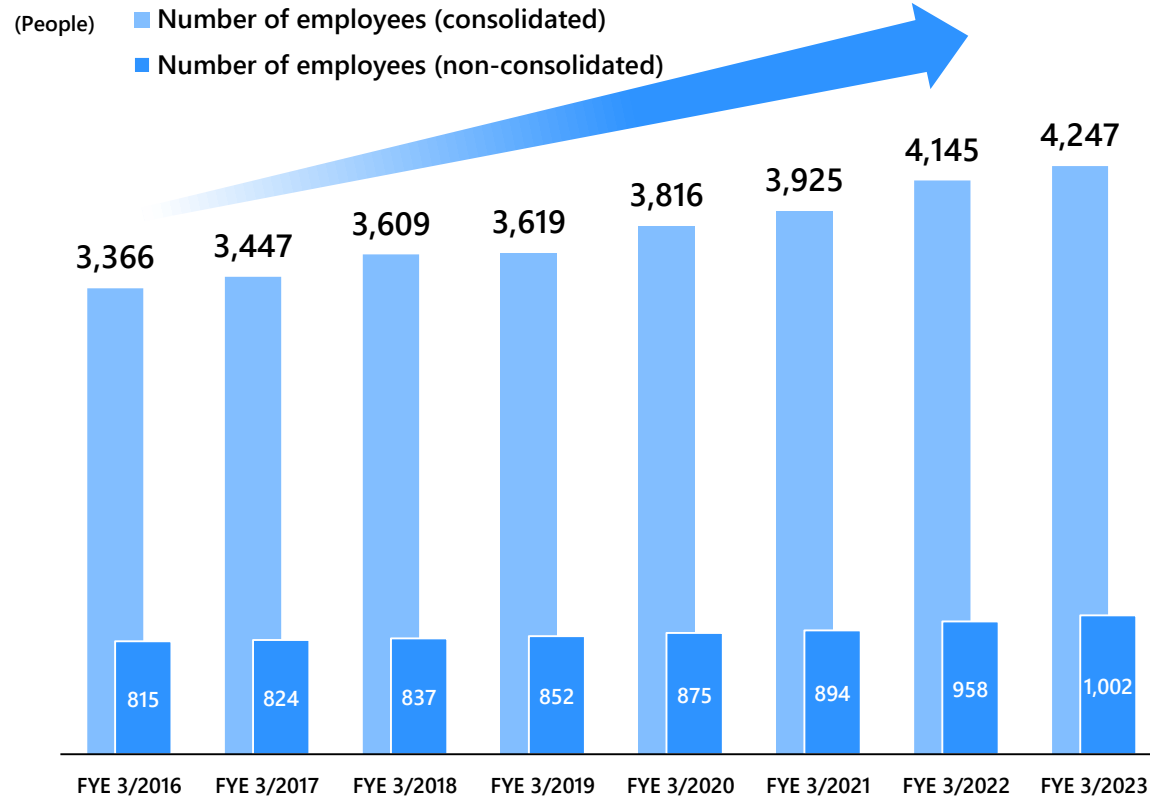
# Strengthening the management foundation

## Human Resources Investment

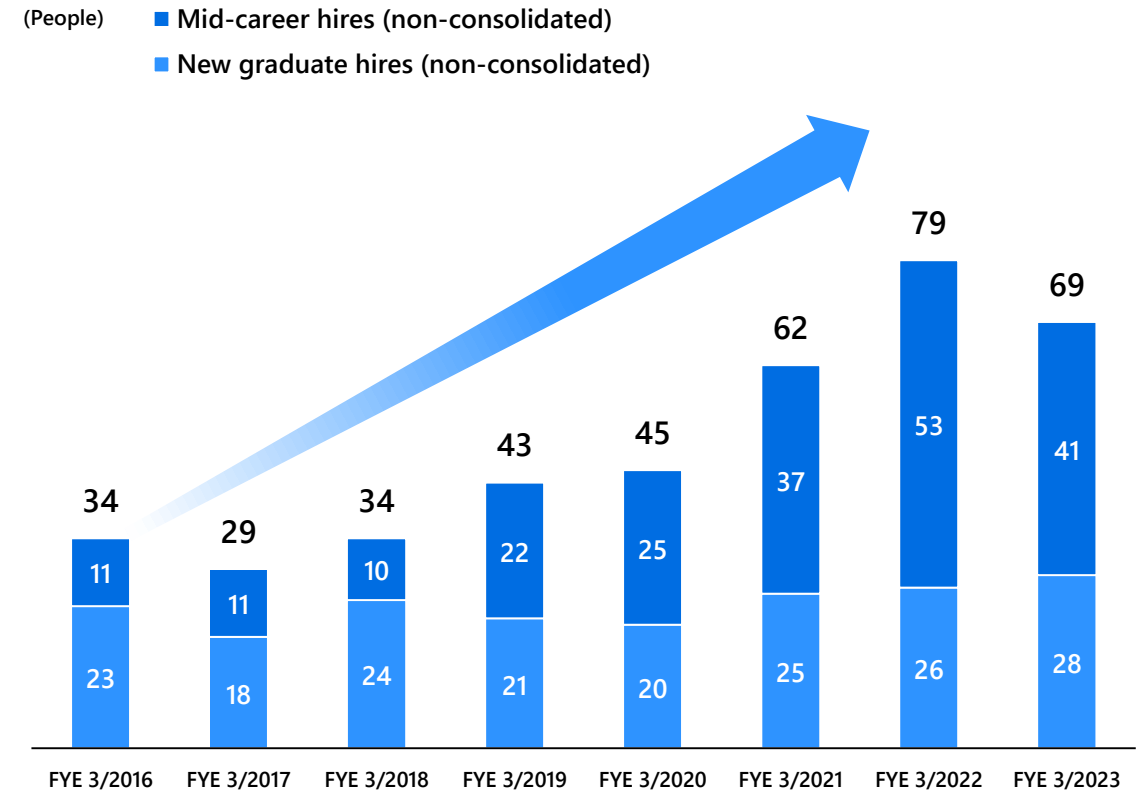


Strengthen hiring and training of human resources to pass on our greatest strength, our technological capabilities, and expand our resources. Continue hiring and training efforts, especially in Construction, Engineering, and Maintenance divisions.

### Number of employees

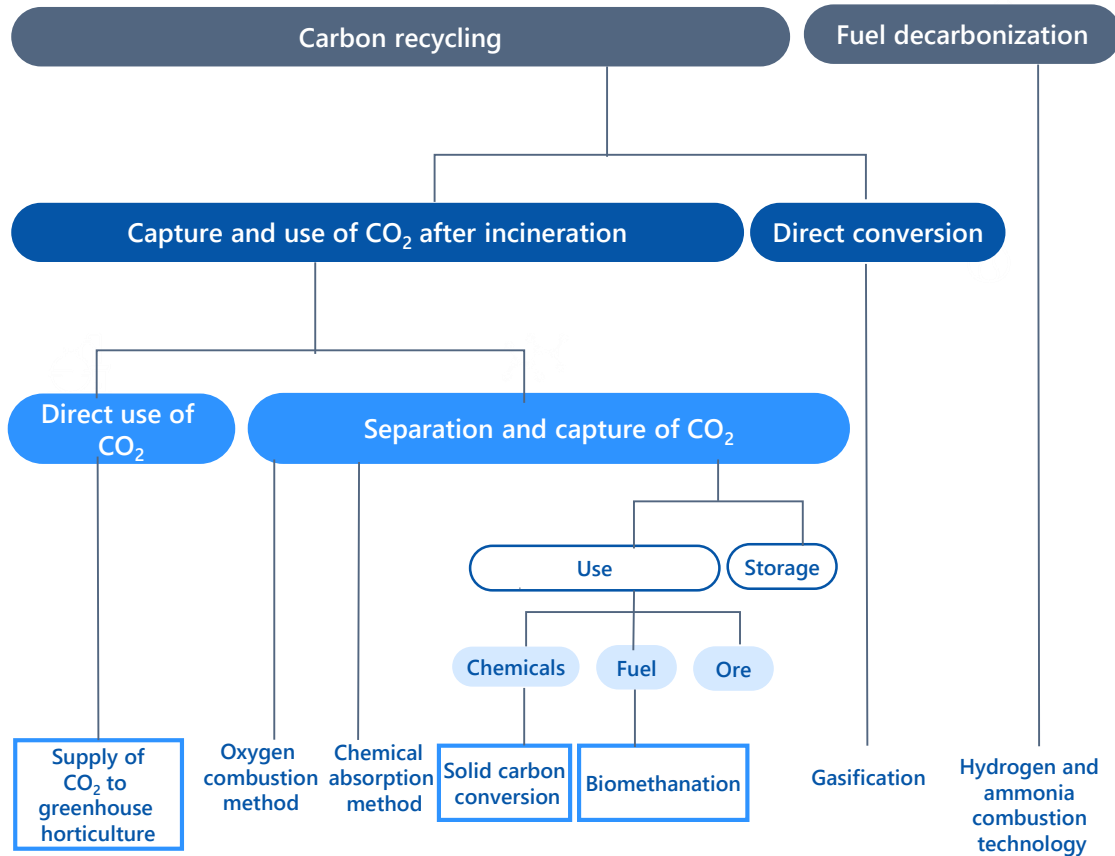


### Number of new hires



In addition to fine tuning existing technologies, we will strengthen R&D focusing on CCUS and carbon recycling technologies to realize a decarbonized society.

## R&D roadmap for decarbonization technologies



## Examples of our technology/R&D

### Agricultural use of CO<sub>2</sub> from flue gas purification

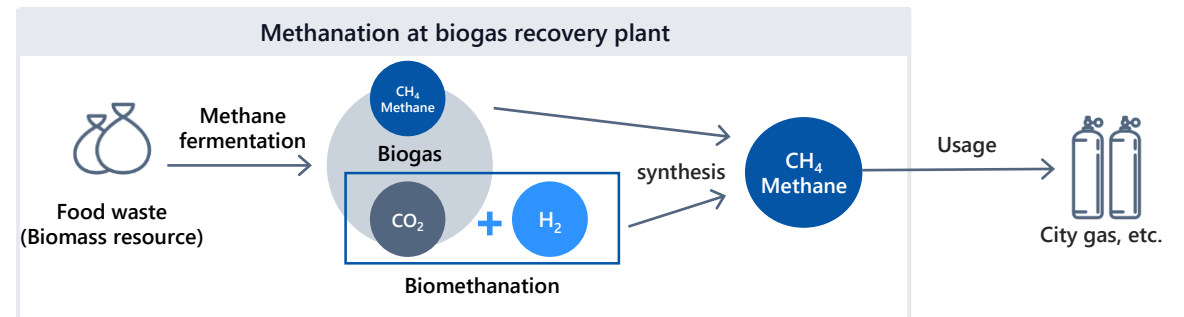
Delivered a t-CarVe® CO<sub>2</sub> supply system with a customer (SARA Inc. and F Bit Communications Corp.) that directly utilizes purified flue gas generated from burning woody biomass as fuel, after removing components harmful to plant growth, in a green house.

### Solid carbonization

Technology for recovering CO<sub>2</sub> from the flue gas of waste incineration facilities as solid carbon. Can be used as a raw material for chemicals, such as carbon black.

### Biomethanation

Technology that supplies hydrogen to biogas generated by methane fermentation of food waste and converts CO<sub>2</sub> into methane using microorganisms. Methane can be used as fuel for city gas, etc.



Aiming to develop new businesses and add value to existing businesses by actively using partnerships and digital technology.

### Partnerships

Deepening collaboration with other companies and organizations to strengthen proposal capabilities and R&D.

#### Participation C2X

Participated in the C2X (Carbon to X) Project, an open innovation business platform for the realization of a decarbonized society. Seeking to commercialize CCUS technology through cross-industry collaboration.

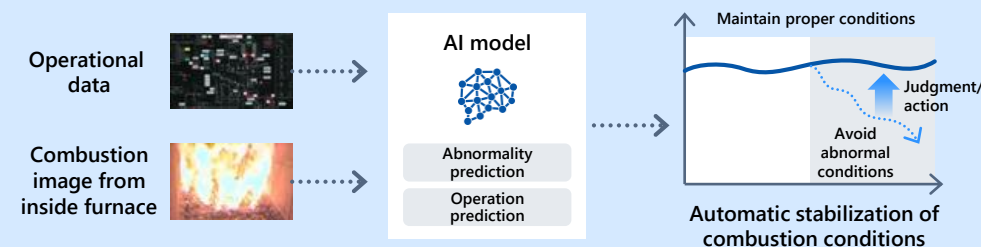


### Utilizing digital technology

Using Digital technologies such as AI, IoT, and robots, save labor and add value to plant operations.

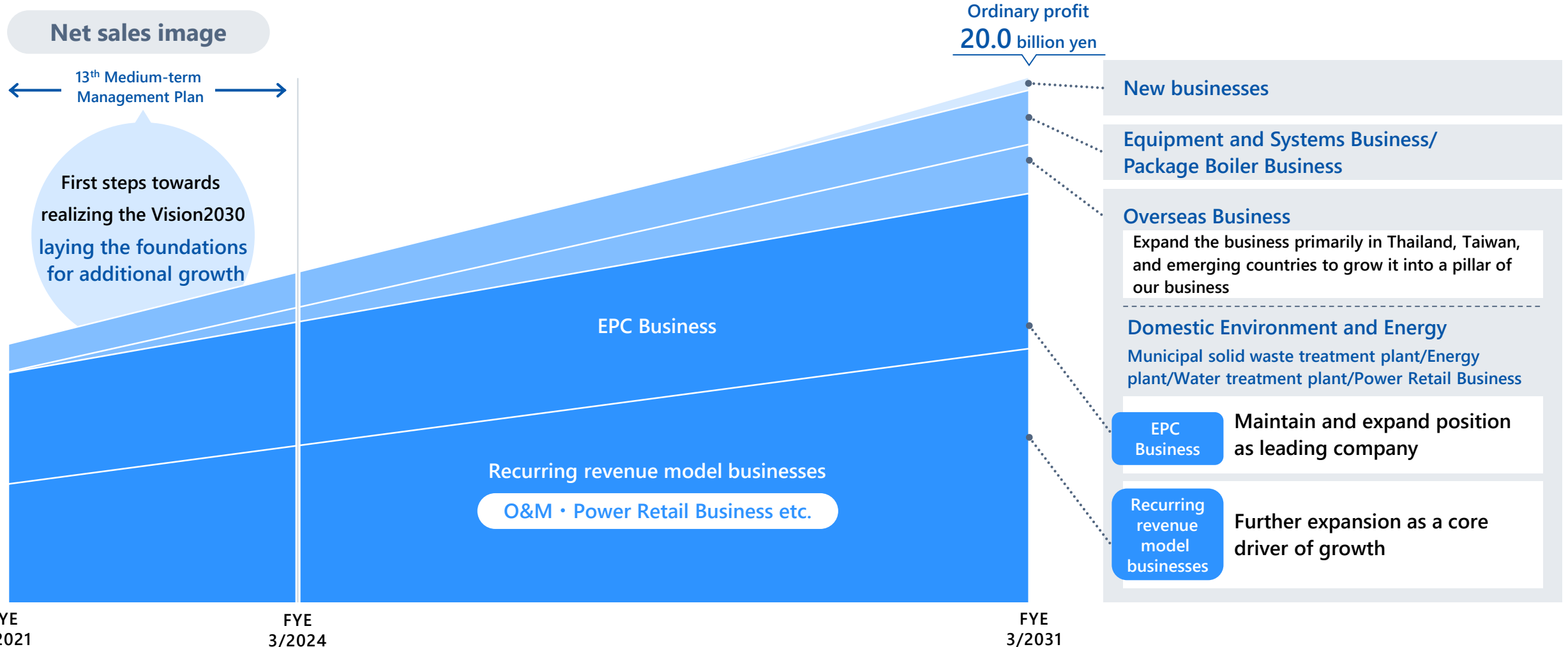
#### AI combustion control system Development of Intelligent Control System (ICS)

Developed a system that utilizes AI technology to predict future variability in combustion based on combustion images and operational data and perform necessary operations. Reduces manual operation by 99% and ensures stable combustion.



# Medium-to long-term Roadmap

Aiming to maintain and expand the EPC business, while striving for steady growth in each business with recurring revenue model businesses as the core drivers. Aiming to expand business in the environment and energy field through new businesses and M&A.





## 1. Corporate Information

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## 2. Overview of FY2022 (Ended 3/2023) Financial Results

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## 3. Progress on 13<sup>th</sup> Medium-Term Management Plan (2021-2023)

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## **4. Financial Forecast for FY2023 (Ended 3/2024) and Shareholder Return**

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Our aim is to maintain orders received at a high level. Net sales are expected to be up, profit will be down due to changes in the EPC project mix, increased R&D and human resources investment, and other factors.

- Orders received: Demand will be stable for new construction, renewal, and service life improvement of waste treatment plants, biomass power generation plants, and other projects, and we will go after these orders.
- Net sales: Sales will be up with the increase in the Equipment and Systems Business.
- Profit: Profit will be down due to a change in the EPC project mix, increased R&D and human resource investment, and an increase in depreciation associated with the start of operations at the new Harima Factory.

(Millions of yen)	FYE 3/2022	FYE 3/2023	FYE 3/2024 (Beginning of year forecast)	YoY change
Orders received	192,244	168,558	170,000	0.9%
Order backlog	445,304	471,211	495,211	5.1%
Net sales	134,092	142,651	146,000	2.3%
Operating profit	9,928	13,813	11,300	(18.2%)
Operating margin	7.4%	9.7%	7.7%	(2.0pt)
Ordinary profit	10,647	14,684	12,000	(18.3%)
Profit attributable to owners of parent	7,434	9,621	8,300	(13.7%)
Profit per share (yen)	91.53	120.22	103.81	(13.6%)

(Millions of yen)	FYE 3/2022	FYE 3/2023	FYE 3/2024 (Beginning of year forecast)	YoY change
<b>Order received</b>				
Total	192,244	168,558	170,000	0.9%
Domestic Environment and Energy	164,865	130,280	141,500	8.6%
Overseas Environment and Energy	2,035	5,922	3,000	(49.3%)
Package Boiler	16,830	18,400	18,000	(2.2%)
Equipment and Systems	8,917	14,328	8,000	(44.2%)
<b>Net sales</b>				
Total	134,092	142,651	146,000	2.3%
Domestic Environment and Energy	108,657	115,985	116,000	0.0%
Overseas Environment and Energy	1,005	1,351	2,000	48.0%
Package Boiler	16,498	17,312	18,000	4.0%
Equipment and Systems	8,590	8,360	10,500	25.6%
<b>Order backlog</b>				
Total	445,304	471,211	495,211	5.1%
Domestic Environment and Energy	433,351	447,646	473,146	5.7%
Overseas Environment and Energy	1,457	6,028	7,028	16.6%
Package Boiler	4,852	5,940	5,940	0.0%
Equipment and Systems	5,676	11,644	9,144	(21.5%)

\* Adjustments are omitted.

# Shareholder Return

We expect to achieve our medium-term target (36 billion yen in ordinary profit for the three-year period) despite the expected decrease in profit. Accordingly, we plan to increase the annual dividend by 5 yen to 48 yen per share.

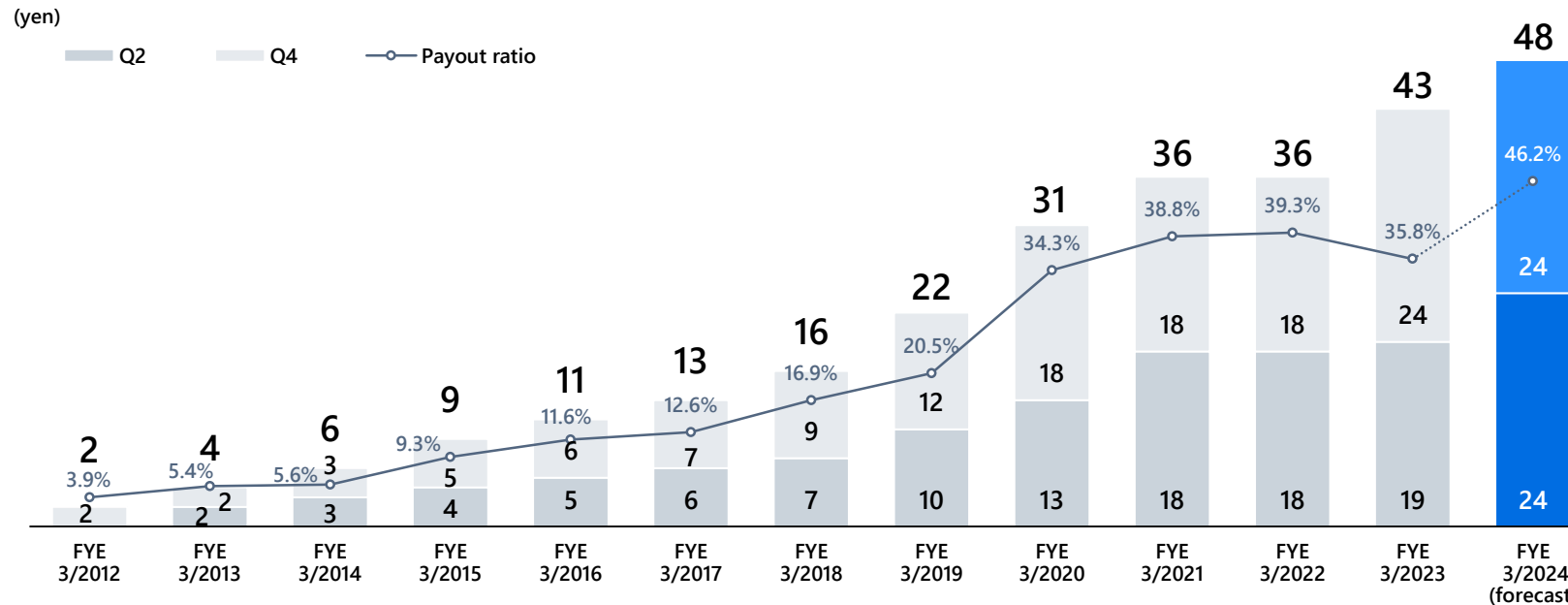
## Dividend

Determined based on a comprehensive consideration that includes financial results and conditions in keeping with the policy of maintaining stable dividends.

## Purchase of treasury stock

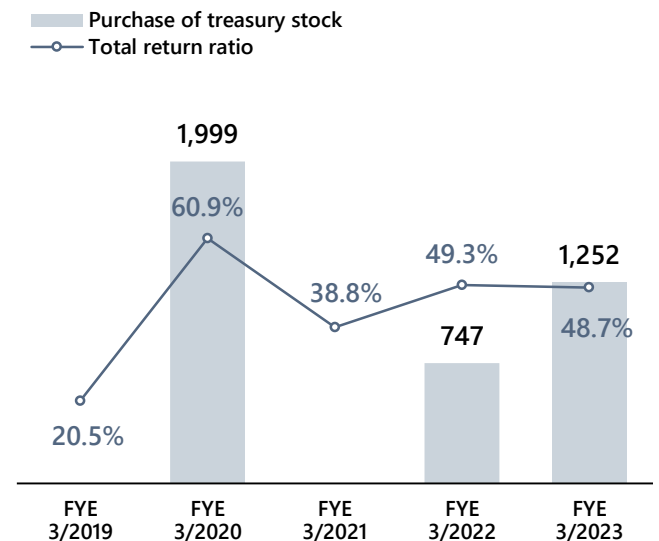
An option to be conducted flexibly based on the stock price and other factors.

### Dividend per share and Payout ratio



### Purchase of treasury stock and Total return

(Millions of yen)



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Recurring revenue model businesses is growing steadily with the delivery of new plants and orders for long-term O&M. We will continue to focus on these businesses as a growth driver and stable revenue foundation for the Group.

Furthermore, we aim to lay the groundwork for the future through investment in overseas operations, research and development on decarbonization technologies, human resources, and more, thereby achieving Vision2030 and operating profit of 20 billion yen by 2030.

Continuing to focus on environment and energy-related businesses, we will pursue sustainable growth together with our customers and society via ESG management.

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May 25, 2023

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TAKUMA Co., Ltd

President and CEO

Hiroaki Nanjo

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Information related to performance forecasts, business plans, and related topics included in this document is based on data currently available to the Company and on certain assumptions that are deemed to be reasonable. This information includes elements of risk and uncertainty.

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

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