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November 8, 2024

To whom it may concern,

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Notice Regarding Reduction of Cross-shareholdings

Takuma Co., Ltd. ("the Company," hereafter) has been engaging in dialogue with shareholders and investors with the aim of further enhancing its corporate value since announcing its 14th Medium-Term Management Plan (FY2024-2026, "the 14th MTP," hereafter) in May of this year. The Company announces that a policy to reduce cross-shareholdings has been decided as detailed below at today's meeting of the Board of Directors, as a result of ongoing discussions by the Board of Directors, taking into account the feedback received through these dialogues.

1. Strengthening the policy to reduce cross-shareholdings

The Company has been reducing its cross-shareholdings while periodically reviewing the appropriateness of holding all listed shares it holds. In order to further accelerate this reduction effort, the Company will reduce its cross-shareholdings to less than 15% of its consolidated net assets (selling approximately 7 billion yen worth of shares) by the end of the fiscal year ending March 2027, which is the final year of the 14th MTP, and will further reduce them to less than 10% by the end of the fiscal year ending March 2029 (selling further approximately 3 billion yen worth of shares).

2. Strengthening shareholder return policy

The Company will work to improve the efficiency of its balance sheet, primarily by reducing cross-shareholdings, and use the cash generated to return profits to shareholders, such as dividends and purchases of treasury shares. As a result, shareholder returns over the three-year period of the 14th MTP are expected to be a total of 33 billion yen, with a total return ratio of approximately 110%, including a dividend payout ratio of 50%.

The 14th MTP Period Shareholder Return	Initial Plan (Announced on May 14, 2024)	**Revised Plan (Announced on November 8, 2024)**	Change from Initial Plan
Dividends	14 billion yen	**15 billion yen**	+1 billion yen
Purchase of treasury shares	12 billion yen	**18 billion yen**	+6 billion yen
Total	26 billion yen	**33 billion yen**	+7 billion yen
Total return ratio	Approx. 95%	**Approx. 110%**	+15pt

3. Upward revision of ROE target

As the Company works to improve the efficiency of its balance sheet as mentioned above, and as the Company expects to realize gains on sales from the reduction of its cross-shareholdings, the Company has revised its ROE target for the fiscal year ending March 2027 upward to 11% or more.

ROE Target	Initial Plan (Announced on May 14, 2024)	**Revised Plan (Announced on November 8, 2024)**	Change from Initial Plan
FY2026 (Ending 3/2027)	At least 9%	**At least 11%**	+2pt

Please refer to the attached document for the changes to the 14th MTP due to items 1 to 3 above.

- The changes from May 2024 are framed in red
- Only the changed pages are listed

14th Medium-Term Management Plan
(FY2024-2026)

Takuma Co., Ltd. | May 2024

*partially revised at November 2024

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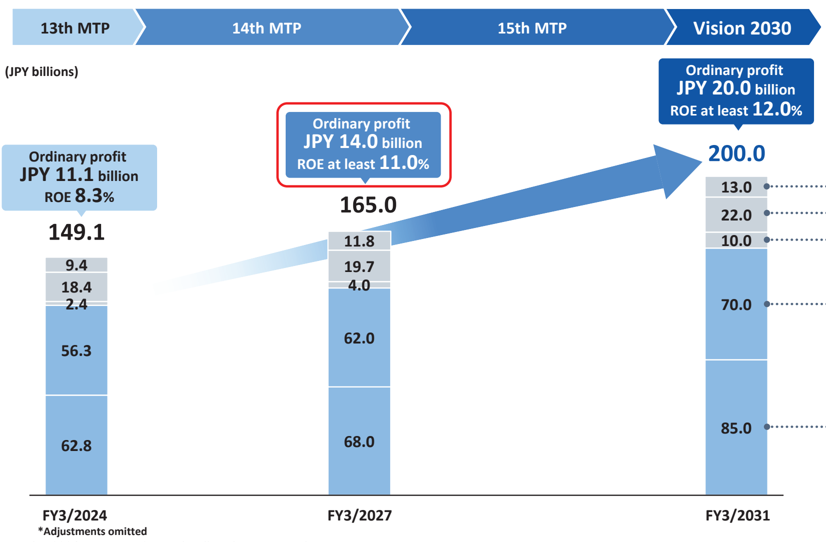
Business Portfolio
Vision2030: Our Vision for 2030

TAKUMA

Achieve further expansion with recurring revenue model businesses as the core driver of growth for Vision2030.
Work on expanding the EPC business at the same time as recurring revenue will increase to achieve ordinary profit of JPY 20.0 billion by FY3/2031.

Vision2030: Growth of net sales



		Share	Positioning
Equipment and Systems Business		6.5%	Ongoing business (Steady expansion of revenue)
Package Boiler Business		11.0%	Ongoing business (Steady expansion of revenue)
Overseas Environment and Energy Business	Expand primarily in Thailand, Taiwan, and emerging countries, developing it into a pillar of the Group's business	5.0%	Future business (Medium- to long-term perspective)
Domestic Environment and Energy Business		77.5%	
EPC Business	Maintain and expand position as a leading company	35.0%	Core business
Recurring revenue model businesses	Further expansion as a core driver of growth	42.5%	Growth business (Growth driver)

14th Medium-Term Management Plan | Financial Targets (Summary)

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In addition to ordinary profit, new targets for orders received and return on equity (ROE) are set in the 14th Medium-Term Management Plan.

■: Main target

(JPY billions)	13th MTP (3-year total)	14th Medium-Term Management Plan 3-year total	FY2024	FY2025	FY2026
Orders received	521.3	600.0 ↑	230.0	180.0	190.0
Net sales	425.9	460.0	143.0	152.0	165.0
Operating profit	33.9	35.6	11.2	11.2	13.2
Ordinary profit	36.4	38.0 ↗	12.0	12.0	14.0
ROE	8.3% (FY3/2024)	at least 11% ↑ (FY3/2027)	8.0%	9.0%	11.0%

ROE = Profit / Equity capital

Management that is Conscious of Cost of Capital and Stock Price

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Analysis of current situation

- We recognize our cost of equity as around 6%.
- ROE has remained at or above 8%, and a certain equity spread has been secured*1.
- PBR is also stable at 1x or higher, but equity spreads are declining.
- The decline in spreads is due to an increase in equity capital and a decrease in financial leverage*2.
- We also recognize that there was incomplete understanding regarding the feasibility of the growth strategy and that efforts to enhance balance sheet efficiency were not effectively communicated due to insufficient disclosure of cash allocations.

Policies

- Maintain and increase ROE in excess of cost of equity (FY3/2027: at least 11%; FY3/2031: at least 12%).
- To achieve the target ROE, we will increase balance sheet efficiency while improving profitability and maintaining a solid financial foundation.
- At the same time, we will promote initiatives to reduce the cost of capital.

Initiatives

- Steady implementation of the 14th Medium-Term Management Plan to achieve Vision 2030 (Working especially to maintain and expand our market position in the EPC Business, the source of our recurring revenue model businesses)
- Optimal cash allocation to achieve both our growth strategy and capital efficiency.
- Specification of a quantitative policy on shareholder return
- Further enhancement of IR activities, including effective dialogue with investors and enhanced disclosure information.

*1 Equity spread = ROE - Cost of equity
*2 Financial leverage = Total assets / Equity capital

Capital Policy

We will establish a quantitative policy based on an analysis of the current situation related to cost of capital and stock price.
We will enhance corporate value by balancing business growth and shareholder returns that meet market expectations with a solid financial foundation.

1 Establishment of ROE targets mindful of cost of capital

Establish target ROE based on the recognition that the cost of equity over the past 10 years has been around 6%.

FY3/2027 ROE
At least **11%**

FY3/2031 ROE
At least **12%**

2 Establishment of appropriate cash allocation

Secure a working capital and business risk buffer of roughly 2-3 months' worth of sales (JPY 30-40 billion).

For cash and deposits above that level (operating CF + cash and balance in account), implement **appropriate allocation** between investment in growth and shareholder return.

3 Establishment of new shareholder return policy

Dividends

Establish as a target **amount whichever is higher calculated based on dividend payout ratio of 50% or dividend on equity (DOE) ratio of 4.0%**

Share repurchase

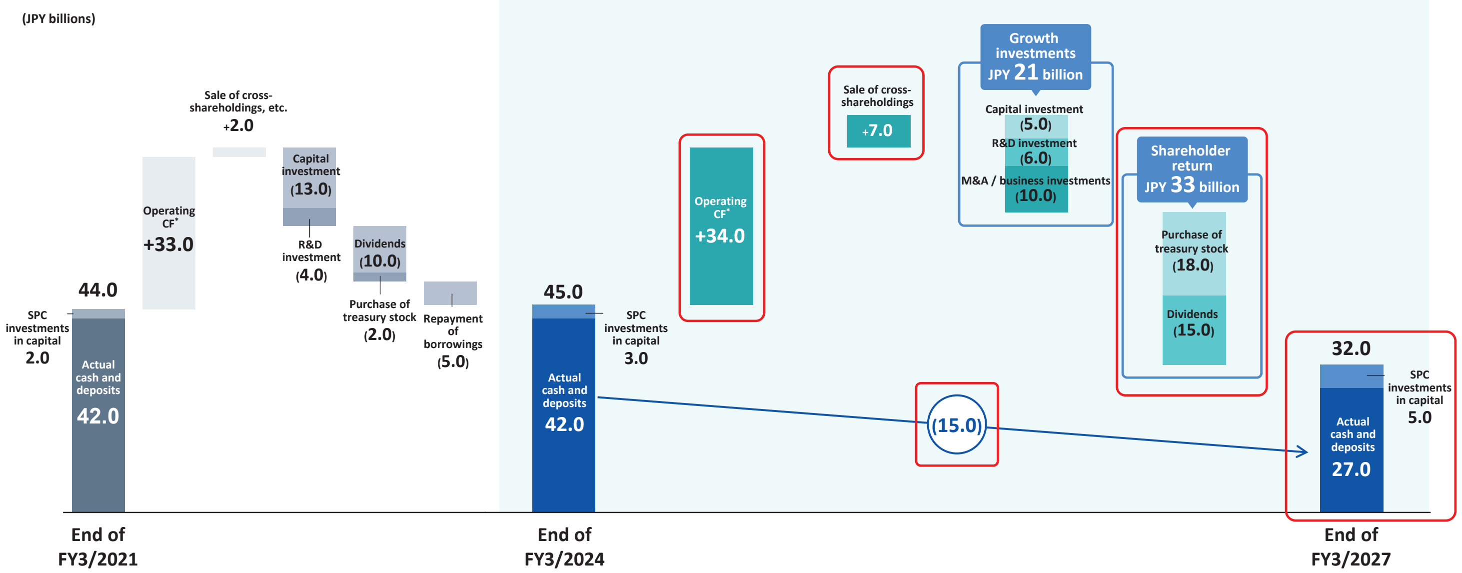
Share repurchase **totaling approximately JPY 18 billion over three years** to improve capital efficiency

4 Maintenance of solid financial foundation
to support the EPC and long-term O&M businesses

Equity ratio
Maintain at
the **50%** level

Capital Policy | Cash Allocation

Focus on growth investments and shareholder returns and execute appropriate cash allocation to increase corporate value.



*Before R&D expenditure

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We will work to improve the efficiency of our balance sheet, primarily by reducing cross-shareholdings, and use the cash generated to return profits to shareholders, such as dividends and purchases of treasury shares. As a result, shareholder returns over the three-year period of the 14th MTP are expected to be a total of 33 billion yen, with a total return ratio of approximately 110%.

Shareholder return policy

1. Enhancing shareholder returns and improving capital efficiency through stable dividends and share repurchase
2. Establish as a target amount whichever is higher calculated based on dividend payout ratio of 50% or dividend on equity (DOE) ratio of 4.0%
3. Share repurchase totaling approximately JPY 18 billion over three years to improve capital efficiency