

### Pursuing CSR management to achieve sustained growth along with society



#### Business policies

Takuma's Management Principles state that the company 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 keeping with this philosophy, we have identified two goals: first, continuing to play an essential role for society as a leading company in the utilization of renewable energy and in the field of environmental protection; and second, of achieving ordinary profit of JPY 10.0 billion in FY2020 as our target level of ordinary profit. Similarly, we have embraced a corporate vision of building structures capable of earning JPY 10.0 billion in profit or more in a stable and consistent manner even as the business environment continues to undergo dramatic change, and we are pursuing a series of business activities in pursuit of that vision. We will achieve this vision not through the standalone

efforts of the company, but as the result of the combined capabilities of the entire Takuma Group. To that end, we have adopted a basic management policy of maximizing profits in our consolidated financial accounting and of increasing corporate value.

The Group will work diligently to implement the 11<sup>th</sup> Medium-Term Management Plan (FY2015 to FY2017) in an effort to build on past results to enhance its business so that it can achieve sustained growth, both in terms of quality and quantity.

#### Business environment

In the Group's key businesses, operators of waste treatment facilities are planning to renovate and improve aging plants as a result of stepped-up efforts to prevent global warming and conserve resources and energy due to increased environmental awareness. In addition, demand for biomass power facilities is expected to continue to rise

in the future thanks to energy policies such as feed-in tariff programs that facilitate fixed-cost purchases of power generated using renewable energy.

At the same time, 2015 saw international society embrace two new initiatives. First, new emissions reduction targets for greenhouse gases were adopted at the 2015 United Nations Climate Change Conference (the 21<sup>st</sup> yearly session of the Conference of the Parties to the 1992 United Nations Framework Convention on Climate Change)\*<sup>1</sup>, and second, the 2030 Agenda for Sustainable Development\*<sup>2</sup> was adopted at the UN Sustainable Development Summit. We believe that Takuma's technologies for processing waste and reducing carbon dioxide emissions through high-efficiency power generation using biomass will make a significant contribution to resolving these social issues, and that doing so will lead to the further development of the Group's businesses.

#### Achieving sustained growth

Currently, our society is grappling with a diverse range of challenges, including environmental issues; increased demand for energy, water, and other resources in the face of global population growth; global warming; aging social

capital; and diversity in people's values. The Takuma Group must adapt to changes in the business environment and strengthen initiatives to treat these changes as business opportunities. The Group has embraced the Company Motto, Management Principles, Takuma Group Ethics Charter, and Takuma Group Code of Conduct as the foundation of CSR management. We believe that sincerity is central to management, and, in keeping with the idea that proper conduct is the natural course of action for the company, that the goal of CSR management is to cultivate a corporate culture in which all executives and employees can speak naturally. This approach embodies a path that will allow us to achieve sustained growth.

Takuma has been a signatory to the United Nations Global Compact since 2006, and we support its 10 fundamental principles in the 4 areas of human rights, labour, environment, and anti-corruption. We will work to develop our business while understanding and supporting these globally shared principles.

We at the Takuma Group encourage readers to offer their candid views and advice, which we will carefully review in order that we might better resolve social issues and contribute to the sustained development of society.



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**Takaaki Kato**  
President and CEO  
Takuma Co., Ltd.

*Takaaki Kato*

\*1 Japan's greenhouse gas emissions reduction target is to slash emissions by 26.0% compared to FY2013 by FY2030 (a reduction of 25.4% compared to FY2005).

\*2 The Agenda consists of 17 Sustainable Development Goals (SDGs) and 169 targets for eradicating poverty and achieving a sustainable world.



The Takuma Group has joined the United Nations Global Compact (UNGC), which is a voluntary effort to create a global framework for implementing sustainable growth by having companies and groups exercise responsible and creative leadership while acting as good members of society.  
Reference: UN Global Compact <http://www.unglobalcompact.org/>

## Company Motto

**Value Technology, Value People, Value the Earth**

## Management Principles

**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.**

The founding spirit of Takuma was "Service to the nation through boiler manufacturing"\* which in present-day language means "contribution to society by supplying goods and services that we yield." This spirit can also be applied to the concept of Corporate Social Responsibility (CSR) that in recent years has become a vital issue for corporate management. The management principles of the Takuma group companies are all based on the said founding spirit.

\* Service to the nation through boiler manufacturing  
It was the Company Motto of Takuma, then Takuma Boiler Manufacturing Co., Ltd., founded by Mr. Tsunekichi Takuma, one of the ten great inventors of Japan during the period of Meiji and Taisho (1868–1926).

## Takuma Group Ethics Charter

Takuma and the Takuma Group companies believe that it is essential for the sound development of the group that all of the directors and employees remain aware of our social responsibilities and the circumstances surrounding us as well as act in response to social ethics complying with applicable related laws and ordinances. Bearing the above in mind, we have established and will promote this ethics charter as our code of conduct, aiming to realize our management principles.

1. We shall strive for proactive social contribution while establishing a harmonious coexistence with the global environment as good corporate citizens.
2. We shall act in good faith in accordance with sound business custom, while complying with applicable laws and regulations and committing ourselves to fair, transparent and free competition, as well as conducting lawful business activities.
3. We shall never have any relationship with antisocial forces or organizations, which may pose a threat to the social order and security of civil society.
4. We shall respect fundamental human rights and never practice discrimination.
5. We shall strive to provide high quality products and services, based on our advanced technologies, to attain high acclaim and confidence from our customers.
6. We shall strive to disclose corporate information to shareholders and investors through investor relations (IR) and other activities on a timely and equitable basis.
7. We shall strive to protect corporate properties as well as information, while never using either for improprieties or any unjustifiable purpose other than normal business operations.

## Takuma Group Code of Conduct

### Harmony with society

1. Coexistence with the global environment
2. Coexistence with international society
3. Practice of social contribution activities

### Practice of compliance with laws and ordinances as well as sound economic activities

4. Free competition and fair trade
5. Relationship with politics and public administration
6. Policies concerning business entertainment and gift-giving
7. Prohibition of involvement in anti-social activities
8. Appropriate export and import transactions

### Respect for basic human rights

9. Prohibition of discriminatory actions
10. Respect for individuality, personal quality, and privacy
11. Safe work environment

### Practice of customer satisfaction

12. Safety of products and services as well as ensuring reliability
13. Policies concerning advertising

### Making appropriate disclosure of information

14. Transmission of corporate information
15. Ensuring reliability of financial report
16. Prohibition of insider trading

### Protection of corporate properties and information

17. Management and proper use of corporate properties
18. Handling of confidential information
19. Intellectual property protection

# Takuma Group 11<sup>th</sup> Medium-Term Management Plan — An Overview (FY2015 – 2017)

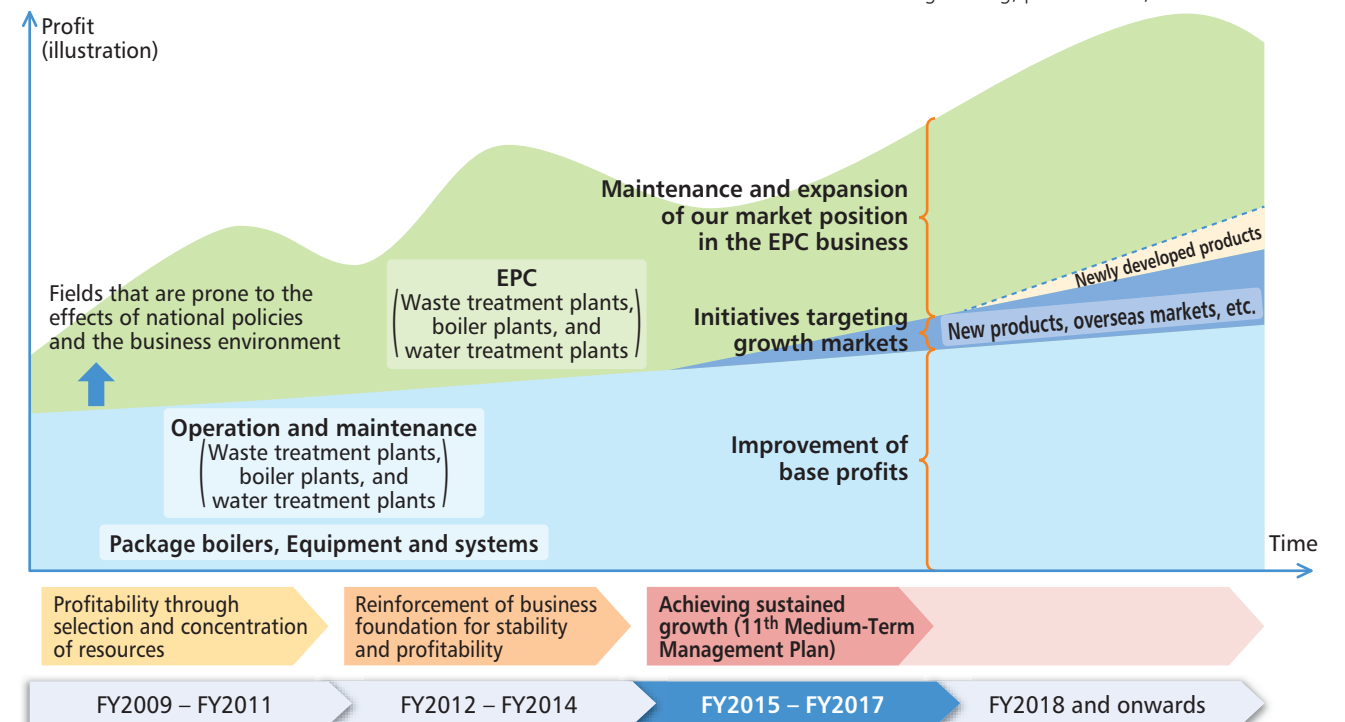
## — Achieving Sustained Growth

### 1 Business Directions

#### ① Positioning of the 11<sup>th</sup> Medium-Term Management Plan

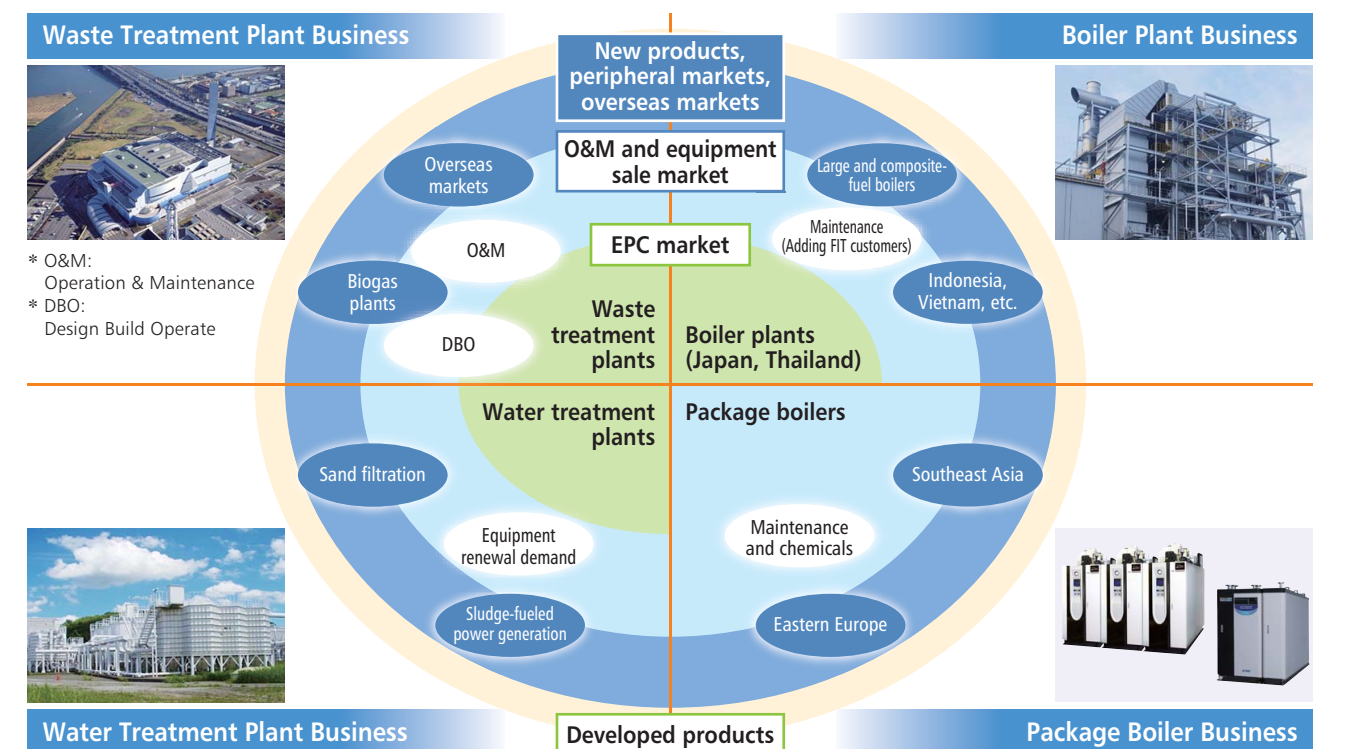
Achieve sustained growth by targeting growth markets while maintaining and expanding our market position in the EPC business and using businesses that generate base profits as a foundation for growth.

\* EPC: Plant engineering, procurement, and construction



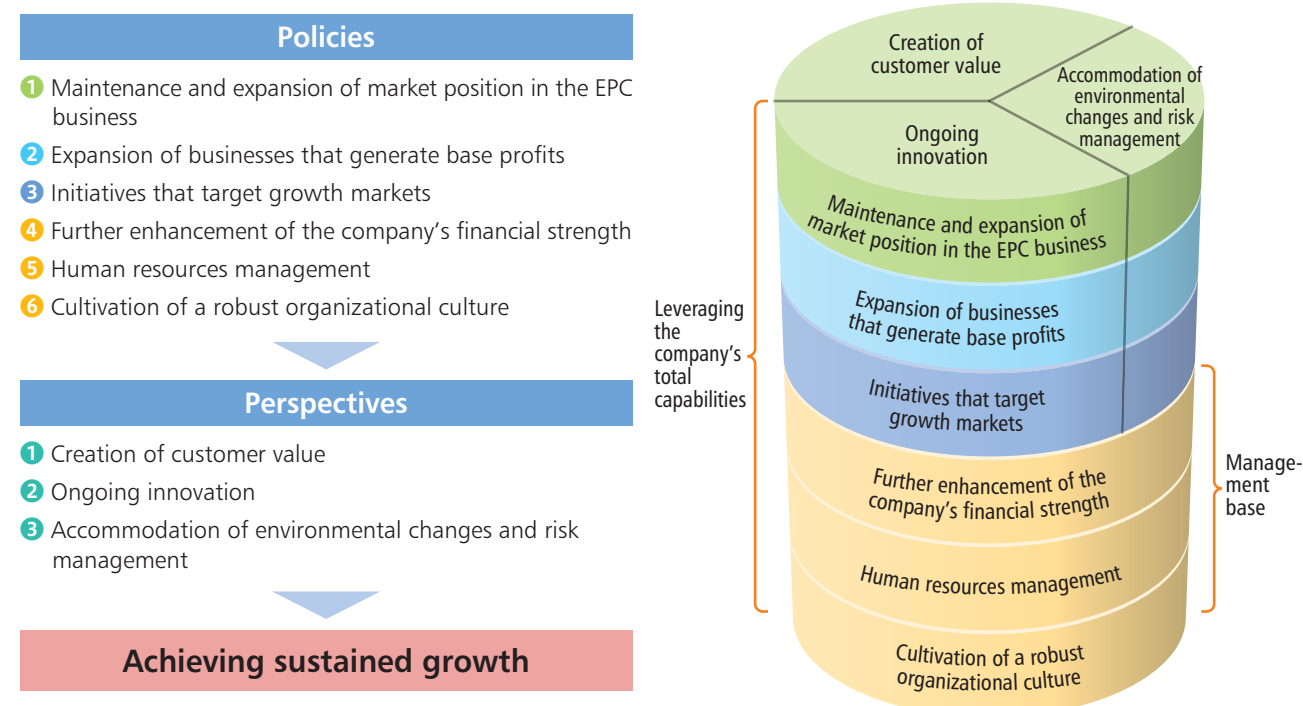
#### ② Principal business domains

Enhance our businesses in terms of both quantity and quality by expanding on-site maintenance and management service, competitive product development, and regional reach around the existing EPC business.





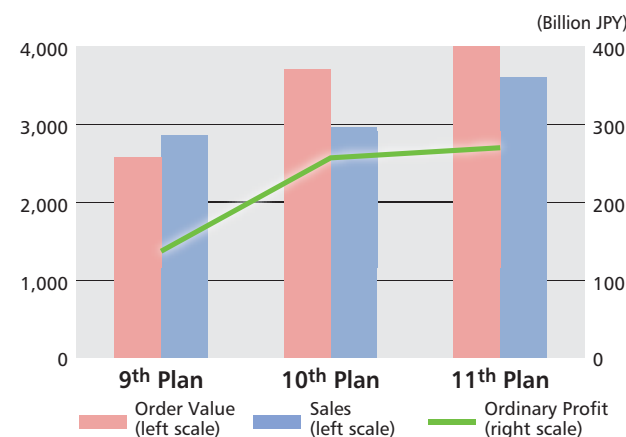
## 2 Policies and Perspectives of the 11<sup>th</sup> Medium-Term Management Plan



## 3 Financial Targets (Consolidated)

We are currently striving to build structures capable of consistently earning an ordinary profit of JPY 10 billion even as the business environment undergoes a process of significant change in keeping with our corporate vision of “aiming 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” and our target of achieving ordinary profit of JPY 10 billion in FY2020.

To facilitate the achievement of the goals outlined in this plan, we will undertake initiatives to realize sustained growth in accordance with the policies while seeking to steadily improve our business in terms of both quantity and quality. To that end, we have established the financial targets described below.



**Financial Target: Ordinary income\* (FY 2020) 10 billion yen**

\* Ordinary income is a measure of accounting profit that equals operating income plus other income minus other expenses, except for extraordinary terms under Japanese GAAP.

	9 <sup>th</sup> Medium-Term Management Plan results				10 <sup>th</sup> Medium-Term Management Plan results				11 <sup>th</sup> Medium-Term Management Plan targets
	2009	2010	2011	Total	2012	2013	2014	Total	FY 2015 – FY 2017
Order Value	70.5	97.0	90.4	257.9	109.2	148.0	113.7	371.0	400Billion JPY (3-year cumulative total)
Sales	95.1	89.1	101.0	285.3	96.3	96.3	103.8	296.5	360Billion JPY (3-year cumulative total)
Ordinary Profit	2.0	4.4	7.3	13.7	7.2	9.4	9.1	25.7	27Billion JPY (3-year cumulative total)

## 4 Core Business Units and Emphasis of Future Activities

### Municipal Solid Waste Treatment Plant Business

#### Business Environment

- As facilities age, there is ongoing robust demand for renewal and service life elongation.
- DBO project volume is growing, and there is also growth in O&M services for existing facilities.

#### Emphasis of Future Activities

- Develop the foundation of the business and enhance our operational capabilities.
- Further strengthen initiatives to prolong the service life of facilities.



DBO Project

### Boiler Plant Business (Japan)

#### Business Environment

- Demand for biomass power plants remains steady.
- The number of plants targeted for maintenance is increasing as facilities are completed and transferred to customers.

#### Emphasis of Future Activities

- Secure more orders for biomass power plants (secure market position).
- Enhance maintenance service and capabilities.



Wood Chip Biomass Power Plant (Miyazaki Prefecture)

### Waste Treatment Plant Business (Overseas)

#### Business Environment

- Plans to build Energy from Waste plants are underway in various regions worldwide against the backdrop of ongoing urbanization and increasing environmental awareness.

#### Emphasis of Future Activities

- Develop schemes for entering the market that are suited to each country and region.
- Develop structures to facilitate market entry.



Energy from Waste Plant (Beijing, China)

### Water Treatment Plant Business

#### Business Environment

- There is a growing need to recover energy from sewage sludge.
- Renewal demand and service life elongation demand are increasing as facilities age.

#### Emphasis of Future Activities

- Secure our position in the market for tapping the energy potential of sewage sludge.
- Expand our share in the advanced-treatment sand filtration market.



Sludge-Fueled Power System Demonstration Plant

### Boiler Plant Business (Overseas)

#### Business Environment

- Demand for biomass power plants in Thailand and surrounding countries remains robust.

#### Emphasis of Future Activities

- Maintain and enhance functionality for carrying out overseas projects, including enhancement of the functions of our local subsidiary (SIAM TAKUMA).
- Enhance price competitiveness and differentiate products.



Bagasse Fired Boiler Plant (Thailand)

### Package Boiler Business

#### Business Environment

- The domestic market has matured, and it is not reasonable to expect a significant recovery of demand.
- The need for boilers is increasing overseas, particularly in developing nations.

#### Emphasis of Future Activities

- Expand our overseas business.
- Enhance our technologies and production capacity.



Once-through boiler



Hot Water boiler