

Action to Implement Management that is Conscious of Cost of Capital and Stock Price

Takuma Co., Ltd. | Updated as of June 19, 2026

*The major updates are framed in red.

TAKUMA

Analysis of current situation

- Our cost of equity, estimated using the capital asset pricing model (CAPM), has risen to around 8.9%, due to the rise in long-term interest rates (the estimated cost for FY3/2025 was 7.0%.)
- While the cost of equity is rising, ROE is also increasing (FY3/2026: 12.4%,) so a certain equity spread*¹ has been secured.
- Our PBR*² improved to 2.1x, driven by solid business performance. Although it does not reach the weighted average PBR of 2.4x for the machinery industry on the Tokyo Stock Exchange Prime Market, it exceeds the weighted average PBR of 1.6x for the construction industry.
- While we believe that we have received a certain level of recognition from the market, we need to continue our efforts in order to meet market expectations.

Policies

- Maintain and increase ROE in excess of cost of equity (FY3/2027: while the target is at least 11.5%, it is projected to reach at least 13.5%, note that it would be at least 11.0% excluding the effect of gains from sale of cross-shareholdings.)
- 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.

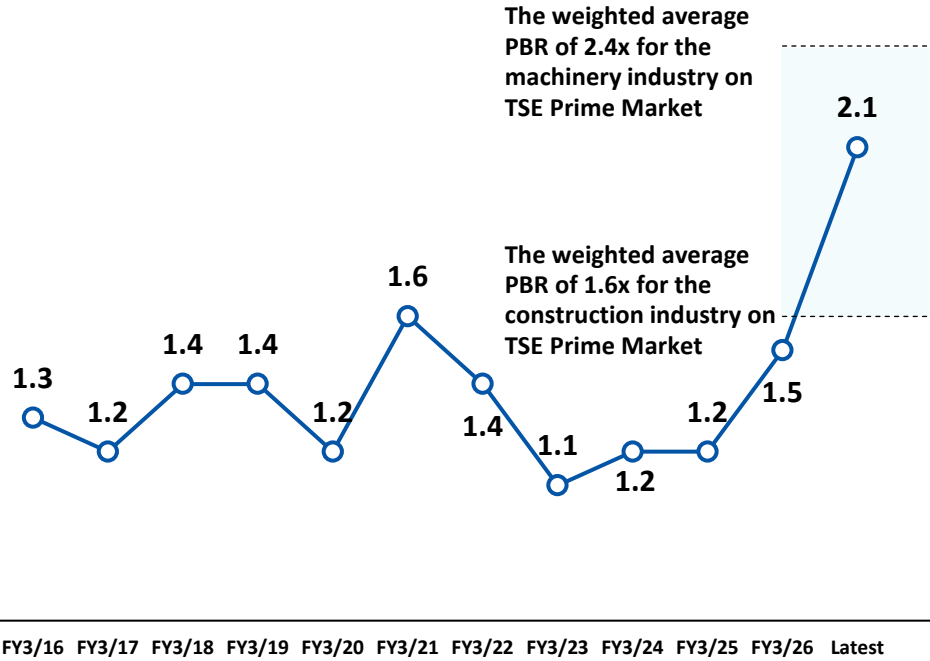
*1 Equity spread = ROE - Cost of equity

*2 Calculated based on average closing stock price from May 15 to May 29, 2026 and net assets per share as of the end of March 2026

Analysis of Current Situation (1/2)

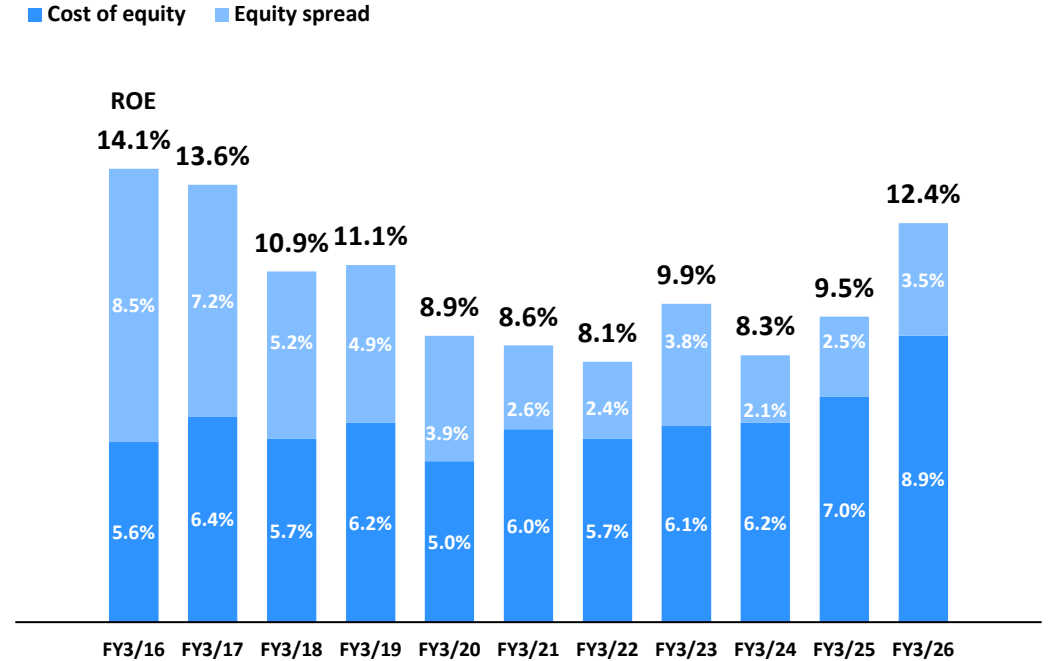
- ✓ ROE has remained above cost of equity, and a certain equity spread has been secured.
- ✓ Although PBR does not reach the weighted average for the machinery industry on the Tokyo Stock Exchange Prime Market, it exceeds the weighted average for the construction industry.

PBR*1 over time



*1 Each year PBR = (Average month-end stock price over 12 months) / (Year-end net assets per share)
 Latest PBR = (Average closing stock price from May 15, 2026 to May 29, 2026) / (net assets per share as of the end of March 2026)
 The weighted average PBR for the machinery industry and the construction industry based on the data as of May 2026 for the "Average PER and PBR by Size and Types of Industry" published by the Tokyo Stock Exchange.

ROE / Cost of equity*2 / Equity spreads over time



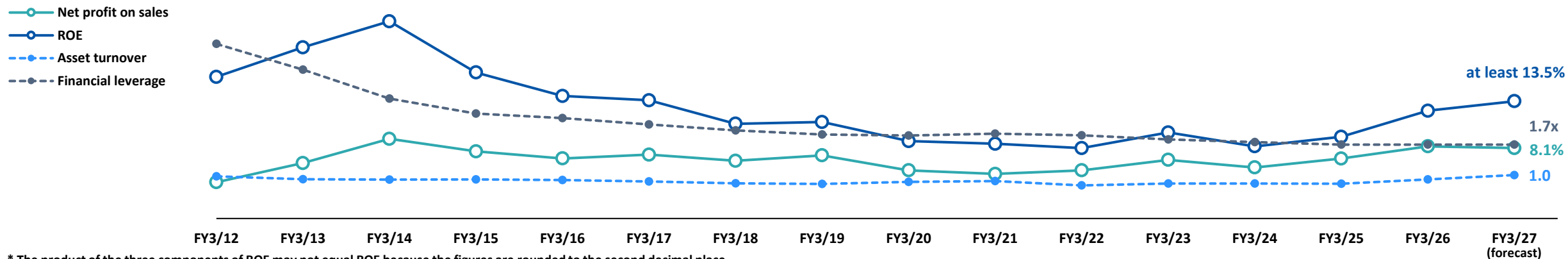
*2 Cost of equity calculated based on CAPM.
 Beta values are measured over multiple time periods (weekly 1 year, weekly 2 years, monthly 3 years, monthly 5 years, monthly 10 years), and the median value is used.

Analysis of Current Situation (2/2)

- ✓ Over the past 15 years, we have enhanced our equity capital to stabilize management and improve creditworthiness. As a result, financial leverage decreased, and capital efficiency declined.
- ✓ While maintaining our strong financial base, we aim to achieve our target ROE by improving our profit margin on sales.

$ROE = \text{Net profit on sales} \times \text{Total asset turnover} \times \text{Financial leverage}$

	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26	FY3/27 forecast
ROE	16.3%	19.7%	22.7%	16.8%	14.1%	13.6%	10.9%	11.1%	8.9%	8.6%	8.1%	9.9%	8.3%	9.5%	12.4%	at least 13.5%
Net profit on sales	4.2%	6.4%	9.2%	7.7%	6.9%	7.4%	6.6%	7.3%	5.5%	5.1%	5.5%	6.7%	5.9%	6.9%	8.3%	8.1%
Total asset turnover	1.0	0.9	0.9	0.9	0.9	0.9	0.8	0.8	0.8	0.9	0.8	0.8	0.8	0.8	0.9	1.0
Financial leverage	4.0x	3.4x	2.8x	2.4x	2.3x	2.2x	2.0x	1.9x	1.9x	2.0x	1.9x	1.8x	1.8x	1.7x	1.7x	1.7x
Financial figures (JPY billions)																
Net sales	101.0	96.3	96.3	103.8	113.0	116.3	118.1	121.9	134.4	146.7	134.0	142.6	149.1	152.1	165.6	
Profit	4.2	6.1	8.8	8.0	7.8	8.5	7.8	8.8	7.4	7.5	7.4	9.6	8.7	10.3	13.7	
Total assets	107.0	106.7	108.5	123.1	132.6	140.2	151.4	155.9	163.4	177.7	174.5	179.6	191.1	190.9	190.5	
Equity capital	28.0	34.3	43.6	52.2	58.5	67.4	76.4	82.6	84.6	90.1	93.9	100.6	110.3	108.7	112.6	
Equity ratio	26.2%	32.2%	40.2%	42.4%	44.1%	48.1%	50.3%	53.0%	51.8%	50.7%	53.8%	56.0%	57.7%	57.0%	59.1%	
Total dividends	0.1	0.3	0.4	0.7	0.9	1.0	1.3	1.8	2.5	2.9	2.9	3.4	3.8	5.1	6.8	
Purchase of treasury stock	0	0	0	0	0	0	0	0	1.9	0	0.7	1.2	0	6.2	7.7	



* The product of the three components of ROE may not equal ROE because the figures are rounded to the second decimal place.

Policy

Main Initiatives

Improvement of profitability

- We will expand EPC orders, which is a prerequisite for further growing recurring revenue model businesses.
- In particular, we will give priority to investing management resources in municipal solid waste treatment plants, for which a large amount of renewal demand is expected during the Medium-Term Management Plan period.

➡ Orders received reached ¥333.0 billion and order backlog reached ¥745.1 billion in FY3/2026, both were record highs.

Enhancement of balance sheet efficiency

- We will maintain a solid financial foundation to back our EPC and long-term O&M businesses, while ensuring a balanced distribution of profits between investments for growth including M&As and shareholder returns.
- Specify a new, quantitative policy on shareholder return
- We will maintain the equity ratio at the 50% level with cash and deposits at a minimum level of roughly two to three months' worth of sales (30-40 billion yen).

➡ Completed 3 M&A projects in September 2024, April 2025 and April 2026.
Repurchase and cancellation of approx. 18 billion yen of treasury shares (approx. 14 billion yen was implemented between FY3/2025 and FY3/2026, and a resolution was passed to implement up to 4 billion yen in May 2026.)
Acceleration of efforts to reduce our cross-shareholdings (to less than 15% of our consolidated net assets by the end of FY3/2027, as well as to less than 10% by the end FY3/2029).

Reducing cost of capital

- Through proactive investor relations, we will carefully explain our business environment and corresponding business strategy to our investors so that they can expect stable returns over the long term, thereby bridging the gap between cost of equity and the future business outlook.

➡ In FY3/2026, we held a total of 206 individual meetings with investors, in addition, we newly conducted visits to overseas institutional investors as well as factory tours for shareholders.

- ✓ 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

Based on the understanding that the cost of equity has been around 6% over the past 10 years, but is currently on an upward trend, Takuma has set its ROE target.

FY3/2027 ROE while the target is at least 11.5%, it is projected to reach at least **13.5%** at least **11.0%** excluding the effect of gains from sale of cross-shareholdings

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**

5

Reduce Cross-share Holdings

Ratio of cross-shareholdings to consolidated net assets

Less than **15%** by the end of FY3/2027

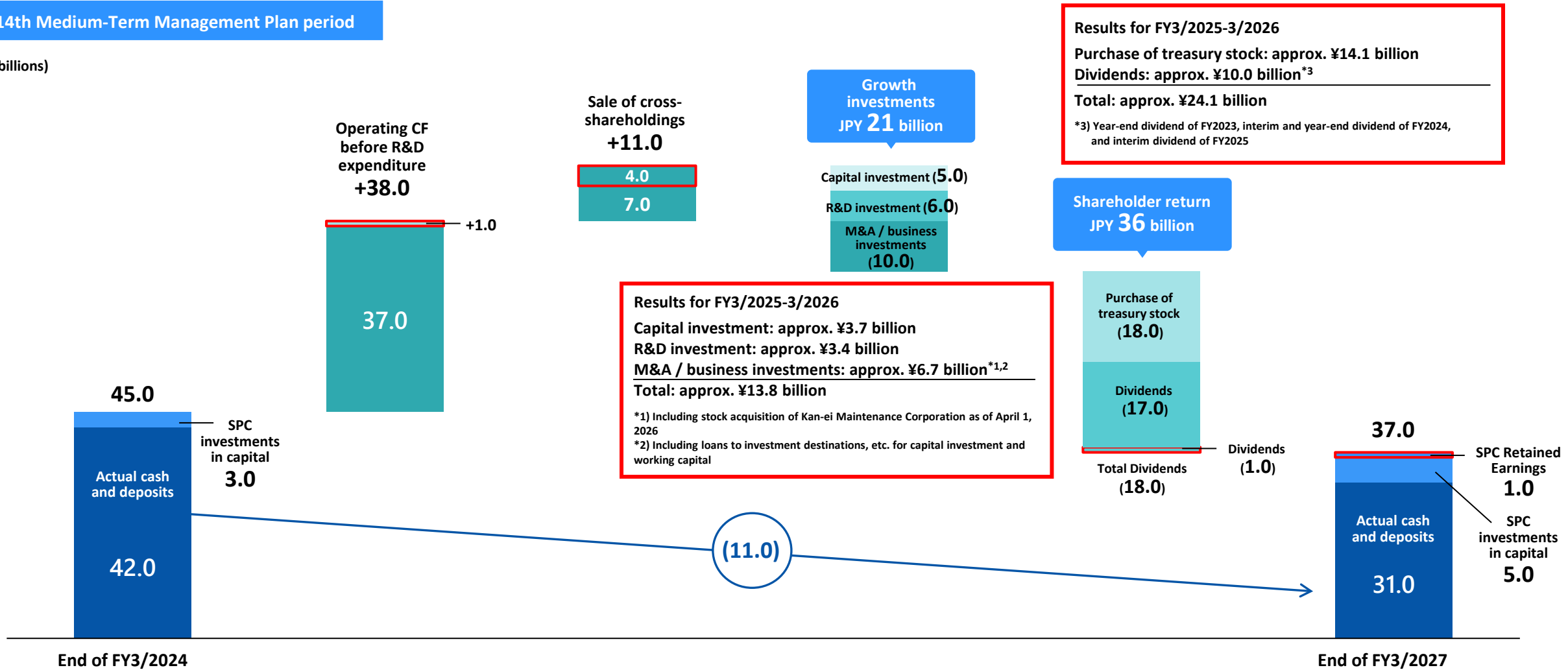
Less than **10%** by the end of FY3/2029

Cash Allocation

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

14th Medium-Term Management Plan period

(JPY billions)

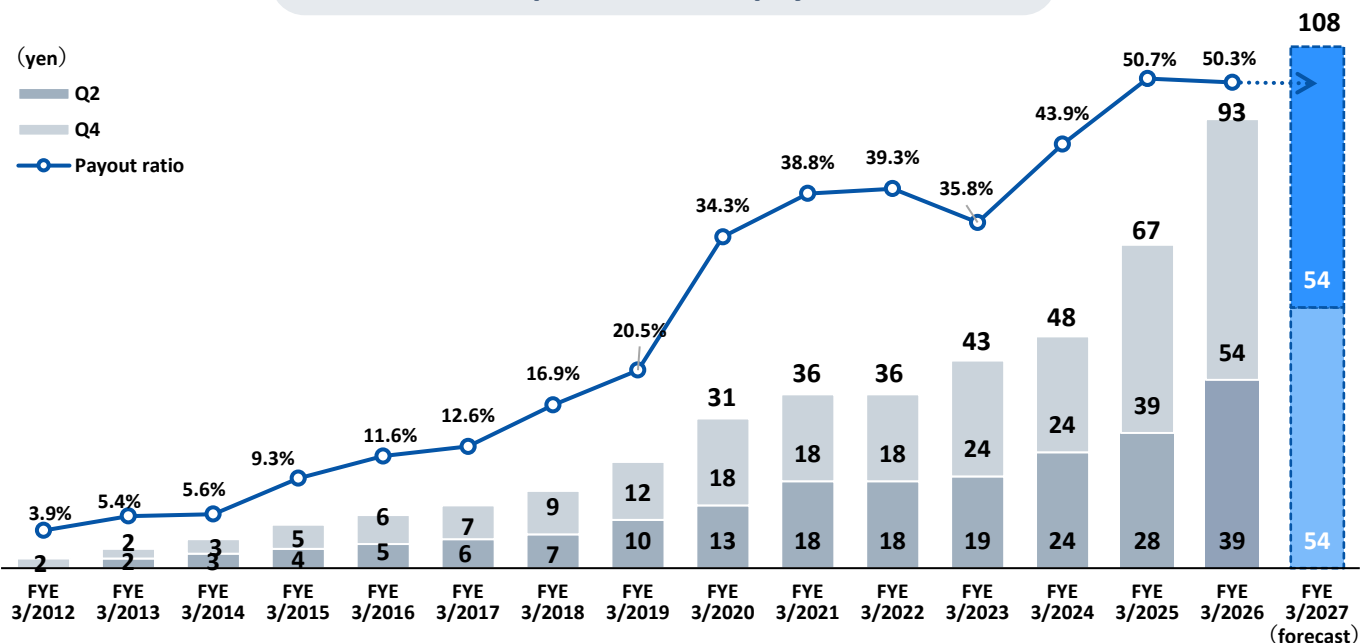


- ✓ In line with the shareholder return policy, the annual dividend per share for FY2025 is expected to be 93 yen (upwardly revised from the previous dividend forecast of 87 yen), as well as it for FY2026 is expected to be 108 yen (increase of 15 yen), a record high.
- ✓ Matters related to share repurchase up to 4 billion yen and cancellation of these treasury shares have been decided at the meeting of the Board of Directors held on May 14, 2026. (Period of repurchase is from May 15, 2026 to September 7, 2026. Scheduled date of cancellation is October 30, 2026.)

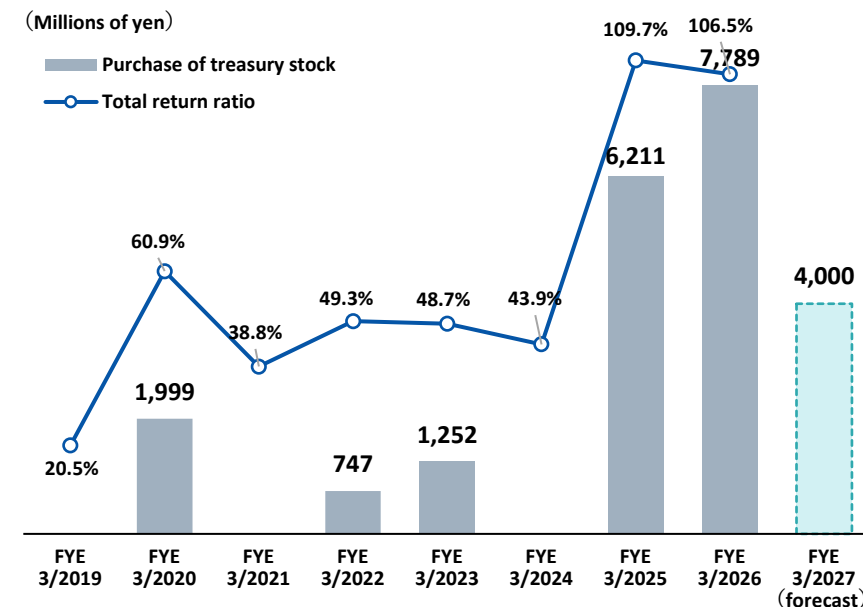
14th MTP Shareholder return policy

- 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

Dividend per share and payout ratio



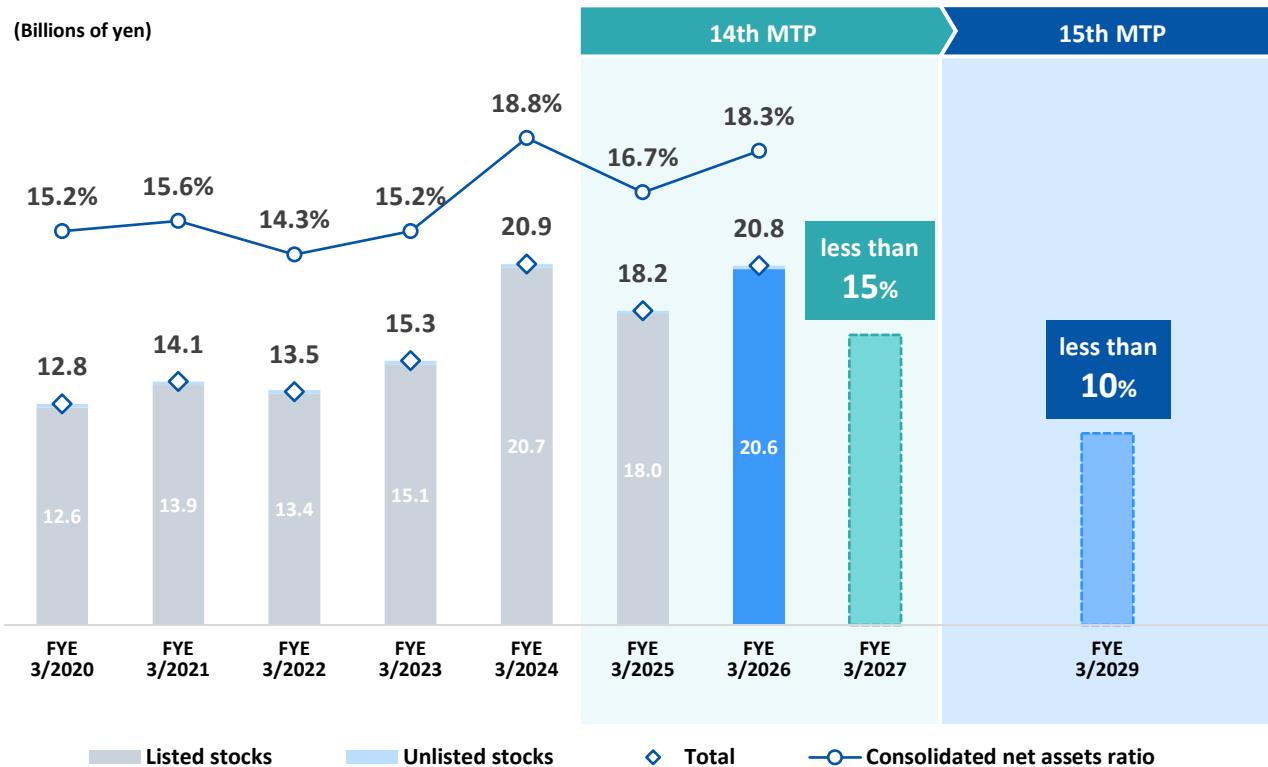
Share Repurchase



Reduce Cross-share Holdings

- ✓ Takuma has established the policy to reduce its cross-shareholdings to less than 15% of its consolidated net assets by the end of the fiscal year ending March 2027, and will further reduce them to less than 10% by the end of the fiscal year ending March 2029.
- ✓ Although the consolidated net asset ratio as of the end of FY ended March 2026 increased in line with the rise in stock prices, the company sold all shares of three listed stocks as well as part of shares of six stocks during the same period, reducing 4.9 billion yen in total (with a gain of approx. 3.8 billion yen from the sale of these stocks). The company plans to accelerate its reduction efforts also in FY ending March 2027 in order to realize its policy.

Amount on the balance sheet and consolidated net assets ratio



Number of listed stocks held

