

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

Takuma Co., Ltd.

May 2024

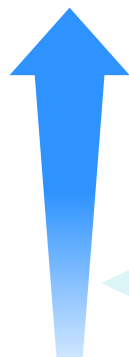
*partially revised at November 2024

TAKUMA

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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.



We will address social and environmental issues (ESG issues) through businesses that leverage the Group's strengths, viewing the resolution of these issues as an opportunity for growth, while also increasing our company's economic value.

Vision2030

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 and reach an ordinary profit level of JPY 20.0 billion.

Keywords for realizing Vision2030



A great partner to our customers



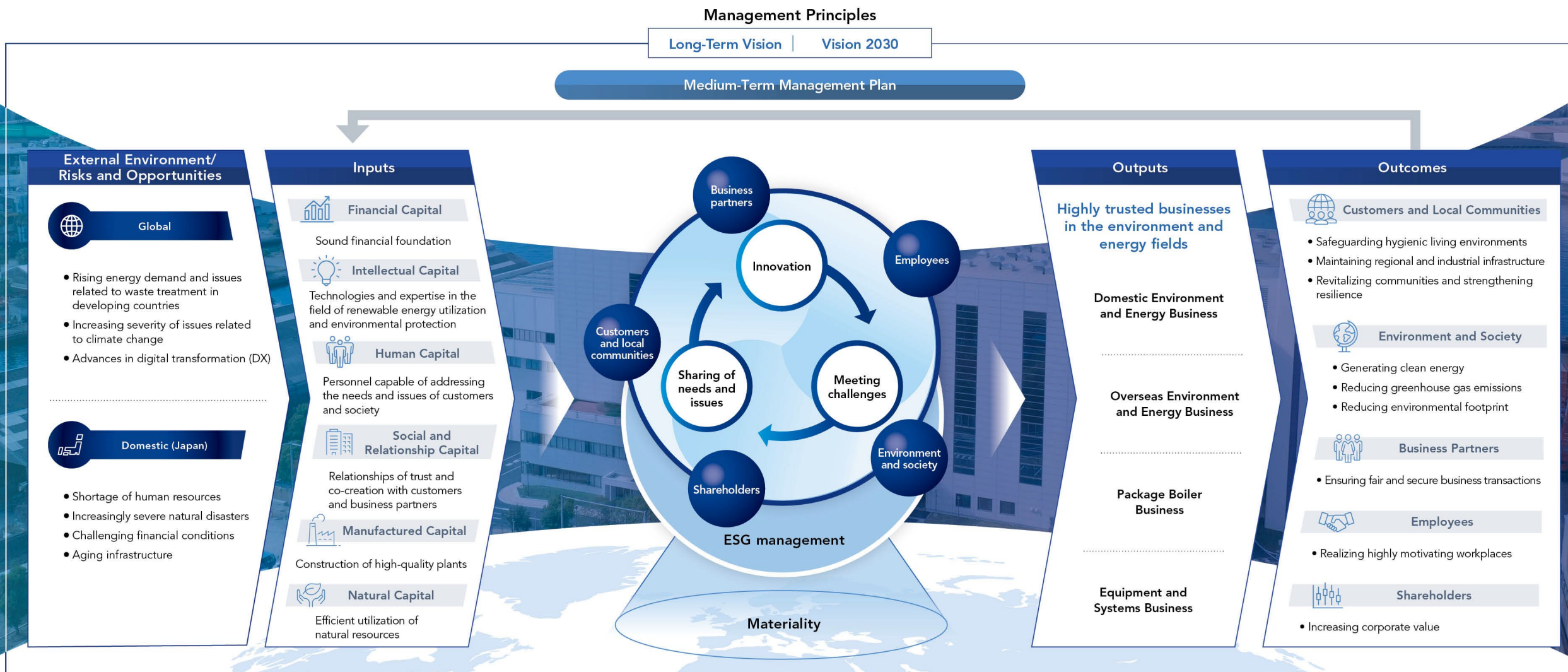
Innovation of technologies and services



Solving issues faced by our customers and society

Value Creation Process for Realizing the Long-Term Vision

As a leading company in the field of renewable energy utilization and environmental protection, we will help create a sustainable society.



Rolling Out Business Activities Contributing to Solutions to Issues Faced by Our Customers and Society

EPC Business (Japan)	<ul style="list-style-type: none">Municipal solid waste treatment plantsEnergy plantsWater treatment plants	<p>7 orders received (Including primary equipment improvement)</p> <p>21 orders received (total power generation of 60 MW)</p> <p>9 orders received (order amount of at least JPY 500.0 million)</p>
Recurring revenue model businesses	<ul style="list-style-type: none">Long-term O&M in operationNumber of energy plants deliveredPower retail business	<p>23 facilities (Number as of end of March 2024)</p> <p>65 facilities (Since start of Japan's FIT program)</p> <p>216GWh (Power supply in FY3/24)</p>
Overseas Business	<ul style="list-style-type: none">Energy plants, etc.	<p>4 orders received (2 in Thailand, 1 in Vietnam, and 1 in Taiwan)</p>
Package Boiler/ Equipment and Systems Business	<ul style="list-style-type: none">Recovery from decreased demand package boilersSemiconductor industrial equipment	<p>JPY 16.8 billion in orders(FY3/22) → JPY 18.6 billion (FY3/24)</p> <p>3-year order amount of JPY 17.8 billion</p>



Municipal solid waste treatment plants



Biomass power plants



Biomass boilers/Hydrogen-fired vacuum-type water heaters (Package Boiler)



New Harima Factory

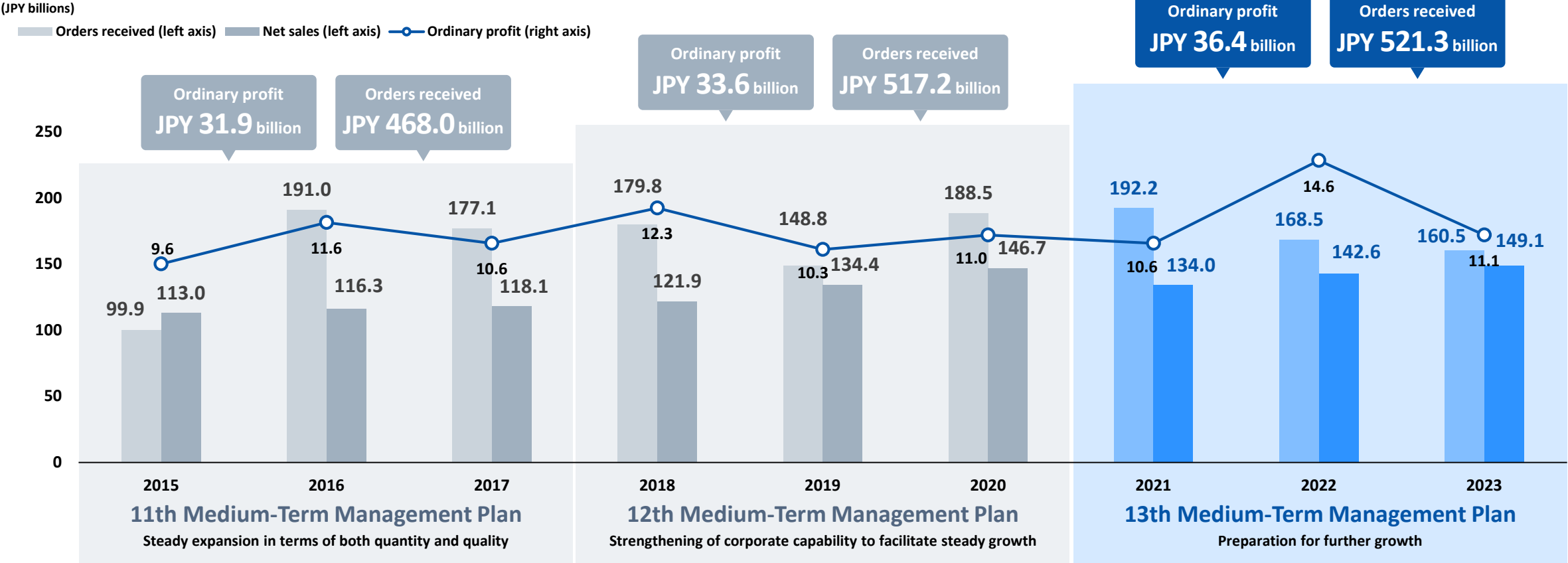
Strengthening the Management Foundation

Securing and development of human resources	R&D, manufacturing capabilities, and digital technology
<ul style="list-style-type: none">Group employees 3,925 (FY3/21) → 4,278 (FY3/24)Enhancement of training menu and education system by rank and fieldEffective utilization of diverse human resources and improvement of job satisfaction	<ul style="list-style-type: none">Development of carbon capture and utilization technology for realizing a decarbonized societyLaunch of operations at new Harima Factory and Supply LabDevelopment of digital technology for products and services to reduce manpower requirements at waste treatment facilities
Partnerships	Compliance
<ul style="list-style-type: none">Participating in the C2X project and collaborating with partners on decarbonization solutionsInvesting in venture funds for strategic returnsLooking into M&As to help improve corporate value (No results during period of 13th Medium-Term Management Plan)	<ul style="list-style-type: none">Reexamination of safety management in construction divisions and at operations officesOngoing educational activities

Achieved the financial targets of the 13th Medium-Term Management Plan

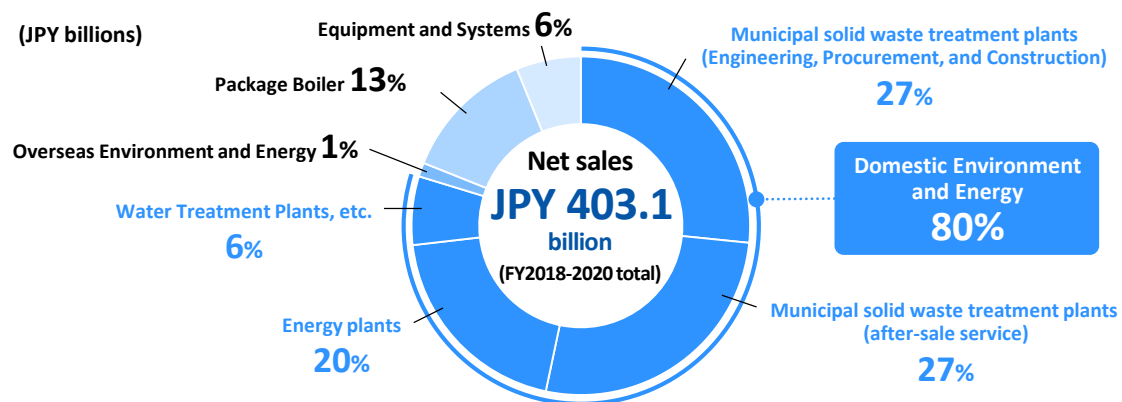
3-year total ordinary profit target
JPY 36.0 billion → JPY 36.4 billion

3-year total orders received (reference)
JPY 450.0 billion → JPY 521.3 billion



Although results fluctuate from year to year depending on the number of EPC projects and the timing of completion, orders received, net sales, and operating income have all remained strong.

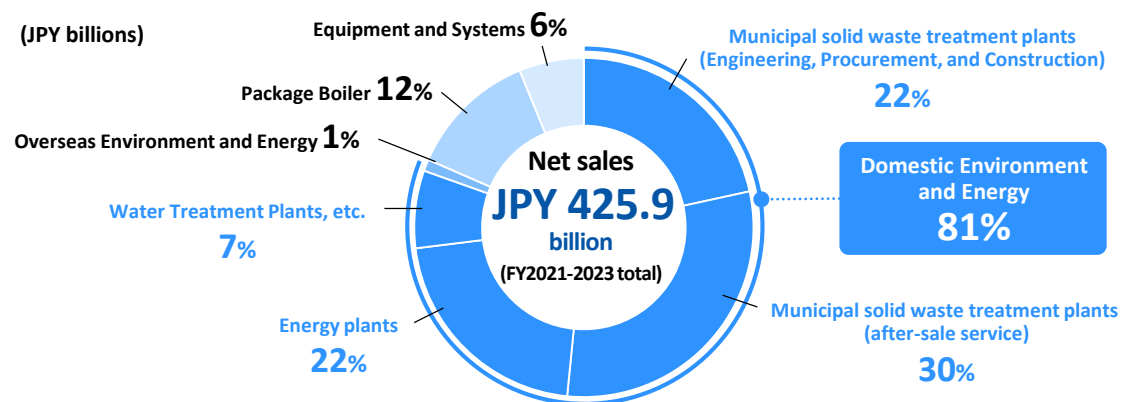
12th Medium-Term Management Plan



	FY2018	FY2019	FY2020	3-year total
Orders received	179.8	148.8	188.5	517.2
Domestic Environment and Energy	153.6	123.1	160.5	437.3
Overseas Environment and Energy	0.7	1.3	0.8	3.0
Package Boiler	17.4	17.9	17.5	52.9
Equipment and Systems	8.5	6.7	10.1	25.5
Net sales	121.9	134.4	146.7	403.1
Domestic Environment and Energy	93.7	108.1	120.7	322.6
Overseas Environment and Energy	3.0	1.1	1.1	5.3
Package Boiler	16.9	17.8	16.9	51.7
Equipment and Systems	8.8	7.8	8.2	24.9
Operating profit	11.6	9.6	10.4	31.6
Domestic Environment and Energy	12.4	10.6	11.4	34.4
Overseas Environment and Energy	0.1	(0.2)	(0.1)	(0.1)
Package Boiler	0.9	0.9	0.6	2.5
Equipment and Systems	0.3	0.3	0.8	1.6

*Adjustments omitted

13th Medium-Term Management Plan

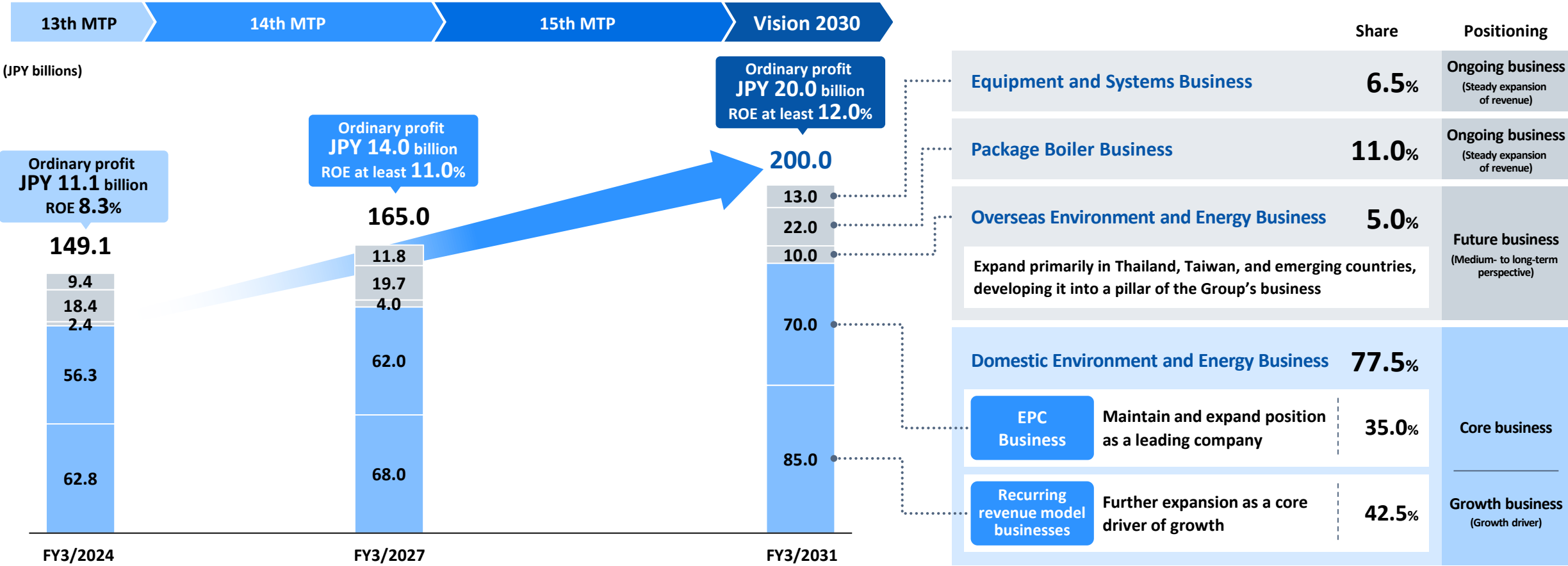


	FY2021	FY2022	FY2023	3-year total
Orders received	192.2	168.5	160.5	521.3
Domestic Environment and Energy	164.8	130.2	131.5	426.7
Overseas Environment and Energy	2.0	5.9	2.2	10.2
Package Boiler	16.8	18.4	18.6	53.8
Equipment and Systems	8.9	14.3	8.4	31.6
Net sales	134.0	142.6	149.1	425.9
Domestic Environment and Energy	108.6	115.9	119.1	343.8
Overseas Environment and Energy	1.0	1.3	2.4	4.7
Package Boiler	16.4	17.3	18.4	52.3
Equipment and Systems	8.5	8.3	9.4	26.3
Operating profit	9.9	13.8	10.2	33.9
Domestic Environment and Energy	10.9	14.8	11.2	37.0
Overseas Environment and Energy	(0.2)	(0.1)	0.1	(0.2)
Package Boiler	0.6	0.9	1.1	2.7
Equipment and Systems	0.6	0.8	0.3	1.8

*Adjustments omitted

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



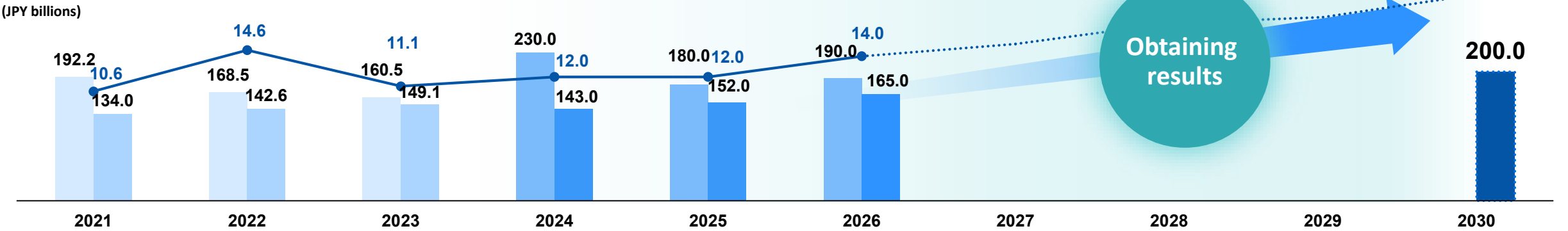
Challenges for achieving Vision 2030 include a lack of human resources. In the 13th Medium-Term Management Plan, we paved the way toward growth to resolve these challenges by assessing the business environment and strengthening recruitment. The 14th Medium-Term Management Plan is positioned to materialize the growth story for realizing the vision by **prioritizing investment of management resources into receiving orders for municipal solid waste treatment plants (renewals and primary equipment improvement) and establishing a revenue model that maximizes the use of recurring revenue** while formulating and implementing measures to solve various challenges.



Orders received
Net sales
Ordinary profit

Preparation for further growth

Materialization of the growth story



Business Strategy

Further strengthening of existing businesses

Addressing future changes in the environment

Basic Policy

1 Maintaining and expanding our market position in the EPC Business

2 Establishing a revenue model that fully utilizes recurring revenue

3 Steadily expanding revenue in the Package Boiler Business and Equipment and Systems Business

4 Building a track record for the future in international business

5 Promoting strategic M&As and creating new businesses

Management foundation enhancement

1 Securing and development of human resources

2 Knowledge management

3 Compliance and risk management

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

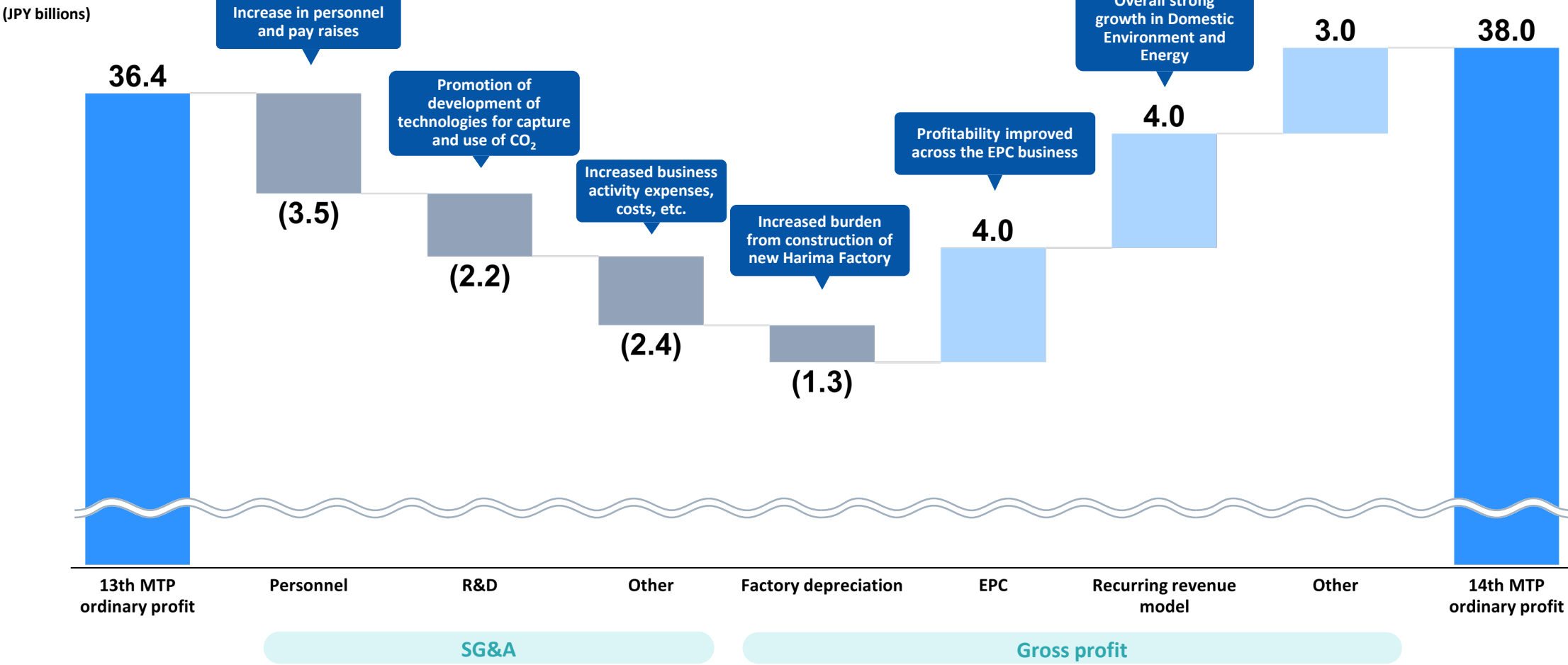
■ : Main target

(JPY billions)	13th MTP	14th Medium-Term Management Plan			
	(3-year total)	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

Although we expect an increase in SG&A expenses such as personnel and R&D expenses, we also expect an increase in profit due to higher gross profit in the EPC Business and recurring revenue model businesses.

Breakdown of ordinary profit variance (3-year total)



(JPY millions)	FY2024	FY2025	FY2026	3-year total
Orders received				
Total	230,000	180,000	190,000	600,000
Domestic Environment and Energy	198,700	146,700	155,000	500,400
Overseas Environment and Energy	4,000	4,000	4,000	12,000
Package Boiler	18,800	19,300	20,000	58,100
Equipment and Systems	9,000	10,500	11,500	31,000
Net sales				
Total	143,000	152,000	165,000	460,000
Domestic Environment and Energy	109,400	118,900	130,000	358,300
Overseas Environment and Energy	5,000	4,000	4,000	13,000
Package Boiler	18,600	19,100	19,700	57,400
Equipment and Systems	10,500	10,500	11,800	32,800
Operating profit				
Total	11,200	11,200	13,200	35,600
Domestic Environment and Energy	12,300	12,600	14,400	39,300
Overseas Environment and Energy	300	0	0	300
Package Boiler	1,000	1,050	1,100	3,150
Equipment and Systems	700	700	900	2,300

*Adjustments omitted

We expect the market environment for our business to be generally favorable and strong.

			14th Medium-Term Management Plan period (FY2024-2026)		Future	
Domestic Environment and Energy	Municipal solid waste treatment plants	EPC	<div><div>+</div>Steady demand for renewal (rebuids)</div> <div><div>+</div>Ongoing demand for service life extension (primary equipment improvement)</div>	<div><div>➡</div></div>	<div><div>−</div>Decreased demand for renewal due to low birth rate and aging society</div> <div><div>+</div>Increased demand for decarbonized facilities</div>	<div><div>➡</div></div>
		After-sale services	<div><div>+</div>Increase in operations businesses (DBO Business and O&M contracts)</div>	<div><div>➡</div></div>	<div><div>−</div>Decrease in number of facilities in operation (reorganization)</div> <div><div>+</div>Ongoing demand for operations businesses</div> <div><div>+</div>Further development of projects outsourced to the private sector</div>	<div><div>➡</div></div>
	Energy plants	EPC: FIT/FIP/Non-FIT	<div><div>−</div>Decrease in large-scale projects due to changes in the FIT program</div> <div><div>+</div>Ongoing demand for small to medium-sized FIP and non-FIT projects</div>	<div><div>➡</div></div>	<div><div>+</div>Ongoing renewable energy policy support for achieving carbon neutrality</div>	<div><div>➡</div></div>
		EPC: For private consumption and industrial waste treatment	<div><div>+</div>Ongoing demand for renewal due to aging plants and decarbonization</div>	<div><div>➡</div></div>	<div><div>+</div>Certain level of ongoing demand</div>	<div><div>➡</div></div>
		After-sale services	<div><div>+</div>Increase in maintenance demand associated with increase in deliveries</div>	<div><div>➡</div></div>	<div><div>+</div>Ongoing maintenance demand at facilities in operation</div>	<div><div>➡</div></div>
	Water treatment plants		<div><div>+</div>Ongoing demand for renewal due to aging plants</div> <div><div>+</div>Increased demand for products with high environmental performance</div> <div><div>+</div>Progress and increase in private sector utilization</div>	<div><div>➡</div></div>	<div><div>+</div>Ongoing needs for energy conservation, energy creation, and resource utilization</div> <div><div>+</div>Increase in comprehensive contracting of plant construction and operation</div>	<div><div>➡</div></div>
	Power retail business		<div><div>+</div>Increased demand for renewable energy and non-fossil fuel-based power associated with decarbonization</div>	<div><div>➡</div></div>	<div><div>+</div>Certain level of ongoing demand</div>	<div><div>➡</div></div>
Overseas Environment and Energy * Southeast Asia			<div><div>−</div>Continued intense competition in the biomass power generation market</div> <div><div>+</div>Increased needs for utilization of diverse fuels</div> <div><div>−</div>Sluggish start in waste power generation market (Caused by system, funding, and other issues)</div>	<div><div>➡</div></div>	<div><div>+</div>Increased demand for waste disposal and electric power due to economic growth and urbanization</div>	<div><div>➡</div></div>
Package Boiler			<div><div>+</div>Japan: Certain level of ongoing renewal demand despite market maturity</div> <div><div>+</div>Emerging countries: Increased demand for energy-saving products</div>	<div><div>➡</div></div>	<div><div>−</div>Japan: Market shrinkage due to low birth rate and aging society along with population decline</div> <div><div>+</div>Japan: Ongoing demand for energy-saving and decarbonization products</div> <div><div>+</div>Emerging countries: Market expansion with economic growth</div>	<div><div>➡</div></div>
Equipment and Systems			<div><div>+</div>Certain level of ongoing demand from construction demand and increased semiconductor capital investment</div>	<div><div>➡</div></div>	<div><div>+</div>Certain level of ongoing demand (building equipment)</div> <div><div>+</div>Expansion of demand for semiconductor equipment with utilization and development of AI, etc.</div>	<div><div>➡</div></div>

In the Domestic Environment and Energy Business, which is a pillar supporting growth, we will increase EPC orders and link them to operation management and maintenance **to achieve a virtuous cycle between the EPC Business and recurring revenue model businesses.**

Priority measures by business/field

		Basic policy ① Maintaining and expanding our market position in the EPC Business	Basic policy ② Establishing a revenue model that fully utilizes recurring revenue
Domestic Environment and Energy	Municipal solid waste treatment plants	<ul style="list-style-type: none"> Expansion of orders for renewal and primary equipment improvement projects Review of measures to address market changes <ul style="list-style-type: none"> 3 or more renewal project orders per year Steady response to primary equipment improvement projects Support for decarbonization models and private sector utilization 	<ul style="list-style-type: none"> Maintenance and expansion of orders for operation management, maintenance, and long-term O&M projects <ul style="list-style-type: none"> Steady orders for regular maintenance work and DBO projects Cost reduction and quality improvement with data utilization
	Energy plants	<ul style="list-style-type: none"> Ongoing orders for new small and medium-sized biomass power generation plants and renewal of plants for private consumption and industrial waste treatment plants 	<ul style="list-style-type: none"> Ongoing maintenance orders for delivered projects Enhancement of solution proposals, such as functional improvements and energy savings
	Water treatment plants	<ul style="list-style-type: none"> Acquisition of orders for sewage sludge incinerators and sand filtration facilities Expansion of share through technological superiority 	<ul style="list-style-type: none"> Ongoing maintenance orders, including regular maintenance work
	Power retail business	-	<ul style="list-style-type: none"> Expansion of revenue by expanding relative power sources, securing new customers, and expanding service lineup

We will focus on expanding our product lineup, developing overseas operations, and securing and developing human resources to maintain and expand orders in each business.

Priority measures by business/field

Basic policy ③

Steadily expanding revenue in the Package Boiler Business and Equipment and Systems Business

Package Boiler

- Ongoing orders for renewal projects from expansion of product lineup, including low-carbon and decarbonization products
- Strengthening of maintenance business and overseas development

Equipment and Systems

- Building equipment business (air conditioning, water supply and drainage sanitation equipment work): Strengthening of sales capabilities, securing and development of engineers, and cost reductions
- Semiconductor industrial equipment business: Maintenance and expansion of domestic sales and strengthening of overseas sales

Basic policy ④

Building a track record for the future in international business

Overseas Environment and Energy

- Acquisition of orders for biomass power plants through expansion of supported fuels
- Acquisition of orders for energy from waste plants, primarily in Thailand and Taiwan

We will gather information with a focus on the business fields below to actively look into projects that match our business strategy.

Priority field

Segment (Business field)		Purpose/category		
		Functional enhancement	Expansion of business domain	In-house production of key devices
Domestic Environment and Energy	Municipal solid waste treatment plants	Strengthening of existing businesses and expansion of personnel	Expansion of peripheral businesses and creation of new businesses	Manufacturers and engineering companies
	Water treatment plants			
	Energy plants			
	Power retail business	Expansion of service lineup and personnel		
Overseas Environment and Energy		Local partners in EPC Business		
Package Boiler		Supplementation of producing functions	New heat source systems	
Equipment and Systems		Securing of human resources and area expansion (Equipment business)		

14th Medium-Term Management Plan

Strengthening the Management Foundation

Basic Policy ① Securing and Development of Human Resources

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We will promote various human resources measures to expand resources in recurring revenue model businesses and the EPC Business.

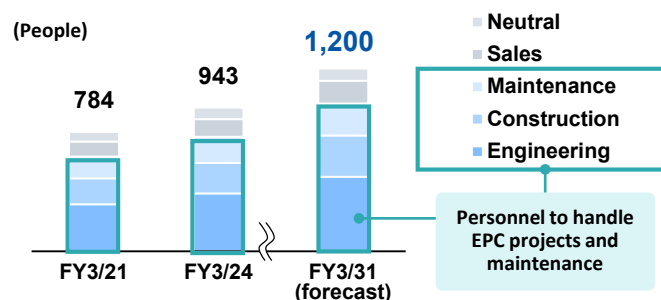
Challenges

- Elimination of human resources gap (quantity and quality) to achieve Vision 2030
- Establishment of internal environment where diverse human resources can play active roles over the long term
- Fostering of a corporate culture that accepts change while passing down a good corporate climate

Human resources measures linked to management strategy

Securing of diverse human resources matching our business strategy

- Assumed number of necessary personnel*1



Strengthening of foundation for human resources development

- Enhancement of training system by rank and field, etc.



Further improvement of job satisfaction and pleasant work experience

- Effective use of senior human resources
- Establishment of a personnel system that enables work-life balance



Main KPI

Number of main career track and management positions filled by women*2

At least **35**

Utilization of parenting support programs*3

At least **25%**

Employee engagement

Highest rating **50% or more***4

*1. Non-consolidated basis, main career-track (does not include factory work positions, general positions, or secondment). Each of the figures is for the beginning of the year.

*2. Cumulative total for April 1, 2021 to March 31, 2026.

*3. Average for FY3/2022 to FY3/2026.

*4. The percentage of respondents giving the highest rating for each question (on a 5-point scale) on job satisfaction and pride in the company in the Employee Attitude Survey.

14th Medium-Term Management Plan Strengthening the Management Foundation

Basic Policy ② Knowledge Management

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- “Offensive” digital transformation (DX) has had some success in areas such as automated plant operation (AI development). We will continue efforts to create new value for further strengthening our competitiveness.
- Regarding “defensive” DX, the entire Group will further promote digitalization to improve productivity and ensure smooth technology succession with limited resources (human resources and time).

Establishment of competitive advantage using “offensive” and “defensive” approaches

Offensive DX

Digitalization of products and services

Providing new value to customers through the use of digital technology in plant construction, operation, and other businesses



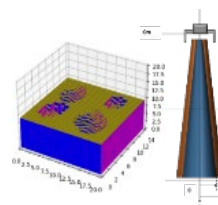
Automatic sorting of glass bottles



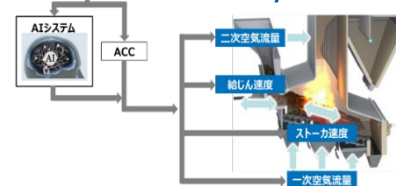
Solution Lab

Enhancement of waste pit management

3D layer model



AI combustion control System



Defensive DX

Digitalization of operations

Business fields

Planning, design, procurement, construction, operation, etc.

Office field

General Affairs, HR, Accounting, etc.



Human Resources

Challenges

- Early development of new hires
- Elimination of waste and control of errors in business processes
- Maintenance and improvement of technical capabilities

Measure

Promotion of knowledge management
(Collection, storage, sharing, and utilization of knowledge and data)



Time

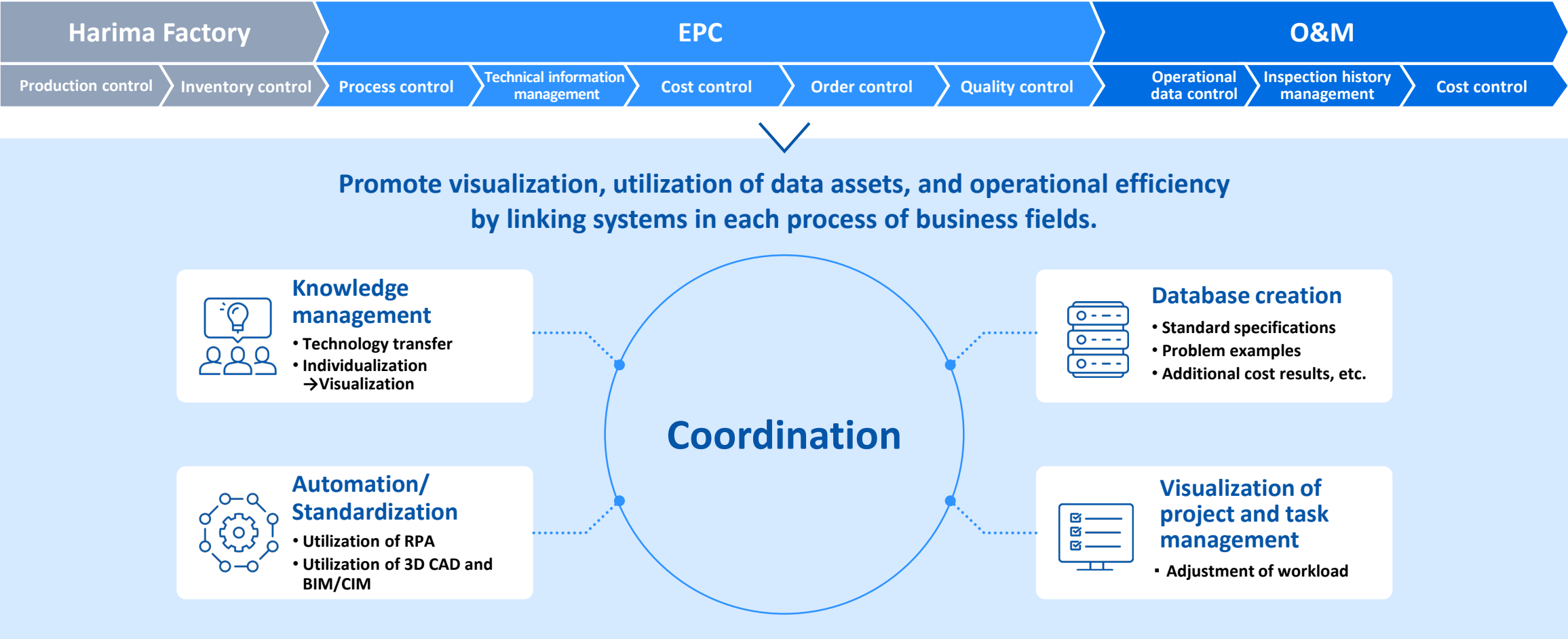
Challenges

- Increase in work volume
- Working hour control and diversification of work styles
- Establishment of systems and data assets that are easy to utilize

Measure

Improved operational efficiency through automation and project/task management

We are systematizing (visualizing) technical data, plant data, problem information, etc. as data assets to promote knowledge management.



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

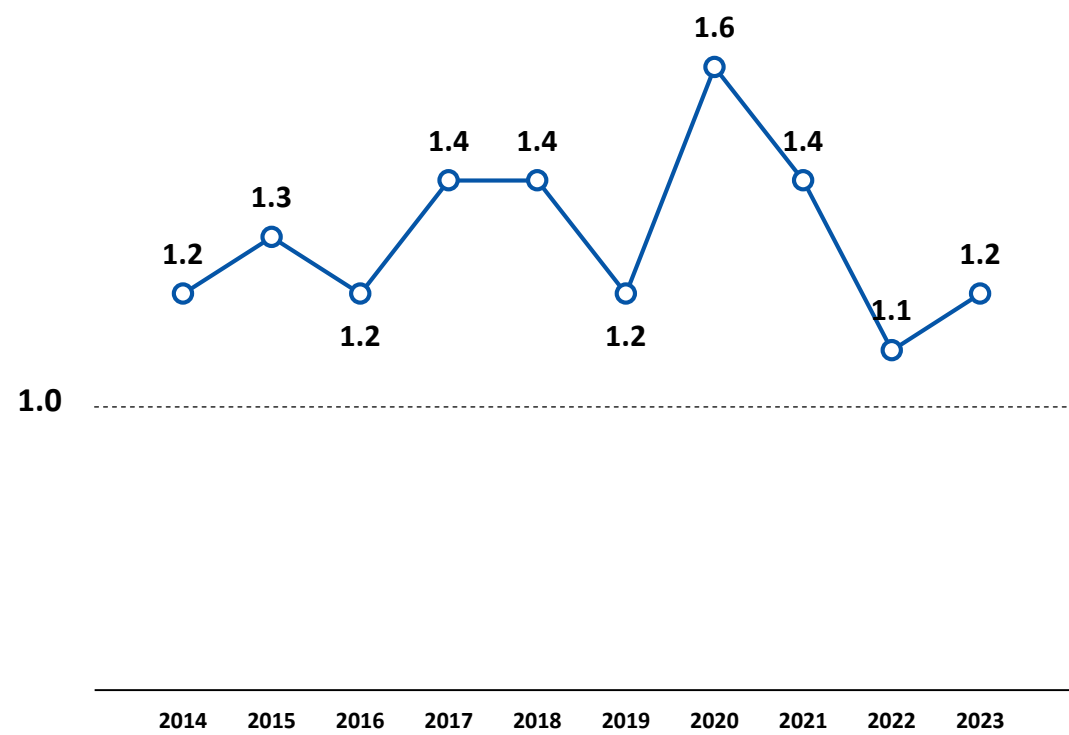
- **Steady implementation of the 14th Medium-Term Management Plan** to achieve Vision 2030 (Working especially to maintain and expand our market position in the EPC Business, the source of our recurring revenue model businesses)
- **Optimal cash allocation** to achieve both our growth strategy and capital 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

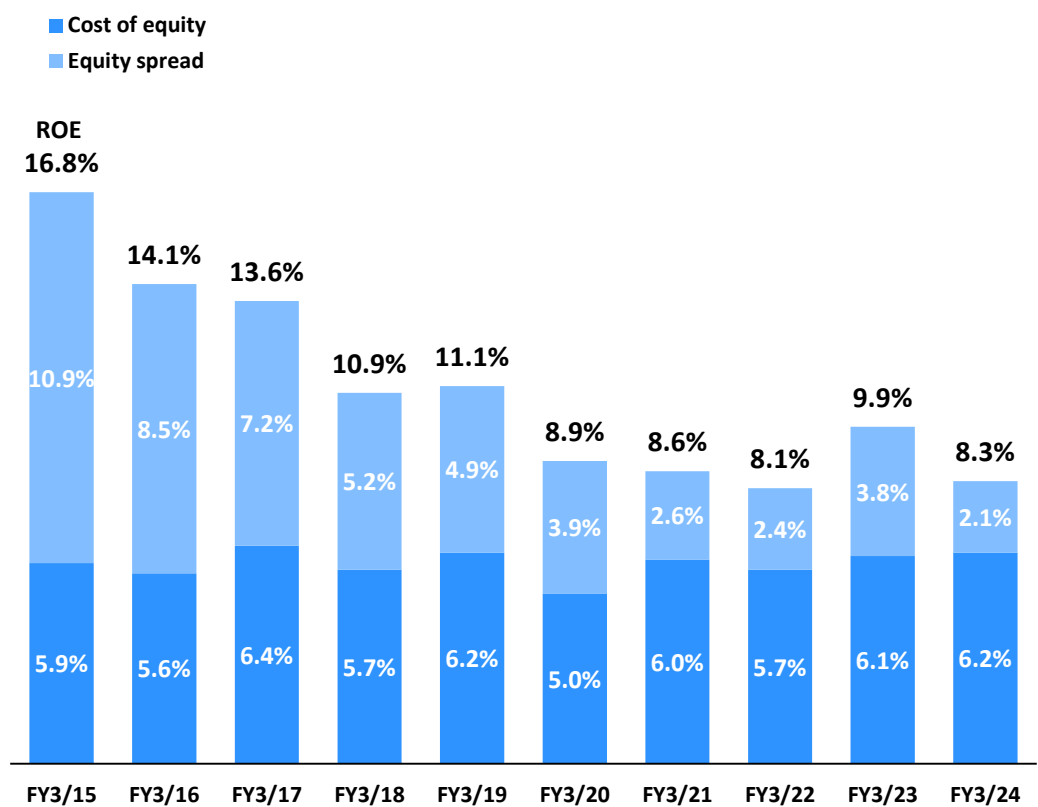
ROE has remained above cost of equity, and a certain equity spread has been secured.
PBR has also remained above 1.0x, but equity spreads are declining.

PBR*1 over time



*1 PBR = (Average month-end stock price over 12 months) / (Year-end net assets per share)

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



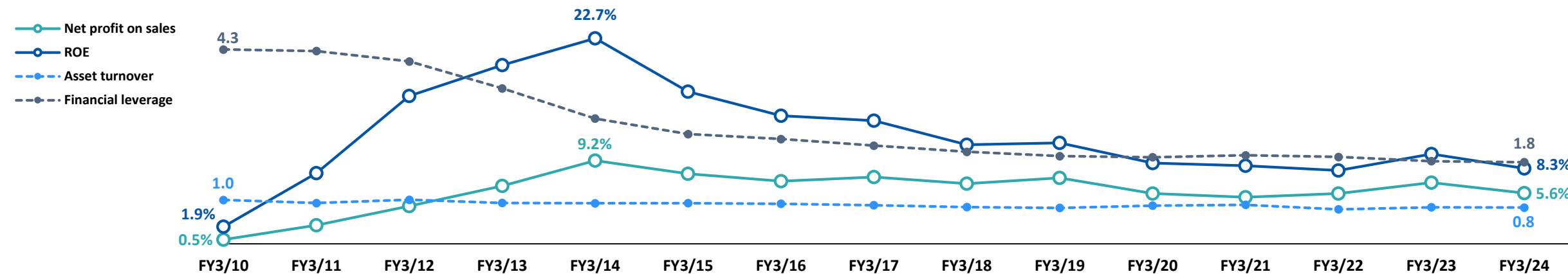
*2 Cost of equity calculated based on CAPM.
Beta values are measured over multiple time periods (weekly 1 year, weekly 2 years, monthly 3 years, monthly 5 years, monthly 10 years), and the median value is used.

Management that is Conscious of Cost of Capital and Stock Price

Over the past 15 years, we have enhanced our equity capital while providing a certain level of shareholder return to stabilize management and improve creditworthiness. As a result, financial leverage decreased, and capital efficiency (ROE) declined.

ROE = Net profit on sales × Total asset turnover × Financial leverage

	FY3/10	FY3/11	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
ROE	1.9%	7.8%	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%
Net profit on sales	0.5%	2.0%	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%
Total asset turnover	1.0	0.9	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
Financial leverage	4.3x	4.2x	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
Financial figures (JPY billions)															
Net sales	95.1	89.1	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
Profit	0.4	1.8	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
Total assets	97.5	100.8	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
Equity capital	23.0	23.6	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
Equity ratio	23.6%	23.5%	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%
Total dividends	0	0	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
Purchase of treasury stock	0	0	0	0	0	0	0	0	0	0	1.9	0	0.7	1.2	0



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

Policy

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.

➡ See “Business Portfolio” on p. 7 and “Positioning and Basic Policy of the 14th Medium-Term Management Plan” on p. 8

Enhancement of balance sheet efficiency

- Over the last 15 years, we’ve enhanced our financial foundation by building up a substantial internal reserve. Looking ahead, we will maintain a solid financial foundation to back our EPC and long-term O&M businesses, all the 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 (JPY 30-40 billion).

➡ See “Capital Policy | Cash Allocation” on p. 24 and “Capital Policy | Shareholder Return” on p. 25

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.

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

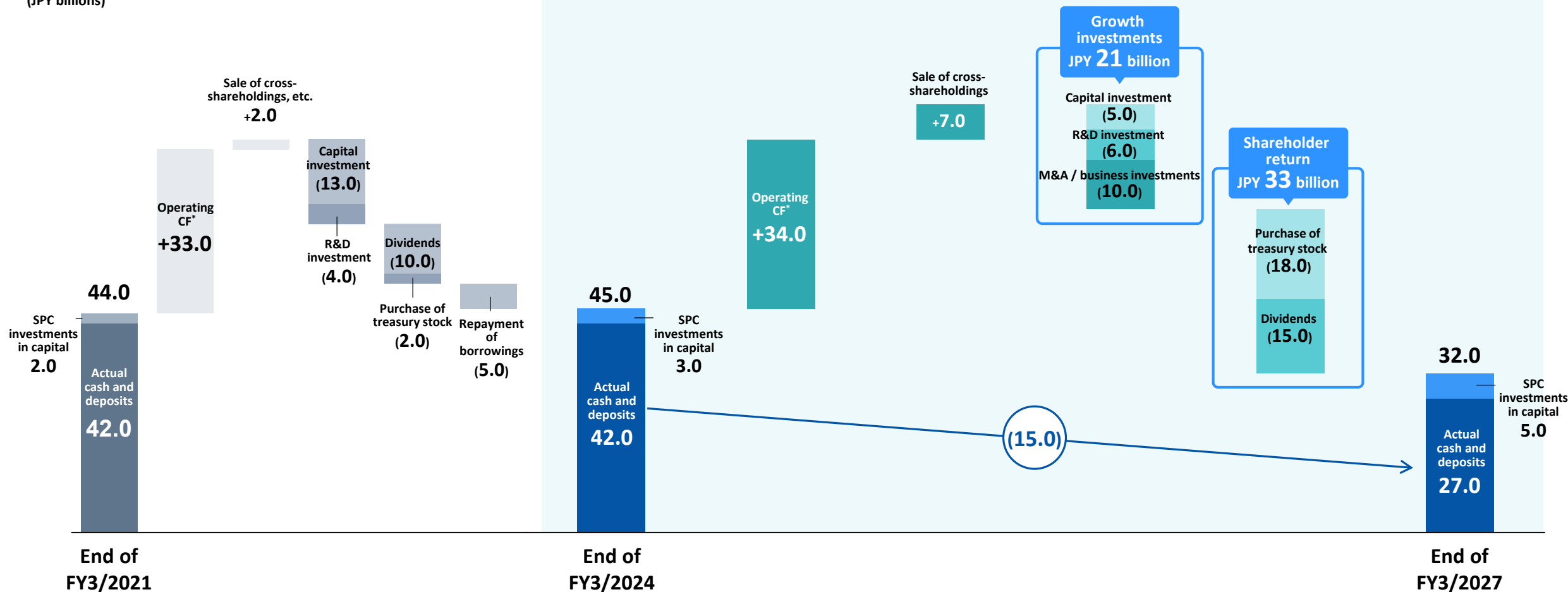
Equity ratio
Maintain at
the 50% level

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

13th Medium-Term Management Plan period

14th Medium-Term Management Plan period

(JPY billions)



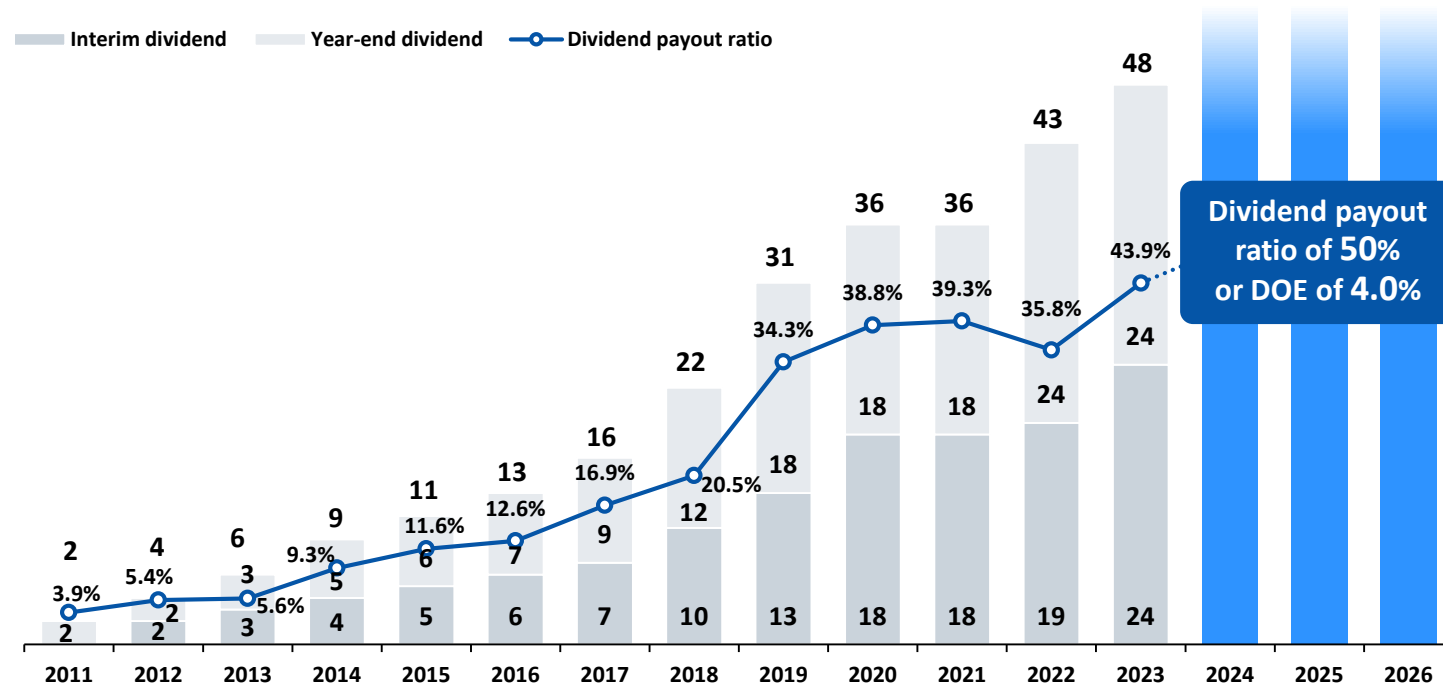
*Before R&D expenditure

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%.**

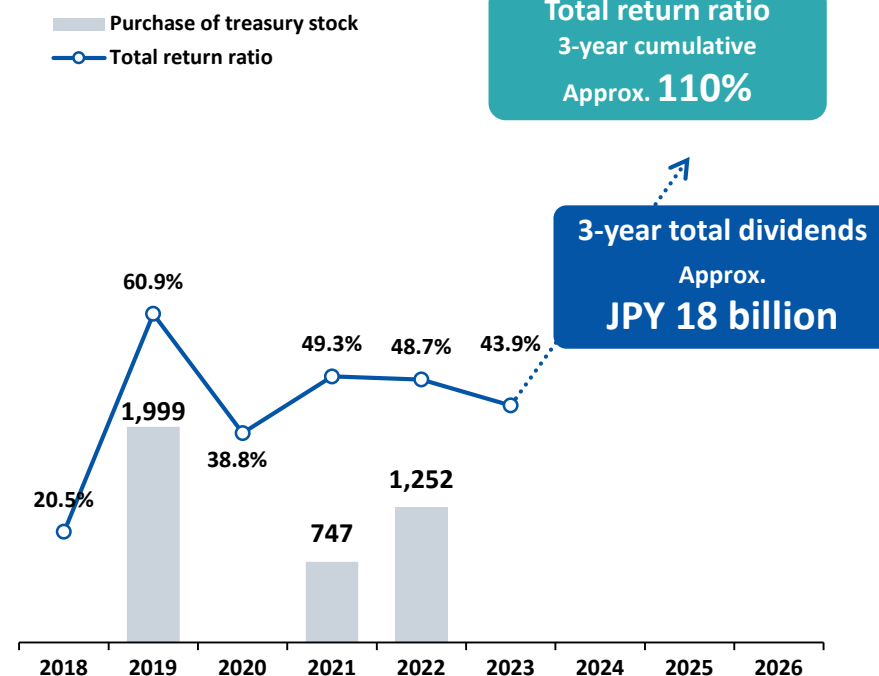
Shareholder return policy

- 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

(JPY YEN)



(JPY millions)



Continue to promote initiatives to address ESG issues through business activities by leveraging the Group’s strengths.

During the period of the 14th Medium-Term Management Plan, we will calculate Scope3 CO₂ emissions and look into establishing a target value that includes group companies.

	Key issues (materiality)	Main Initiatives
E Initiatives for Environmental	1 Helping combat climate change	<ul style="list-style-type: none">● Provision of biomass power plants● Proposals to improve energy efficiency of customer facilities and equipment● Supply of renewable energy and CO₂-free electric power● Reduction of in-house CO₂ emissions
	2 Conserving resources and protecting the environment	<ul style="list-style-type: none">● Provision of high-efficiency products and services with low environmental impact● Establishment of technology for combustion of unused biomass● Development of technologies for capture and use of CO₂



14th Medium-Term Management Plan KPI

1. Reduction of CO₂ emissions through our products and services

Amount of CO₂ emissions that can be reduced through newly delivered power plants*1

FY2026 1.25 million tons per year FY2030 2.5 million tons per year

*1 Biomass and energy from waste plants (including sludge) delivered by Takuma between FY2021 and FY2030

2. Reduction of in-house CO₂ emissions

FY2026 Net zero CO₂ emissions at Takuma head office, Harima Factory, and branches*2

FY2030 Net zero CO₂ emissions*2 at all Takuma workplaces in Japan*3

*2 Net zero CO₂ emissions under Scope 1 and Scope 2

*3 Takuma head office, branches, factories, and construction sites

3. Establishment of KPIs, including Scope 3 and group companies

Look into setting targets for important items falling within the scope that were estimated during the 14th Medium-Term Management Plan period

Scope 1: CO₂ directly emitted by the company through the use of fuel, etc.

Scope 2: CO₂ indirectly emitted through the use of electric power, etc. supplied by other companies

Scope 3: CO₂ generated within the supply chain, including suppliers and product users

Add employee engagement and customer satisfaction as new KPIs.

	Key issues (materiality)	Main Initiatives
S Initiatives for Society	3 Strengthening relationships of trust with customers and communities	<ul style="list-style-type: none">● Provision of high-quality products and services that satisfy customers● Development of technologies and products sought after by society and customers● Securing and development of diverse human resources● Improvement of employee satisfaction● Reduction of work accidents● Promotion of work style reform
	4 Pursuing partnerships and innovation	
	5 Promoting activities of human resources	
	6 Ensuring health and safety	
G Initiatives for Governance	7 Strengthening corporate governance	<ul style="list-style-type: none">● Enhancement of effectiveness of the Board of Directors● Ongoing compliance education

14th Medium-Term Management Plan KPI	
1-4 are for Takuma only	
1. Number of main career-track and management positions filled by women	At least 35 (total for FY2021-FY2025)
2. Utilization of parenting support programs	At least 25% (average for FY2021-FY2025)
3. Employee engagement New	Highest rating 50% or more*1
4. Customer satisfaction New	Highest rating 60% or more*2
5. Number of fatal accidents	0
6. Number of serious compliance violations	0

*1. The percentage of respondents giving the highest rating for each question (on a 5-point scale) on job satisfaction and pride in the company in the Employee Attitude Survey.

*2. The percentage of respondents giving the highest rating for questions (on a 4-point scale) about customer service and overall product quality in the Customer Satisfaction Survey.

TAKUMA

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