

## Message from Top Management

### Achieving sustained growth by resolving social issues and increasing corporate value through CSR management



#### 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

We expect to see continued demand for our principal businesses thanks to increased environmental awareness; progress in initiatives to prevent global warming and conserve resources and energy; planned replacement of, and updates to, outdated facilities operated on behalf of local governments; and energy policies that incentivize biomass-fueled power plants, for example feed-in-tariff programs for power generated using renewable energy.

In addition, adoption of the Paris Agreement at the United Nations Climate Change Conference (COP 21) and of Sustainable Development Goals (SDGs) at the United Nations Sustainable Development Summit provides milestones along the path to a sustainable society. Takuma's technologies for processing waste and reducing carbon

dioxide emissions through high-efficiency generation of electricity using biomass promise to make a significant contribution to the resolution of social issues, and I believe that they will also serve to facilitate the growth and development of the Group's businesses.

#### Implementing CSR management and achieving sustained growth

Companies must continuously build mechanisms for creating new value while maintaining good, long-term relationships with a variety of stakeholders, including customers, business partners, employees, shareholders, and investors. To do so, it is essential to demonstrate an ability to act in a way that earns stakeholders' trust. To that end, we will continue to pursue management activities in a socially just and ethical manner, to take into account environmental and human rights considerations, and to advance corporate governance, compliance, and risk management, which comprise the foundation on which the company's activities are carried out.

The Takuma Group has established its Company Motto, Management Principles, Takuma Group Ethics Charter, and Takuma Group Code of Conduct as the foundation for CSR

management, and we strive to put them into practice. We believe that we can resolve social issues, increase corporate value, and achieve sustained growth by cultivating a healthy and robust corporate culture and ensuring that the Group's executives and employees each maintain a high level of CSR awareness and incorporate that awareness into their business activities.

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 respecting these globally shared principles.

In closing, in compiling this CSR Report we have sought not only to provide a resource by means of which a broad range of stakeholders could learn more about the Takuma Group's activities, but also to help each and every Group employee think carefully about CSR and bring that perspective to bear in his or her work. 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.



July 2017

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

*Takaaki Kato*



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 Meiji and Taisho periods (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 reporting
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

## 1 Business Directions

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

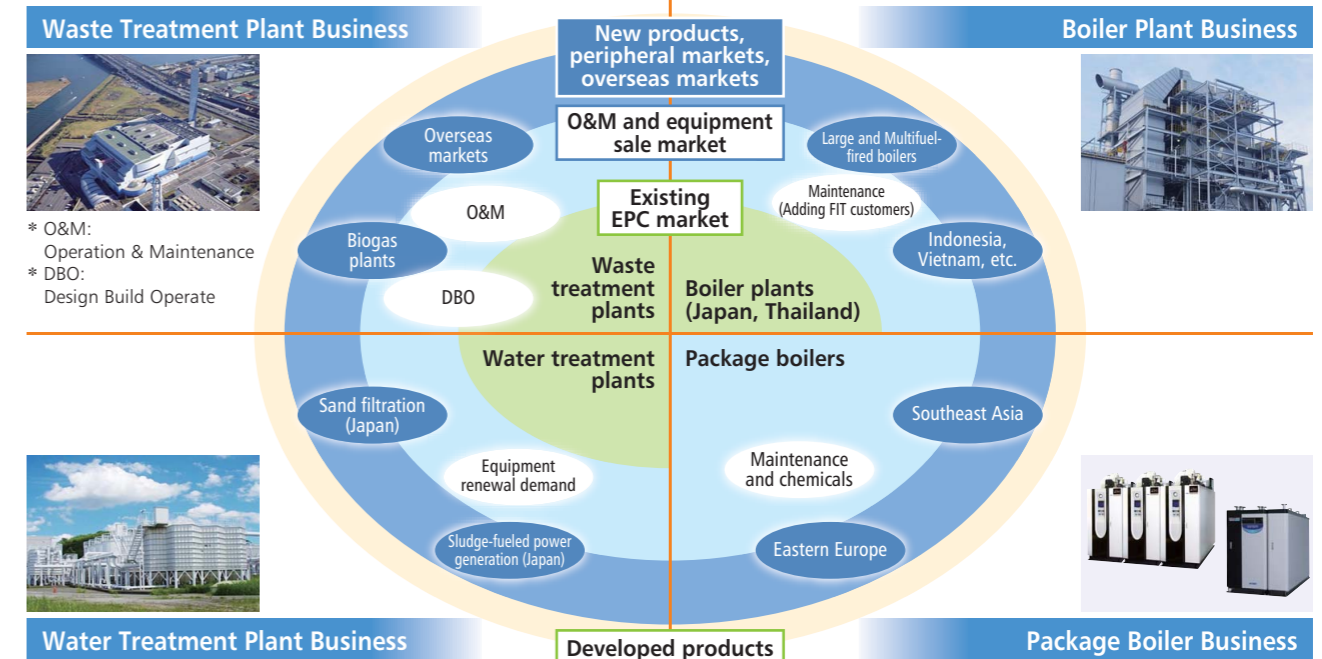
Achieve sustained growth by targeting growth markets while maintaining and expanding our market position in the EPC business and using businesses that generate base profits as a foundation for growth.

\* 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

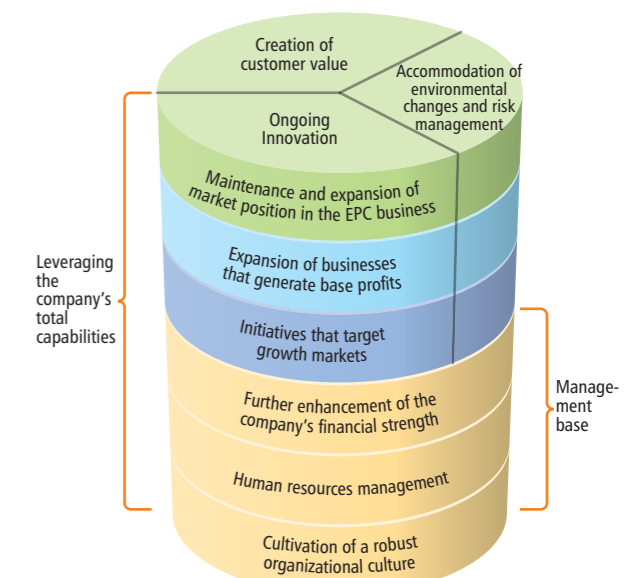
### Policies

- 1 Maintenance and expansion of market position in the EPC business
- 2 Expansion of businesses that generate base profits
- 3 Initiatives that target growth markets
- 4 Further enhancement of the company's financial strength
- 5 Human resources management
- 6 Cultivation of a robust organizational culture

### Perspectives

- 1 Creation of customer value
- 2 Ongoing innovation
- 3 Accommodation of environmental changes and risk management

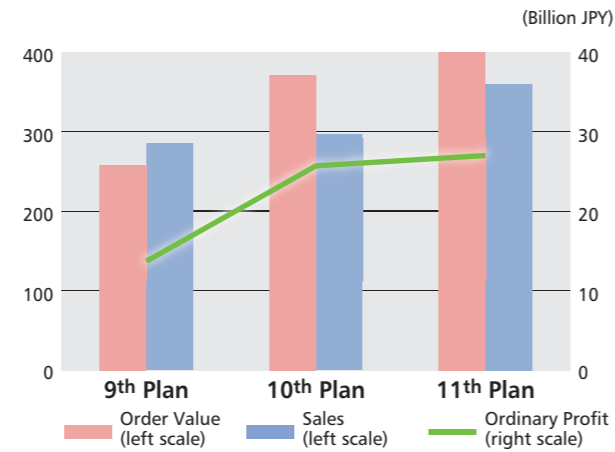
Achieving sustained growth



### 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.



	9th Medium-Term Management Plan results				10th Medium-Term Management Plan results				11th Medium-Term Management Plan targets
	2009	2010	2011	Total	2012	2013	2014	Total	FY2015 – FY2017
Order Value	70.5	97.0	90.4	257.9	109.2	148.0	113.7	371.0	400 Billion JPY (3-year cumulative total)
Sales	95.1	89.1	101.0	285.3	96.3	96.3	103.8	296.5	360 Billion JPY (3-year cumulative total)
Ordinary Profit	2.0	4.4	7.3	13.7	7.1	9.4	9.1	25.7	27 Billion 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.

#### 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.

#### 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.

#### 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.

#### 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 differentiated products.

#### 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.

## Corporate Profile

## Corporate Information

## The Takuma Group Network

## Business Summary