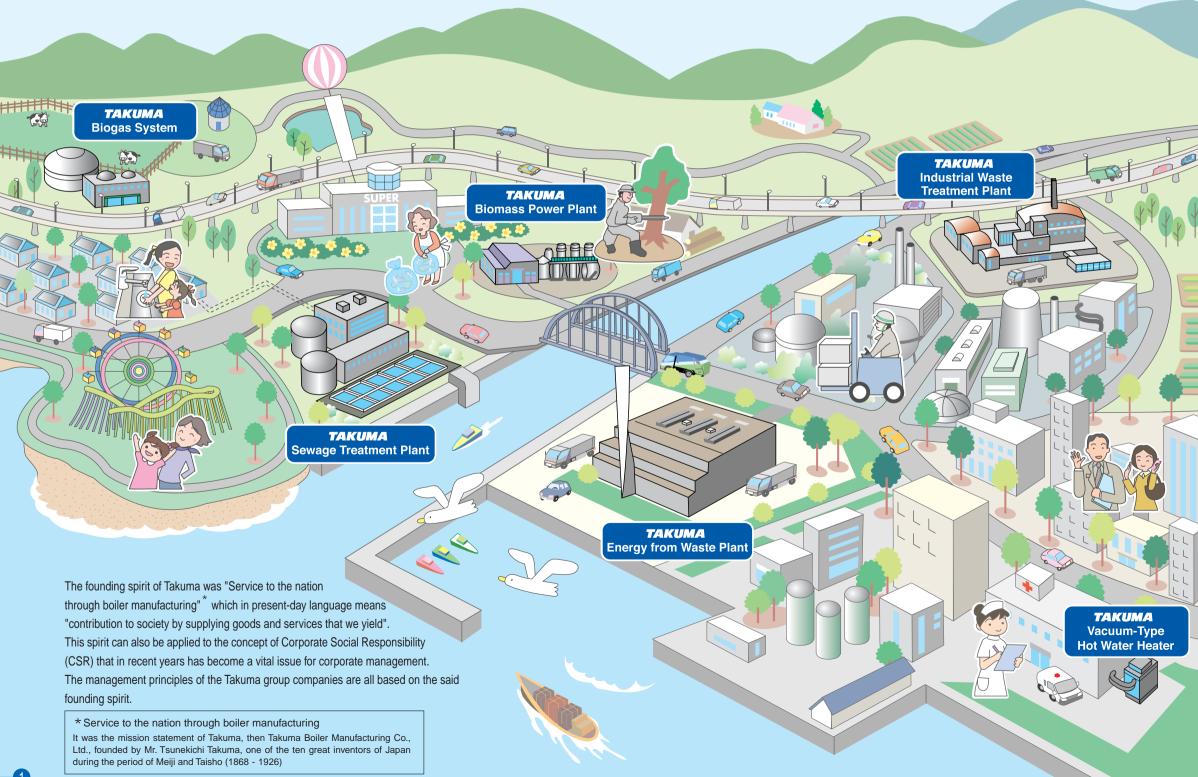


Takuma in Society

Company's Motto: Value Technology, People, and the Earth

Environmental issues such as global warming caused by greenhouse gas (CO₂), which is the most significant problem in modern society, and increasing waste treatment

- Takuma's leading-edge technological capabilities have made enormous achievements in the fields of the environment and energy and supporting people's lives while preserving the beautiful Earth's environment for the future.



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Editorial Policy We have issued the "CSR Report" this year again in order to describe our CSR activities. In addition, the scope of group companies covered in this rebeen expanded. Publisher Compliance & CSR Promotion Division, CSR Department, Takuma	port ha

Time of Issue

Data Collection Period From April 1, 2008 to March 31, 2009 in principle In addition, some activities in fiscal 2009 are included.

Takuma Head Office, Business institutions, Harima Factory, and some group companies (Nippon Thermoener Co., Ltd., Takuma Technos Co., Ltd., Hokkaido Sanitary Maintenance Co., Ltd.,

Takuma Technos Hokkaido Co., Ltd., Sun Plant Co., Ltd., Takuma Engineering Co., Ltd., Takuma System Control Co., Ltd., Dan-Takuma Technologies Inc., Kyoritsu Setsubi Co., Ltd., Kankyo Sol-Tech Co., Ltd., KAB Takuma GmbH, Bioener ApS, Taiden Environtech Co., Ltd., and SIAM Takuma Co., Ltd.)

Current Issue: June 2009

Next Issue: Scheduled for June 2010

Last Issue : August 2008

Message from the Top Management

Based on the basic policy of the new Mid-Term Management Plan, we will promote our "CSR Management", by returning to the grassroots; namely, "we will strive for social contribution by yielding goods and services needed and recognized as valuables in society"

In fiscal 2008, the business environment surrounding the manufacturing industry, including Takuma, changed drastically. The rapid worsening of the US economy, in which the financial crisis acted as a trigger, impacted on the entire world and our group was also affected by various actions such as the postponement of projects and order cancellations centering on both private-sector demand projects as well as those overseas. Although it is mentally difficult to continue efforts under such uncertain circumstances, we recognize this is a time when you need to have unshakable policy and our Management Principles: "we will strive for social contribution by yielding goods and services needed and recognized as valuables in society" is one society expects from us. With this in mind, we will implement CSR management by confirming the direction of all employees while enhancing the sustainability of our company toward establishing a highly sustainable

Currently, pro-environmental behavior in business operation is strongly urged in society and we take pride in ensuring our products are best matched with such needs; meaning our product line is eco-friendly. Therefore, we believe our core business is one that makes a contribution to society.

Regarding the New Mid-term Management Plan

In the 9th Mid-term Management Plan, launched in April this year, we set six basic policies for guidance concerning how we should proceed. Reflecting on the deterioration in earnings of the past few years, we formulated such guidance to indicate the directions in which the Takuma group should be going by clarifying what we should continue and what we should modify

The first policy is "selection and concentration of

management resources". In order to exercise competitive superiority, it is essential to effectively invest manpower, goods and funds; however, providing sufficient management resources in every field that the company requires is impossible. Our strength is in the environmental department, particularly in the fields of waste treatment and biomass power generation, centering on combustion technology, as supported by abundant past results. The IPCC* Report, issued two years ago, concludes that "There is a high possibility that the factor of increases in world average temperature, which has been observed since the mid-twentieth century, could be predominantly due to increased human-caused greenhouse gas emissions". Moreover, at the G8 Summit held at Lake Toya in Hokkaido, Japan last July, the main topic of discussion there was global environmental issues, meaning that coping with global warming issues within a worldwide framework has become essential. We can say that the products supplied by the Takuma group are those optimally suited to meet such social demand. We will continue to focus on the area of specialty, especially the DBO** business for waste power generation.

The second policy involves "implementing further thorough risk and cost management". Over the past three years, the ultimate cause of deterioration in ordinary loss has been loss by unprofitable projects and this is indeed due to the lack of thorough risk management implemented before and after order receipt. Based on such reflections, we will continue striving for carefully-rafted cost reducing measures by improving the decision-making process for order receipt.

The third policy is the "reconstruction of EU operations". According to our survey, power plant construction projects, involving municipal solid waste treatment annual average volumes of 10,000 to 12,000 tons per day, and to the value of exceeding 100 billion yen, are expected in the next five years in Europe. Although we made losses in overseas projects, recognizing the fact that accumulated know-how obtained from the lesson of failure leads to the next opportunity, we will promote the development of the Takuma brand in Europe by forging a solid footing through reorganizing the company structure as well as EU subsidiaries. The Company has been participating in the UN Global Compact*** since 2006. In support of its principles, we also view the global environment as our stakeholder and continue to develop our business operations.

The fourth policy is "revision of personnel affairs with the aim of educating as well as revitalizing employees". Without mentioning the expression: "The success of a company depends on personnel", fostering human resources as well as personnel strategy, which musters the motivation of employees, forms the basis of company management. We will promote a personnel

system that rewards motivation and the efforts of employees, who are also members of our stakeholders, by promoting personnel allocation in response to significant issues as well as improving the personnel assessment system as a pillar of the mid-term management plan.

The fifth policy is "reinforcement of financial grounding". Our financial environment has also been extremely severe due to the economic crisis having occurred last year. We have been promoting measures in preparation for agile strategic investment, including enhancing funds on hand via the liquidation of assets within the Takuma group and/or combining funds.

The sixth policy is the "promotion of CSR management", which was also stated in the 8th Mid-term Management Plan. In terms of compliance with the law and corporate ethics, which forms a pillar of CSR management, we feel that its significance has been penetrating thanks to enhanced employees awareness through the implementation of in-house education programs and training; activities in which the Compliance & CSR Promotion Division plays a central role. We will continue to strive to create products that meet the satisfaction of our stakeholders, including customers, the local community and suppliers, by inculcating the concept of compliance by transmitting a message to employees that helps them to disciple as well as enhance the individual sense of ethics, while making them proud to have joined the Takuma group.

This is the third publication in the form of the CSR Report. There remains considerable room for improvement; however, we would be more than happy if this could help you understand our efforts. In order to accomplish corporate social responsibilities, communication with a wide variety of stakeholders is necessary and we consider this Report to be one of the effective tools to do so. Seriously accepting feedback from the audience, we will continue to create a readerfriendly CSR Report. We would appreciate your frank feedback and directions.

- * Intergovernmental Panel on Climate Change
- * * Corporate structure whereby contracts for design, building and operation are undertaken as a single package

June 2009 Takuma Co., Ltd.

> **Hajime Tejima** President and CEO

Company Name: Takuma Co., Ltd.

Head Office: 2-2-23 Kinrakuji-cho, Amagasaki, Hyogo 660-0806, Japan

Date Established: June 10, 1938

Representative Director: Hajime Tejima, President and CEO

Capital: 13,367,457,968 yen (as of March 31, 2009)

Number of Employees: 702 (as of March 31, 2009)

Business Description: Design, construction and superintendence of a wide variety of boilers, plant machineries, pollution prevention

plants, environmental equipment plants, and heating and cooling equipment and feedwater/drainage

sanitation equipment and facilities

Design, construction and superintendence of civil, architecture and other works

Major Offices: Head Office (Hyogo Prefecture), Osaka Office (Osaka City), Tokyo Office (Chuo Ward, Tokyo), Hokkaido

> Branch (Sapporo City), Tohoku Branch (Sendai City), Chubu Branch (Nagoya City), Hokuriku Branch (Kanazawa City), Kyushu Branch (Fukuoka City), Taipei Branch (Taiwan), London Branch (United Kingdom)

Harima Factory (Hyogo Prefecture) Factory:

ISO9001 certified: Head Office, Osaka Office, Tokyo Office, other branches in Japan, Harima Factory

ISO14001 certified: Harima Factory

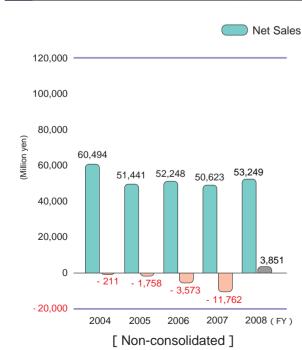
Main Group Companies:

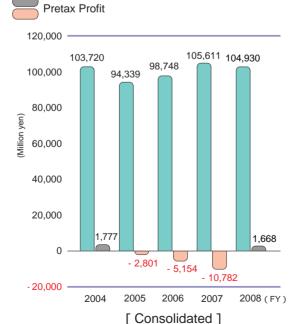
Japan Nippon Thermoener Co., Ltd., Takuma Technos Co., Ltd., Hokkaido Sanitary Maintenance Co., Ltd., Takuma Technos Hokkaido Co., Ltd., Sun Plant Co., Ltd., Takuma Engineering Co., Ltd., Takuma System Control Co., Ltd., Dan-Takuma Technologies Inc., Kyoritsu Setsubi Co., Ltd., Kankyo Sol-Tech Co., Ltd., Campo Recycle Plaza Co., Ltd., Nagaizumi High Trust Co., Ltd., Fujisawa High Trust Co., Ltd., Iwate-Kenpoku Clean Co., Ltd., Energy Mate Co., Ltd., New Environmental Energy Co., Ltd., Takuma Plant Service Co., Ltd., Biopower Katsuta Co., Ltd., Tochigi High Trust Co., Ltd., Katsuta Co., Ltd., R.B.N. Co., Ltd., Midac Fujinomiya Co., Ltd.,

Overseas KAB Takuma GmbH (Germany), Bioener ApS (Denmark), Taiden Environtech Co., Ltd. (Taiwan), SIAM TAKUMA Co., Ltd. (Thailand)

Profit and Loss Summary

Ichihara New Energy Co., Ltd.





Business Summary

Environmental Energy Business

Energy from Waste Plant

We generate huge quantities of waste through everyday living, which also include both harmful and recyclable substances. The Company treats such waste, using unrivalled technology with a low environmental impact. We have delivered around 350 plants, both at home and abroad, since the completion of our continuous waste incineration plant as a national first in 1963. The Company contributes to the global environmental conservation in diverse ways by providing the latest waste treatment technology tailored to contemporary needs and based on extensive actual performances and know-how.



Biomass Power Plant

The Company provides a variety of energy related facilities, based on the technologies and know-how cultivated as a boiler industry pioneer. We contribute to reducing environmental impact through the use of biomass power plants, using agroforestry and livestock resources, as well as fuels including coal, oil and gas.

In addition, for industrial waste treatment, we provide a wide range of industrial waste treatment facilities, including hospital waste, waste plastics general waste from business activities, waste rubber, waste oil, waste acid and waste alkali, with our incineration technologies, contributing toward globa environmental conservation.



Water Treatment Plant

It is said that freshwater comprises only 3% of all the water on the planet, of which only 0.01% can be used for living. To preserve such precious water, the Company studies methods to find an optimal water treatment method by analyzing current situation of water through a "dialogue with water".

Seeking the effective utilization of water resources from a comprehensive perspective, including sewage treatment plants and leachate treatment plants of final disposal sites, rural sewage treatment plants and sludge incineration plants, we help conserve global water resources via the development of the most appropriate plants.



Package Boiler Business

As well as large-scale plants, the fields of general machinery, the efficient use of limited resources and energy are issues we must tackle seriously.

The boilers and heaters of the Takuma group are the fruits of our thermal technology, which was acquired through a long history of the Company. Our products, which have repeatedly had their capabilities upgraded in terms of the subjects pursued, including high efficiency for boilers, stable running performance and energy conservation/low-pollution, attract overwhelming support from industrial sites, while helping reduce CO2 emissions.



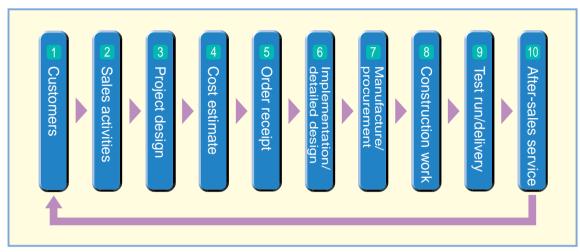
[Takuma website - Products Guide] http://www.takuma.co.jp/english/product/index.html

Business Description of Takuma

Flow of Plant Business - Accumulated individual strengths set the large-scale plant working -

Energy from Waste plants, energy plants, industrial waste treatment plants, water treatment plants and so on - these plants are essential to our society; however, as they are not so familiar to us you may not be able to imagine what kind of work procedure is included until the completion of plants.

In this section, the flow of the plant business, which is our core, is introduced.



11 Customers

If the project is for public facilities such as Energy from Waste plants and water treatment plants, our customers would be public offices of local government. In contrast, for projects for energy plants or industrial waste treatment plants, private-sector companies would be our customers.

2 Sales activities

As well as implementing Takuma's PR activities through dialog with customers, capturing information on new plant construction projects is also the mission of the sales team. Following such activities, our sales team cooperates with the project



design and cost estimate departments, aiming to provide proposals that satisfy customers.

3 Project design

A plant basic plan that meets customer needs is prepared. If the customer is a local government, a plant basic plan is prepared in accordance with the order specification presented by them. In this order specification, the conditions and capabilities required by the customer, including the amount of waste needing treatment and its nature, site conditions and the electric generating capacity from waste power generation are specified.

The person in charge of project design makes decisions concerning the specifications of equipment and devices such as incinerators and waste heat boilers, as well as its disposition, in order to meet the conditions and capabilities provided by a customer.

4 Cost estimate

Based on the basic plan, the cost for all equipment and devices to be installed at the plant, as well as the required manpower and time until completion, is determined the estimated amount to present to the customer.



5 Order receipt

We make a presentation in terms of a proposed plan, which has been developed in collaboration among those in charge of sales, project design and cost estimation. Where a local government is a customer, it would mostly be bidding, namely, competing with other competitors and when the customer is satisfied with our proposal, we receive an order.



6 Implementation/detailed design

After receiving an order, the specifications and disposition of various equipment will be reviewed in detail and determined based on the project design. To actually construct a plant, specialists in combustion technology, exhaust gas treatment and water treatment technology, as well as electrical instrumentation control system collaborate to design in detail.

Manufacture/procurement

Equipment and devices, the specifications of which have been determined under stringent quality control manufacture, are manufactured at the Harima Factory or purchase orders are placed to specialized equipment suppliers.

8 Construction work

Execution management from civil engineering foundation construction, plant building and the installation of equipment and devices, up until the actual launch of plant operations is performed.

It is important to effectively get on-site work going and conduct thorough process management, as well as safety control and quality management.

9 Test run/delivery

A test is provided to see whether the constructed plant runs safely. The plant is delivered to a customer after its performance is confirmed.

10 After-sales service

Even after delivery of the plant to a customer, a periodical inspection and maintenance service is provided in order to ensure the plant can be used safely for an extended period by preventing any problems from occurring.

In addition to inspection and repair for devices requiring legal inspections, such as boilers and cranes, we also carry out inspections and repair for deterioration and damage due to secular changes. Moreover, we sometimes conduct drastic renovation in response to legal amendments and customer requirements.



PFI Project

PFI (Private Finance Initiative) is a new business method, aiming to provide effective and high-quality public service by improving the project costs of national and local governments via the proactive utilization of funds, technical capabilities and managerial capabilities of the private sector for the design, building, maintenance and operation of public facilities.

The PFI project method includes BTO, BOT and BOO, as well as DBO*, which is performed according to PFI. Recently, DBO has become mainstream in the field of Energy from Waste plants.

In this field, we consider that we are able to maximize abundant past results as well as know-how in terms of the design, building and operation of Energy from Waste plants which belong to us as a group and will continue to promote such projects in a positive manner.

* DBO (Design, Building, Operation)

...An entrusted management solution for a lengthy period of time, whereby the public sector commissions management (operation and maintenance) of facilities to SPC (special purpose company) established by a private-sector company, while public sector implement fund procurement for the renewal of facilities and the order of design and building for a privatesector company and such facilities are owned by the public-

[Order received for PFI projects]

DBO: 2 projects, BOT: 1 project, BOO: 1 project



Cover shot of No. 1 furnace at the Hokubu Kankyo Facility,

[Detailed information on DBO order received]

Renewal operational project for No. 1 furnace at the Hokubu Kankyo Facility, Fujisawa City

- Business description: Renewal and operation of an incineration facility (processing capacity: 150 tons/day)
- Construction period: September 2004 to March 2007
- Operation period: April 2007 to March 2027 (tentative name) Maintenance and operational project for the Hitachinaka-Tokai Clean Center
- · Business description: Renewal and operation of an incineration facility (processing capacity: 220 tons/day)
- Construction period: April 2009 to March 2012
- Operation period: April 2012 to March 2032

- Takuma's business operations and aspirations toward **Round-table Discussion** its stakeholders by Takuma on-site employees -



What thoughts do you have when you engage with stakeholders?

Takei: Today, I would like to hear the voices of those engaged in the Plant Business, which is a core Takuma business field, to help our stakeholders understand Takuma's business operations. What thoughts do you usually have in mind when working on a project? Can you please share with us? Let's start with two people from sales in charge.

Adachi: Takuma's Quality Policy is "Manufacturing products meeting customer satisfaction". The Sales Division is in a position to meet customers as a Takuma representative. For us in charge of sales, "obtaining customer satisfaction" represents how promptly we can understand customer needs and meet them for customers. So I always have this in mind when serving my customers.



Mitsuaki Adachi

Assistant Manager Environmental Plant Division Plant Department II



Hiroshi Fujihashi

Assistant Manager Energy & Waste Treatment Plant Division

Fujihashi: Although it is called the era of multi-stakeholders, originally, I believe, the mission of a business organization is not limited solely to serving its own customers but we must also have some kind of relationship with general consumers. As for how we can show customers the mission of Takuma - I believe this is our mission as sales in charge and will help enhance Takuma's corporate value.

Takei: Next, how about those from the project design and cost estimation sections?

Hayata: As our customers for waste treatment plant construction are public offices of local government, the form of order used for facilities is usually the performance-based ordering method*. In addition, since there are just a few local governments that possess multiple facilities - major cities like Tokyo and Osaka - many of the customers we serve are those engaged in facility construction work for the very first time. Therefore, I try to explain the project plan to them as clearly as possible so that we can elicit trust in Takuma technology and always focus on them to ascertain the type of facility they require.

Performance-based ordering method *: An ordering method implemented without the ordering party providing detailed specifications of constructive devices; order placement based on the need to meet the performance level required by the customer



Keiji Mukai

Assistant Manager Project Center Energy Engineering Department I

Sugita: Recently, in the market of waste treatment plants for local governments, customer needs have been diversified, including renewal projects for existing plants, so various types of models and systems have been considered and they adopt systems that meet their needs. Under such market circumstances, we try to present project proposals that meet customer needs proactively to provide goods and services required in society on our own ground and eventually improve our own sustainability. Of course, needless to say, compliance with the law during corporate activities is a must.



Yoshihiro Hayata

Section Manager Project Center Environmental Engineering Department I

Mukai: Most energy plant customers are private organizations and their points of contact could be diverse, such as the facilities administration division (field site), purchasing division and/or project division, while the items required for the project also differ. In terms of project design, we advance the project with the optimal specification for a customer; however, with severe cost reduction sometimes required, we must check how we can offset this against the customer's desired specification. In addition, communication with customers is vital, hence the need to present problems and concerns regarding plant construction to each other and understand such issues.



Masayuki Sugita

Section Manager Administration Division Project Administration Department I

Takei: When Takuma's proposal is adopted and an order received, the next step would be the implementation/detailed design. Can we also hear from those engaged in such operations?



Takeshi Higashiyama

Section Manager Plant Construction Center Environmental Engineering Department II Higashiyama: The department to which I belong mainly designs waste treatment plants and the customers tend to be public offices such as local governments. As well as the obvious need to comply with laws and ordinances, we also try to consider things from the customer's perspective when negotiating with them. In this way, we win their confidence. I believe, as a result, we can deliver plants that satisfy customers.

Hirayama: The department to which I belong has designed boiler plants since the company was founded. Prioritizing the provision of products that are reliable and safe for customers, we try to design through detailed dialog with the latter. In terms of plant design, providing user-friendly facilities is vital from the customer's perspective. Moreover, following delivery of the plant, we promptly provide after-sales service in cooperation with the maintenance department upon a customer's request. We prioritize the provision of value-added products and services, which always gain customer trust.



Hiroshi Hirayama

Assistant Manager
Project Center
Energy Engineering Department I

Takei: Next, I would like to hear from those of you engaged in the procurement department, which determines the specifications of equipment and devices, and the construction work department, where execution management is implemented to ensure the facility is run in a practical manner.



Yukihiro Noda Section Manager

Plant Construction Center

Procurement Department

involved in the procurement department where we deal with money, for those who unfortunately fail to win the order for the plant project on which we work, we ensure full transparency in terms of explaining the fairness of decisions and ensuring they are fully understood, since we may be in a position to place an order with them in future. I think it is vital to provide honest and sincere responses in order to maintain favorable relationships that lead to future opportunities.

Noda: I always try to treat suppliers honestly. As I am

Mitsuhashi: As a department engaged in construction work, the business partners to whom we contract out various work are important stakeholders and without their collective effort, the completion of on-site projects is impossible. So I always think it is ideal to have a long-lasting mutual-beneficial relationship as a partner.



Nobuhiro Mitsuhashi

Assistant Manager
Plant Construction Center
Construction Department

Takei: Finally, I would like to hear from those of you engaged in the department providing post plant delivery customer service.



Shozaburo Ohnishi
Assistant Manager
Environmental Plant Division
Plant Service Department (Osaka)

Ohnishi: Our department is in charge of after-sales service and periodic maintenance; mainly for the plants that were delivered. Therefore, we need to maintain permanent and favorable relationships with customers as well as corresponding to them in terms of both technical and sales aspects on a regular basis. We must also play a role in an attempt to further enhance safety, while more effectively maintaining the delivered plants. To do so, we constantly seek optimal coping strategies, making enhanced customer satisfaction our first priority, and tackling the duties involved.

Takei: Now I understand that those involved in various departments really work on their assignments wholeheartedly.

People often call this the era of CSR management. What do you think we should do?

Takei: Currently, people often call this the era of CSR management. What do you think we should do for that aspect in future?



Adachi: Although dubbed the era of CSR, I think it is really about whether we can convey better and accurate information to customers than competitors, toward meeting the wideranging needs of the former, after all. This helps attain customer satisfaction and trust, and further to promote CSR management, in my view.

Fujihashi: In order to practice CSR management, the initial priority should be providing products, price and service that satisfy customers, followed by ensuring profits in my view. Passing on costs for CSR and safety measures to the product price and hence losing competitiveness - this is like putting the cart before the horse. I think we should renew customer satisfaction, always maintain a positive attitude and create a corporate culture where we can all share a sense of values. I believe this is my responsibility.

Hayata: Recently, in terms of the operation of waste treatment plants, DBO, which is a method of entrusting operation to the plant supplier having built the facility, has become mainstreamed. Through the process of building and operating facilities, we need to accumulate achievements to ensure outstanding facility operation in order for customers to feel happy using Takuma.

Sugita: The Ministry of the Environment announced a policy of financial support for those local governments achieving CSR management in general waste treatment facilities. This is an environmentally-enlightened measure, incorporating the global warming issue, and I recognize our area of specialty is needed in society. I would like to respond to such needs to accomplish our social responsibility in the field of environmental equipment, the need for which will be ever-increasing in society over time.

Higashiyama: In the design department, we try to ensure all staff strive "to sincerely respond to customers during negotiation".

Hirayama: To prevent any occurrence of scandals, such as legal violations and dissimulation, we need to ensure continued supervision of the internal control system, including concrete measures. In addition, we must also confirm the appropriateness of CSR activities while checking the barometer of enhanced CSR awareness by quantifying the goal of activities and striving to improve the numerical goals, to have the CSR culture take root within the company.

Noda: To remain a company that is needed in society, I think it is important to commit each one of the Takuma employees to show an honest and sincere response to all stakeholders more than ever.

Mitsuhashi: It is significant to ensure thorough compliance with laws and ordinances as a construction company, since the performance and products that Takuma receives as orders and delivers to customers are all linked with "the economy, society and the environment". I also think we need to tackle the issue of reducing environmental impact, as well as promoting the 3Rs of waste during construction work, while establishing a good relationship with suppliers, with consideration of the need to promote the recycling of funds in local areas.

Ohnishi: Our job is closely linked to the customers for whom we deliver the plants. In that sense, we must remain aware of the need to ensure constant compliance when serving them. In addition of course, the "practice of customer satisfaction" is important, as well as remaining sincere to all stakeholders. I think we should implement further business expansion by proposing precise plans for remodeling and reconstruction that meet customer needs, as well as ensuring order receipts.

Takei: Hearing from you today, I feel even more determined to advance toward promoting Takuma's CSR management. Thank you very much.



[MC]
Tomohiro Takei

Compliance & CSR Promotion Division CSR Department

w

Company Outline of the Group Companies/ **Business Summary**

NTEC Nippon Thermoener Co., Ltd.

Company Name: Nippon Thermoener Co., Ltd.

Head Office: Shibahosoda Bldg. 1-3-2 Shibadaimon, Minato-ku, Tokyo 105-0012 Japan

Date Established:

(On April 1, 2005, Nippon Thermoener Co., Ltd. was launched as a new company due to the merger

between Takuma Hanyokikai Co., Ltd. and Ebara Boiler Co., Ltd.)

Sadayoshi Sakakimoto, President and CEO Representative Director: 491,400,000 yen (as of March 31, 2009)

Number of Employees: 431 (as of March 31, 2009)

Business Description: Manufacture, sale and maintenance of a wide range of boilers and related equipment



Capital:

Sadayoshi Sakakimoto President and CEO

Under the corporate philosophy: "contributing to society through civil thermal energy", we mainly manufacture and sell heat source equipment, including steam, heated water, heat medium and cold heat, sustaining the corporate vision of becoming a leading domestic company in this area.

In terms of our basic policies for business operations, we set the following three points - 1. "customer first", 2. "field first" and 3. "fair and square" - and provide eco-friendly products and service

Establishing a positive relationship with stakeholders, we will do our best to win the trust of society as a "sincere company" and grow up together as members of society. Your cordial support would be greatly appreciated.



Takuma Technos Co., Ltd.

Company Name: Takuma Technos Co., Ltd.

No.10 Chuo Bldg. 1-5-6 Nihonbashi-Hommachi, Chuo-ku, Tokyo 103-0023 Japan Head Office:

September 27, 1967 Date Established:

Yasuaki Kataoka, President and CEO Representative Director: Capital: 248,400,000 yen (as of March 31, 2009)

Number of Employees: 1,292 (as of March 31, 2009)

1. Operation and maintenance of a wide variety of environmental plants and water treatment facilities **Business Description:**

2. Design, construction and superintendence of a wide variety of environmental plants and boilers

3. Sale of industrial chemicals and a wide variety of absorption agents



Yasuaki Kataoka President and CEO

Message

The three cornerstones of our business operations are the operational management of waste and sludge treatment plants, supervision of works and sale of chemical products.

To enhance corporate value, I believe, we must provide three points of comfort, namely, "peace", "stabilization" and "safety" to our stakeholders including customers.

These include being a company that is trustworthy to contract with or one where their employees can work with a sense of security.

To provide them with the latter sense of security, ensuring safe operations at facilities is essential. We also aim to ensure stable performance by creating continuing daily innovation.

As for the safety aspect, we must take extra care, as one wrong step could mean losing everything we have cultivated in one swoop.

Come what may, we will strive to enhance our corporate value in partnership with our parent company and headed in the same direction

Other Major Group Companies and Business Summary

Group Companies in Japan

Hokkaido Sanitary Maintenance Co., Ltd.

Operation and maintenance of sewage treatment facilities

Takuma System Control

Design of electrical instrumentation

equipment plants and nergy plants

Kyoritsu Setsubi Co., Ltd.

Design, construction and superintendence

of Energy from Waste plants, mechanical equipment of sewage treatment facilities, boiler plants for general industries

General and industrial waste treatment

Fujisawa High Trust Co., Ltd.

of general waste treatment facilities

Sale of cogeneration system and system for the generation equipment

of the same and total service for on-site energy system for consumer use

13 Energy Mate Co., Ltd.

Campo Recycle Plaza

Co., Ltd.

service

Co., Ltd.

Hokkaido Co., Ltd. reatment facilities

2 Takuma Technos Sun Plant Co., Ltd. Design construction and superintendence of

air-conditioning equipment, feedwater/drainage Operation and maintenance of waste anitation equipment, electrical equipment and environmental sanitation equipment

Takuma Engineering Co., Ltd.

Design of environmental equipment plants and energy plants

Dan-Takuma Technologies Inc.

Manufacture and sale of clean equipment, cleaning equipment, chemical filters, clean rooms, drying equipment and thermal chambers

8 Kankyo Sol-Tech Co., Ltd.

Analyzing and measurement for environmental related issues, including water quality, exhaust gas and land pollution

Nagaizumi High Trust Co., Ltd.

Facility upgrading, operation and

Iwate-Kenpoku Clean Co., Ltd.

Industrial and general waste treatment service

New Environmental Energy Co., Ltd.

Heat (steam) supply business

Takuma Plant Service Co., Ltd.

Maintenance of a wide variety of

General waste, including waste home

appliances and office automation equipment, and industrial waste

R.B.N. Co., Ltd.

Electric power selling using biomass boilers and environmental facilities energy from wood fuel chips

Midac Fujinomiya Co., Ltd.

General and industrial waste reatment service

Biopower Katsuta Co., Ltd.

Tochigi High Trust Co., Ltd. Industrial waste treatment service

Katsuta Co., Ltd.

Operation and maintenance of sewage treatment facilities

Ichihara New Energy Co., Ltd.

Overseas Group Companies

Bioener ApS (Denmark) Manufacture and sale of biomass power plants, principally involved with straw-fuelled power plants

KAB Takuma GmbH (Germany) Manufacture and sale of waste power

plants and biomass power plants, principally involved with woodchips

Head Office and group companies in Japan

Taiden Environtech Co., Ltd. (Taiwan)

Design, installation and superintendence of waste treatment facilities and a wide variety of industrial machinery and equipment

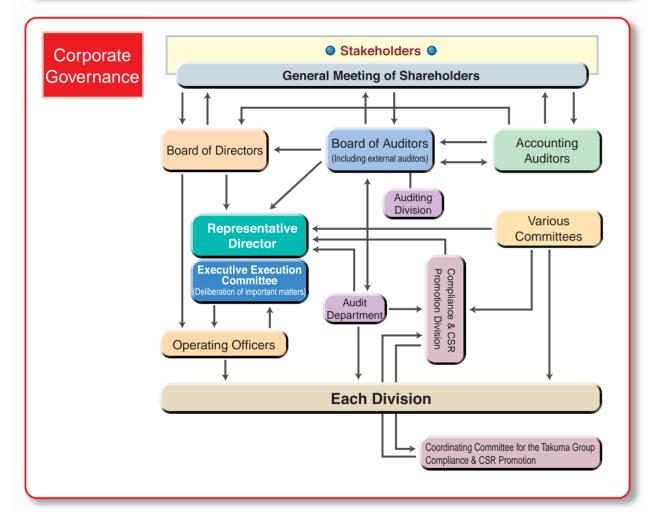
SIAM TAKUMA Co., Ltd. (Thailand)

Sale of energy and environmental related plants, parts sale for plants of the same and after-sales service

Value Technology, People, and the Earth

Management Principles

Takuma will strive for social contribution, corporate value enhancement, long-term corporate development and all stakeholders' satisfaction by yielding goods and services needed and recognized as valuables in society.







Mid-term Management Plan

In April 2009, we instituted the 9th Mid-term Management Plan (FY2009 - 2011) and have been implementing the strategies since then.

Basic Policy of the 9th Mid-term Management Plan

- **Repositioning of Business Units**
- **Project Risk and Cost Management Systems**
- **Restructuring of European Operations**
- **Human Resources Policy Reform**
- **Financial Stability**
- **Compliance and Risk Management**

Development toward Basic Policy Measures

Repositioning of Business Units

Redirect management resources to the following five core

- · Municipal Solid Waste Treatment Plant Business
- Boiler and Industrial Waste Treatment Plant Business
- Operation and Maintenance Business
- · Asia Boiler Plant Business
- · Package Boiler Business

Place particular emphasis on and concentrate management resources on design, build, and operate (DBO) projects within the municipal solid waste treatment plant business.

Maximize results of other operations that do not belong to the five core business units by giving due consideration to market conditions, competitiveness, and opportunities for synergy.

Municipal Solid Waste Treatment Plant Business

- · Increase competitiveness through reduced life cycle costs and comprehensive proposals that take account of both commercial and technical aspects.
- · Strengthen operational risk management capabilities.

Boiler and Industrial Waste Treatment Plant Business

- · Establish a sales promotion mechanism to secure orders for fuel conversion boiler plants.
- · Establish a mechanism to secure orders for subsidized plants with small/medium scale power generation.

Operation and Maintenance Business

- · Strengthen intra-group company cooperation and promote small/medium scale refurbishment projects.
- · Promote all-inclusive and multi-year contracts as a means to retain customers.

Asia Boiler Plant Business

- · Concentrate resources on markets and regions for which the company has a technical and competitive advantage, and is also able to deliver high levels of added value.
- · Develop an organizational structure that facilitates consistent profitability by avoiding price competition with local manufacturers as well as contract risks.

Package Boiler Business

- · Increase efforts to secure repeat orders from existing
- · Promote further expansion of maintenance services.

Project Risk and Cost Management Systems

Decision Making Process

- · Undertake risk assessments of all potential major projects.
- · Include contingency in project proposal prices that accurately reflects the results of risk assessments.
- · Undertake evaluations of all potential major projects through an internal review committee prior to acceptance of orders.

Estimated Cost Accuracy and Comprehensive Cost Management

- Integrate customer support by establishing designated teams of technical and marketing professionals to manage each client.
- Reduce costs through comprehensive budget control.

Project Monitorina

- Undertake periodic assessments of risks associated with projects under construction.
- · Report the status of projects at executive management meetings on a regular basis.

Group Company Management

- · Evaluate potential major projects at executive management meetings to determine their viability.
- · Report the status of group company operations at executive management meetings.

Restructuring of European Operations

KAB TAKUMA GmbH

 Position German subsidiary company KAB TAKUMA GmbH at the forefront of European operations.

Market Development

• Establish a solid foundation in the European market through KAB TAKUMA GmbH.

Business Model

- Develop and implement a business model based on the delivery of systems associated with the water steam cycle, the field of KAB TAKUMA GmbH expertise.
- · Achieve an early return to profitability that secures sustained returns through the successful implementation of the water steam cycle business model.

Human Resources Policy Reform

Policy Reform

· Develop convincing policies for placement of personnel, evaluation of performance, and remuneration.

Work-Life Balance

- Promote the pursuit of a balance between life at work and life at home. **Utilization of Experience**
- · Identify and expand opportunities to more effectively utilize the experience of veteran personnel.

Financial Stability

Profitability and Liquidity

- · Generate sustained profits through core business units.
- Increase cash and other current assets through the rationalization of fixed assets.

Control of Expenditures

- · Scrutinize investment and financing activities.
- · Achieve savings through reductions in fixed costs.

Management of Current Assets

• Strengthen management and utilization of cash and other current assets.

Compliance and Risk Management

Compliance

- Reinforce awareness of compliance through continued promotion of the corporate group ethics charter and code
- · Hold internal educational activities on a regular basis to provide the opportunity for personnel to reinforce their understanding of relevant rules, regulations and internal policies.

• Utilize the risk management system developed in accordance with the company risk management policy to successfully assess, mitigate, and manage the risks to which the company is exposed.

[Takuma website - Corporate Information - Mid-term Management Plan] http://www.takuma.co.jp/english/company/plan.html

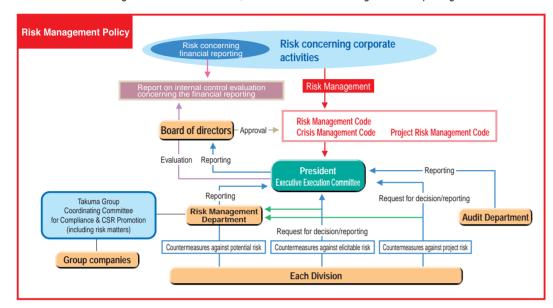


Management Structure

Risk Management

Risk Management Structure

In accordance with the following risk management policy, the risk management system is established as the following diagram by classifying risk sections into project risk management concerning our core business line, namely, plant construction, potential risks and/or elicitable risks concerning other business activities, as well as risks concerning financial reporting.



Information Security Management Information security considered by Takuma

The Company defines information security management as "maintaining an environment in which we can use an information system for our business operations, including information and equipment distributed on the network and/or the network itself, without losing confidentiality, perfectibility and availability" and considers it necessary for information security management to appropriately operate information by taking measures based on personal, organizational, technical and physical factors.

With this in mind, the Information Security Policy was instituted by the Information Security Committee, established in December 2002. Since then, the Company has implemented education and audits as measures against personal and organizational factors as well as providing thorough information security activities via the introduction of various functions as measures against technical and physical factors and striving to promote further highly developed information security measures by continuing such activities.

Information Security Management Structure

Our information security management is conducted at the initiative of the Information Security Committee, which is organized under the direct rule of the president. The Information Security Committee comprises all members of the committee, including the chairman, who are responsible for each office organization, whereby operating officers double up the posts and implement a series of activities in terms of information security from planning, promotion, assessment and correction as their duties in order to establish the information security management structure.

Approaches being implemented along the way

The following items were implemented in the past

- · Establishment of the Information Security Policy and implementation of its revision
- · Implementation of an information security education program
- · Implementation of an information security audit
- · Installation of firewalls on all contact points on the company internal and external network
- · Introduction of computer antivirus and antispyware software, as well as automatic updating of definition files
- · Implementation of an automatic start for the neutralization of viruses in incoming and outgoing emails
- · Saving of all incoming and outgoing emails, Web access logs as well as all PC operation logs

Approaches scheduled to be implemented in fiscal 2009 or later

The following items are scheduled to be implemented in fiscal 2009 or later

- Institution and operation of the business continuity plan
- · Clarification of access authority via user licensing and complete control of authority
- · Control of access to suspicious external website by introducing WEB filtering

Protection of Intellectual Property

The management of intellectual property has been implemented by the Planning and Development Center of the Engineering Division with the aim of strengthening and promoting intellectual property strategies integrally with the Operating Department.

The Planning and Development Center promotes the reinforcement of intellectual property activities, including patents and know-how, while also promoting the reinforcement of management, such as efficient possessions of patents and preventing the leakage of know-how.

Patents

In accordance with the revision of the Patent Act. in April 2006, the Company revised the regulations for handling inventions and encouraging invention, as well as guaranteeing the rights of inventors, as established by law.

License

The Planning and Development Center is engaged in domestic and international license management, as well as engaging in the latest foreign-intelligence collection and investigation. Prime examples of licensing-in as well as licensingout are shown in the table on the right.

Examples of licensing-in

Technology	Licensors
Biological Anaerobic Treatment Plants for Solid Waste	W. Schmid AG (Switzerland)
Energy-saving agitator for wastewater treatment	Lonkwitz Anlagenbau GmbH & Co. KG (Germany)
Regenerative Thermal Oxidizer	Durr Systems, Inc. (U.S.A.)

Examples of licensing-out

•	-
Technology	Licensors
N-type Palm Wastes Fired Water Tube Boiler	P.T. Super Andalas Steel (Indonesia)
Vacotin Heater	Kyungdong Navien (Korea)
Absorption Chiller Heater	Kyungdong Navien (Korea)

Internal Control

The situation concerning the improvement of the internal control system

Based on the "basic policy for the establishment of the internal control system", as determined at the board of directors meeting in May 2006 (partially revised in March 2009), we have been promoting the improvement of the system.

To ensure that exercising the functions of directors and employees is performed in compliance with the law and articles of incorporation, we have established the "Takuma Group Ethics Charter" and "Takuma Group Code of Conduct": the contents of which are reviewed as needed and distributed to all directors and employees in order to provide them with a benchmark against which to conduct daily operations. In addition, with the aim of ensuring the thorough awareness of in-company compliance, we have established the "Compliance & CSR Promotion Organization Task Force" and conduct educational activities, using familiar subjects such as violations of antitrust and subcontracting laws, which are associated with our operations as learning materials, on a quarterly basis to help ensure all employees can view relevant information in the form of Q&A concerning compliance at any time via the intranet. Moreover, we have also upgraded the system to ensure prompt and effective response in the case of any violations of laws and/or other compliance matters via the improved in-house reporting system, which helps detect them in an early stage.

To ensure appropriate operations in the enterprise organization, we have also established the "Operational Standard in the Group Management" and are implementing the management of subsidiaries by the system to apply approval

as well as reporting to the parent company, while dispatching directors and auditors to supervise the appropriateness of the execution of business operations by the subsidiaries. In addition, we have established the "Takuma Group Coordinating Committee for Compliance & CSR" to ensure that the compliance policy is also thoroughly conducted on a group-wide basis and promoting the enlightenment and education of the group companies through this committee.

Furthermore, in accordance with the "Financial Instruments and Exchange Law", we implement the improvement and establishment of internal control concerning the financial report. In fiscal 2008, the initial year in which such initiative was applied, we prepared the evaluation structure to conduct an evaluation of the effectiveness of internal control through the prescribed procedure. In terms of subjects requiring any corrections and improvements, we conducted such actions and summarized them in the "Evaluation Report on Internal Control".



CSR Report

The CSR of Takuma

We instituted the "Takuma Group Ethics Charter", "Takuma Group Code of Conduct" and "Personal Information Protection Policy" and are striving toward the promotion of CSR management.

The 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.

- We shall strive for a proactive social contribution while establishing a harmonious coexistence with the global environment as good corporate citizens.
- 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.
- We shall never have any relationship with antisocial forces or such organizations, which may pose a threat to the social order and security of civil society.
- We shall respect fundamental human rights and never practice discrimination.
- We shall strive to provide high quality products and services, based on our advanced technologies, to attain high acclaim
 and confidence by our customers.
- We shall strive to disclose corporate information to shareholders and investors through investor relations (IR) and other activities on a timely and equitable basis.
- We shall strive to protect corporate properties as well as information, while never using either for improprieties or any unjustifiable purpose other than business operation.

(Instituted on June 8, 2006)

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 entertaining and gift-giving
- 7. Prohibition of involvement in anti-social activities
- 8. Appropriate export and import transaction
- [Respect for basic human rights]
- 9. Prohibition of discriminatory actions
- 10. Respect of individuality, personal quality and privacy
- 11. Safe work environment
- [Practice of customer satisfaction]
- 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

[Takuma website - CSR] http://www.takuma.co.jp/english/csr/index.html

- 18. Handling of confidential information
- 19. Intellectual property protection

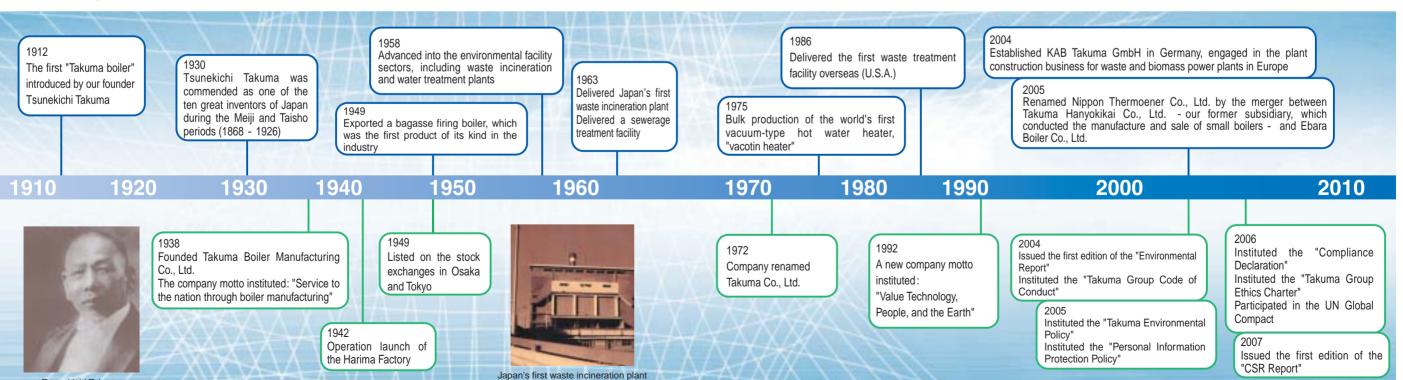
Personal Information Protection Policy

Takuma Co., Ltd. (hereinafter referred to as Takuma) understands the importance of effectively safeguarding personal information and has implemented the following procedures that are applicable to all personal information handled throughout the course of business operations.

- Takuma will comply with the Act for the Protection of Personal Information and other related laws and ordinances.
- Takuma will clarify all applicable rules and regulations concerning the handling of personal information, ensure that all employees are made aware of such rules and regulations, and conduct necessary and appropriate supervision of subcontractors that handle personal information supplied by Takuma.
- When obtaining personal information, Takuma will notify each individual of or publicly announce the intended use of such information. All personal information will be handled within the range of its intended use.
- 4. Should any individual request that his or her personal information be disclosed, revised, supplemented, deleted, canceled, or otherwise processed, Takuma will comply with that request within a reasonable scope and period of time.
- Takuma will take all necessary measures to prevent the accidental leakage, loss, or tampering of personal information in its possession.
- 6. Takuma will continuously review and strive to improve the contents of this policy and other internal regulations.

The History of Takuma

Tsunekichi Takuma



CSR Activities

Participation in the UN Global Compact

On November 10, 2006, the Takuma group joined the United Nations Global Compact, pledging to adhere to universal principles covering human right, labor right, the environment and anti-Corruption. The Global Compact is a voluntary corporate citizenship initiative proposed by former U.N. Secretary-General Kofi Annan in 1999 at the world Economic Forum. Our company practices a social contribution through the active conduct of business in support of the ten principles.



The ten principles of the UN Global Compact

Human Right

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights: and

Principle 2: make sure that they are not complicit in human rights abuses.

Labor Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor:

Principle 5: the effective abolition of child labor; and Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

Efforts toward Compliance with Laws and Ordinances

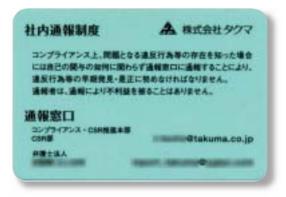
In Takuma, directors and employees engaged in sales activities submit written oaths in which they pledge to comply with the antitrust laws addressed to the President.

Moreover, when making contacts with responsible persons from other companies, they must clear this with their managers.

In-house Reporting Contacts

We have been operating the in-house reporting system since August 2006, aiming to promote risk management by detecting illegality and injustice at an early stage and implementing corrective measures. With a compliance organizing department and law firm as contact points, employees can report via interviews, written means and email. In addition, the "In-house Reporting Code" and "Takuma Group Code of Conduct" define that informers must never be unfavorably treated.

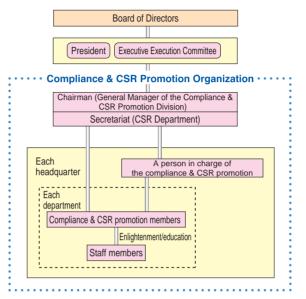
With the aim of ensuring the in-house reporting system is correctly understood and utilized, we conduct activities to disseminate the system via the compliance and CSR education program by distributing compliance cards with information concerning reporting contacts for all employees.



Compliance Card

Compliance & CSR Promotion Structure

The "Compliance Promotion Organization", launched in 2006, has been renamed the "Compliance & CSR Promotion Organization" and represents our reinforced efforts toward CSR activities.



[Takuma Compliance & CSR Promotion Structure Diagram]

Moreover, the "Coordinating Committee for Compliance & CSR Promotion" by Takuma and its group companies, launched in 2006, holds periodic meetings to establish a system to promote compliance and CSR activities for the entire group.

Concrete Activities

- · Commoditizing educational materials for compliance
- Establishment of an in-house reporting system (established by nine companies)
- Reporting on compliance-related efforts by each company



[Takuma Group Compliance & CSR Promotion Structure Diagram]

Compliance & CSR Education

As well as compliance education, in fiscal 2008, we also provided CSR educational programs. In conjunction with the educational classes, a comprehensive test was conducted.

Main Educational Subjects

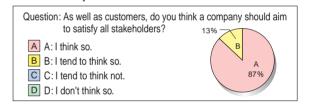
- · Insider trading
- · Product Liability Act
- · Stakeholders at your work site

CSR Awareness Survey

We implemented the "CSR awareness survey" on our employees, with the aim of capturing the degree of penetration of the compliance and CSR education, as well as the level of awareness and comprehension of employees and setting such result as an indicator for our future activities.

This survey has been used for the application of more practical activities, best suited for each property, by understanding the attitudes of employees through the collected attribute data, including departments and duty positions. In addition, to grasp a clear picture, we quantified the responses as part of a detailed analysis and gave feedback to the managers of each department.

We will continue to conduct this questionnaire survey and advance the compliance & CSR promotion activities based on the PDCA cycle.



[Example of Questionnaire Survey]

CSR Workshop

In October 2008, inviting a person from an advanced company of CSR activities as a lecturer, we held a CSR workshop for the management function. On the day, the lecture was given under the theme of "Why companies prioritize 'CSR' now?" We had comments from participants such as "Although we engaged in different lines of business, I paused to realize that CSR management is the new enterprise power that is in step with the current era. I would like to continue efforts to 'promote compliance and CSR management'" and this opportunity strongly inspired the promotion of CSR management of Takuma.

Moreover, we also held a CSR workshop for members of the Compliance & CSR Promotion team in November 2008. Likewise, we invited a person from an advanced company of CSR activities as a lecturer to ask to give a lecture about mainly CSR activities within their company. It received a favorable reputation, having voices from the CSR promotional members such as "The talk with concrete examples and stories of laborious experiences was meaningful" and "I could understand the strong aspirations towards product manufacture and CSR".

Social Contribution Activities

Regional Activities

Yotteko-mura, Arai

With the support of grant funding from the "Exchange Plaza Program for Hyogo Residents" by Hyogo Prefectural Government, "Yotteko-mura, Arai" was opened in Arai district, Takasago City. Takuma provides its recreation facility of the Harima Factory - "Takuma Club" - to be used as their village office free of charge. In the "Yotteko-mura, Arai", the village mayor, as well as seven ministers including administration, education and sightseeing departments play central roles in the program and the village office is used for sport, educational and recreational events, as well as exchange programs.

"Yotteko"means "Come on, get together!" in the Banshu (southwest Hyogo Prefecture) dialect. Unlike before, cooperation and social transactions among neighbors and local residents have recently become increasingly rare. Under such circumstances, this program, "Yotteko-mura, Arai" was launched with





aspirations to secure a venue for the new local community, open to all at any time, after ample studies among relevant organizations, including neighborhood community associations and parent-teacher associations.

In the opening ceremony, held on June 29, 2008, attended by the Mayor of Takasago City, the unveiling of the village office sign, which was created by local nursery school toddlers, as well as a parade through the town to celebrate the opening of the village were performed and around 200 villagers who were also local residents attended the event. It appeared in the local news paper, Kobe Shimbun.

Community-wide Cleaning Campaign

In accordance with the "World Environment Day*", the Takuma group implemented a community-wide cleaning campaign on June 4, 2008. Upgrading its scale, which involved the Head Office, Tokyo Office and Harima Factory, from fiscal 2007, in fiscal 2008, the Hokkaido, Tohoku, Hokuriku and Kyushu branches sympathized with the activity and participated in the campaign. (Implemented on a different day from the Head Office.) Nearly 400 employees from the President down participated in the campaign to clean the neighborhood around the offices.

Through the cleaning activities within the neighborhood of each office, Takuma employees as well as the entire group gained first hand contact of environmental issues, which allowed them to consider the same. We will expand the scope of cleaning to continue this cleaning activity.

* World Environment Day: June 5th



Head Office



Tokyo Office



Harima Factory



Hokkaido Branch



Tohoku Branch



Kyushu Branch

Participation in Exhibitions

N-EXPO 2008

We participated in the N-EXPO 2008; held from June 3 through 6 2008 at the Tokyo Big Sight.

Sewage Works Exhibition '08

We participated in the Sewage Works Exhibition '08; held from July 22 through 25, 2008 at the Pacifico Yokohama.

ECOMA 2008

We participated in the ECOMA 2008 (ECO-Manufacture 2008: Exhibition concerning countermeasures for environmental and energy issues in the manufacturing business); held from September 10 through 12, 2008 at the Tokyo Big Sight.

Dan-Takuma Technologies Inc. participating in the SEMICON Japan 2008

The world's largest semiconductor industry exhibition, SEMICON Japan 2008 held from December 3 through 5, 2008 at the Makuhari Messe International Convention Complex and our group company, Dan-Takuma Technologies Inc. participated in the exhibition.





Publication of Environmental related books - Transmitting Takuma's technology to society

Takuma Technical Review

We have issued a technical magazine, the "Takuma Technical Review", which posts articles related to technologies developed inhouse on a biannual basis. In the latest issue, the following articles are carried. In addition, they are also summarized on our website.

[Takuma website - Technical Information - Takuma Technical Review] http://www.takuma.co.jp/english/gijutu/gihou.html

The Contents of the Takuma Technical Review Vol. 16 No. 2 (published in December 2008)

Opening article: Resource energy and water

Special contribution: The history of waste treatment by illustration (2) - Cases in Germany -

Report: • Development of a Biomass Gasification System (2nd Report)

- · Nitrogen Removal by Sand Filtration at an Operating Plant
- Operation Report of Furnace #3 at Fujikoh Co., Ltd.
- Development of a New Metal Level Measuring System for Plasma Type Ash Melting Furnaces
- · A Circulating Fluidized-Bed Incinerator for Sewage Sludge at Sapporo-East Sludge Center
- Operational Report of the Sayama City Recycling Plaza

Overseas visit: Participated in the "Survey on Biomass and Waste Power Generation in Europe" Conference report: Report on participation in DIOXIN 2008

New product: Low power vertical type mixer, "Bio blade mix"

Pictorial Basic Terms Series

Our study group for the environmental technology has published four volumes of the following technical manual related with the environment.

Pictorial Basic Terms Series

- "Waste incineration technology", "Water treatment technology",
- "Air pollution prevention technology" and "Basics of sewage & sludge treatment" Written and edited by the Takuma Study Group for the Environmental Technology (published by Ohmsha, Ltd.)





Social Contribution Activities by Takuma Employees

Social Contribution as a Science Special Instructor

Akira Kawashimo, Project Administration Department II

Mr. Kawashimo is registered as a special instructor to support science classes at the request of the Japan Science and Technology Agency (JST). In January and February 2009, he gave special science classes at the request of Arai



Elementary School, Takasago City and Daihonishi Elementary School, Ritto City, under the theme of "Global environment and warming trend", respectively.

"It was very impressive that in each of the classes, the students really concentrated on the experiment and listened attentively. I will keep studying myself and contribute wholeheartedly to help society".

Active as a president of the neighborhood association and committee member for the ward administration

Toshio Murase, Takuma Shayukai^{*}
Mr. Murase assumed the post as president of the

neighborhood association in Atsuta Ward, Nagoya City following his retirement from Takuma. At the same time, he also holds posts as a 'supportive committee member for the ward administration of Atsuta Ward in Nagoya City', as well as a



'disaster countermeasure committee member'.

"The committee member for the ward administration is, in a word, a person who plays the role of mediator between local residents and administrative institutions. In addition to the committee member of the ward administration, I also act as an 'expert member for the safe and secure town development of Atsuta Ward' and 'chairman of the editorial committee for the Shiratori school district newsletter'. Moreover, as an expert member for the town development, I have been engaged in various activities, including creating 'a map of Children's 110 (a rescue organization to help prevent children from getting involved in any crime) within the school zone' and an 'accident prevention manual', as well as promoting the fostering of the next generation and exchanges among different generations projects".

* Shayukai: an association for retired Takuma workers

Active to help people as a transliteration volunteer Yoshiyuki Ueda, Takuma Shayukai

Mr. Ueda was taking a transliteration training course hosted by the Japan National Council of Social Welfare and registered in a volunteer group in Kita Ward. Currently, he is working at three places, including Abeno Ward, his home town, as a volunteer transliteration staff member.



"The transliteration volunteer activity involves providing vocal information to visually-impaired people. What we do is to provide audio books (to make CDs with a service involving the reading of fresh publications) as well as municipal administrative newsletters expressed in vocal form, made by collecting articles to read aloud and record on a cassette or CD. The transliteration activities are supported by a number of volunteers whereby a lot of experienced ones play an active role in that area. I am just a newly-qualified one".

Active as a Scouting leader

Haruyasu Ito, Kyoto Factory, Nippon Thermoener Co., Ltd.

Mr. Ito is a leader in Scouting. In May 2008, he joined the training camp for leaders called the "Wood badge course"; hosted by the Scout Association of Japan.



"On this occasion, I had the chance to read the byelaws of

the World Organization of the Scout Movement. I discovered that in the English original, the 'Vow and Rule' is stated as 'a Promise and Law', which means 'you can gain the trust of people only by keeping promises (vows), which are decided within the organization (rule)' and I think this philosophy applies precisely to CSR. I was reminded again that strict compliance on this basis will fuel our prosperity for the next one or two centuries".

Social Contribution Activity by the Group Company

Coaching drawing of the computer aided design to Filipino university students

Takuma Engineering Co., Ltd.

One of our group companies, Takuma Engineering Co., Ltd. conducts training for local employees and university students under the CExpert dispatching program to assist in improving industrial technologies" by the Japan Overseas Development Cooperation (JODC). This expert dispatching program is a project of Official Development Assistance (ODA), which must meet certain conditions, such as "local firms having business relationships with accepting companies and/or additional coaching conditions for local schools" and this time we conducted elementary coaching with three local university students in terms of CAD drawing.



External Commendation

A Hybrid Hot Water System (thermal storage type) won the Promotion Award at the commendation for the electric-load leveling equipment/systems

At the 10th commendation ceremony for the electric-load leveling equipment/systems hosted by the Heat Pump Tikunetsu Center (HPTC), held on June 10, 2008, a Hybrid Hot Water System (thermal storage type) of our group company, Nippon Thermoener Co., Ltd. won the Promotion Award for the electric-load leveling equipment/systems whereby their contribution toward efforts to level electric loads with high energy-saving capability was recognized.

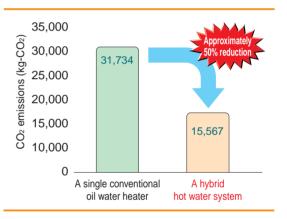
This commendation system targets the further popularization of electric load leveling equipment/systems as well as enlightening society by presenting awards to individuals having especially achieved outstanding accomplishments via the assembly of equipment/systems considered to contribute to the electric-load leveling by the public, aiming to gain public understanding in terms of the electric-load leveling as part of countermeasures for the same by national

government. This event has been implemented since 1999, held under the auspices of the Heat Pump Tikunetsu Center.

A hybrid hot water system (thermal storage type) was developed to optimally exploit mutual advantages by combining a heat pump water heater, which is energy efficient, as well as boasting excellent environmental and economic efficiency, and a combustion type water heater, which is compact as well as having high thermal capability, into a unified single hot water system.

The estimated result is shown as below, based on conditions of 12 hour daily operation time and use on a year-round basis, with one unit of heat pump water heater. Consequently, the introduction of a hybrid hot water system enables CO_2 emissions to be reduced by approximately 50% compared to a single conventional oil water heater (kerosene).





[Comparative Diagram for CO₂ emissions]

External Questionnaire Evaluation

We were evaluated as 99th placed of 711 evaluation object companies and 4th placed of 48 companies by the type of business (machinery), in the 8th Integrex questionnaire (survey concerning company sincerity and transparency).

Contribution to NPOs

Offering calendars to the "Calendar Fair" organized by the NPO Nippon Volunteer Network Active in Disaster

This year again, we offered 100 copies of unwanted 2009 calendars.

Contribution to the UNWFP

We made a donation to the WFP after an in-company fund-raising campaign. Detailed information concerning donations has been posted on the UNWFP website.

(URL: http://www.wfp.or.jp/)

Purchase of UNICEF Christmas Cards

Use of carbon offset new-year greeting cards issued by the Japan Post Service Co., Ltd.

Thanks to switching from conventional cards, in fiscal 2008, we successfully offset approximately 20 tons of CO_2 by using 8000 sheets of postcards.

(URL: http://www.carbonoffset-nenga.jp/index.html)

Participation in the Recycling System Center (URL: http://www.npo-rsc.org/)

Participation in the NPO Green Spirits Association

(URL: http://wwwsoc.nii.ac.jp/gsa2/)

(ONE. http://www.soc.hii.ac.jp/gsaz

Participation in the Overseas Environmental Cooperation Center, Japan

(URL: http://www.oecc.or.jp/)

- 25

Social Report

Under the Management Principles: "we will strive for social contribution, corporate value enhancement, long-term corporate development and all stakeholders' satisfaction by yielding goods and services needed and recognized as valuables in society", we engage in sincere corporate activities.



Along with the Global Environment

Contribution to the Global CO₂ Reduction

Our product line is contributing to the global CO₂ reduction.

The actual achievement of Takuma for reducing CO₂ (Note) by Energy from Waste plants and industrial waste incineration plants

,040,000 tons/year (as of the end of fiscal 2008)

Note: Reference: "Waste incineration facility ledger fiscal 2006" by the Japan Waste Research Foundation, as well as Takuma's achievements



The actual achievement of Takuma in terms of the reduction of CO₂ by biomass power plants

4,250,000 tons/year (as of the end of fiscal 2008)

5,300,000 tons/year



on a global basis (as of the end of fiscal 2008)

The Company is aware of its global responsibility for environmental conservation as a specialized manufacturer of the environment and energy, and striving for the development of new technologies as well as implementing the CO2 reduction recommendations.

Technological Development toward CO₂ reduction

In the face of increasing serious global warming, countermeasures to reduce greenhouse gas emissions are required for each

Japan has set a goal at a national level and the Company is also promoting efforts toward that goal as a member of society.

The utilization of biomass helps prevent global warming thanks to its ability to curb CO₂ emissions. We have recently been demonstrating and translating a technology, which involves the utilization of substances that have been treated as waste such as garbage, sewage sludge and waste edible oil, into practical use as energy sources. We will further advance research toward finding and exploiting unutilized biomass.



The Development of a System of Sewage Sludge **Gasification and Power Generation**

- Toward the effective utilization of unutilized sewage sludge biomass -

Development Background

Although sewage sludge from sewage treatment facilities is positioned as biomass with improved infrastructure, it was previously unused as an effective energy resource.

Meanwhile, a huge amount of electricity was consumed within the sewage treatment facility. The Company has thus been promoting the development of the gasification and power generation system, utilizing sewage sludge as fuel for the power generation facility as a joint project with Tokyo Gas Co., Ltd. Subsequently, since fiscal 2004, the project has progressed as joint research: "Demonstration Test for the Utilization of Unused Energy such as Biomass" with the NEDO (New Energy and Industrial Technology Development Organization of Japan) and in fiscal 2007, we successfully achieved a national first: 2000 hours of continuous operation of the gasification system.

System Features

1. Effective energy utilization

This system is designed to extract combustible gases, such as hydrogen and carbon monoxide, from sludge for gasification by drying material with a moisture content of 75 to 80% and pumping this combustible gas into the gas engine as gas fuel to generate power.

Moreover, utilizing the heat as a thermal source for drying sludge by recovering steam from the waste heat generated during the process of power generation helps make this system energy-efficient.

2. Helping prevent global warming

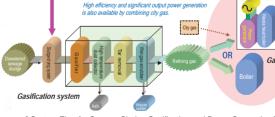
This system helps reduce CO2 emissions due to its efficient energy utilization by recovering electricity and heat from sewage sludge. Furthermore, as it discharges no nitrous oxide (with 310 times the global warming potential of CO₂), potentially far more harmful in terms of global warming than CO2 generated during the process with conventional sludge incineration disposal, the system is anticipated to further contribute to preventing global warming.

Demonstration Test

The demonstration test project, including the continuous operation of the gasification system, achieved the development goal and was finished at the end of fiscal 2008.

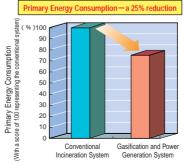
Utilizing such achievements, we will advance toward the future introduction of practical systems.

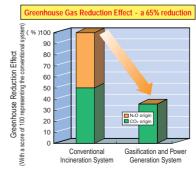




Demonstration sludge gasification and power generation plant

[System Flow for Sewage Sludge Gasification and Power Generation





[Primary energy consumption and greenhouse gas reduction effect in comparison with the conventional incineration system]

The Demonstration Test on Gasification Methanol Synthesis

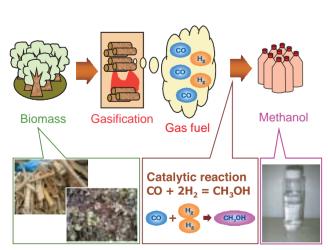
- Kyoto Biocycle Project -
- A national first demonstration test, making liquid fuel from biomass -

Development Background

The Company has been promoting research and development activities for efficient power generation technology by transferring woody biomass and sewage sludge into gas fuel, as well as synthesizing gas fuel into methanol. Combining these technologies, we have been implementing a demonstration test to synthesize methanol from woody biomass.

Methanol is utilized for wide-ranging applications, including antiseptic solutions used in hospitals and the environmental field, the denitrification process in sewage treatment sites and as a processing aid when manufacturing biodiesel fuel, as well as recently as fuel for miniaturized fuel cells for mobile devices. Although methanol is an essential industrial material in daily life, more than 90% is currently made from natural gas which is a fossil fuel.

The Company has been promoting the development of gasification technology, which involves the effective production of gas fuel from biomass, as well as effectively producing methanol from this gas fuel. In fiscal 2007, we launched a demonstration test for gasification methanol synthesis as part of the technology development project on global warming countermeasure by the Ministry of the Environment, with the aim of verifying the effectiveness of this technology and considerable achievements have been made for the latter, such as the utilization of produced methanol as a processing aid for biodiesel fuel (BDF).



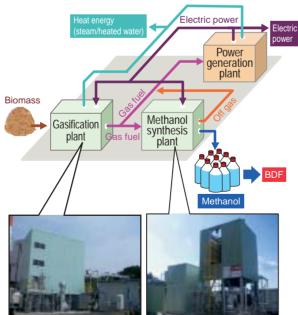
[The Principle of the Gasification Methanol Synthesis]

System Features

To produce methanol, biomass must first be transformed into gas fuel. Methanol is synthesized from carbon monoxide and hydrogen, which are included in this gas fuel due to the catalytic reaction. Moreover, generating electric power, using gas fuel, which is not used for methanol synthesis, as well as unreacted gas (off gas) after the methanol synthesis reaction, enables plant motive energy to be covered, while supplying electricity to the neighborhood. In addition, since thermal energy for steam and heated water is available from exhaust gas after power generation, we can call this a trigeneration plant - producing the three elements of "methanol", "electricity" and "heat".

In this system, the production volume of methanol can be adjusted based on demand, thus significantly enhancing convenience. As well as obtaining three products, trigeneration is a system that can be effectively operated for

Using this technology, we will continue to contribute to the prevention of global warming, as well as establishing a sustainable society.



[Diagram of a Trigeneration Plant]



Development of Technology for Converting Waste Alcohol to Fuel

- The system for converting waste alcohol to fuel;

unutilized biomass via ultrasonic means -

Development Background

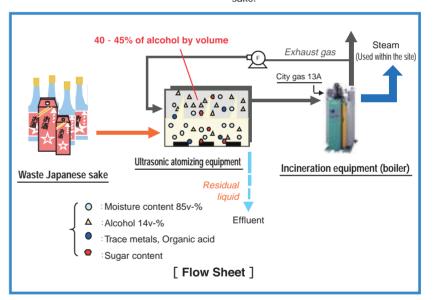
The Company focused on waste alcohol (Japanese sake) as unutilized biomass. Although no use-by date is set for Japanese sake, it is said, in general, to be consumable from approximately three months to one year. Therefore, the Japanese sake, for which a certain period of time has elapsed after shipment, is collected by a sake brewing company and disposed of as industrial waste. Waste Japanese sake includes around 10 percent alcohol by volume. We developed a system to separate this alcohol portion and concentrate it via an ultrasonic atomization method in order to use it as a thermal source for the combustion equipment.

System Features

The ultrasonic atomization method is one involving the atomization of liquid via ultrasonic means, performed in a humidifier or inhaler, which requires little motive energy and featuring a simple device.

When Japanese sake is atomized by ultrasonic means, alcohol has a feature to be enriched within mist. Exploiting this property, the developed system aims to utilize ultrasonic atomized mist as fuel in the form of a fine mist.

The Company delivered the first device utilizing this system as equipment for the fiscal 2008 NEDO demonstration project. In this system, the atomized mist is used as boiler fuel, while the steam obtained is used in the brewing factory. Since fiscal 2009, the load operation has been implemented and we will advance the project to make this technology applicable to other areas as well as Japanese sake





Along with Customers

With the motto: "manufacturing products meeting customer satisfaction", the Company implemented the registration for ISO9001: 2000 certification (Registration No.: JQA1952, registered in 1997), promoting our activities to enhance customer satisfaction, as well as product quality, based on the quality management system. In fiscal 2009, we are promoting activities including efforts toward the transition to ISO9001: 2008.

Customer Satisfaction Survey

The targeted customers for a customer satisfaction survey represent those for whom we implemented new plant construction, those to whom we delivered equipment and those for whom we implemented periodic improvement construction or remodeling construction within the existing plant. We conduct a customer satisfaction survey by sending questionnaires to such customers.

In terms of the customer satisfaction survey, which is conducted every fiscal year, we select the respondents to the survey at the beginning of the fiscal year. This selection is tasked to the sales and operation departments, who then select respondents, from the Board of Customer Satisfaction Investigation. The survey methods include either interviews implemented by the person in charge of each sales department coming to customers or by mailing questionnaires to the responsible people on the customer side from the person in charge of the sales department, requesting that the questionnaire be completed and collecting them.

During the process of deliberation over the survey results, for those customers who were evaluated as achieving under the reference score (70) on a scale whereby 100 is perfection for the total score of 25 items and/or for those who were evaluated with the lowest score (1: dissatisfied) even for 1 item, the Secretariat Division requests that the relevant departments investigate a factor analysis and prevention countermeasures via each sales department. Factor analysis is a method involving investigation of the fundamental factors, as well as formulating preventative countermeasures and implementing such plan after classifying any problematic items in the questionnaire into human factors, physical factors, managerial factors and other factors.

The result of the study and the contents of the factor analysis as well as prevention countermeasures are deliberated in the Board of Customer Satisfaction Investigation. Consequently, the Board gives instructions to follow-up prevention measures for those customers who feel unsatisfactory.

Sample Questions on the Customer Satisfaction Survey Questionnaire

[Questionnaire for the new plant project]

I: Planning/design phase (10 items)

II: Construction/test run phase (10 items)

III: General/overall performance (5 items)

IV: Others (free space to write comments and requests, etc.)

[Questionnaire for periodic improvement and remodeling construction project]

I: Investigation/planning phase (10 items)

II: Construction/delivery phase (10 items)

III: General/overall performance (5 items)

IV: Others (free space to write comments and requests, etc.)

Regarding the total 25 items for Articles I through III, the questionnaire is conducted based on the following evaluation standard (on a scale of one to four)

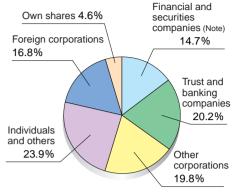
- [Evaluation Standard]
- 4: Very satisfied
- 3: Fairly satisfied
- 2: Slightly dissatisfied
- 1: Dissatisfied

Along with Shareholders

IR Activities

The Company has a policy of providing accurate information promptly and fairly as far as possible to shareholders and investors in accordance with the "Takuma Group Code of Conduct". As part of such policy, the reporting of financial statements, timely disclosed information, asset securities report, an annual report in English and other business information are disclosed on the website.

[Takuma website - IR information] http://www.takuma.co.jp/english/investor/index.html



 (Note) Banking companies, life insurance companies, casualty insurance companies, securities companies and other financial institutions

> [Shareholder Composition] (as of March 31, 2009)

Along with Suppliers

In accordance with the "Takuma Group Code of Conduct", the Company strives to establish better partnerships, standing on a fair and equal footing with suppliers, while promoting efforts to maintain and enhance the relationship of mutual trust from a long-term perspective.

During the actual procurement activities, we established the following "Policy of Material Procurement" that describes conditions, including compliance with laws and ordinances, human rights, labor standards and having business transactions with companies that prioritize environment-friendliness, as well as conventional quality, price and delivery time and requesting cooperation from both domestic and overseas suppliers.

Policy of Material Procurement

- 1. When appointing suppliers, they must be treated fairly.
- 2. Seek to discover new manufacturers.
- 3. Confidential information must be firmly controlled.
- 4. Seek to obtain new related information.
- 5. Promote green procurement.
- Comply with laws and ordinances concerning business deals.
- 7. Always have VA and VE in mind.
- 8. Strive toward self-development.

Fair and Impartial Evaluation/Appointment of Suppliers

The appointment of suppliers is determined based on a comprehensive evaluation from the perspectives of 1. Their reliability as a company, 2. Their technical capabilities, 3. The quality, price and delivery time of the procurement items and 4. The circumstances concerning efforts toward CSR.

Moreover, we provide open and fair/impartial opportunities for all new applicant suppliers who wish to enter, regardless of nationality, size of business and/or past record of business transactions. Based on this open-door policy, we started new business transactions with 28 companies as a record for fiscal 2008.

Promotion of CSR-conscious Procurement Activities

Along with suppliers, the Company is promoting CSR-conscious procurement activities, including the global environment conservation, compliance with laws and ordinances, respect for human rights, labor and health & safety, as well as ensuring the safety of products and services & quality, maintenance & promotion of information security and fair trade & corporate ethics.

VA/VE* Activities

In product procurement, we believe the pursuit of total optimization in various situations helps maintain quality as well as reducing costs and environmental load. Based on this concept, we have been promoting VA/VE activities with suppliers. Through these activities, in fiscal 2008, we successfully adopted 24 VA/VE proposals.

* VA/VE: Value Analysis/Value Engineering

[Takuma website - Material Procurement] http://www.takuma.co.jp/procurement/index.html (Japanese language only)

Along with Employees

Approaches toward Employees

The Company sets "establishing a work environment allowing each employee to challenge their goals, as well as getting on with their work through appropriate assessment" as its basic policy. Specifying the following three approaches as critical items, we introduce various systems for each:

(1) Enhance the motivation of employees by ensuring transparency as well as satisfaction for assessment.

In-House Management System Commendation

(2) Provide capacity building assistance to employees.

Support for obtaining qualifications	Correspondence education program	Support program for an English education
New employee training	Job rotation system	Self-certification
Technical presentation for technical employees(1)	Technical Training Session	Open laboratory(2)

(1) Technical Presentation for Technical Employees

The Company sets up opportunities to give technical presentations with the aim of enhancing presentation skills to promote younger engineers ' technical capabilities as well as clarifying challenges and goals to enhance the technical capabilities of each one.



(2) Open Laboratory

The Company organizes open laboratories with the aim of widely enlightening our technical development result within the company and providing opportunities for exchange between the development team and other employees.



(3) Improve the work environment, facilitating employees' efforts to address business tasks without anxiety.



(3) Listening to opinions within the company

To enhance "ideal working conditions" for employees, the Company absorbs a wide range of views from employees by placing an "opinion box", as well as communication via email and telephone concerning their working environments.

Regarding employee health management, we also implement various approaches.



(4) Wellness Fair

In the Head Office, the "Wellness Fair", as described below, was organized in collaboration with the corporate health insurance society and cafeteria food service company, as part of health management.

The 1st assembly

Theme: "Repel metabolic syndrome!

- Goodbye visceral fat - "

Contents: Panel/lifelike model exhibition, distribution of leaflets, provision of a healthy menu, body composition measurement, individual diagnosis by a national registered dietitian

The 2nd assembly

Theme: "Prevention of osteoporosis

- Is your bone healthy? - "

Contents: Panel/lifelike model exhibition, provision of a healthy menu, measurement of bone density, individual diagnosis by a national registered dietitian



To help promote a work-life balance, we set up various leave systems.



* The legally required period is 93 days, however we provide one year.

Respect for Human Rights and the Abolition of Discrimination

The Company sets out its respect for basic human rights and prohibition of discriminatory acts in the Takuma Group Ethics Charter, Takuma Group Code of Conduct and labor regulations.

In addition, we also support respect for human rights, without contributing to human rights violations, elimination of forced labor/child labor and the abolition of discrimination through participation in the UN Global Compact (see Page

The Takuma Group Ethics Charter (excerpt)

The labor union is an organization which conducts periodic

deliberations and collective negotiations in terms of annual

salary, working hour and other working conditions and

establishing a stable employee-employer relationship.

 We shall respect fundamental human rights and never practice discrimination.

Takuma Group Code of Conduct(excerpt)

Γ Respect for basic human rights 1

Labor-Management Relations

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

Approaches toward Recruitment

Graduate Recruitment

The Company implements the periodical recruitment of around 15 new graduates every year, from the perspective of long-range outlook and human resource cultivation. As for the recruitment for the next fiscal year, we will continue to implement fairer and more highly transparent recruitment activities via the provision of information, putting ourselves in the students' shoes.

Internship

The Company has an internship program, accepting university and technical college students during their school summer breaks.

Recruitment of Handicapped People

Currently, 8 handicapped employees are active in the company. (As of March 31, 2009)

We will continue to further strengthening our approaches toward improving the employment rate of handicapped people by proactively participating in job-interview sessions in the local community as well as implementing year-round recruitment.

Reemployment System for Employees Reached the Mandatory Retirement Age

Since fiscal 2006, the Company introduced a reemployment system for those employees having reached the mandatory retirement age and has been providing employees who wish to work actively after retirement with the opportunities to continue playing active roles.

[Takuma website - Recruitment] http://www.takuma.co.jp/saiyou/index.html (Japanese language only)

Social F

Occupational Health and Safety

Takuma Construction Occupational Health and Safety Management System (TK-COHSMS)

The Company has been proactively promoting safety and health activities on a voluntary basis, through the joint efforts of the offices and work sites, with the aim of preventing accidents during business operations as well as improving worker health and creating an agreeable workplace.

To achieve this purpose as a construction company, we initiate a program called the Takuma Construction Occupational Health and Safety Management System (TK-COHSMS). This is our fourth year since the program introduction.

In the revised Industrial Safety and Health Act, which came into effect on April 1, 2006, risk assessment (to study risk reduction measures and priority by specifying work-related risks and hazardous properties in advance) is clearly prescribed as an obligation that employers must strive to meet. Under such circumstances, we have also been promoting "health and safety management", which was adopted in advance of the law, and positioning the "specification of risks or hazardous properties" as prioritized objectives in the TK-COHSMS. We strive to prevent industrial accidents by proactively using this risk assessment in the Safe Working Procedure Step Safety Assessment (SSA).

Safety and Health Objectives in Fiscal 2009

- 1. Thorough implementation of the "Safety-First" policy
- 2. Strict implementation of the Safety Review Structure and SSA
- 3. Implementation and reinforcement of the safety patrol
- 4. Eradication of industrial accidents involving falls

(Three major types of industrial accidents)

Falls and tumbles

Becoming stuck or entanglement

Flying off and falling

5. Appropriate operation of the TK-COHSMS

To ensure whether the PDCA cycle of the offices and work sites has been appropriately applied via the system audit.

Slogans of the Safety and Health Committee for Fiscal 2009

Everyone's determination - the CSR of the "respect for human life and dignity"

To support your life and build a future - SSA and KY activities

Safety Review Structure

As for the construction work where the term of works is scheduled for more than three months, the first subcontractor engaged in construction work for our company must prepare a construction safety and health plan document and submit to a safety review implemented by our internal safety and health manager one month prior to the start of construction.

The system does not allow work to commence unless this review has been passed and if any shortfalls emerge, reexamination is implemented. Based on the plan that has been reviewed and finally determined as sufficient in terms of safety aspects, the work is reflected in the Safe Working Procedure Step Safety Assessment (SSA) to help perform safety work.

Fiscal 2008, total safety reviews implemented: 208
 Of these, 26 cases have been reexamined

Education for On-Site Representatives (Safety and Health Education)

This education is implemented with the aim of improving the level of safety awareness of employees and related subcontractors.

[Education Contents]

Ensure correct understanding of the Industrial Safety and Health Law and Regulations

Understanding human errors and prevention of the same Encourage safety work motivation

Ensure employees strictly observe safety and health rules Ensure they have understood the proper work procedure

We implement an individual assessment by providing an end-of-course examination followed by the safety and health education.

Starting April 2004 to as of March 2009
 Number of personnel having taken the course (man-days): 15,438

 Number of those having passed: 5,505



Education for On-Site Representatives

Safety Patrol

Based on the annual plan for a safety patrol, the Safety and Health Committee (Safety and Health Committee members, inspectors and the Safety Control Department) proactively implements a safety patrol.

In addition, as well as this, a voluntary safety patrol by the construction division is also implemented in parallel. (At least once a month on all work sites)

When performing a safety patrol, a safety inspection checklist is used and eventually assessed on a score. A score of 75 and above is the qualification benchmark, while scores under 75 are rejected. In the latter case, safety education as well as stringent safety patrol activities, including repatrols, have been implemented at the relevant construction sites by the construction department.

[Fiscal 2008]

Number of Safety patrols implemented by the Safety and Health Committee Patrols implemented by the Safety and Health Committee/inspectors: 127 Patrols implemented by the Safety Control Department: 98 Number of Safety patrols implemented by the construction division: 336

Takuma Safety and Health Promotional Convention

As part of efforts to enhance the safety awareness of our employees and subcontractors, we organize an annual safety and health promotional convention. In this convention, various programs, including the introduction of Safety and Health Committee members, inspectors and the safety and health administrator within the department, commendation for those having achieved no-accident records, reports on the circumstances of the occurrence of industrial accidents, announcements of safety and health management plans and its action policy on a fiscal year basis, safety and health lectures, inviting guests, and announcements of safety and health policy as well as objectives by the safety subcontractors; all of which are lined up for implementation. Then, finally, we close the convention with all participants joining to respond by highlighting dangerous points.



Safety Patrol

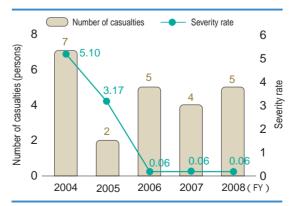


Takuma Safety and Health Promotional Convention

Number of casualties and severity rate of industrial accidents of Takuma having occurred in recent years

Following the implementation of safety activities based on the Takuma Construction Occupational Health and Safety Management System, the severity rate * achieved from fiscal 2006 to 2008 was 0.06 for the third consecutive year, which was a figure recorded as substantially below the national average.

* Severity rate: It represents the extent of the scale of any disaster, indicated in the form of man-days lost per 1000 man-days hours worked.



[Number of Casualties and Severity Rate]

FY2004	0.57
FY2005	0.14
FY2006	0.37
FY2007	0.33
FY2008	0.41

[National Average Severity Rate of Construction Industry]

Environmental Report



Basic Environmental Policy

The Company has established the "Basic Environmental Policy" as follows; aiming to ensure employees contribute toward global environment conservation. This basic policy applies to the activities of all company departments.

Environmental Philosophy

Takuma is committed to preserving the environment and realizing an affluent society through business activities under the company motto: "Value technology, people, and the earth".

Operational Guidelines

- 1. All Takuma Group companies will recognize the importance of maintaining a balance between preservation of the environment and business activities.
- Continuously develop activities to preserve the environment that comply with applicable environmental laws and ordinances, and ensure environmental control and assessment systems conform to international environmental standards.
- 3. Promote development of improved technologies and products for society that preserve the environment.
- 4. Address resource conservation, energy efficiency, recycling, and minimization of waste generated by all business activities.
- 5. Improve employee awareness and understanding about the importance of preserving the environment through environmental education and internal promotional activities.
- 6. Provide the community with information on the activities of Takuma to preserve the environment.

Environmental Objectives

Takuma Environmental Objectives

The Company has established the following environmental objectives:

- 1. Takuma will reduce the amount of overall energy consumption by 30% compared to its level of fiscal 2001 by fiscal 2012.
- 2. Takuma will reduce the amount of CO₂ emissions by 30% compared to its level of fiscal 2001 by fiscal 2012.
- 3. Takuma will reduce the amount of waste generation by 30% compared to its level of fiscal 2001 by fiscal 2012.
- 4. Takuma will reduce the amount of final disposal of waste by 30% compared to its level of fiscal 2001 by fiscal 2012.
- 5. Takuma will achieve a rate of green purchase, such as office supplies, by more than 60% by fiscal 2012.
- 6. Takuma will take all effective and possible environmental measures by controlling expenditure on the same.

Environmental Objectives for the Group Companies

In accordance with the establishment of our "Environmental Objectives", our domestic group companies established their own "Environmental Objectives" and are striving toward efforts to reduce the environmental load.

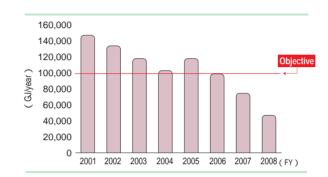


Our Approaches toward Reducing the Environmental Load

Objectives and Achievements

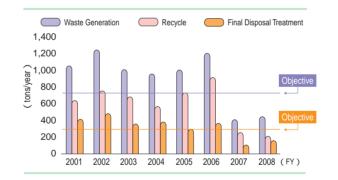
Total Energy Consumption

The total energy consumption of fuels and electricity at our company is indicated in the following graph. Thanks to the activity carried out to reduce the energy consumption, we successfully reduced it by approximately 30% over the amount in fiscal 2007, consequently, in fiscal 2008; we have successfully achieved our objectives.



Waste Generation

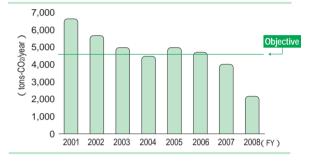
The Company sells recyclables and reusables from the waste generated through its business activities to scrap dealers, while outsourcing the treatment of the remainder of the waste - non-recyclables and non-reusables - to haulers, processors and final disposal dealers, in accordance with the Industrial Waste Control Manifest system.



Greenhouse Gas Emissions

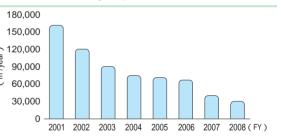
The greenhouse gas emissions created by the Company are limited to carbon dioxide (CO_2). Thanks to the CO_2 reduction activity, in fiscal 2008, we successfully reduced CO_2 emissions by 40% over the amount in fiscal 2007. As well as overall energy consumption, we have also achieved our objectives.

We will continue to strive to reduce CO_2 emissions; both at offices and the factory.



Water Usage

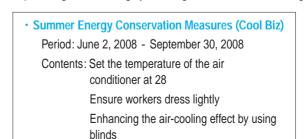
The applications of water are cooling and rinsing factory equipment, while being used for daily life, cooling water for air-conditioners, watering plants and makeup water for ponds at the Head Office. The water used for these applications is all tap water. At the Harima Factory, its water area is covered by the special measures law for the Seto Inland Sea environmental conservation, whereby stringent emission concentration regulations as well as total volume control are applied. The water quality is regularly checked at each registered drain outlet and the result is reported to Hyogo Prefecture and Takasago City.



Office Activities

A Campaign to Reduce Resources

Followed by the previous fiscal year, in fiscal 2008, we implemented energy conservation measures in summer and winter, aiming to prevent global warming by reducing CO₂ emissions, reducing environmental load and effectively using fuel resources.



Winter Energy Conservation Measures (Warm Biz) Period: November 17, 2008 - April 17, 2009 Contents: Adjust air-heating to keep the room

hours only

temperature, targeting at 20
Ensure workers dress warmly
Turn the heater on during the morning

Environmental Management

The Situation concerning the Acquisition of ISO14001

Our Harima Factory has acquired the ISO14001 certification and has been implementing environmental management activities, based on the environmental management system established to comply with international standards.

Harima Factory

Shinhama, Arai-cho, Takasago, Hyogo Certification No.: JQA-EM0313

(ISO14001: 2004/JISQ14001: 2004)

Certification Date: January 8, 1999 Renewal Date: January 8, 2008 Expiry Date: January 7, 2011

Certified Business Units: Harima Factory, Research Center

Energy & Environmental Technology

Division and Experiment Center

Certified Activities: Design, development and manufacture

of boilers and products for environmental plants and issuing of certificates of

analyses and measurements

Group Company: Kankyo Sol-Tech Co., Ltd. (issuing of

certificates of analyses and measurements)



Moreover, the ISO14001 certification has been acquired by the following group companies:

- · Nippon Thermoener Co., Ltd.
- · Takuma Technos Co., Ltd.
- · Dan-Takuma Technologies Inc.

Soil Contamination Countermeasures

The Company conducts the survey on soil contamination on an ongoing basis at the production site.



PRTR Emissions

Although our business activities do not involve a wide variety of chemical substances on a massive scale, we use a few designated chemical substances. Consequently, we report and register such chemical substances designated as PRTR, in accordance with relevant laws and ordinances, with the local government.

Dichloromethane (CAS No. 75-09-2)

Usage: Rustproofing paint on structural steel for boilers

FY	2005	2006	2007	2008
Emissions(tons)	0.2	0	0.5	0

Toluene (CAS No. 108-88-3)

Usage: Used for chemical analyses inside the analytical laboratory

FY	2005	2006	2007	2008
Emissions(tons)	1.6	3.4	1.1	0.4

After use, all materials are taken away by waste-solvent dealers for disposal.

Xylene (CAS No. 1330-20-7)

Usage: Rustproofing paint on structural steel for boilers

FY	2005	2006	2007	2008
Emissions(tons)	1.3	1.8	1.5	0.2

Environmental Accounting

Since fiscal 2006, we have introduced and disclosed our own environmental accounting system; based on the "Environmental Accounting Guidelines 2005 issued by the Ministry of the Environment". As our business activities mainly involve environmental conservation plants and its equipment, Takuma group employees have a significant awareness of the need for environmental conservation and we have been implementing approaches toward such issues within the Takuma group. In fiscal 2008, data of our three group companies are newly added as object sites.

Scope of Data Collection

Period: April 1, 2008 - March 31, 2009

[11 companies within the country]

Takuma Co., Ltd. (Head Office, other offices including overseas sites and Harima Factory), Nippon Thermoener Co., Ltd.,

Takuma Technos Co., Ltd.,

Hokkaido Sanitary Maintenance Co., Ltd.,

Takuma Technos Hokkaido Co., Ltd., Sun Plant Co., Ltd.,

Takuma Engineering Co., Ltd.,

Takuma System Control Co., Ltd.,

Dan-Takuma Technologies Inc., Kyoritsu Setsubi Co., Ltd.,

Kankyo Sol-Tech Co., Ltd.

[4 overseas subsidiaries]

KAB Takuma GmbH, Bioener ApS,

Taiden Environtech Co., Ltd.,

SIAM TAKUMA Co., Ltd.

Total energy input(GJ) 151,835 111,837 2,609 Water resource input (m3) 73,124 70,515 Environmental conservation effect concerning environmental loads and wastes created by the business activities Greenhouse gas emission volume(tons-CO₂) 7,016 4,691 2,325 Waste generation(tons) 1.117 1.001 116 Final disposal volume(tons) 222 187 35 Total drainage volume(m³) 72,782 66,222 6.560 BOD emissions(tons) 3,989 363 3,626 COD emissions(tons) 4,302 3,898 T-N emissions(tons) 1,112 992 120

Environmental Conservation Effect

(1)Environmental conservation effect concerning resources input for the business activities

Environmental Conservation Cost

4.498

480

3.077

8,055

FY 2007 | FY 2008 | F

25.090

12.831

13.749

54.256

5.628

1,013,774

1,125,328

Business area costs

Pollution prevention costs

Resource recycling costs

Research and development costs

Total

T-P emissions (tons)

Global environmental conservation costs

Management activity costs

Social activity costs

Environmental Efficiency

"As for environmental load, there is a need for business organizations to reduce their gross volume. However, approaches toward high economic efficiency are also required from a business management perspective.

Consequently, when comprehending and evaluating environmental performance as well as approaches toward the environment implemented by business organizations, it is important to comprehend and manage an index indicating the efficiency of their approaches toward the environment, while also reflecting the economic value they produce, as well as an index indicating the total loading dose".

(Environmental Performance Indicators Guideline for Organizations - Fiscal Year 2002 Version - : Ministry of the Environment)

The Company calculated environmental efficiency in response to contemporary demands. In fiscal 2008, environmental efficiency was improved by approx. 1.7-fold compared to the level of fiscal 2006. We will continue to strive to improve our environmental efficiency.

Definition of our Environmental Efficiency

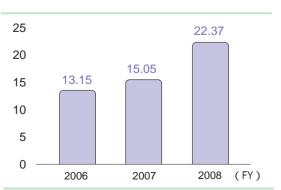
Consolidated net sales (100 million yen)

168

150

18

Greenhouse gas emissions (tons-CO₂)



Γ Environmental Efficiency 1

Observations by a Third Party

Observations by a Third Party

To Mr Hajime Tejima President and CEO Takuma Co. Ltd.

Masako Shishido Representative Partner Social Vision LLC



[Target and Objective of Operations] Our operations aim to report commendable points as well as those considered to be future tasks for the company from the perspectives of the basic principles of the AA1000 Assurance Standard (materiality, completeness and responsiveness) concerning whether the "Takuma CSR Report 2009" (hereinafter referred to as the "CSR Report") achieves accountability to stakeholders, commissioned by Takuma Co., Ltd. (hereinafter referred to as "Takuma"). In addition, this does not intend to assure the accountability of the company.

[Operations implemented] We assessed the CSR Report through a process focusing on written reviews as follows:

I Materiality 1As to whether the CSR Report includes information regarding their CSR activities, which is necessary for stakeholders to perform decision-making, judgment and action

Commendable Points: Takuma ensures it remains aware of the concerns and interests of stakeholders as far as possible by engaging in communication with the main stakeholders.

Takuma, including its group companies, concretely indicates its business operations and clearly describes the basic plans and policies.

Takuma organizes a round-table discussion entitled "Takuma's business operations and aspirations toward its stakeholders

by Takuma on-site employees "and describes the degree of penetration of the interest level of employees toward CSR.

Takuma achieves to accountability to stakeholders on vital issues, such as compliance and making reports on future business development

Takuma reports its technology in terms of CO2 reduction as a topic and describes its technological development toward realizing a sustainable society.

Takuma considers and describes the following issues in terms of processes that specify important.

Takuma considers issues regarding the Takuma Group Ethics Charter on a group-wide basis.

Takuma renamed the "Compliance Promotion Organization" as the "Compliance & CSR Promotion Organization" and reviews and describes items included in their CSR activities.

Supporting the ten principles of the UN Global Compact, Takuma considers and describes the fact that they implement such issues through their husiness activities

As part of risk management, the circumstances of improved internal control in terms of issues affecting financial affairs are described. In accordance with the Risk Management Policy, Takuma considers and specifies the risk of the group and describes it.

The Points Considered as Future Tasks: It is hoped that Takuma should continue implementing communication with younger and

mid-career employees through the "Talk Session with the President", held in the previous year, in order to convey the corporate principles and management framework, while also capturing the concerns and interests of employees.

[Completeness] As to whether Takuma is fully aware of the relevant information concerning important issues to the extent necessary for their business activities

Commendable Points: Takuma is aware of the impacts on their CSR activities in the following manner and describes them in the CSR Report.

Takuma, including its group companies, sets their own environmental objectives and understands the state of environmental accounting, the details of approaches as well as environmental efficiency toward the environment

In terms of the Takuma Construction Occupational Health and Safety Management System (TK-COHSMS) activities, Takuma remains aware of the status of their activities regarding the promotion of the "objectives for safety and health "by specifying risk assessment.

The Points Considered as Future Tasks: It is hoped that Takuma should clarify the numerical value of the CO2 reduction described in the "Social Report "section, as well as the numerical value of the environmental objectives described in the "Environmental Report" section and association with the numerical value of the environmental accounting. In addition, it is also hoped that Takuma will further enhance its environmental

[Responsiveness] As to whether the CSR Report responds to significant issues, such as the concerns and interests of stakeholders, as well as it describes in its countermeasures

Commendable Points: Takuma sympathizes with the participation in the "regional activities of Hyogo Prefecture" and the "World Environment Day" and conducts activities involving such events.

accounting data in future.

Takuma promotes "VA/VE activities" along with its suppliers.

Takuma implements information transmission related to in-house developmental technologies via the Takuma Technical Review. Takuma introduces their approaches toward the environment and society via presentation at "ECOMA 2008" and N-EXPO 2008".

Takuma introduces overseas technical assistance by their group company as a social contribution activity.

By acquiring an ISO9001 certificate, Takuma conducts a customer satisfaction survey targeted at those to whom they have delivered plant facilities and for those to whom they implement periodic maintenance and comprehend customers 'concerns and interests. The issues obtained are reported to the "QM Committee" and the factor analysis & improvement are implemented on a company-wide

The Points Considered as Future Tasks: It is hoped that Takuma will analyze the changes in the results of the "CSR awareness survey" and specify the extent to which they specifically reflect stakeholders 'voices, as well as indicating the objectives of the CSR activities for their group companies.

In Response to the Observations by the Third Party

This is the third publication in the form of the "CSR Report". Moreover, fiscal 2008 was the final year of the three-year 8th Midterm Management Plan, launched in fiscal 2006; therefore, I consider that it was a good opportunity to review whether the "promotion of CSR management", which was set as a priority subject, has been implemented.

In this Report, based on the observations by the third party as well as valuable comments sent by the audience, we developed three policies to promote editing work.

The first policy is to create a "compact CSR Report". Specifying the "CSR Report" and the triple bottom line of "Management

Structure (economy)", "Social Report" and "Environmental Report" main headings, we tried to create contents that were more compact than the preceding issue.

Secondly, aiming to create a "CSR Report that can see the work site", we organized a "Round-table Discussion" where our employees, engaged in our core business - plant operations, discuss their aspirations toward stakeholders.

In addition, we focused on the "introduction of our group companies". As requested in the third party observations from the preceding issue, it is hoped that group information will improve and we considered it valid information for the audience to understand our group management.

I am proud to show that there has been slight progress in the form of the report on the wide-ranging CSR activities of the Company and its group companies.

We must accept items newly pointed out as future tasks with sincerity and would like to use the same for the next issue of the CSR Report as well as promoting CSR management. We will continue to work to ensure the satisfaction of our stakeholders. Your understanding and cooperation would be greatly appreciated.



Yasuyuki Moriura

Managing Executive Officer General Manager Compliance & CSR Promotion Division







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