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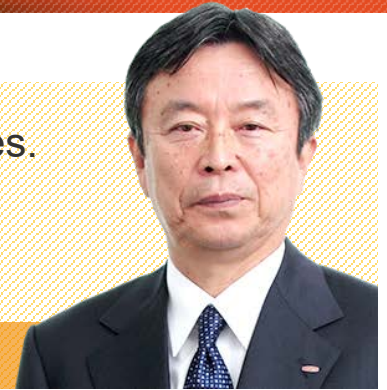
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Editorial Policy

TOCALO is a specialized manufacturer of surface treatments focused on thermal spraying. We believe that it is important for us to contribute to society through the various functions of coatings, including resource savings, energy savings, and reductions in environmental impacts. This report has been prepared with up-to-date information that presents a non-consolidated corporate profile and the results of activities of TOCALO for fiscal 2019 (April 2019 to March 2020) in an easy-to-understand manner.

We will emphasize ESG in our management practices.
We will contribute to society through surface modification technologies such as thermal spraying.

President and Representative Director Noriyuki Mifune



Contributing to Global Environmental Preservation Based on Our Basic Environmental Philosophy

To solve environmental issues and provide value to society, we emphasize ESG (environment, society, and governance) in management and have built a robust governance system that supports that. In particular, we recognize that "continuous improvement to the global environment and preservation through pollution prevention" are the most important challenges, and we clearly state them in our Basic Environmental Philosophy.

Based on this philosophy, each business site has established an environmental management system and acquired ISO14001 certification. In addition, as a leading company in the surface treatment field, we provide surface modification technologies that reduce environmental impacts in a wide range of industries, including energy, steel, petrochemical, and industrial machinery.

Working to reduce environmental load in a wide range of industries

Our surface modification technologies enhance the durability and service-life of components and equipment, and make production activities more efficient by adding various characteristics to the surfaces of components. Our technologies can help our customers to decrease their energy consumption, conserve resources, and reduce the environmental impact of their products, services and operations. For example, in the steel industry, our functional coatings are used to stably produce automotive steel sheet that is the main structural component of automobile bodies. This steel sheet is being reduced in weight for the purpose of improving fuel efficiency. Our technologies are also active in the environment and energy fields. Coal-fired power generation is expected to decline in the future against the backdrop of worldwide needs for CO₂ reduction, however it will be a mainstay power generation method in Japan for the time being. With our technology, we intend to increase the durability of these facilities, maintain efficiency, and contribute to the reduction of environmental loads. We also believe that our technology can contribute to the generation of renewable energy, which is expected to expand in the future, such as hydroelectric, geothermal, and wind power generation. We are steadily proceeding with research and development while conducting tests on actual equipment.

Pursuit of quality and customer satisfaction

We will continue to develop surface modification technologies that help reduce environmental load and strive to establish a solid position in all fields of endeavor. To this end, we will strengthen our engineering workforce and research activities, promote industry-government-academia collaboration and technical exchanges and alliances with leading companies, and actively work to create one-of-a-kind technologies.

In addition, since it is integral to our line of business that we carefully examine customer issues, and develop, test and propose solutions, we aim to improve the quality of our day-to-day operations so that we consistently satisfy our customers, and continue to demonstrate ourselves to be a company that customers can rely on and consult with.

Creating an employee-friendly environment



We are also focused on reforming the way our employees work, such as by reducing working hours and increasing holidays. On production fronts, we are aggressively investing in equipment to reduce manpower demands and improve efficiency as much as possible, via robotization and automation.

With regard to human resource diversity, we have established a Diversity Promotion Committee to accelerate initiatives with the aim of enabling women to play active roles in managerial and executive positions. We are also striving to create environments and systems that make it easier for employees to work at various stages of their lives so that they can continue working around milestones such as weddings and births.

As for countermeasures against COVID-19, we were quick to implement measures to prevent the spread of infection in order to keep our business up and running and fulfill our responsibility to supply our customers, as well as to protect the lives of our employees and business partners.

Toward a Sustainable Future

In order to continue to be a company viewed positively by society, we will continue to reduce environmental impacts, improve customer satisfaction, and promote work style reforms. At the same time, we will focus on strengthening our governance system, including at overseas subsidiaries. We believe that the steady promotion of these ESG activities will also lead to the achievement of SDGs (Sustainable Development Goals).

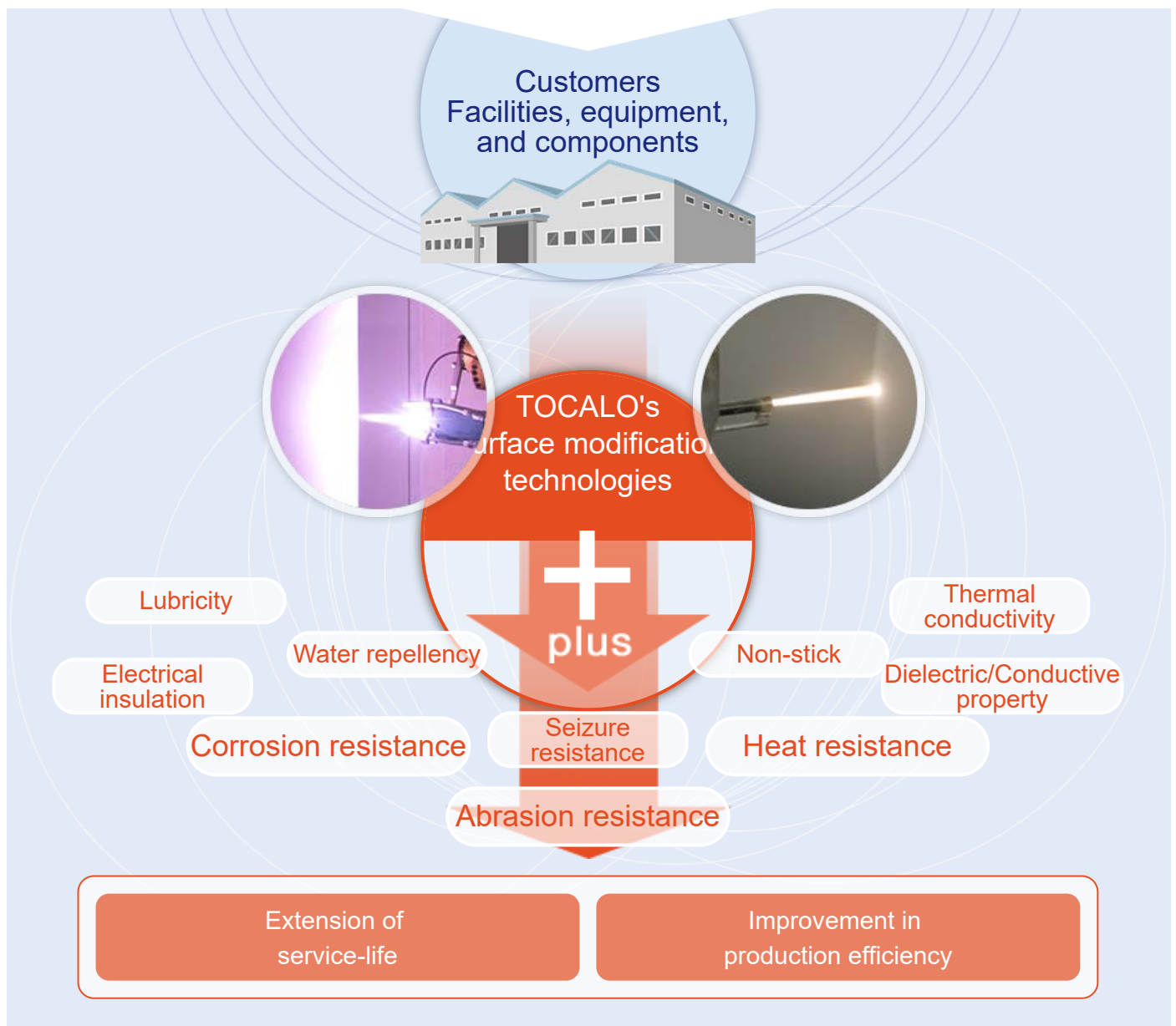
The purpose of our business is, in short, to bring happiness to people. We believe that it is our responsibility as a company to refine our technologies, engage in environmental conservation, and link the planet's limited resources and our accumulated technologies to the children of the future.

Contribution to environmental issues

TOCALO's surface modification technologies

Heat resistance, corrosion resistance, abrasion resistance... The surface modification technologies of TOCALO are effectively used to extend the life of industrial equipment, and improve production efficiency by providing appropriate characteristics to material surfaces.

TOCALO will continue to pursue surface modification and provide a variety of functions that help to reduce environmental load and conserve energy and resources.



Example

In wind power generation

Improve facility durability and power generation efficiency

Electricity generated by wind power is renewable energy derived from the forces of nature. In Europe and the USA, infrastructure is already widespread and it has become increasingly common to see gigantic propellers also in Japan. However, since bearings used in the generator are built into propellers, there is a concern that sparking phenomena could occur due to internal currents, which could cause damage to the bearings. Bearing replacement is almost impossible with a large wind turbine generator, but insulated bearings utilizing our technology can stabilize operation for a long period of time.



On automobile production lines

Contributing to the manufacturing of high-tensile strength steel sheets, which will lead to reduced CO₂ emissions

Improving fuel efficiency is a major challenge pursued by the automotive industry to reduce CO₂ emissions. Therefore, high tensile strength steel sheet that is thin and has sufficient strength is used to reduce the weight of automobile bodies. TOCALO's surface modification technologies are being used to ensure the stable production of high-quality, high-tensile strength steel sheet. For example, on a production line of high-tensile steel sheet, foreign matter readily sticks to surfaces of conveying rolls and pushes against the steel sheet, causing scratches. As a solution to this problem, a thermal spray coating is formed on the roll surface to prevent the adhesion of foreign matter.



In hydroelectric power generation

Supporting a Stable Supply of Electricity by Preventing Sediment Erosion

River water used for hydroelectric power generation contains sediments that erode the turbine blades. This erosion decreases power generation efficiency. A sediment erosion resistant coating newly developed by TOCALO proved to be 19 times stronger than conventional high-Cr cast steel, which is often used for pump parts, in sediment erosion tests. In addition, the coating is designed for the kind of toughness that withstands the impact of large stones.



In biomass power generation

Supporting the Longer Life of Power Generation Facilities Exposed to Severe Environments

Biomass is generally referred to as "renewable, bio-derived organic resources, excluding fossil resources." Common biomass includes food residue and animal manure. Biomass power generation produces electricity by burning these resources directly or by gasifying them. We contribute to the longer life of boiler components by applying high-temperature corrosion resistant coatings to boiler heat transfer tubes exposed to high-temperature combustion gases and wear resistant coatings to components of flue gas desulfurization equipment that removes sulfur oxides from flue gases.



Helping to Reduce
Environmental Load



Environmental Management

We have established an environmental management system at all of our sites and are making continuous improvements based on proper operation.

- ▼ Basic Philosophy ▼ Promotion of ISO14001 ▼ Scope of Application
- ▼ Compliance with Environment-Related Laws and Regulations ▼ Environmental Accounting
- ▼ Environmental Education and Training

Basic Philosophy

Basic Environmental Philosophy

TOCALO recognizes that "continuous improvement of the global environment by pollution prevention" is the one of the most important challenges of our time. Our basic environmental philosophy is to contribute to society by protecting the global environment through various functions of surface modification technologies such as resource saving, energy saving, and environmental load reduction.

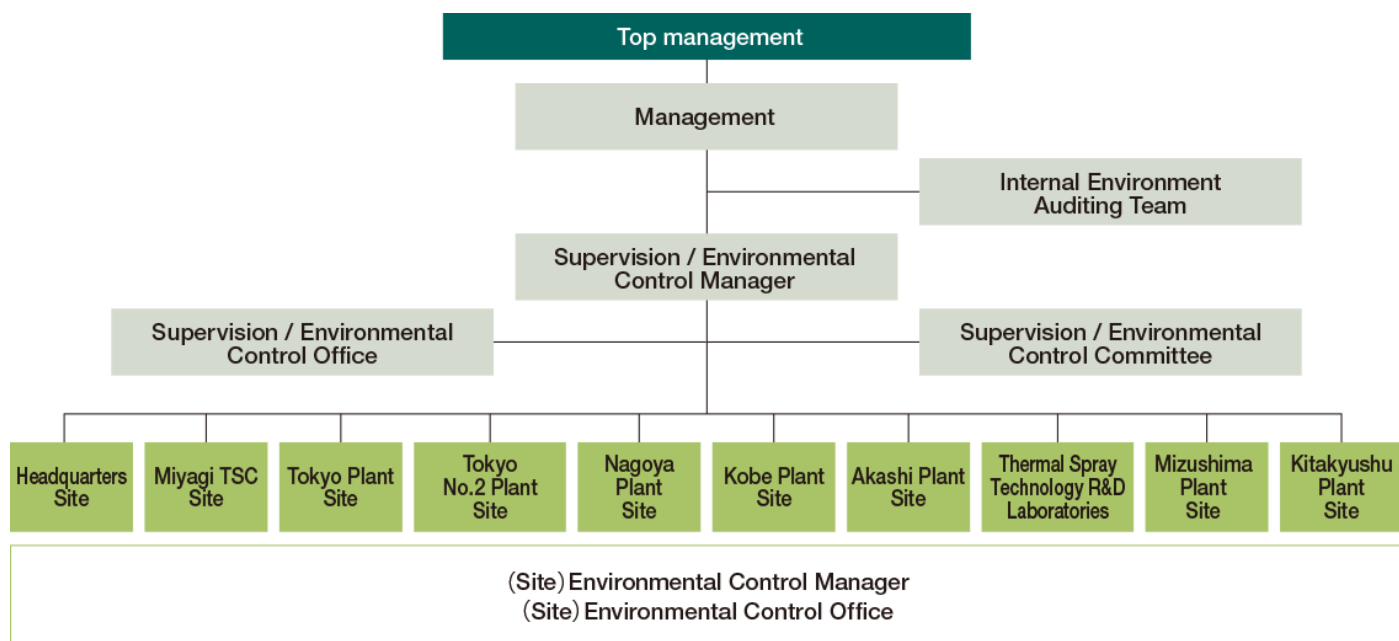
Environmental Policy

Based on our activities, products, and services focused on surface modification technologies, TOCALO will strive to continuously improve the environment based on the following policy in accordance with our Basic Environmental Philosophy.

1. Constantly recognize the environmental impacts of our activities, products, and services, and establish, implement, and maintain an environmental management system.
2. Commit ourselves to preventing environmental pollution, using sustainable resources, and addressing climate change.
3. Commit ourselves to the continuous improvement of our environmental management system.
4. Comply with environmental laws and regulations relating to our operations, products and services, as well as other requirements to which we agree.
5. Based on this environmental policy and the environmental impacts of our activities, products, and services, set environmental targets and engage in activities based on the following themes to contribute to the improvement of the environment.
 - (1) Energy and resource conservation in business activities
 - (2) Environment contributions by promoting business activities

To successfully implement this policy, we will set environmental targets and contribute to environmental conservation by bringing together the strengths of all our divisions and all levels of our workforce.

Environmental Management Organization Structure



Promotion of ISO14001

Certified at all sites

Status of ISO 14001 Certification (Certification Number JQA-EM2253) (Registration order)

Acquisition of certification Plants and research laboratories	Expansion of certified sites
Headquarters	Mar. 2002
Thermal Spraying Technology R & D Laboratories	Mar. 2002
Kitakyushu Plant	Sep. 2005
Nagoya Plant	Sep. 2006
Kobe Plant	Sep. 2006
Tokyo Plant (Gyoda Workshop)	Sep. 2007
Mizushima Plant	Sep. 2007
Akashi Plant (including Akashi-Harima Plant)	Sep. 2009
Miyagi Technical Service Center	Aug. 2012
Tokyo Plant No.2 (Suzumi Workshop)	Aug. 2018

History of ISO14001 Certification

2002	March	The Headquarters and Thermal Spraying Technology R&D Laboratories were the first sites in TOCALO to acquire ISO14001 certification.
2004	October	The Thermal Spraying Technology R&D Laboratories moved from Higashinada-ku, Kobe City to the Minami-Futami Industrial Park, Akashi City.
2005	September	The registered address of the Thermal Spraying Technology R&D Laboratories was changed to the new address. The Kitakyushu Plant was the first plant to acquire certification.
2006	September	The Nagoya Plant, Kobe Plant, and Akashi No. 3 Plant acquired certification.
2007	September	The Tokyo Plant (Gyoda Workshop) and Mizushima Plant acquired certification.
2009	September	The Akashi Plant acquired certification. All major sites of the TOCALO were certified.
2010	October	Akashi Plant No.3 was relocated and integrated with the Akashi Plant.
2011	July	The Miyagi Technical Service Center was established in Miyagi Prefecture.
	September	Each sales office acquired certification. Certification of Akashi Plant No.3 was cancelled.
2012	August	The Miyagi Technical Service Center acquired certification. All sites of the TOCALO were certified.
2014	August	The Kobe Plant moved from Higashinada-ku, Kobe City to Nishi-ku, Kobe City. The former plant, where some production processes remained, became the Fukae branch office of the Kobe Plant.
	December	The Akashi-Harima Plant was acquired and placed under the control of the Akashi Plant.
2015	September	The registered address of Kobe Plant was changed to the new address.
2016	February	The Nagoya Plant was relocated from Midori Ward, Nagoya City to Tokai City, Aichi Prefecture.
	September	The Akashi-Harima Plant acquired certification following the start of full-scale operations. The registered address of the Nagoya Plant was changed to the new address.
2017	August	The Headquarters were relocated from Fukae, Higashinada-ku, Kobe City to Minatojima (Port Island), Chuo-ku, Kobe City.
	September	The registered address of the Headquarters was changed to the new address.
2018	August	Tokyo Plant No.2 (Suzumi Workshop) was newly certified following the partial relocation (Gyoda Workshop).
2020	July	The Kita-Kanto Sales Office was relocated.

Scope of Application

The scope of application of the environmental management system applies to the business activities of TOCALO Co., Ltd.

(1) Target organization

TOCALO Co., Ltd.

Headquarters/Miyagi Technical Services Center/Tokyo Plant/Nagoya Plant/Kobe Plant/Akashi Plant/Thermal Spraying Technology R&D Laboratories/Mizushima Plant/Kitakyushu Plant

(2) Certified activities

R&D, manufacturing, sales, and after-sales service of surface modification products using thermal spray and peripheral technologies

(3) Location (physical scope) and scope of activities

The contents are in accordance with matters registered with JQA.

① Organization name: Headquarters, TOCALO Co., Ltd.

Address: 6-4-4 Minatojima Minamimachi, Chuo-ku, Kobe, Hyogo

Scope of activities: Corporate management and support operations at the Headquarters

② Organization name: Miyagi Technical Service Center (Miyagi TSC), TOCALO Co., Ltd.

Address: 21-11 Kitanaka Bessho, Kawauchi, Osato-Cho, Kurokawa-Gun, Miyagi

Scope of Activities: Manufacture, sale, and after-sales service of surface modification products using thermal spray technologies

Organization name: Yamanashi Sales Office, TOCALO Co., Ltd.

Address: 1-1-24 Iida, Kofu, Yamanashi

Scope of Activities: Sales and after-sales service of surface modification products using thermal spray and peripheral technologies

③ Organization name: Tokyo Plant (Gyoda Workshop), TOCALO Co., Ltd.

Address: 1-1-1 Gyoda, Funabashi, Chiba

Scope of Activities: Manufacture and after-sales service of surface modification products using thermal spray and peripheral technologies

④ Organization name: Tokyo Plant No.2 (Suzumi Workshop), TOCALO Co., Ltd.
Address: 606-5 Suzumi-cho, Funabashi, Chiba
Scope of Activities: Manufacture, sale, and after-sales service of surface modification products using thermal spray and peripheral technologies

Organization name: Kanagawa Sales Office, TOCALO Co., Ltd.
Address: 1-14-20 Shinyokohama, Kohoku-ku, Yokohama, Kanagawa
Scope of Activities: Sales and after-sales service of surface modification products using thermal spray and peripheral technologies

Organization name: Kita-Kanto Sales Office, TOCALO Co., Ltd.
Address: 2F, 1086-45 Shimohamada-cho, Ota, Gunma
Scope of Activities: Sales and after-sales service of surface modification products using thermal spray and peripheral technologies

⑤ Organization name: Nagoya Plant, TOCALO Co., Ltd.
Address: 33-3 Nibanwarishimo, Nawamachi, Tokai, Aichi
Scope of Activities: Manufacture, sale, and after-sales service of surface modification products using thermal spray technologies

Organization name: Shizuoka Sales Office, TOCALO Co., Ltd.
Address: Fujioji Bldg.102, 411-1, Motoichiba, Fuji
Scope of Activities: Sales and after-sales service of surface modification products using thermal spray and peripheral technologies

⑥ Organization name: Kobe Plant, TOCALO Co., Ltd.
Address: 1-5 Mitsugaoka, Nishi-ku, Kobe, Hyogo
Scope of Activities: Manufacture and after-sales service of surface-modified products using thermal spray and peripheral technologies

⑦ Organization name: Akashi Plant, TOCALO Co., Ltd.
Address: 14-1, Minamifutami, Futami-cho, Akashi, Hyogo
Scope of Activities: Manufacture, sale, and after-sales service of surface modification products using thermal spray technologies

Organization name: Akashi Plant (Akashi-Harima Plant), TOCALO Co., Ltd.
Address: 15-1 Higashi-Shinjima, Harima-cho, Kako-gun, Hyogo
Scope of Activities: Manufacture and after-sales service of surface modification products using thermal spray technologies

⑧ Organization name: Thermal Spraying Technology R&D Laboratories, TOCALO Co., Ltd.
Address: 14-3 Minamifutami, Futami-Cho, Akashi, Hyogo
Range of Activities: Research and development of surface modification products using thermal spray and peripheral technologies

⑨ Organization name: Mizushima Plant, TOCALO Co., Ltd.

Address: 2-38 Matsue 2-chome, Kurashiki, Okayama

Scope of Activities: Manufacture, sale, and after-sales service of surface modification products using thermal spray technologies

⑩ Organization name: Kitakyushu Plant, TOCALO Co., Ltd.

Location: 1-48 Torigoe-cho, Kanda-cho, Kyoto-gun, Fukuoka Prefecture

Scope of Activities: Manufacture, sale, and after-sales service of surface modification products using thermal spray technologies

(4) Scope of impact

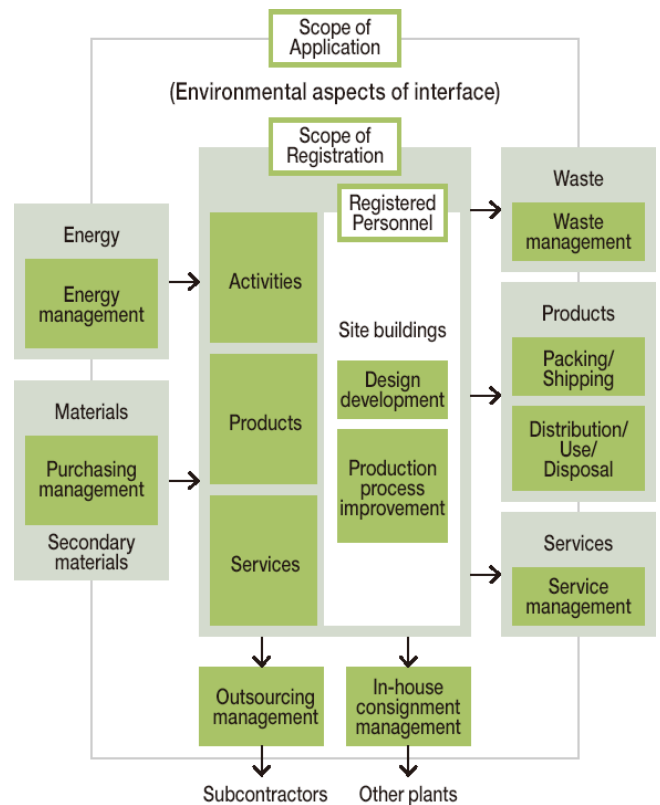
Within the site

- ① Design and development
- ② Improvement of production processes

Environmental aspects of the interface are as follows.

- ① Energy management
- ② Purchasing management
- ③ Outsourcing Management
- ④ In-house consignment management of other plants
- ⑤ Waste management
- ⑥ Distribution, use, and disposal of products after use
- ⑦ Service management

≡ Scope of Potential Impact



Compliance with Environment-Related Laws and Regulations

Identifying laws and regulations to be observed and confirming the status of compliance

TOCALO compiles a list of environmental laws and regulations to be observed and regularly checks the status of compliance. Details of compliance include notifications to the government, appointments, and regulatory values.

≡ Major environmental laws and regulations related to TOCALO's business

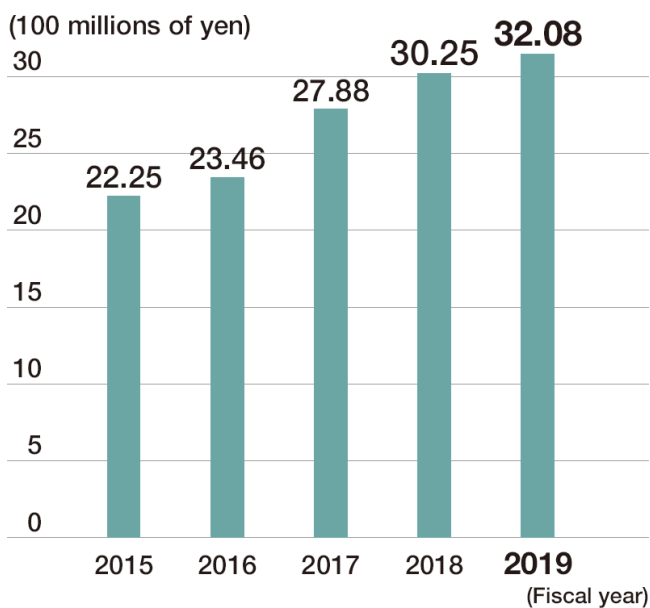
Waste Management and Cleaning Law	Air Pollution Control Law
Water Quality Pollution Control Law	Sewerage Law
Soil Contamination Countermeasures Law	Septic Tank Law
Noise Control Law	Vibration Regulation Law
Offensive Odor Control Law	Plant Location Law
Law Concerning the Rational Use and Management of Fluorocarbons	Act on PRTR of Measures to Identify and Improve the Control of Emissions of Specific Chemical Substances into the Environment ("PRTR Law")
Poisonous and Deleterious Substances Control Law	Fire Defense Law
Industrial Safety and Health Act	High Pressure Gas Safety Law
Act on Promotion of Global Warming Countermeasures	Act on the Rationalization of Energy Use, etc.

Environmental Accounting

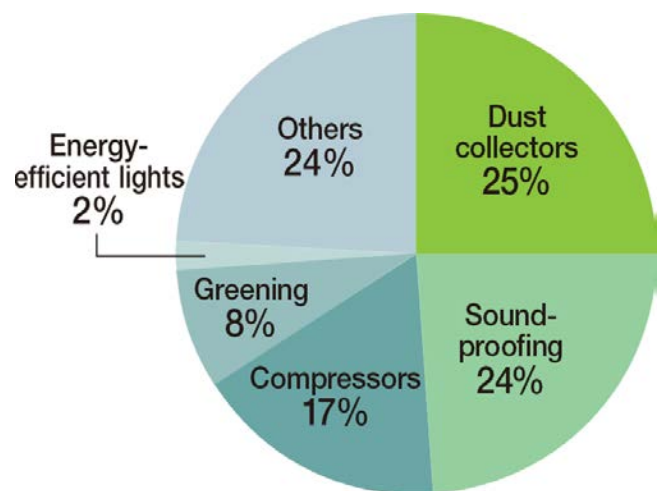
We focused on investing in environmental facilities, such as wastewater and waste gas treatment systems, and noise-prevention measures at new plants.

The graph below shows the cumulative amount of environment-related capital expenditures since 2002, when we first acquired ISO 14001 certification. Our main environmental facilities include dust collectors that do not emit dust, soundproofing equipment that shields noise from dust collectors, and energy-saving equipment. In 2019, we reinforced our dust collectors and noise-proofing equipment, and introduced highly efficient compressors.

≡ Cumulative Environmental Investments



≡ Breakdown of capital expenditures



Environmental Education and Training

We provide general education for all employees.

We systematically conduct education and training on the operation of the environmental management system and how to respond to emergencies, as required by law.

The main themes are "Environmental Policy," "Significance of Operating an Environmental Management System," and "Waste Handling", which are taught with initiatives in each workplace.

Through such education and training, we are working to raise awareness and the level of understanding.



Education scene

Targets and Results

We have established two major themes and are working on environmental activities by setting targets at each site.

▼ Achievements in Fiscal 2019 and Targets for Fiscal 2020

Achievements in Fiscal 2019 and Targets for Fiscal 2020









Of the 34 targets, 26 were achieved.
















Across TOCALO, we set our own targets and worked toward achieving them by (1) conserving energy and resources in our business activities and (2) contributing to the environment through the promotion of business activities. As a result, 6 targets related to energy conservation and 2 related to business activity promotion were not achieved, while 26 other targets were achieved.

We will continue to focus on contributing to the environment through energy and resource conservation and the promotion of our business activities.

In fiscal 2020, we will continue to focus on (1) energy and resource conservation in our business activities, and (2) contributing to the environment through the promotion of business activities. All of our plants will set goals and conduct activities in the same direction.

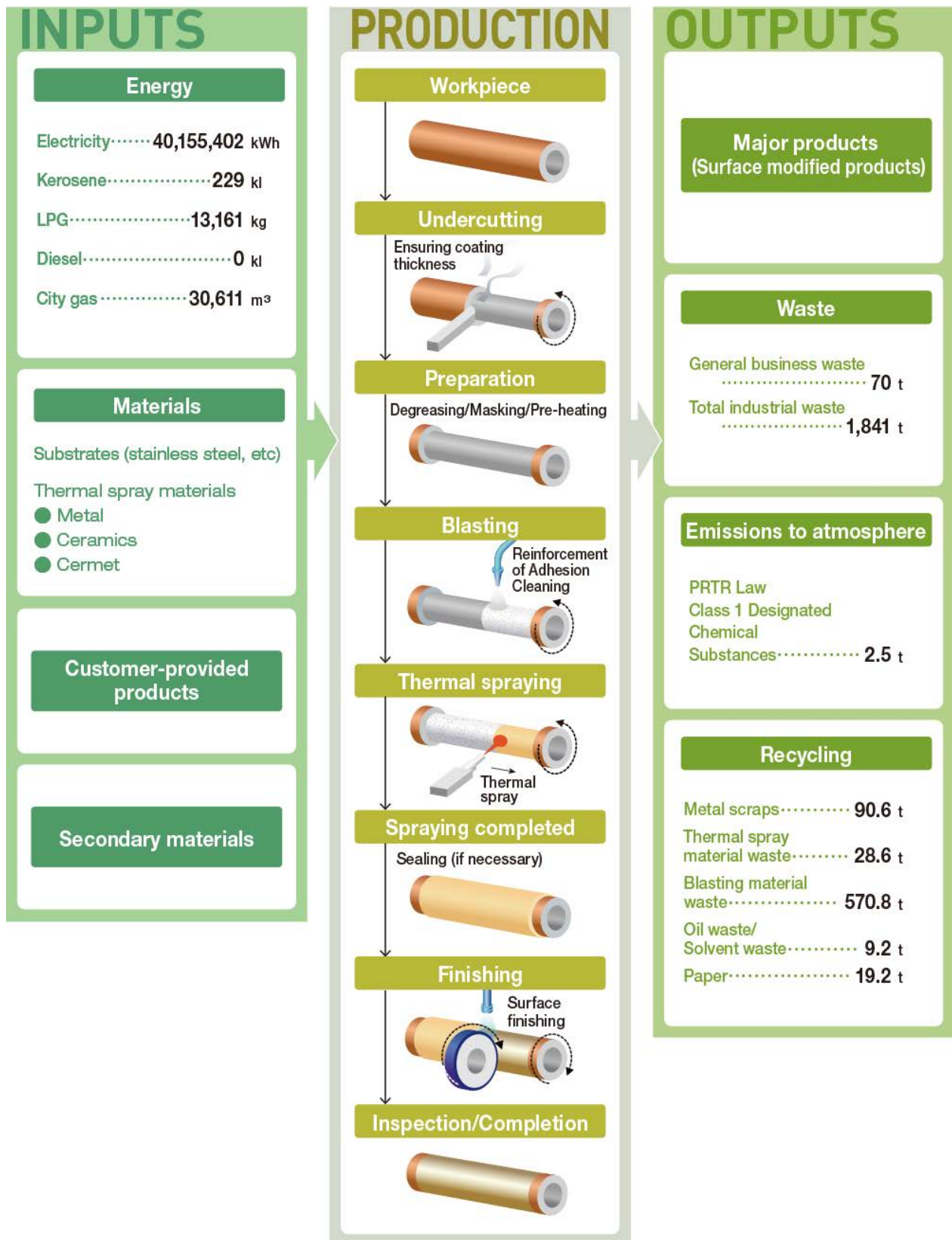
Site	Environmental Target	Target for Fiscal 2019	Fiscal 2019 Results	
Energy and resource conservation in business activities				
Headquarters	Promoting the utilization of subsidies for energy conservation	Promoting the introduction of energy-saving equipment by showing customers subsidy information on energy-saving equipment	Attempted to receive advice from a vendor, but that was discontinued due to the impact of COVID-19	😞
Miyagi	Reduction of gasoline consumption	Average fuel consumption of company-owned vehicles: 10% improvement compared to fiscal 2018	19.68% improvement compared to fiscal 2018	😊
Tokyo	Promotion of energy- and resource-saving activities	Switch over to energy-saving equipment: 3 cases per year or more	4 cases	😊
	Promoting activities to reduce the defect rate	Maintenance and rework materials/Total materials used: 3.0% or less	3.8%	😞
	Promoting activities to reduce the defect rate	Reduction in the shipment rate of non-conforming products: 0.08% or less	0.05%	😊
Tokyo No.2	Promotion of energy- and resource-saving activities	Reduction in material consumption by improving thermal spraying method	Results of improvement in thermal spray method completed: Survey for next fiscal year	😞
	Promoting activities to reduce the defect rate	Number of nonconformities in quality control: 5 cases/year or less	3 cases	😊
	Promotion of energy- and resource-saving activities	Improvement of loss through introduction of energy-saving equipment and facility maintenance: 5 cases/year or more	5 cases	😊
Nagoya	Promoting activities to reduce the defect rate	Publication of non-compliance reports: 50% or more	70%	😊
Kobe	Reduction in electric power consumption	Implementation of two power reduction measures annually	2 cases	😊

Akashi	Reduction in electricity consumption	Planning for all defects or improvement plan for air leaks: 100%	100%	
	Promotion of recycling of thermal spray material by thermal spray 1 division	Recovery rate of Material A: 66.5% or more	63.5%	
	Promotion of recycling of thermal spray material by thermal spray 2 division	Recovery rate of B materials: 15.2% or more	17.0%	
	Promotion of recycling of thermal spray material by thermal spray 3 division	Recovery rate of C materials: 19.2% or more	25.7%	
	Promotion of recycling of thermal spray material by thermal spray 4 division	Recovery rate of D materials: 4.4% or more	4.3%	
	Promotion of recycling of thermal spray material by thermal spray 5 division	Recovery rate of E materials: 1.5% or more	11.8%	
	Mizushima	Reduction in electric power consumption	12.42 or less per unit of target value	Basic unit 10.85
Reduction in nonconformities		Making of preventive action manuals: 12 cases/year	8 cases	
Kitakyushu	Reduction in the distance traveled by sales vehicles	Travel distance of sales vehicles: 1,400 km/month or less	Average 1,175.8 km/month/unit	

Contributing to the environment by promoting business activities				
Headquarters	New promotions aimed at cultivating new projects	168 promotions to new customers or new departments of existing customers/year or more	Implemented 172 cases	
Miyagi	Promotion of development projects to customers	New development projects: 84/year or more	84 cases	
	Production of environment contributing technologies	Establishment of elemental technologies in the development of thermal sprayed parts for semiconductors: 24 cases/year or more	24 cases	
Tokyo	Promotions of new proposal activities TD	Application of new TD specifications: 12 cases/year or more	12 cases	
Tokyo No.2	Promotion of new proposal sales activities	Number of new visits: 480/year or more	535 cases	
Nagoya	Promotion of new business activities	Orders for newly evaluated products: 60 cases/year or more	61 cases	
Kobe	Proposing of coatings that extend the service-life of customer products	Number of orders received: 10 cases/year	4 cases	
Akashi	Introduction of long service-life coatings to customers	Number of new visits: 192/year	216 cases	
R&D	New development	Initiatives for new development: 70 cases/year or more	87 cases	
	Development of coating processes and provision of data	New coating product development	New coating products 12 cases	
Mizushima	Orders for new products	Number of new product orders: 96/year or more	139 cases	
Kitakyushu	Efficient production of products	Maintaining the arc time of thermal spray unit by 54% or more	56.5%	
		Maintaining the arc time of the spraying II unit by 52% or more	45.0%	
Others				
Tokyo No.2	Prevention of environmental pollution	Improvement of workplace contamination by preventing grinding fluid dispersion	Established a cover partition for western lathes.	
Kobe	Improvement of work environment	Reduction in sludge (industrial waste) generation	5.5% reduction per product	

Material Balance

We strive to reduce environmental load by ascertaining and analyzing the actual status of how much resources and energy are used in our production processes and what kind of environmental impacts are generated.



Measures to Reduce Environmental Load

TOCALO is constantly aware of the environmental load of its business activities, products, and services, and strives to prevent environmental pollution and continuously improve its environmental performance through energy conservation, waste reduction, and appropriate management of hazardous substances.

- ▼ Global Warming Prevention
- ▼ Appropriate Management of Chemical Substances
- ▼ Reduction of Waste
- ▼ Dust countermeasures
- ▼ Soil and Water Pollution Countermeasures
- ▼ Noise Countermeasures

Global Warming Prevention

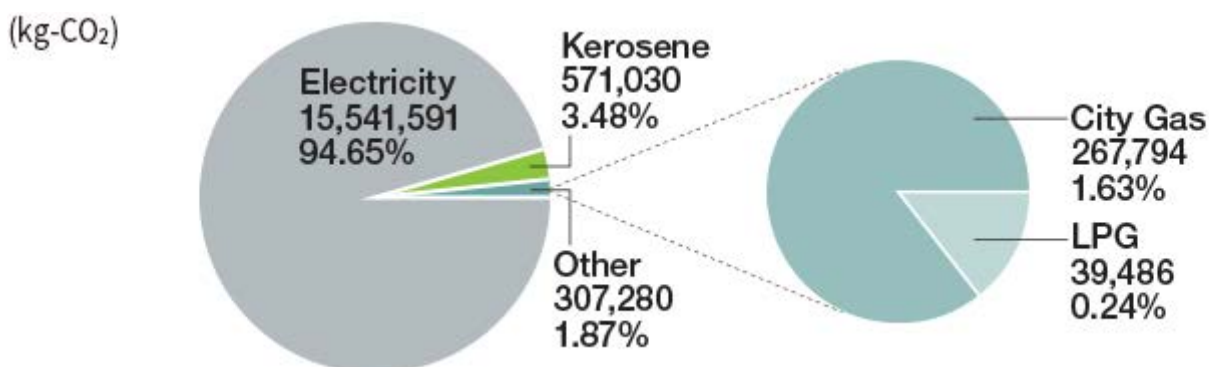
In addition to implementing thorough energy-saving measures, we are promoting the introduction of energy-saving equipment.

Our main sources of energy are kerosene, diesel oil, LPG and city gas, which are primary energy sources derived from fossil fuels, and electricity, which is a secondary energy source. In terms of CO₂ equivalent, electricity and kerosene accounted for 94.65% and 3.48%, respectively, and 98.13% of the total, thus these two energy sources accounted for most of CO₂ emissions.

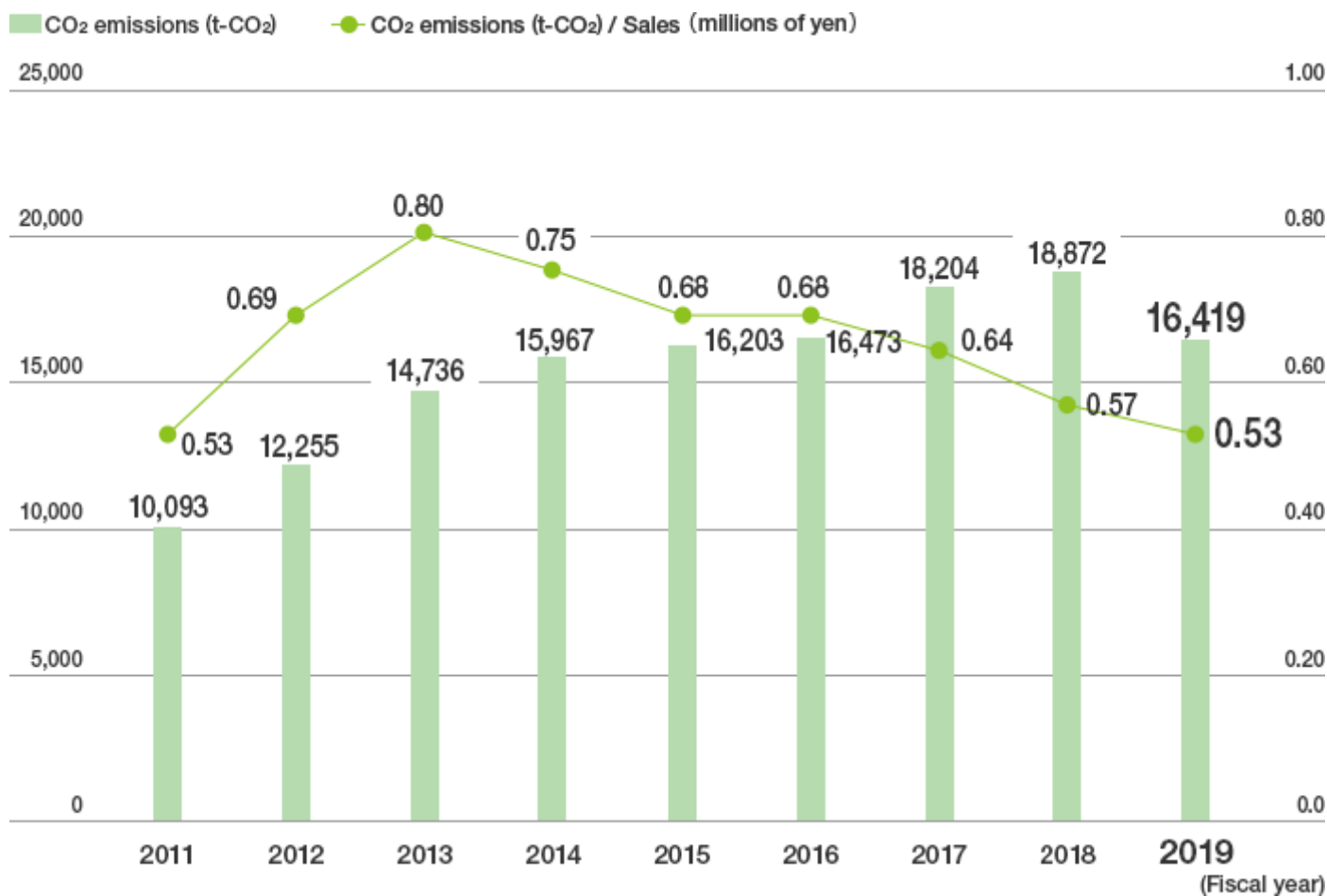
In particular, the highest consumption is electricity. This is calculated by allocating the CO₂ emitted by the electric power supplier to the user's consumption and multiplying the consumption by a factor that converts it to CO₂ emissions. This factor is published annually by the electric power supplier. However, CO₂ emissions will increase even with the same amount of electricity used if nuclear power generation decreases and thermal power generation increases due to the fact that the factor is largely influenced by the power generation methods of the electric power supplier.

At TOCALO, in addition to implementing detailed power savings as a regular component of efficient business operations, we are introducing energy-saving equipment and upgrading aging equipment to eco-products. In fiscal 2019, energy consumption efficiency declined slightly due to the effects of the hot summer of 2019 and the tendency for air conditioning to increase with ventilation during the COVID-19.

Breakdown of Energy Consumption in Fiscal 2019 (CO₂ Equivalent)



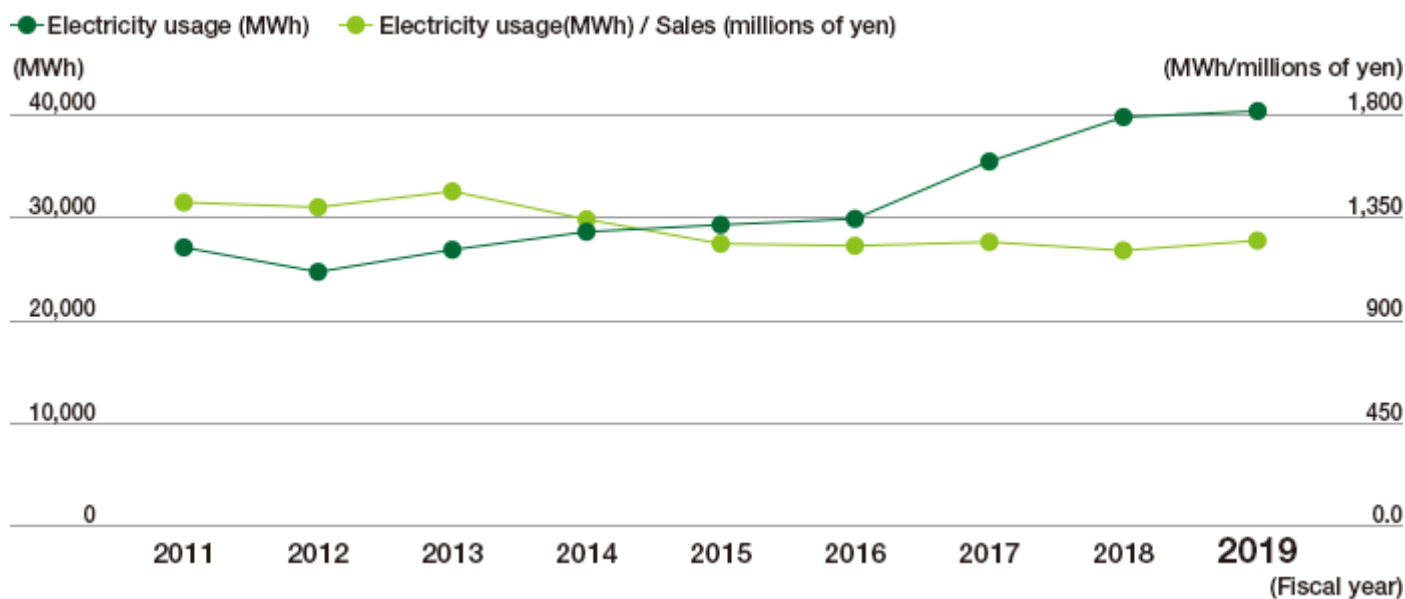
Changes in CO₂ Emissions



CO₂ emissions in fiscal 2019 decreased from the previous year.

Despite the fact that electricity consumption, which accounts for the majority of our energy consumption, remains almost unchanged, our CO₂ emission rate has fallen because the CO₂ emission factor announced by the electric power companies has fallen.

Changes in Electricity Usage



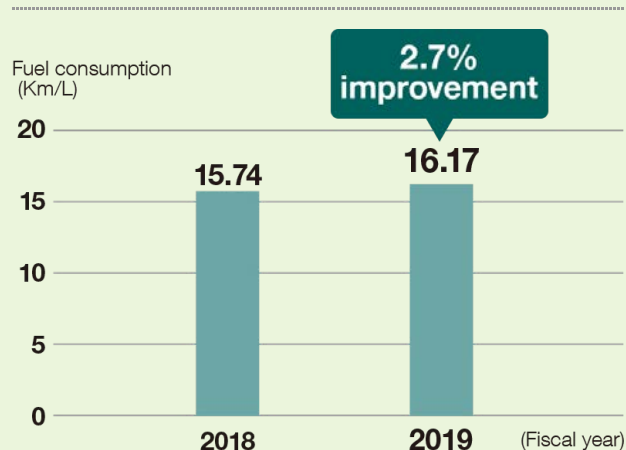
TOPICS1

We analyze the driving data of each driver, which leads to improved fuel efficiency.

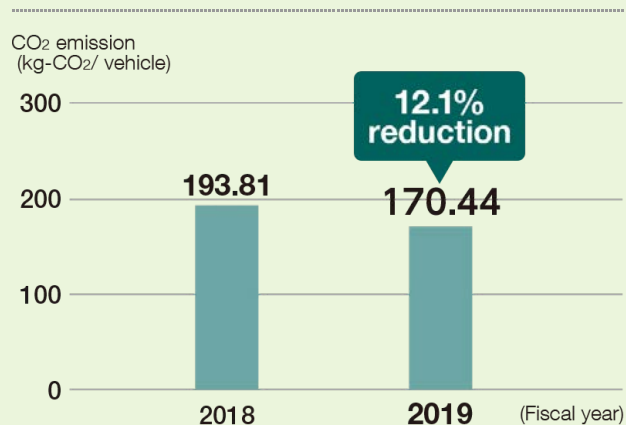
Vehicle information is collected by utilizing a telematics service (in-vehicle equipment with communication and GPS functions) introduced company-wide, and analyze driving data for each driver to improve fuel efficiency. By analyzing driving distance, fuel efficiency, long-time idling, the number of sudden accelerations, and the ratio of constant-speed driving time of each driver, the system can provide guidance on fuel-efficient driving and safe driving to each driver.

We also found that there was a significant difference in fuel efficiency between hybrid and gasoline-powered vehicles, and, therefore, allocated hybrid vehicles to drivers who travel long distances in order to reduce the overall gasoline consumption of a given site. We believe this approach will enable us to visualize the benefits of fuel-efficient vehicles, and provide us a good source of information for making decisions on introducing vehicles.

Average Fuel Consumption of Sales Vehicles



CO₂ emissions from sales vehicles



Sales company vehicle (hybrid vehicle)

TOPICS2

New Headquarters Building: Initiatives for Energy Conservation and Reduction in Environmental Impacts

Completed in 2017, the new headquarters has double pane windows on the south side of the building and a mechanism for discharging air between the panes in order to reduce indoor temperature increases. In addition, multi-stage air conditioners and LED lighting, which offer superior energy-saving performance, are fully used to create an environmental-friendly building.

As a result, energy consumption per floor area of the new headquarters building has been kept to about 50% of that of the old headquarters.

- **Building envelope of high thermal insulation**
- **1.7 times higher insulation performance than ordinary office buildings, and an inner sash and air flow system that further enhance insulation performance**
- **Introduction of various energy-saving equipment in office rooms with long operating hours**
- **Measurement and calculation of power consumption by BEMS (Building Energy Management System) was introduced to support energy-saving operation of facilities and equipment.**



Headquarters

Appropriate Management of Chemical Substances

In accordance with the PRTR Law, we report the amounts of chemical emissions and transfers.

In fiscal 2019, TOCALO reported the amount of designated chemicals released into the environment and transferred in accordance with the PRTR Law (Pollutant Release and Transfer Register: Chemical Substance Release and Transfer Notification System) for 8 substances.

Release and Transfer Volume of PRTR Law, Type 1 Designated Chemicals in fiscal 2019

	Released amount (kg)				Transferred amount (kg)	
	Emission into the atmosphere	Release into public waters	At the place of business Discard into the soil	At the place of business Landfill disposal	Transfer to sewerage	Transfer off-site (Industrial waste)
Chrome and Trivalent chrome compounds	8.0	0	0	0	0	6,760
Cobalt and its compounds	5.6	0	0	0	0	1,200
1-2-4 Trimethylbenzene*	0	0	0	0	0	0
Toluene	POINT 1 2,460	0	0	0	0	3,260
Nickel	11.2	0	0	0	0	10,000
Nickel compounds	1.9	0	0	0	0	POINT 2 1,400
Vanadium compound	0	0	0	0	0	3,200
Boron compounds	0	0	0	0	7.3	8,300

* 1-2-4 Although trimethylbenzene is contained in kerosene at a level of about 1.5%, it is considered to be consumed by combustion. Emissions into the air are derived from detergents for color checks used in inspections.

POINT 1

Emissions into the atmosphere have resulted in 2,460 kg of toluene.

This is a substance contained in organic solvents (thinners, etc.) and is calculated by estimating the amount of volatile organic compounds (VOCs) evaporated by natural drying from the amount used.

POINT 2

As for nickel compounds, we usually use materials supplied by our customers, and the residual amount after use and collected powders from the dust collectors are returned to our customers. In fiscal 2019, however, we received orders from another customer that required the application of materials containing nickel compounds, and we properly disposed of the residual materials used in this process.

Reduction of Waste

We are properly disposing of all types of waste, from general waste to specially controlled industrial waste.

(1) General waste

Paper constitutes the majority of business-related general waste. With the cooperation of paper manufacturers, we are committed to the reuse and recycling of paper and striving to reduce them by chemically dissolving them while maintaining confidentiality.

(2) Industrial waste

Waste oil accounted for the largest portion of our industrial waste at 36%. It is derived from cooling water that is added to grinding oil for use as coolant with wet grinders (machines for roll grinding). More than 90% of the water is tap water and, after disposal, it is used at cement factories and elsewhere to adjust combustion temperature.

This was followed by sludge (17%), waste plastics (17%), waste alkali (12%), slag (7%), and glass and ceramics (5%).

Sludge contains a large amount of dust generated from thermal spraying. Although thermal spray dust is dry, it is treated as sludge with strict disposal standards.

Waste plastics include material containers and secondary materials, as well as waste paper and wood scraps that contain oil.

Most of the waste alkali is washing solution from TD treatment that contains a small amount of sediment. It is weakly alkaline due to its boron content. Depending on the situation, it may be treated as sludge.

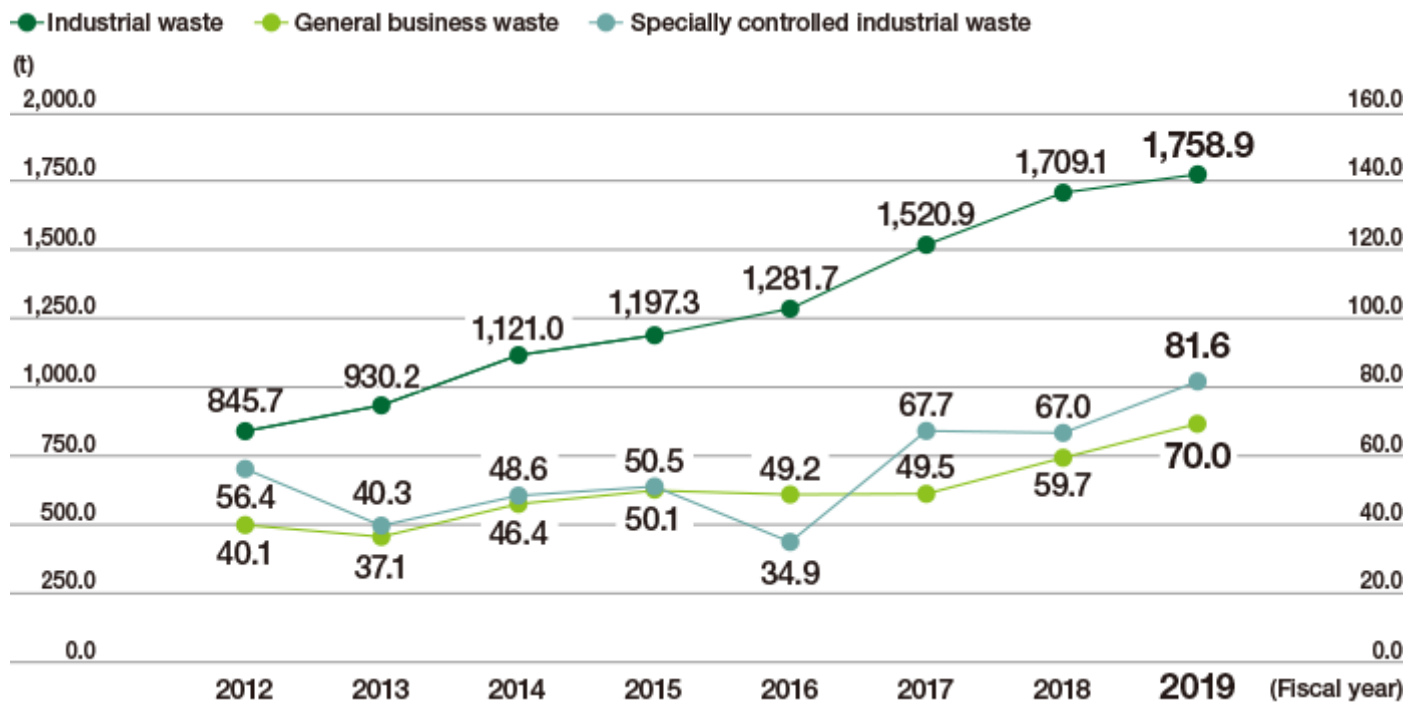
Sludge is a mineral residue, but wet sludge in waste treatment is more strictly controlled. At TOCALO, residues that may get wet are disposed of as sludge even if it is not currently wet.

Glass and ceramic scraps contain ceramic-based grinding materials that cannot be recycled, in addition to refractory bricks.

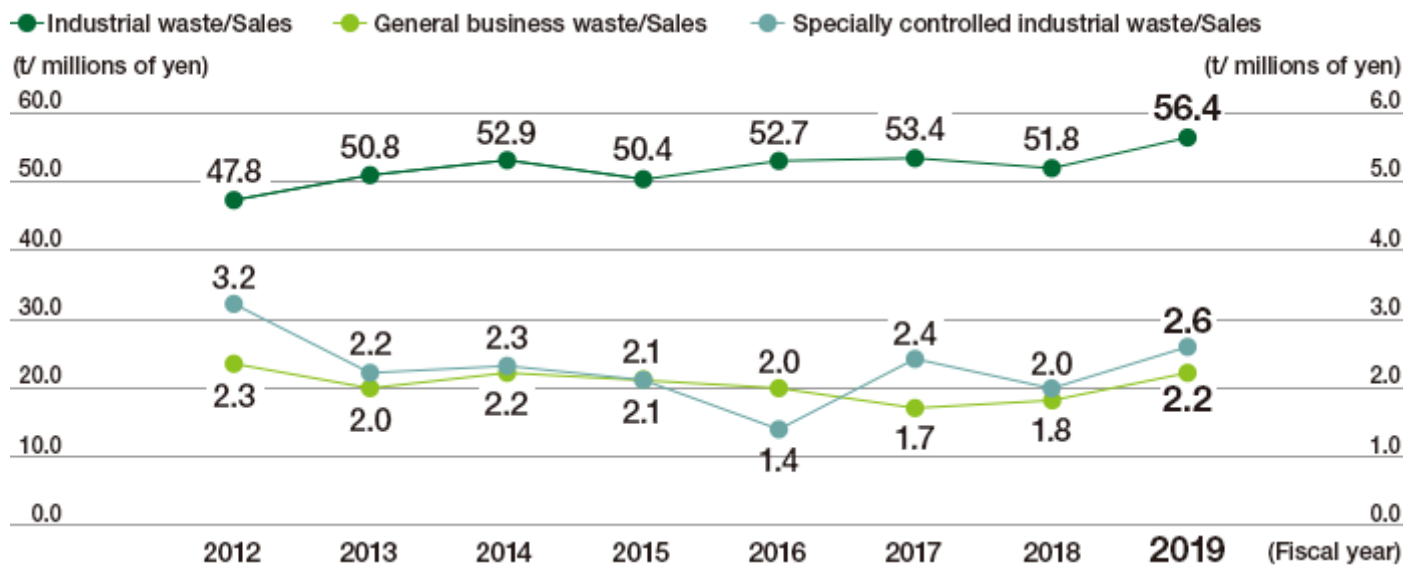
(3) Specially controlled industrial waste

Most of the dust generated by thermal spraying using chromium-containing materials (such as stainless steel) is collected by dust collectors. In cases when it exceeds the regulatory limit in dissolution tests, it is disposed of as specially controlled industrial waste.

Changes in Total Waste Emissions



Changes in Total Waste Emissions/Sales



Dust countermeasures

Dust generated in the thermal spraying process is safely collected without being released into the atmosphere.

TOCALO's main products modify surfaces by way of thermal spraying. In thermal spraying, powder or wire is used as a material, which is fed into a combustion flame or plasma jet to melt and spray to form a coating. During the process, powders that were not melted or were not deposited even if melted and sprayed become dust. Dust collectors do not release this dust directly into the atmosphere but collect it safely.

(Photo)

Since thermal spraying is a dry method, there is no need for waste liquid treatment and the dust collection method is mainly dry. Airborne dust in a thermal spray booth is drawn into the dust collector via a duct and filtered through filters made of woven and nonwoven fabrics in the device. As fine dust layer collected on the filter surface becomes thicker, the filter gets clogged, causing pressure loss to increase and dust collection efficiency to decrease. Therefore, dust is intermittently removed with compressed air (pulse jet) to restore efficiency.

Among the various types of collected dust, that which can be reused is recycled, whereas that which cannot be recycled is treated as industrial waste.



Cartridge type dust collector

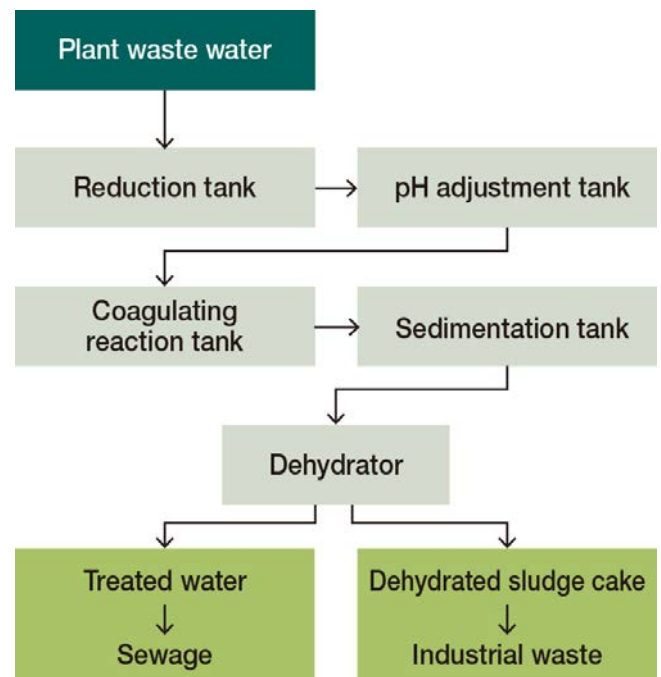
Soil and Water Pollution Countermeasures

We strive to take sufficient measures because the soil and water quality directly affect surrounding local areas.

At the Kobe Plant, which applies surface modification technologies other than thermal spraying, wastewater that requires detoxification treatment is discharged into the sewage system after being detoxified at a coagulating sedimentation treatment facility. In the event of an accidental leak of plant wastewater, we have installed pipes and concrete walls to prevent and quickly and visually detect leaks. In addition, we have prepared anti-dispersants to prevent leaks from spreading. The equipment is controlled under a rigorous system that complies with applicable laws and regulations, and by conducting periodic monitoring and measurements.

The site of the former Kobe Plant, which had been leased since our foundation in 1951, exceeded some standards in soil surveys and, though it posed no health risks, notification was required upon any changes to its form or nature. Soil improvement lifted the requirement on March 20, 2019. The leased land was returned at the end of March 2019.

Plant Wastewater Treatment Steps (coagulating and sedimentation treatment facility)



Noise Countermeasures

Noise barriers have been installed and noise measurements are also carried out regularly.

The main types of equipment that generate noise of a concerning level are air compressors and blowers. However, in addition to this equipment, there are other noise sources, and we are taking steps to avoid disturbing the neighborhood by implementing soundproofing measures such as installing these facilities inside buildings and installing special soundproof walls.

In addition, we regularly measure noise levels to ensure that our facilities and equipment are within regulatory limits.



Noise measurement using specialized equipment



Together with Customers and Suppliers

We are aiming to be a company trusted by customers and striving to provide products and services that satisfy customer requirements.

We also want our business partners to grow alongside us through activities based on our partnerships.

- ✔ Enhance Customer Satisfaction ✔ Acquisition of ISO 9001 Certification
- ✔ Acquired JIS Q 9100, Nadcap Certification (for the aerospace industry)

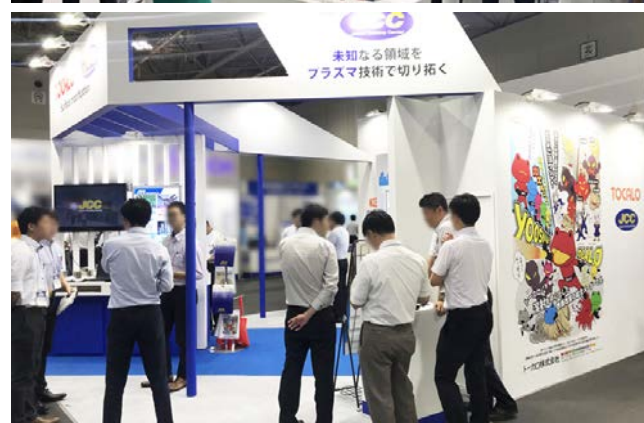
Enhance Customer Satisfaction

We are working daily to deliver inspirations to customers.

We believe that the high value-added one-of-a-kind products that TOCALO delivers satisfy and inspire our customers because of our high level of quality control and good services. We strive to communicate the necessary information to our customers honestly and sincerely every chance we get from order receipt to delivery.

TOCALO is committed to quality control as well as research and development. In addition to operating a quality management system that is compliant with both ISO9001 and JIS Q 9100 for the aerospace industry, we also hold QA tournaments to present the results of quality control efforts, and Technology Report tournaments to present new studies and improvements. These tournaments are designed to raise the level of both technologies and quality management across the company. In fiscal 2018, we established the Quality Headquarters, headed by a director, to strengthen our management system.

TOCALO actively participates in exhibitions on the themes of "Medical," "Environment and Energy," and "Transportation" equipment. In fiscal 2019, TOCALO exhibited at total of 9 exhibitions. As a problem-solving company, we are proactively working to identify customer issues and work with customers to realize better products and services.



Exhibition scene

≡ Exhibitions in Fiscal 2019

- 4th Nagoya Mechanical Component Technology Exhibition Port Messe Nagoya (4/17-19/2019)
- 2nd Nagoya Vehicle Weight Reduction Technology Exhibition Port Messe Nagoya (9/18-20/2019)
- Okayama Technology Exhibition (OTEX) 2020 Convex Okayama (1/23-24/2020) Others

Acquisition of ISO 9001 Certification

Almost all plants have acquired certification.

We continually improve our quality management system in order to improve customer satisfaction and earn social trust through quality assurance.

≡ Status of ISO 9001 certification

ISO 14001-Certified Plant	Registered Date	Registration Number	Certified Activities
Tokyo Plant	May 1999	JQA-QM 3344	Surface treatment processing for industrial parts (thermal spray processing and other peripheral technologies)
Kobe Plant	May 2003	JQA-QMA 10001	ZAC processing of parts for FPD and semiconductor manufacturing equipment and general industrial machinery parts TD processing of insert block molds for automobile forming mold
Akashi Plant	Oct. 1999	JQA-QM 3810	Surface treatment processing for industrial parts (thermal spray processing and other peripheral technologies)
Mizushima Plant	Dec. 2011	JQA-QMA 14492	Surface treatment processing for industrial parts (thermal spray processing and other peripheral technologies)
Kitakyushu Plant	Jul. 1998	JQA-2470	Thermal spray processing for industrial machinery parts, equipment parts for the chemical industry, and parts for FPD and semiconductor manufacturing equipment
Nagoya Plant	Nov. 2017	JQA-QMA15690	Surface treatment of parts for general industrial and aerospace industries (thermal spraying)

☰ Quality control system

Plant	Implementation Items	Certified Activities
<p>Considering orders</p> <p>↓</p>	<ul style="list-style-type: none"> • Hearings • Preliminary verification test • Review of customer requirements 	<ul style="list-style-type: none"> • Gathering information through interviews to realize customer requirements • Analysis of the use environment for each customer • Proposal
<p>Orders (processing instructions)</p> <p>↓</p>	<ul style="list-style-type: none"> • Processing directives <ul style="list-style-type: none"> ◦ Drawing ◦ Purchase specifications 	<ul style="list-style-type: none"> • Input customer requirements into processing directives (attachment of drawings, purchase specifications, etc.)
<p>Manufacturing</p> <p>↓</p>	<ul style="list-style-type: none"> • Incoming inspection • Purchasing process control • Manufacturing process control • Shipment inspection 	<ul style="list-style-type: none"> • Incoming inspection (prevention of non-conforming parts and materials into the manufacturing process based on source management) • Purchasing management (purchase of conforming products from selected suppliers) • Manufacturing process (management of individual processes based on 5Ms to provide stable product quality) • Shipment inspection (provision of products that meet customer requirements)
<p>Shipment</p> <p>↓</p>	<ul style="list-style-type: none"> • Traceability management 	<ul style="list-style-type: none"> • Management of process history by product identification
<p>After-sales service</p>	<ul style="list-style-type: none"> • After-sales follow-up 	<ul style="list-style-type: none"> • Quality surveys of tie-ups in engineering, manufacturing and sales by visiting customers • Sincere response to customer complaints

Acquired JIS Q 9100, Nadcap Certification (for the aerospace industry)

The Nagoya Plant has acquired certification for the aerospace industry.

JIS Q 9100 was established to manage the quality of aerospace defense products, which requires advanced quality control. To satisfy requirements specific to the aerospace industry, the Nagoya Plant acquired certification in November 2008. The Akashi Plant was also certified in 2014, but the aircraft-related work was consolidated at the Nagoya Plant, and the certification was returned at the end of March 2020.

Nadcap is an international certification system under which PRI (Performance Review Institute), an NPO in the United States, reviews special process operations in the aerospace and defense industry.

≡ JIS Q 9100 and Nadcap Certification

	ISO 14001-Certified Plant	Registered Date	Registration Number	Certified Activities
JIS Q 9100	Nagoya Plant	Nov. 2008	JQA-AS 0044	Surface treatment of aerospace components (thermal spraying)
Nadcap		Mar. 2014	967616467	Surface treatment of aerospace components (thermal spraying)

Together with Our Employees

Corporate Ethics Guidelines state the obligations the company has to its employees and its determination to meet those obligations so that employees can maximize their abilities and achieve self-fulfillment.

- ✔ Creating an Environment in Which All Employees Can Thrive
- ✔ Respect for Human Rights
- ✔ Occupational Health and Safety Initiatives
- ✔ Work-Life Balance

Creating an Environment in Which All Employees Can Thrive

Initiatives to Support Balancing Work and Childcare

- Childcare and nursing care leave
- Shorter working hours and leave for childcare and nursing care

Initiatives to create a comfortable work environment

- Correspondence education program
- Awards and incentive programs

Initiatives to create an environment in which all employees can fully demonstrate their abilities

- Re-employment program for retired employees
- Stress checks
- Refreshment leave
- Introduction of flextime systems
- Implementation of a system of paid leave on an hourly basis



Introduction to correspondence education



VOICE Pleasant workplace while raising children

Yuka ODA (Personnel & General Administration Department)

In 2017, I gave birth and took a childcare leave for one and a half years. I returned to the company in April 2019, and currently I am mainly in charge of overall operations related to payroll calculations at the corporate headquarters.

I was able to return to work with peace of mind because I had been supported by the people around me from the time I was pregnant and had been contacted frequently even during my childcare leave.

At the beginning when I went back to work, it was very difficult to balance childcare and work, but I could adjust my work schedule, and now I have been selected as a member of an important project, and I feel very satisfied with my job.

In addition, when COVID-19 made it impossible to leave my child at nursery school, the company adopted a telework system and safely spent the lockdown period working from home while caring for my children.

I would like to express my gratitude to everyone in the workplace for creating a comfortable work environment. It has strongly motivated me to do my work right.

Respect for Human Rights

Eliminating All Discrimination among Employees

The Compliance Handbook expressly stipulates that the company shall respect the fundamental human rights of employees and shall not discriminate against or harass individuals for reasons unrelated to the performance of one's duties. This includes race, nationality, ethnicity, beliefs, religion, age, sex, physical characteristics, presence or absence of disability, internal position, type of employment, property, place of origin, marital status, or any other reason that may harm the dignity of the individual.

Prevention of Harassment

To prevent harassment, we held harassment training for all employees in 2020. The first training for managers was conducted in fiscal 2019.

In addition to distributing the Compliance Handbook to disseminate correct knowledge, we have established the Clean Line Committee as a consultation desk for harassment and other matters.

Occupational Health and Safety Initiatives

We are also focusing on ensuring safety in the event of a disaster.

We strive to maintain and improve a comfortable work environment that gives consideration to safety and health, as well as enhance various systems related to welfare in compliance with the Labor Standards Law and the Occupational Health and Safety Law. Parallel to this, each business site has established its own measures to ensure safety and minimize damage in the event of a disaster.

In order to prevent occupational accidents from occurring, the entire company is making concerted efforts to vigorously promote safety and health measures.

Safety and Health Policy

TOCALO's safety and health policy is based on the principle that "safety takes precedence over everything". It serves as a guide for "maintaining and improving work environments" and "achieving zero accidents and zero injuries", by showing due consideration to safety and health in ways that safeguard and enhance the health of all employees.

We will strive to create a bright and rewarding workplace by:

1. Complying with laws and regulations related to safety and health related to our business and relevant internal regulations.
2. Continuing occupational health and safety activities (inspections, patrols, education) and striving to raise awareness of health and safety.
3. Reducing the risk factors underlying disasters through the use of risk assessments.
4. Showing due consideration to mental health so that employees can work in a healthy state of mind.
5. Promoting the safety activities of on-site partner companies and subcontractors.

Heat Stroke Countermeasures at Manufacturing Sites

In recent years, summer heat has become increasingly severe, and temperatures at manufacturing sites have been higher than before, increasing stress on employees. The higher temperature gets, the greater the risks of heat stroke becomes. It could adversely affect the health of our employees.

To prevent such risks, we are firstly improving our air-conditioners. Air-conditioners are adopted at most of our FPD production sites (semi-conductors and FPD make up about 40% of total sales), but we are actively introducing them in other fields as well.

Measures other than air-conditioning are implemented at sites as required, such to exhaust steam generated in operations to the outside, reduce outdoor heat input through the use of heat-shielding coating, and installation of large-scale air blowers. In addition, for personnel, we are promoting rehydration and salt supplementation with salt candies, installing spot coolers, and introducing air-conditioning clothing. With these measures in place, many of the workers on the site say that the work has become easier, which has also led to more efficient work. However, there are some sites where countermeasures are not yet sufficient, and further improvements are necessary. We will continue to consider the health of our employees and take appropriate measures at each business site.



VOICE Fighting the heat

Seiichiro Kawachi (Manager of Manufacturing Dept., Kobe Plant)

The Kobe Plant where I am working at has many electric furnaces (heat sources) that operate at high temperatures. This makes the plant extremely hot in summer, making it a grueling environment for workers on the site.

We are taking more measures than before, but due to the intense heat wave in recent years, it has become necessary to take drastic measures. We looked at reducing temperature in the plant, but since that required major renovations, it was not practicable or something we could do right away.

So, we prioritized protecting workers from heat with effective countermeasures.

In particular, we made improvements such as to use air-conditioning in work areas outside the electric furnace area, and install heat shield plates to block radiant heat from the electric furnace to areas where workers are.

Although we have heard from the site that it has become more comfortable than before, we still cannot say that the environment has become easier for workers to work in. Today, we are considering ways to effectively release the heat from our plant. As a manager, I would like to further improve the environment on a permanent basis.



Approach to mental health

In addition to the stress checkups mandated by law, we have established a separate consultation desk for employee mental health care. We have established a system that enables our employees to consult with specialists without having to go through the company, by contracting with SOMPO Health Support Co., Ltd.

Work-Life Balance

In addition to reducing long working hours and promoting use of paid leave, we have also established a childcare-friendly employment system and are raising awareness of the options our workforce has.

In order to realize a balance between work and life, not only are we reducing extended working hours and encouraging employees to take annual paid leave through collaborative efforts between labor and management, but we have also established a childcare-friendly employment system to help employees balance work and child-rearing amid Japan's rapidly declining birthrate and aging population. In addition, we are improving the work environment in consideration of health management during and after birth.

We are working to reform work styles and workplace culture in consideration of the employees who need to both work and care for family members, and are raising awareness of the options our workforce has. Moreover, in July 2020, we established a Diversity Promotion Committee in order to create a work environment for diverse human resources.

≡ Fiscal 2019 paid leave used

Average usage rate approx.70%

≡ Use of Nursing Care Leaves in Fiscal 2019

* Nursing care leave: To take care of a family member who needs nursing care for at least two weeks.

Number of eligible employees: 0

Number of approved employees: 0

≡ Use of Child Care Leaves in Fiscal 2019

* Child Care Leave: To take care of children under 1 year old living together.

Number of eligible employees	Number of employees who took childcare leave
Male 25	Male 0
Female 7	Female 7
Total 32	Total 7

≡ Nursing care leave taken in fiscal 2019

* Nursing care leave: Take care of a family member in need of care.

Number of employees who took nursing care leave

Male 4

Female 3

Total 7

≡ Fiscal 2019 Nursing Leave Usage Results

* Nursing holidays: Raising children until they reach the start of elementary school attendance.

Number of employees who obtained approval

Male 18

Female 4

Total 22

Together with Local Communities

We are aiming to be a company that enjoys the familiarity of local residents through cleanup activities in the surrounding areas, local events, participation in youth development programs, and promotion of sports.

❖ Community Cleanup Activities ❖ Contributing to the Development of Young People

Community Cleanup Activities

The management union to which the business site belongs received an award for local cleanup activities.

Local cleanup activities at TOCALO began as a part of community contribution activities, and are continuing in a manner with unique arrangements at each business site. We are working while paying close attention to traffic by wearing orange-colored bibs, our corporate color.

At the Miyagi Technical Service Center, during the snow-free period from April to November, we conduct activities such as picking up garbage in the industrial park and along general roads in the vicinity, weeding around the plant, and redesigning signs to encourage safe driving in the industrial park four times a year.

In addition, the Kawauchi Distribution Industrial Park Management Association, to which the facility belongs, was recognized for its regular cleanup activities, and, at the 2015 Regular General Meeting of the Osatocho Environmental Health Union recognized its outstanding achievements in promoting public health activities.

At the Thermal Spraying Technology R&D Laboratories, we are cleaning the green area of the neighboring Akashi Kaihin Park. When we asked the Akashi Kaihin Park Office for permission to enter for cleaning the park, we received generous consent and the park office posted TOCALO's cleanup activities on their website.

Each site conducts activities according to their local needs. The Kobe Plant is struggling with a large amount of garbage that is thought to be used fireworks and BBQ waste left in nearby parks, and the Akashi Plant conducts monthly activities in line with the cleaning activities of the local industrial parks. At the Kobe Plant, we have been encouraged by nearby companies that have started their own cleanup activity following our example.

Since fiscal 2016, we have been conducting cleanup activities on a monthly basis.

The new Headquarters is also conducting cleanup activities around the site.



Cleanup activity at the Kitakyushu Plant



Funabashi High-Tech Park, where Tokyo Plant No.2 (Suzumi Workshop) is located, is an industrial park with lots of greenery.

Contributing to the Development of Young People

Supporting the Akashi-jyoki Gakudo Soft Baseball Tournament

In fiscal 2019, Akashi TOCALO baseball stadium was the main venue for the 8th Akashi-jyoki Gakudo Soft Baseball Conference. The tournament started around the time when TOCALO acquired the naming rights for the stadium, since then we have been sponsoring for the tournament. Every year, a wonderful tournament is held at Akashi TOCALO Stadium.



Akashi-jyoki Gakudo Soft Baseball Tournament
* TOCALO is a proud sponsor.



Akashi TOCALO Baseball Stadium

We are accepting interns.

In fiscal 2019, we accepted two interns from the German University of Helmut Schmidt. They spent more than a month in summer at the Thermal Spraying Technology R&D Laboratories, and they have experienced our research and development work on thermal spray technology and our business activities. We also deepened mutual understanding between German and Japanese culture through exchanges of both work and private time with our employees.



Activities by overseas interns



Budget for Community and Social Contribution Activities

A "Budget for Community and Social Contribution Activities (Annual)" was established to help fund CSR activities. From it, donations were made to support the damage caused by Typhoon No. 19 in October 2019 and to support the prevention of the spread of COVID-19 in June 2020.

For Shareholders and Investors

We promote IR activities from the perspective of our shareholders and investors, therefore prompt and accurate information disclosure is the underlying tone.

▼ Information Disclosure Policy ▼ Main IR Activities ▼ Dividend Policy

Information Disclosure Policy

We strive to disclose information in an easy-to-understand manner through shareholder newsletters and our website.

We strive to earn the trust of our shareholders and investors by disclosing corporate information, such as management policies and financial data, promptly, accurately, and fairly from the perspective of shareholders and investors.

In disclosing information, we comply with legal disclosure standards and disclosure rules set forth by the stock exchanges.

IR associated tools

- Quarterly and annual securities reports
- Financial Results (Quarterly)
- Newsletter to Shareholders
- Fact Book
- IR information from company briefing materials for investors on the website

Investor relations information can be found in detail on [this page](#).



IR information on the website



Fact Book



Newsletter to Shareholders



Main IR Activities

We are also focusing on briefings for individual investors.

We hold corporate briefings for investors and meetings with analysts and domestic/overseas institutional investors to provide opportunities for direct dialogues between shareholders and top management as a part of our proactive communications.

We also participate in asset management expos on an ongoing basis to improve our name recognition, broaden our corporate recognition, and expand our investor and fan base.

We also actively provide IR information on our website. In addition to viewing various disclosure materials, we are improving our video commercials with the aim of providing communication that gives people a sense of familiarity with the content of our business.



President Mifune giving a presentation at the Investor Expo



Investor Expo exhibition brochure

Dividend Policy

Dividend was JPY 25 per share in fiscal 2019.

We consider the return of profits to shareholders to be an important management policy, and strive to pay stable dividends of the profits made by business performance. At the same time, we actively strive to enhance shareholder returns.

In fiscal 2019, we paid a dividend of 25 yen per share (including an interim dividend of 12.5 yen). As a result, the dividend payout ratio (consolidated) was 34.5%. Retained earnings will be allocated to R&D and capital investment, which are indispensable for business growth and strengthening the corporate structure, in order to enhance our medium-to long-term share value through business development and expansion.

Business Continuity Activities

▼ Risk Management

Risk Management

Implementing thorough measures in the event of a disaster

Our risk management system is based on the CSR Committee's cross-sectional oversight of the status of risk management and company-wide measures. A Business Continuity Plan was issued on April 1, 2010 and is updated annually.

With regard to risks related to compliance, responses to antisocial forces, the environment, disasters, quality, information security, credit management, investment and financing, and export management, we acquaint and provide each department in charge with rules, guidelines, and manuals. In the event of an unexpected situation, Emergency Management Headquarters will be established immediately to implement countermeasures in accordance with our Emergency Management Protocol.

In addition to the above, the Board of Directors promptly appoints directors to be responsible for responding to risks that have newly occurred, and establishes a system for responding appropriately.

We also conduct annual disaster prevention drills in preparation for an emergency. Our main sites conduct fire drills and large-scale disaster response drills for hypothetical cases such as an earthquake or tsunami. At the same time, we also stockpile emergency meals and other supplies at each site in order to be prepared for disasters.

Countermeasures to Prevent the Spread of COVID-19

—Safety for Employees and Customers—

COVID-19, which is prevalent worldwide, has affected Japan as well and transformed our lives. Under these circumstances, TOCALO is implementing measures to prevent infections with an emphasis on the following concepts.

- Prioritize the safety of employees and their families, customers, and business partners.
- Ensure thorough risk management for business continuity.

We launched measures to prevent infections in February, and, on March 1, we established a COVID-19 Response Headquarters headed by President. At the time of the announcement of the Emergency Declaration on April 7, we also decided on measures that same day to prevent the spread of infections, such as avoiding the 3Cs while keeping our plants operating. We implemented measures under the slogans of "Don't catch it!" "Don't transmit it!" and "Don't bring it in!" during commutes, sales activities, and internal operations. These measures are still being implemented with reviews as of October, months after the Emergency Declaration was lifted in May. To ensure business continuity, some activities are being gradually returned to their previous status, while necessary measures are being strengthened.

In spite of the COVID-19 situation, we do our utmost to meet our customers and respond to their requests. We will continue our efforts to contribute to society through surface modification technologies.

Specific Countermeasures

TOCALO Initiatives (January 2020 - End of June 2020)

(Scope of Report: TOCALO Domestic Facilities)

01 - 03/2020

Confirmation of COVID-19 infections and prompt launch of measures to prevent the spread of infections in Japan.

1/16 First confirmation of infections in the country

February

- Donated masks to subsidiaries in China.
- Checked employees' temperatures before work every day.
- Staggered work hours
- Self-restraint on business trips
- Promotion of web conferences
- Guidance on wearing masks

March

3/9 Advocating the Expert Meeting "avoiding 3Cs"

- Established COVID-19 Response Headquarters
- Refrain from visiting as much as possible
- Formulation of Attendance Standards for COVID-19 countermeasures
- Promoting 3Cs avoidance measures at Dining Halls
- Allowing driving to work to avoid public transportations



04 - 05/2020

Emergency Declaration, Enhancing Measures

April

4/7 Declaration of state of emergency issued to seven prefectures

- Telemarketing Promotion
- Distribution of 50 masks per employee, requested wearing of masks to all
- Training of new employees shifted to web-based training

May

5/27 Emergency declaration lifted:

- Resumption of customer visits (prior approvals from customers required)

06/2020 -



Responding to new lifestyles and flexibly shifted measures

June

6/19 Government announced phased easing

- In response to the relaxed stance of the government, the measures were reviewed (wearing of masks, telework, staggered work hours, business trips, commuting by car, etc.)
- Donations were made to seven domestic medical institutions.

Work Style

Staggered work hours

Implemented to avoid the 3Cs during commuting. It also helped to reduce the density of locker rooms and dining halls.

Telework

Introduced telework actively to divisions/departments capable of such work style. We were able to participate in web conferences from home as well and were able to use time effectively.

Web conferencing

We actively implemented web conferences in order to avoid the 3Cs. We can also interact with people far away immediately and see their faces. This led to more efficient business operations.

Driving to work

Although driving to work was not permitted except for some business locations, it was temporarily allowed as a countermeasure for COVID-19.

Daily operations

Temperature measurement and disinfection

Alcohol disinfectant bottles were set out in various locations to practice frequent disinfection.

Temperature was measured for both employees and visitors, and safety measures were taken.



Kitakyushu Plant

Wearing masks

We distributed masks to all employees, and during their duties, they wore masks except for when eating and drinking. In late June, in light of the transition to Step 2 of government announcements and the need to prevent heat strokes, we made some minor changes to the regulations.



Tokyo Plant Suzumi Workshop

Cafeteria

We removed seats from one side and prevented face-to-face seating during meals. At some sites, we divided employees into two groups and staggered lunch time.



Headquarters

Business Sites

Use of conference rooms

In order to avoid the 3Cs, we held meetings with a large number of people online, and we set certain space between seats in conference rooms. In addition, we moved the desks of our offices to make use of vacant conference rooms.



Kobe Plant

Desk layout

We rearranged desks to avoid face-to-face seating and create space in-between. Between desks, shields were installed to prevent spread of droplets.



Headquarters

* The shields are marked with dotted lines in the photo.

3Cs Countermeasures among workers

Manufacturing sites have relatively more distance between workers, but there are also cases where people work at close distance. In such case, the 3Cs avoidance measures were taken with vinyl sheets, etc., with careful considerations to safety of workers and products.



Tokyo Plant Gyoda Workshop

* The photograph has been partially edited.



VOICE Implementation of Telework

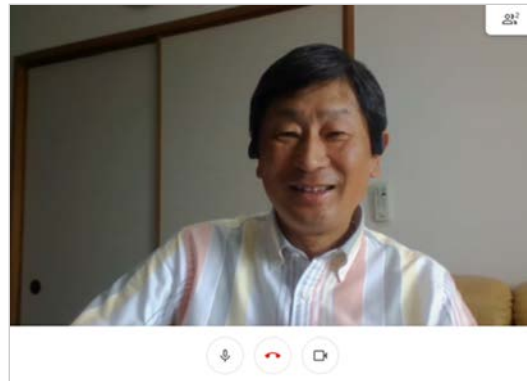
Environment Division General Manager Takeuchi Junichi

We decided to recommend teleworking to continue our business amid travel restrictions due to COVID-19. I have been able to smoothly shift to teleworking, partly because I have been using web conferencing through meetings with overseas customers and subsidiaries on a regular basis. Other office staff seem to have been able to make the transition without confusion, partly because an environment equipped with company-provided PCs was in place.

Monthly meetings, which had conventionally been held at the corporate headquarters with around 20 people from across the company, have also been held online under the current situation. From Tohoku to Kyushu, it was a good change as everyone recognized that remote meetings could be easily conducted without having to move people from distant locations.

As a manager, I have also seen some issues. Although I had devised ways to communicate with my subordinates such as by chatting, I cannot say that I was able to communicate satisfactorily. I also find it difficult to evaluate their work since it is hard to see the progress they make.

In the post-Covid world, we will continue teleworking because we can reduce traveling and it is environmental-friendly. We intend to continue to work on the issues that we have seen this time, solve them and then take advantage of them.



During a remote interview

Editor's Postscript

Environmental Division

TOMOKA YAMAWAKI

Thank you for reading the 2020 edition of our Environmental Report. I am Tomoka Yamawaki, and I was in charge of preparing the first environmental report.

In preparing the environmental report, we felt that it was difficult to collect information. This time, I focused on the article on COVID-19 countermeasures, but I struggled to find where to start and how to put together the collected information. Though the article was completed, the measures against COVID-19 will continue in the future. We hope that our measures to prevent the spread of infection will ensure the safety of employees to the end of COVID-19 crisis.

We will continue to work diligently to meet the expectations of our stakeholders, and we appreciate your continued efforts.

