Aiming to be a company where each employee's practice of Good Service can contribute to a bright future

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Fiscal 2024 results and our future prospects

Aiming for 7% growth in net sales and 4% wage increases, annually to 2030

In November 2021, TOCALO announced its medium-term management plan to fiscal 2025. The plan included targets of ¥53 billion in consolidated net sales and ¥12 billion in ordinary profit by the final year, but in fiscal 2024, we achieved these targets a year early, with TOCALO Co., Ltd. consolidated realizing its highest ever net sales and ordinary profit. Now, we have set a medium- and long-term target of 7% growth in net sales annually to 2030.

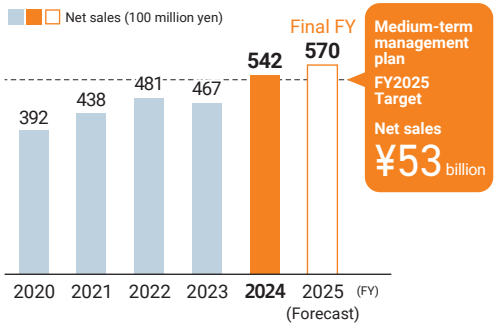
The global semiconductor market is forecast to grow to be worth around $1 trillion in 2030. We expect that demand will roughly double by 2030 compared with now from our main customers, makers of semiconductor manufacturing equipment. In order to handle this demand, we have invested in the construction, now underway, of new plants at our Tokyo and Kitakyushu plants. These new plants are scheduled to start operating in May 2027 (Kitakyushu) and late 2027 (Tokyo), and once completed, are expected to ensure a roughly doubling of our fiscal 2024 production capacity.

In April 2024, TOCALO applied for the Ministry of Economy, Trade and Industry's "Large-Scale Growth Investment Subsidy for Labor-Saving Measures to Support Wage Increases at Medium-Sized and Small Enterprises," for which we were selected in November 2024, based on recognition of our growth investment to achieve our business plan. The capital investment selected on this occasion amounts to ¥10.2 billion by December 2026, and one-third of this, ¥3.4 billion, is due to be paid to us as a subsidy. The subsidy is for our growth strategy premised on wage increases, and consequently, our plan is for 7% growth in net sales annually to 2030. Profits from this growth will go towards 4% annual wage increases for employees.

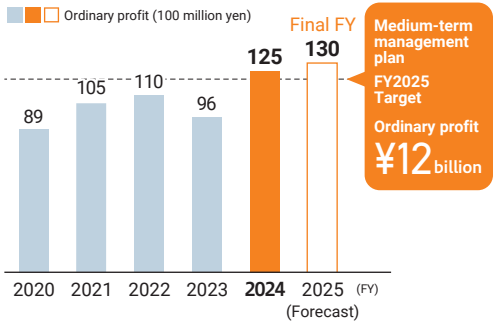
In order to achieve both net sales growth and wage increases, the improved motivation of our employees is essential. For this reason also, we will re-examine the market from new perspectives. To this end, TOCALO reviewed its existing incentive system and introduced a new system that returns 10% of year-on-year ordinary profit increases to employees. I feel this made it easier to realize a shared direction and attitude among all employees. We explain to our employees how the achievement of these initiatives and wage increases will raise the average wage to ¥8.77 million by fiscal 2029, which should lead to greater motivation.

In order to continue to realize medium- and long-term growth from 2030 onwards, it is important that we do not rely solely on our current mainstay of the semiconductor and FPD fields, but also incorporate other growth business fields, nurturing these as new profit pillars. Currently, promising candidate fields where business opportunities are expanding and market growth is expected in the future include the environmental and energy field, such as gas turbines, thermal power generation, aircraft, and defense.

Progress of medium-term management plan (net sales)



Progress of medium-term management plan (ordinary profit)



Selected for the Growth Investment Subsidy by the Ministry of Economy, Trade and Industry

We applied for the Ministry of Economy, Trade and Industry's "Large-Scale Growth Investment Subsidy for Labor-Saving Measures to Support Wage Increases at Medium-Sized and Small Enterprises." Our growth investment plan was highly evaluated and selected for the subsidy.

- Subsidy overview
  Subsidy project period: November 1, 2024 – End of December 2026
  Eligible investment amount: ¥10.2 billion (approved investment amount)
  Approved subsidy amount: ¥3.4 billion (one-third of the investment amount)
- Capital investment details
  With focus on expanding the semiconductor and FPD fields, we will carry out three-pronged investment
  1. Construction of new plants
     In response to growing demand in the semiconductor field, we will build new factory buildings at existing sites (Tokyo Plant Gyoda Workshop and Kitakyushu Plant)
  2. Introduction of advanced equipment at existing plants
     We will introduce production equipment to realize automation and labor-savings, increase order capacity, and enhance functionality
  3. Introduction of research equipment for advanced technology development
     At the Thermal Spraying Technology R&D Laboratories, we will introduce equipment to develop advanced technologies aimed at new business areas, with a focus on responding to "miniaturization technologies" in the semiconductor field

From “supplier” to “partner”

All employees thinking about and performing the “Good Service” that satisfies customers

TOCALO has adopted the Vision of “Contributing to a bright future for people and nature” to express its ideal form in 2030, and has identified five material issues to address.

For the first material issue, “Advanced coating and latent market development,” one concrete initiative is to “Offer optimal solutions to customers” with the approach to grow from being a supplier to being a partner. Until now, we have responded to issues after they have arisen, but going forward, we will do more than this, and will communicate our intention to make proposals that address future issues.

For example, even for ingredients and materials that do not yet exist, we will make proactive proposals along the lines of “if such an ingredient existed, we could resolve future issues,” or “we could tackle new challenges in the future,” so that we can offer dynamic and optimal solutions for the development of new semiconductor manufacturing equipment. I believe that such proposals lead to our being able to “offer optimal solutions to customers.”

In order to realize our aim to grow “from supplier to partner,” I hope that all of our employees re-consider what the “Good Service” described in our corporate motto is, and put it into practice. It is not we who evaluate Good Service, but the recipients of our service. When we perform to the best of our abilities, we can gain the high appraisal of customers. That is truly Good Service. To this end, we must accurately grasp the needs of customers, view issues from multiple angles to identify the very best solution, and offer service at the optimal timing. We should take this attitude not only with customers but also within the company. Consider your counterpart’s needs earnestly and frankly propose what you believe to be the best solution. Do your best, even if they do not accept your proposal. I believe that Good Service involves building upon and repeating this. Last year, when I first had the opportunity to greet new employees as President and CEO, I reflected on my work ethics from when I joined the company until now, and revisited the importance of our corporate motto.

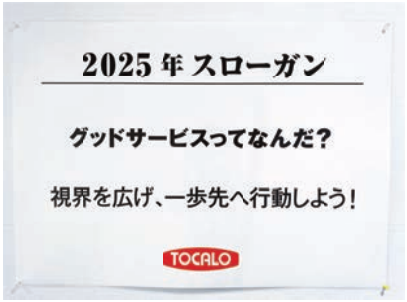
Our in-house slogan for this fiscal year is “What is Good Service?” If each employee considers their own style of Good Service and implements this, I am sure that TOCALO will become a more rewarding place to work, and we will evolve into an organization where we can grow together.

To grow from being a supplier into a partner, the most important thing is for ourselves to build a strong and sustainable supply chain. To this end, our plants and offices across Japan held a partner appreciation event, inviting all of the

Materiality and main initiatives

Materiality	Main initiatives	
1. Advanced coating and latent market development	Invest with a focus on developing advanced coatings	● Develop high-performance coatings for the foundational elements of people’s lives (such as digitalization, infrastructure, medical care, agriculture) ● Develop coatings that help proliferate and improve the efficiency of renewable energy power generation (such as wind power, hydropower, geothermal power, storage batteries) ● Develop coatings that help customers reduce greenhouse gas emissions (by supporting non-fossil fuels, recycling equipment)
	Offer optimal solutions to customers	● Grow from a supplier to a partner ● Set up projects in priority areas ● Foster experts in problem-solving
2. Environmental impact reduction measures	Advance decarbon-ization (carbon neutrality)	● Investigate thermal spraying methods that do not use fossil fuel ● Reduce power consumption by improving processing methods ● Use renewable energy
	Measures to reduce waste and protect the environment	● Reduce, recycle, and properly dispose of waste ● Understand and improve water and air pollution conditions ● Reduce the use of harmful substances
3. Manufacturing sophistication and quality improvement	Improve manufac-turing process sophistication and efficiency	● Promote automation and IoT ● Begin practical application of new coating formation technology ● Create smart on-site construction
	Reinforce the quality control system	● Establish and promote product performance assurance ● Implement quality controls systems (such as ISO) ● Construct a Product Qualification Plan
4. Cultivate and activate diverse human resources	Form a medium- and long-term human resource development plan	● Develop human resources and technical training ● Methodically develop global human resources
	Create a comfort-able work environment	● Fully engage in safety first ● Promote diversity (value the talents of women, persons with disabilities, mid-career employment) ● Promote workstyle reform
5. Thorough compliance (acting in accordance with corporate ethics)	Lay the manage-ment foundation for a long-surviving company	● Act in accordance with corporate ethics (social mores, ethics and morals, the environment, local community contribution) ● Actively promote ESG initiatives ● Promote engagement with domestic and foreign investors ● Fully comply with the Corporate Governance Code

business partners who support our operations each day. I believe that such initiatives contribute to the co-existence and co-prosperity that we aim for with our business partners.



The behavior slogan displayed in-house

Quality enhancement, safety and health, environmental awareness, nurturing human resources

Through high employee awareness, we can become an organization that grows with the company

One initiative and outcome related to our third material issue “Manufacturing sophistication and quality improvement,” has been obtaining JIS Q 45100 certification at all plants and offices in Japan. In my own career, I have accumulated various experience as General Manager at our Kitakyushu and Akashi plants and General Manager of the Production Headquarters. We had a workplace policy of “Safety takes precedence over everything,” but our systems for achieving this were insufficient. After my appointment as General Manager of the Production Headquarters, I began by addressing the acquisition of JIS Q 45100 at all plants, and in fiscal 2024, we completed its acquisition at all plants and offices.

In addition, we are advancing automation in on-site construction, aimed at sophistication of our manufacturing. This has enabled us to perform high-precision thermal spray and is also contributing to simplification of measurement points. I believe that the sophistication of our on-site construction leads to enhancement of our manufacturing processes.

We have bolstered our environmental conservation initiatives, including the installation of advanced dust collectors and equipment to separate waste oil and water, which we utilize to prevent water pollution. Our initiatives relating to the environment and energy include the adoption of our coatings in production lines for batteries, which are experiencing growth in demand, and providing coating to power generation facilities utilizing ammonia, which are linked to the expansion of new business opportunities.

TOCALO is currently proactively engaged in not only hiring new graduates but also in nurturing employees. We hope that the younger generation will keenly consider their work, gain motivation, and discover challenges they hope to tackle. There are many new opportunities in the workplace, such as programming for automation and numerical control (NC) processing. Once their goal becomes clear, employees can gather members to discuss it as a team, then move forward on their own initiative. Through such activities, I hope to create an environment that facilitates further growth. I urge those in managerial positions to encourage a spirit among the young to tackle such challenges and to provide active support.

In our next medium-term management plan, we plan for consolidated net sales in five years’ time of ¥80 billion, or around 1.5 times that of fiscal 2024. Our employees will work together as one team to achieve this.

I hope that all of our stakeholders will hold high hopes in TOCALO and continue to support us.

President and CEO, Representative Director
TOCALO Co., Ltd.

Kazuya Kobayashi