



TOCALO Co., Ltd.

Financial Results Briefing for the Fiscal Year Ended March 2025

May 20, 2025

Event Summary

[Company Name]	TOCALO Co., Ltd.	
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[Event Language]	JPN	
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[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2025	
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[Time]	13:30 – 14:08 (Total: 38 minutes, Presentation: 20 minutes, Q&A: 18 minutes)	
[Venue]	Webcast	
[Venue Size]		
[Participants]		
[Number of Speakers]	4	
	Kazuya Kobayashi	Representative Director, President and Executive Officer
	Hiroshi Goto	Director, Managing Executive Officer, General Manager of Administration
	Katsunori Nakai	Corporate Planning Division, Division Manager, Executive Officer
	Aya Masago	Corporate Planning Division, Administrative Headquarters
[Analyst Names]*	Mitsuhiro Osawa	Ichiyoshi Research Institute

*Analysts that SCRIPTS Asia was able to identify from the audio who spoke during Q&A or whose questions were read by moderator/company representatives.

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Presentation

Moderator: Thank you for your patience. The time has arrived, and we will now begin the presentation of TOCALO Co., Ltd.'s financial results for the fiscal year ended March 31, 2025. Today's session will be held in a hybrid format, with a live-streamed online session in addition to the on-site session.

Let me begin by introducing the four people from the Company. Mr. Kazuya Kobayashi, Representative Director, President and Executive Officer. Mr. Hiroshi Goto, Director, Managing Executive Officer, General Manager of Administration. Mr. Katsunori Nakai, Corporate Planning Division, Division Manager, Executive Officer. Ms. Aya Masago, Corporate Planning Division, Administrative Headquarters.

Today, President Mr. Kobayashi will explain.

After the presentation, there will be a Q&A session for those attending on-site, followed by a Q&A session for those attending online.

Mr. Kobayashi, please.



Content

- 1 . Overview of Consolidated Results FY2024
- 2 . Forecast for FY2025
- 3 . Topics
- 4 . Progress of Medium-term Management Plan

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Kobayashi: Hello everyone. I am President Kobayashi. Thank you very much for taking the time today to participate in the financial results briefing for the fiscal year ended March 31, 2025 of TOCALO Co., Ltd. Today, about 70 people, from on-site and online, are attending the event. Thank you.

These are the four topics I will explain today.

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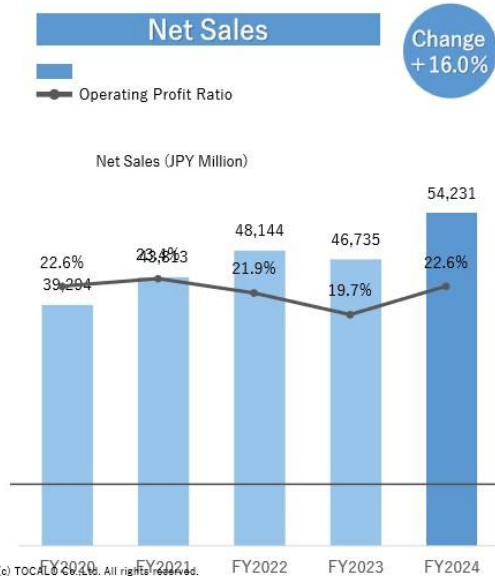
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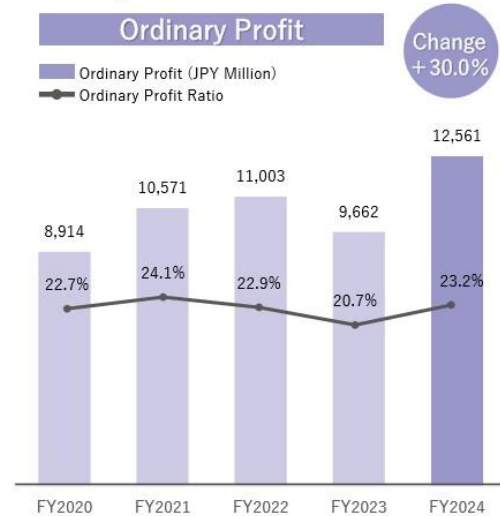


Highlights of Consolidated Results FY2024

POINT Record-high net sales due to a recovery in the semiconductor field



POINT Ordinary profit also exceeded the level from two fiscal years ago, setting a new record high



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First, I will provide an overview of the consolidated financial results for the fiscal year ended March 31, 2025.

This chart shows actual results for the fiscal year ended March 31, 2025.

On the left are net sales and operating profit rate, and on the right are ordinary profit and ordinary profit rate.

Actual results for the fiscal year ended March 2025 are net sales of JPY54.2 billion, an operating profit rate of 22.6%, an ordinary profit of JPY12.5 billion, and an ordinary profit rate of 23.2%. Due to the recovery in the semiconductor segment, both net sales and ordinary profit reached record highs.

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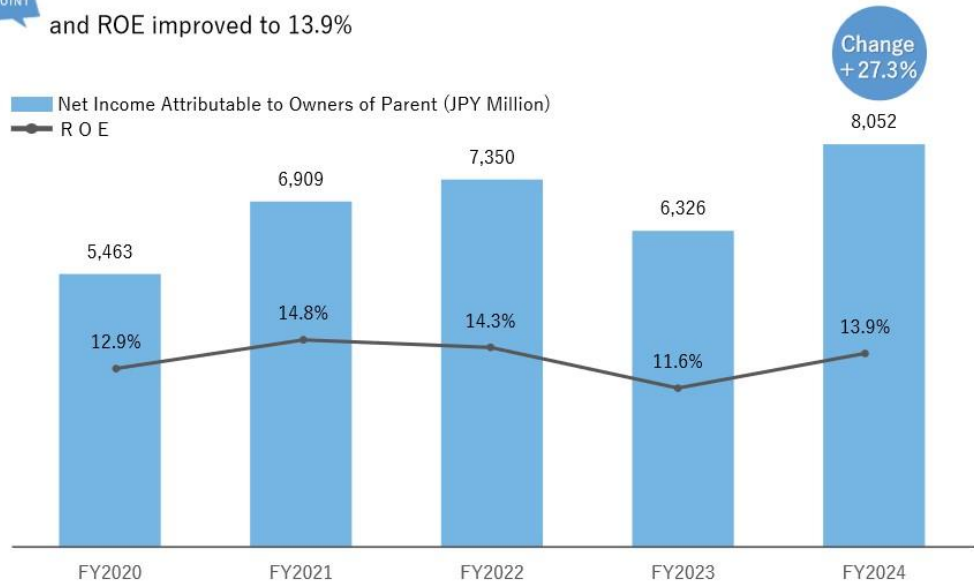


Consolidated Results FY2024

Net Income Attributable to Owners of Parent and ROE



POINT Net income attributable to owners of parent increased by 27.3% year-on-year, and ROE improved to 13.9%



Net income attributable to owners of parent was JPY8 billion, up 27.3% from the previous year, and ROE was 13.9%.



Overview of Consolidated Results (P/L) FY2024



- Net sales increased by 16.0% year-on-year due to a rise in orders in the semiconductor field
- Ordinary profit rose by 30.0% year-on-year due to increased sales in the high-margin semiconductor field

(JPY Million)	FY2023		FY2024		Change	
	Result	Ratio	Result	Ratio	Amount	%
Net Sales	46,735	100.0%	54,231	100.0%	7,495	16.0%
Operating Profit	9,197	19.7%	12,271	22.6%	3,074	33.4%
Ordinary Profit	9,662	20.7%	12,561	23.2%	2,898	30.0%
Net Income Attributable to Owners of Parent	6,326	13.5%	8,052	14.8%	1,725	27.3%
Earnings Per Share (EPS)	105.53JPY	—	135.45JPY	—	29.92JPY	—

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Net sales were up 16% from the previous year due to an increase in orders in the semiconductor segment.

Ordinary profit increased 30% from the previous year due to increased sales in the highly profitable semiconductor segment. The ordinary profit rate increased by 2.5 percentage points to 23.2%.

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FY2024 Net Sales (by Segment)

- Thermal Spray (TOCALO), the largest segment, drove net sales with a 15.8% increase year-on-year
- Overseas subsidiaries also performed well, with a 28.4% increase

(JPY Million)	FY2023		FY2024		Change	
	Result	Ratio	Result	Ratio	Amount	%
Net Sales	46,735	100.0%	54,231	100.0%	7,495	16.0%
■ Thermal Spray (TOCALO)	33,859	72.4%	39,213	72.3%	5,354	15.8%
Semicon & FPD	19,557	41.8%	24,114	44.5%	4,557	23.3%
Industrial Parts	4,923	10.5%	4,872	9.0%	-51	-1.0%
Iron & Steel	3,651	7.8%	3,927	7.2%	276	7.6%
Others	5,727	12.3%	6,298	11.6%	571	10.0%
■ Other Surface Modif.	3,019	6.5%	2,880	5.3%	-138	-4.6%
■ Domestic Sub.	2,457	5.3%	2,656	4.9%	198	8.1%
■ Overseas Sub.	7,257	15.5%	9,319	17.2%	2,061	28.4%
Royalty Income	141	0.3%	161	0.3%	19	13.7%

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I will explain net sales by segment.

In the largest segment, thermal spray (TOCALO), net sales increased 15.8%, thanks to strong sales in the semiconductor & FPD, iron & steel, and other segments, despite a slight decline in industrial parts, which had been strong in the previous year.

In other surface modifications, net sales declined due to inventory adjustments in the agricultural machinery segment, but overseas subsidiaries performed well and posted higher sales.

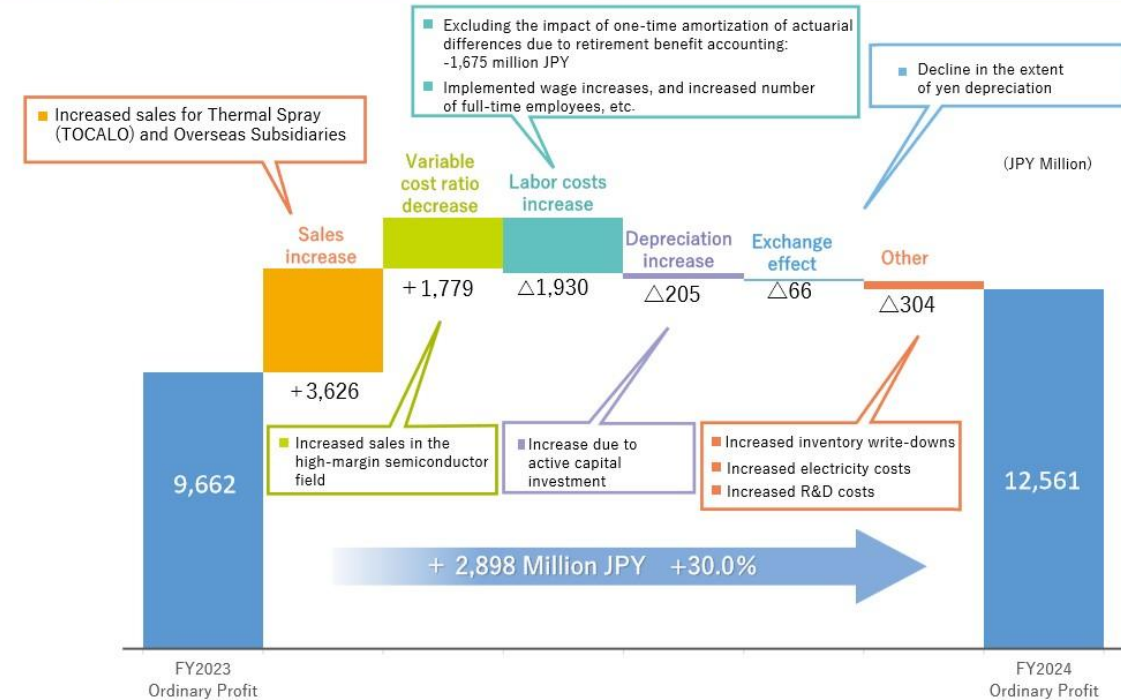
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Analysis of Ordinary P/L Change



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This is an analysis of ordinary profit/loss from the previous year.

Ordinary profit for the fiscal year ended March 31, 2025 was JPY12,561 million, an increase of JPY2,898 million from the previous year.

The main reasons for the increase are higher net sales and lower variable cost ratios.

On the other hand, the main reason for the decrease was an increase in labor costs. Excluding the impact of one-time amortization of actuarial differences due to retirement benefit accounting labor costs increased by JPY1,675 million.

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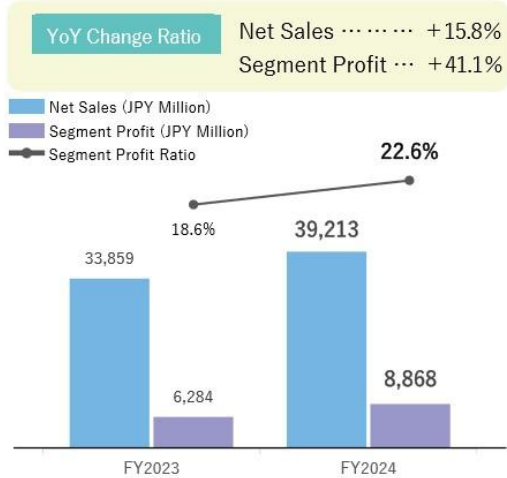


FY2024 Consolidated Results by Segment



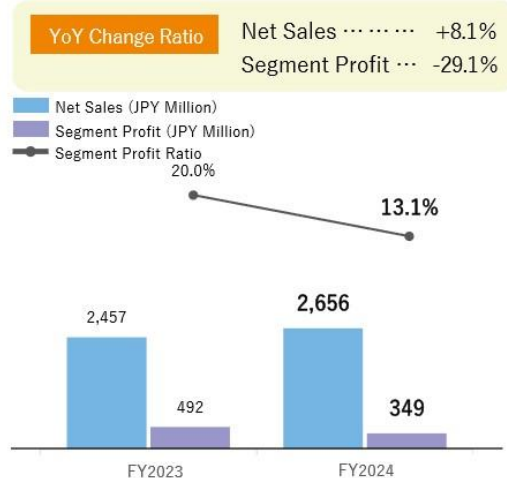
Thermal Spray (TOCALO)

Both sales and profits increased due to the recovery in the semiconductor field, along with strong performance in the iron & steel and other fields



Domestic Sub.

Although consolidating TERADA KOSAKUSHO contributed to higher sales, profits decreased due to sluggish sales of cutting tools at Japan Coating Center



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This is a comparison of net sales and profit by segment with the previous year.

Thermal spray (TOCALO) posted higher net sales and profit on the back of a recovery in the semiconductor segment as well as strong net sales in the iron & steel and other segments.

Regarding domestic subsidiaries, we added TERADA KOSAKUSHO to the consolidation, boosting net sales and profit, albeit to a small extent. On the other hand, Japan Coating Center posted lower sales and profit compared to the previous fiscal year due to continued sluggish demand from the automotive industry.

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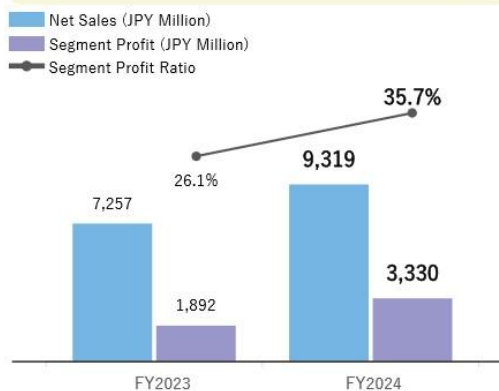
FY2024 Consolidated Results by Segment



Overseas Sub.

Both sales and profits increased due to sales growth in the semiconductor and iron & steel fields

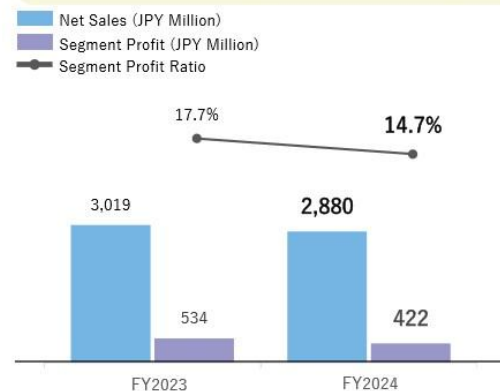
YoY Change Ratio	Net Sales	·····	+28.4%
	Segment Profit	·····	+76.0%



Other Surface Modif.

Both sales and profits declined as orders for agricultural machinery parts entered an inventory adjustment phase

YoY Change Ratio	Net Sales	·····	-4.6%
	Segment Profit	·····	-21.0%



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Overseas subsidiaries reported significant increases in both net sales and profit due to higher sales in the semiconductor and iron & steel segments.

In other surface modification, net sales and profit declined due to a decrease in orders for agricultural machinery parts because of customers' inventory adjustments.

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Segment Information



(JPY Million)	Change							
	FY2023		FY2024		Net Sales		Segment P/L	
	Net Sales	P/L	Net Sales	P/L	Amount	%	Amount	%
■ Thermal Spray (TOCALO)	33,859	6,284	39,213	8,868	5,354	15.8%	2,583	41.1%
■ Domestic Sub.	2,457	492	2,656	349	198	8.1%	-143	-29.1%
■ Overseas Sub.	7,257	1,892	9,319	3,330	2,061	28.4%	1,438	76.0%
■ Other Surface Modif.	3,019	534	2,880	422	-138	-4.6%	-112	-21.0%
Total	46,593	9,204	54,069	12,970	7,476	16.0%	3,765	40.9%

(Note) Royalty Income is not included in the Segment Net Sales

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This table shows for your reference net sales and profit of each segment in comparison with the previous year.

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Financial Position



- Total assets increased 3,700 million JPY from the end of the previous period (tangible fixed assets increased 2,300 million JPY)
- Equity ratio increased 3.1 percentage points from the end of the previous fiscal year to 74.3%
- Interest-bearing debt decreased by 1,200 million JPY from the end of the previous period

(JPY Million)	FY2023	FY2024
	2H	2H
Total Assets	77,940	81,676
Equity	55,460	60,646
Equity Ratio	71.2%	74.3%
Interest-bearing Debt	5,002	3,796

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This is financial position at the end of the fiscal year ended March 31, 2025.

Total assets increased by JPY3.7 billion from the end of the previous year, mainly due to an increase in tangible fixed assets. The equity ratio improved by 3.1 percentage points from the end of the previous year to 74.3%. Interest-bearing debt decreased JPY1.2 billion from the end of the previous year to JPY3.7 billion.

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Cash Flow



- Free Cash Flow (Operating CF + Investment CF) +2,800 million JPY
- Investment CF/Acquisition of tangible fixed assets
Previous term: -4,700 million JPY Current term: -5,500 million JPY
- Financial CF/Dividends paid
Previous term: -3,100 million JPY Current term: -3,400 million JPY
- Acquisition and disposal of treasury shares
Previous term: -2,000 million JPY Current term: —

(JPY Million)	FY2023 Full year	FY2024 Full year
Operating CF	7,877	9,077
Investment CF	-4,634	-6,194
Financial CF	-3,241	-5,124
Cash Balance	19,656	17,591

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This is the cash flow situation for the year ended March 31, 2025.

Operating cash flow was plus JPY9 billion, investing cash flow was minus JPY6.1 billion, and free cash flow was plus JPY2.8 billion, a healthy situation.

Financial cash flow was minus JPY5.1 billion due to dividends and repayment of borrowings. As a result, the cash balance for the period was JPY17.5 billion, a decrease of JPY2 billion from the end of the previous year.

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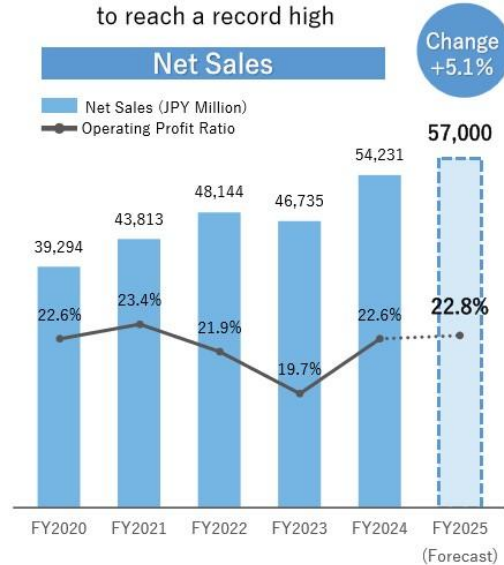


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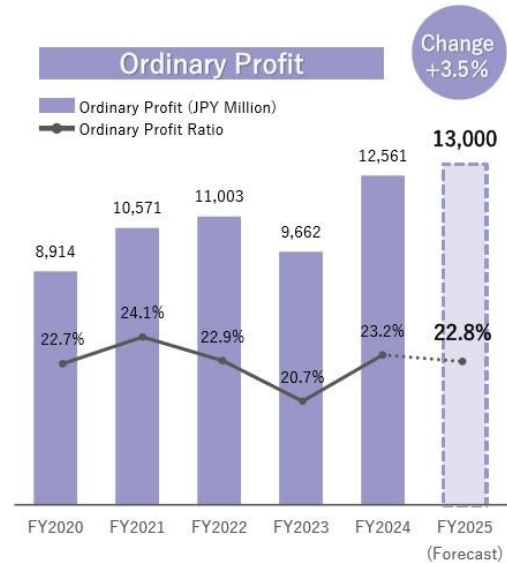
Outlook for Net Sales and Ordinary Profit



The semiconductor field is expected to remain strong, with net sales projected to reach a record high



Alongside increasing sales, ordinary profit is also expected to hit a new record high



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Next, I will explain the consolidated forecast for the fiscal year ending March 31, 2026.

For the fiscal year ending March 31, 2026, the Company forecasts net sales of JPY57 billion, an operating profit rate of 22.8%, an ordinary profit of JPY13 billion, and ordinary profit rate of 22.8%.

Net sales are expected to reach a new record high as the semiconductor segment continues to perform well. Ordinary profit is also expected to reach a record high due to the increase in profit.

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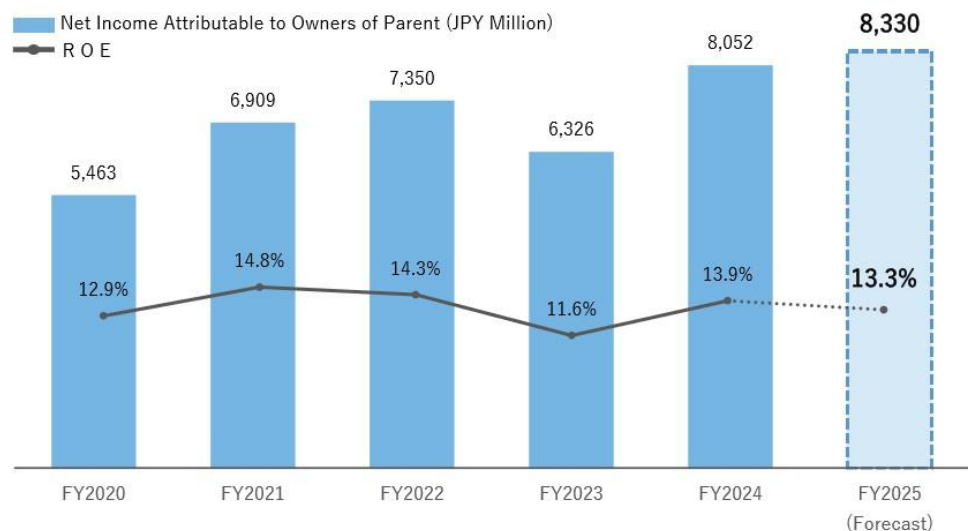




Outlook for Net Income Attributable to Owners of Parent and ROE

TOCALO

POINT Net income attributable to owners of parent is forecast to increase by 3.4% year-on-year
ROE is forecast to remain almost unchanged at 13.3%



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Net income attributable to owners of parent is expected to increase by 3.4% YoY to JPY8.3 billion, and ROE is expected to remain almost unchanged at 13.3%.

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Consolidated Forecast FY2025

(JPY Million)	FY2024		FY2025		Change	
	Result	Ratio	Forecast	Ratio	Amount	%
Net Sales	54,231	100.0%	57,000	100.0%	2,768	5.1%
■ Thermal Spray (TOCALO)	39,213	72.3%	39,265	68.9%	51	0.1%
Semicon & FPD	24,114	44.5%	25,187	44.2%	1,072	4.4%
Industrial Parts	4,872	9.0%	4,338	7.6%	-534	-11.0%
Iron & Steel	3,927	7.2%	4,110	7.2%	182	4.6%
Others	6,298	11.6%	5,630	9.9%	-668	-10.6%
■ Other Surface Modif.	2,880	5.3%	2,474	4.3%	-406	-14.1%
■ Domestic Sub.	2,656	4.9%	3,088	5.4%	431	16.3%
■ Overseas Sub.	9,319	17.2%	12,013	21.1%	2,693	28.9%
Royalty Income	161	0.3%	160	0.3%	-1	-0.8%
Operating Profit	12,271	22.6%	13,000	22.8%	728	5.9%
Ordinary Profit	12,561	23.2%	13,000	22.8%	438	3.5%
Net Income Attributed to Owners of Parent	8,052	14.8%	8,330	14.6%	277	3.4%
Earnings Per Share (EPS)	135.45JPY	—	140.11JPY	—	4.66JPY	—
Return on Equity (ROE)	13.9%	—	13.3%	—	-0.6pt	—

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I would like to explain the consolidated forecast for the fiscal year ending March 31, 2026.

Net sales forecast is JPY57 billion, an increase of JPY2.7 billion from the previous year. The main factor is a JPY1 billion increase in net sales in the semiconductor & FPD segment. Semiconductor & FPD segment accounts for 44.2% of net sales.

The forecast for ordinary profit is JPY13 billion, an increase of JPY0.4 billion from the previous year, and the ordinary profit rate is 22.8%.

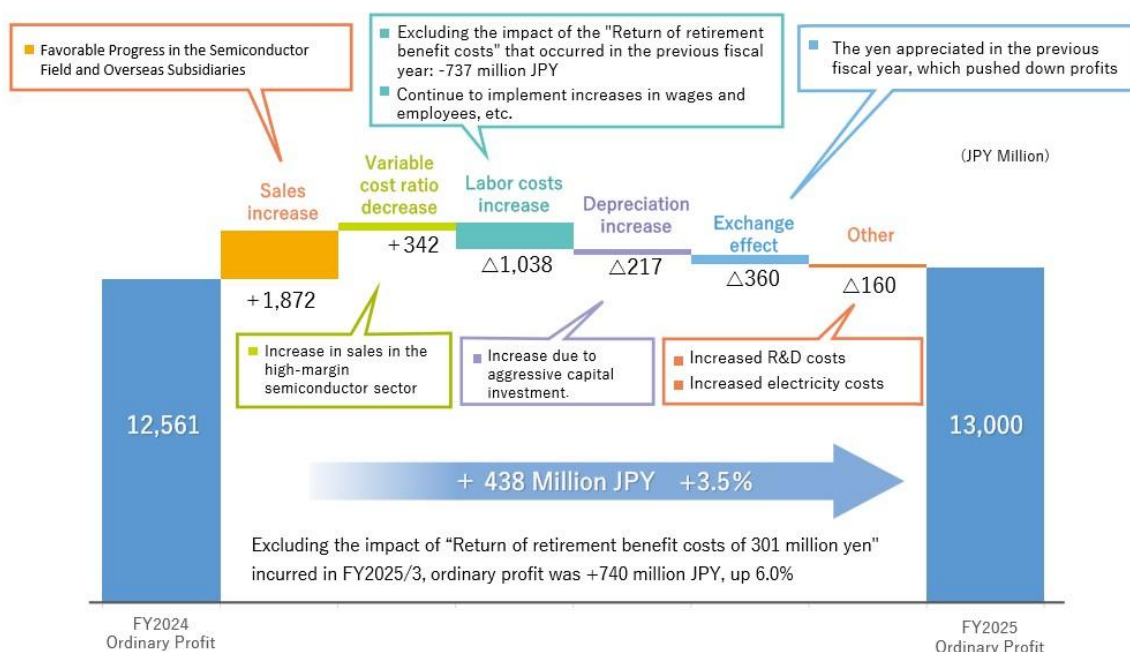
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Consolidated Forecast FY2025 Analysis of Ordinary Profit P/L Change

TOCALO



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This is an analysis of YoY changes in the forecast of ordinary profit.

The main factors contributing to the increase of ordinary profit are higher sales and lower variable cost ratios.

Negative factors include a JPY1,038 million increase in labor costs due to wage hikes and an increase in the number of personnel to accommodate increased production, and an increase in depreciation due to aggressive capital investment.

Labor costs include the return of JPY301 million in retirement benefit expenses incurred in the previous period; excluding this, labor costs increased by JPY737 million. In addition, a slight appreciation of the yen has been factored in for foreign exchange impact.

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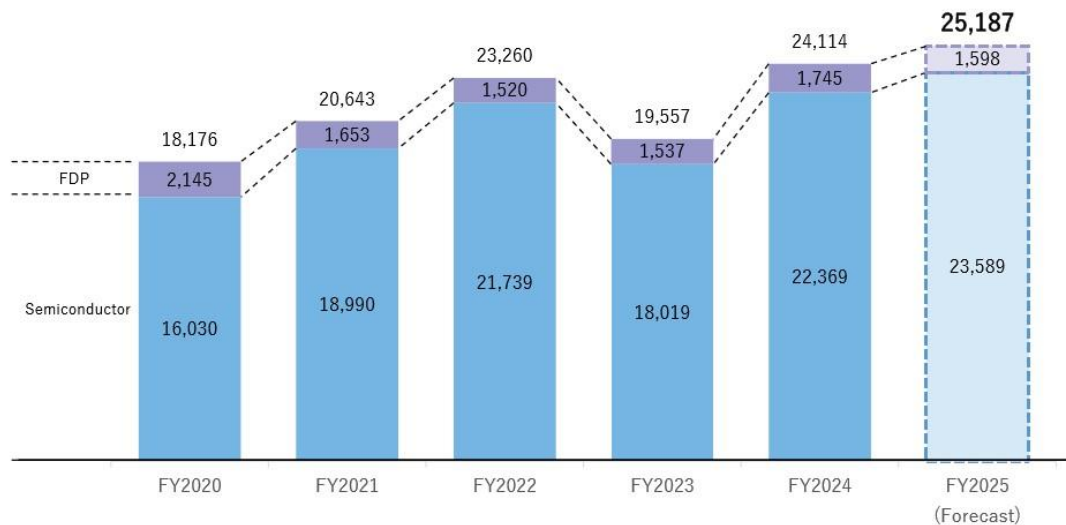
Semiconductor & FPD Net Sales



The semiconductor field is expected to remain strong this fiscal year, as demand remains high

Change
+4.4%

(JPY Million)



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This is net sales trend in the semiconductor & FPD segment.

The net sales forecast for the fiscal year ending March 31, 2026 is JPY25.1 billion, of which JPY23.5 billion is for semiconductors and JPY1.5 billion is for FPD. We expect the semiconductor market to remain strong this fiscal year with continued high levels of demand.

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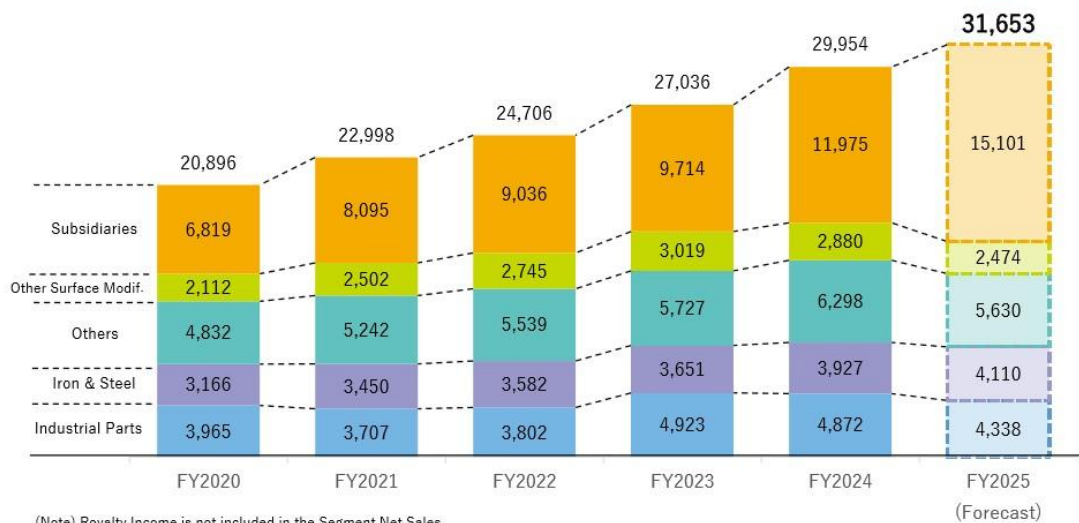
Non-Semiconductor & FPD Net Sales



Net sales in non-semiconductor & FPD fields are expected to increase by 5.7% compared to the previous fiscal year
Subsidiaries are also expected to continue performing strongly

Change
+5.7%

(JPY Million)



(Note) Royalty Income is not included in the Segment Net Sales
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This is net sales trend for non-semiconductor & FPD segment.

The net sales forecast for the fiscal year ending March 31, 2026 is JPY31.6 billion, a 5.7% increase from the previous year's JPY29.9 billion. As in the previous fiscal year, subsidiaries are expected to continue to perform well.

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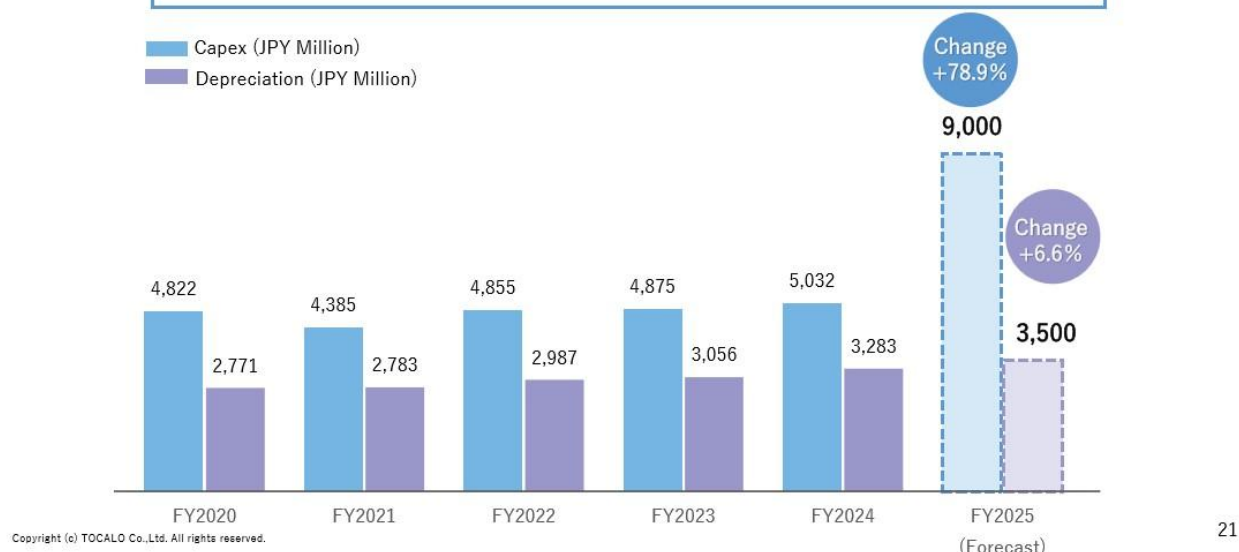
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Capital Investment and Depreciation

Planned capex for FY2025: 9,000 million JPY

● Tocalo	7,000 million JPY:	Construction of new buildings at the Tokyo and Kitakyushu plants, capacity expansion and production efficiency, and research facilities, etc.
● Domestic Subsidiaries	800 million JPY:	Construction of new buildings at TERADA KOSAKUSHO, and increased production capacity at Japan Coating Center, etc.
● Overseas subsidiaries:	1,200 million JPY:	Launch of new plants at TOCALO & HANTAI (KUNSHAN) and at TOCALO & HAN TAI TW



This is trend for capital investment and depreciation.

For the fiscal year ending March 31, 2026, we expect total capital investment of JPY9 billion and depreciation of JPY3.5 billion. On a non-consolidated basis, TOKARO plans to invest a total of JPY7 billion in the construction of new buildings at its Tokyo and Kitakyushu Plants, as well as in capital investment to increase production and improve production efficiency, mainly in the semiconductor segment.

For domestic subsidiaries, investment of JPY800 million in total is planned, including construction of a new building at TERADA KOSAKUSHO and expansion of production capacity at Japan Coating Center.

In overseas subsidiaries, capital investment of JPY1.2 billion is planned, including the launch of new plants at TOCALO & HANTAI and TOCALO & HAN TAI TW.

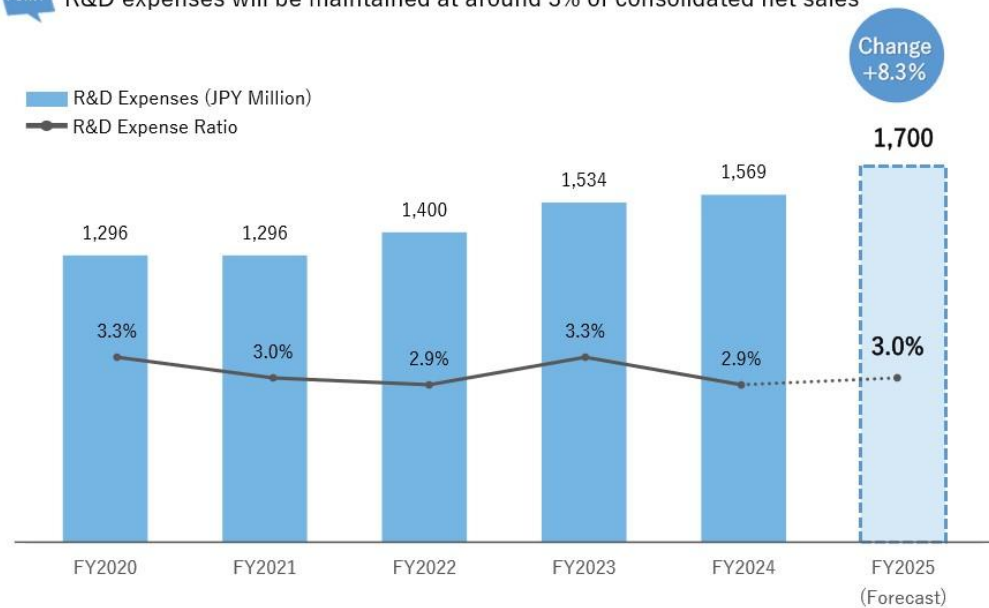
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R&D Expenses

POINT R&D expenses will be maintained at around 3% of consolidated net sales



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This is a trend of research and development expenses.

Research and development expenses for the fiscal year ending March 31, 2026 are expected to be JPY1.7 billion, or 3% of net sales.

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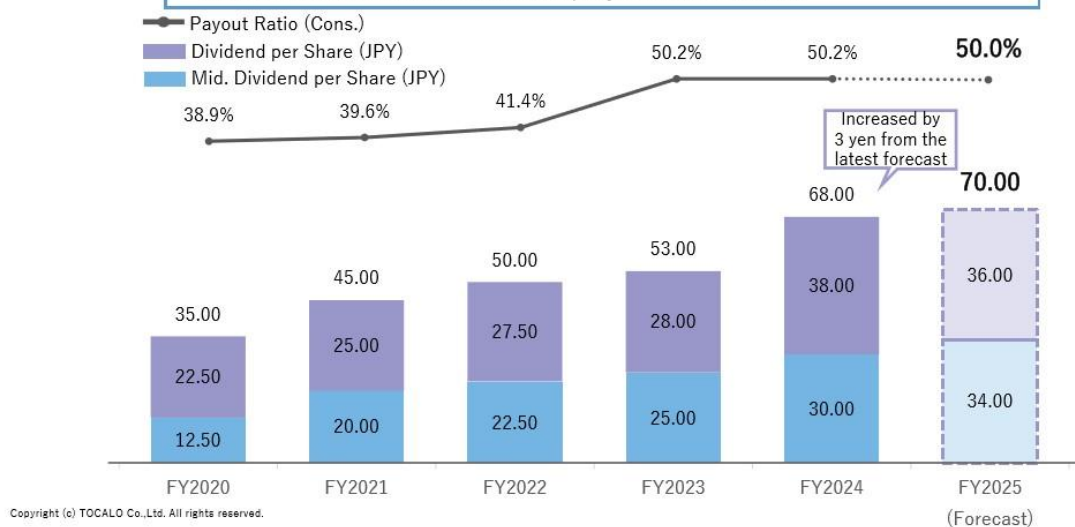
Dividends



POINT Due to higher revenue, the annual dividend for FY2025 is scheduled to be increased to 70 JPY per share

Shareholder Return Policy

- We are targeting a consolidated dividend payout ratio of around 50%, and a dividend on equity (DOE) ratio of at least 5%
- Acquisition of treasury stock will also be flexibly conducted, taking into consideration the business environment and the company's financial situation



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This is trend for dividend amount and dividend payout ratio.

For the fiscal year ended March 31, 2025, the year-end dividend will be increased by JPY3 from the latest forecast, bringing the annual dividend to JPY68 per share.

The annual dividend for the fiscal year ending March 31, 2026 is expected to be JPY70 per share.

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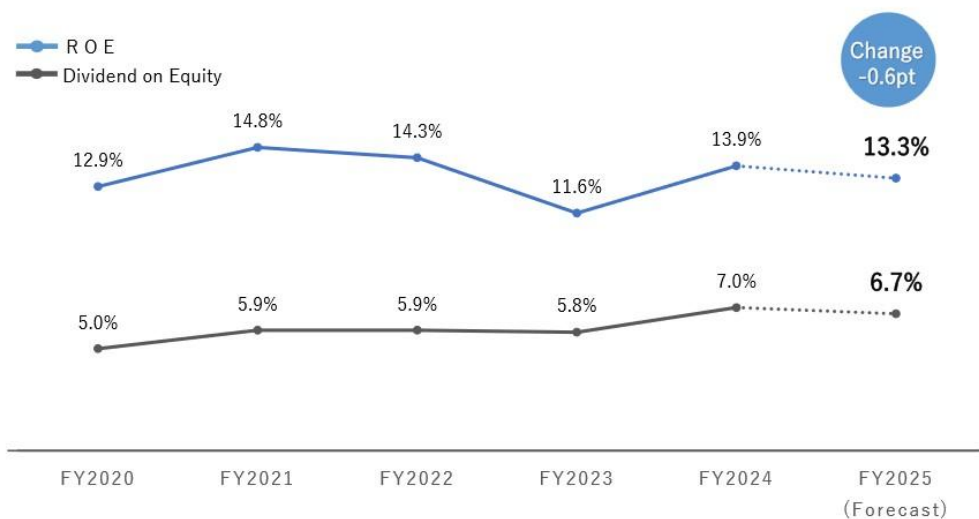
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ROE and DOE



POINT Although ROE* is expected to slightly decline to 13.3%, DOE* is projected to reach 6.7%, exceeding the target of 5%



* ROE (Return on Equity) = Net income / Average equity during the period

* DOE (Dividend on Equity) = Dividend per share / Average net assets per share during the period (= ROE × Dividend payout ratio)

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This is trend for ROE and DOE.

For the fiscal year ending March 31, 2026, ROE and DOE are expected to be around 13.3% and 6.7%, respectively.

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① Received the Environmental Excellence Award from Tokyo Electron Ltd.



We were honored with the Environmental Partner Award at the TEL Partners Day hosted by Tokyo Electron Ltd.



Reason for the award:

Our technology, which reduces CO₂ emissions during part manufacturing processes, was recognized for making significant contribution to Tokyo Electron's efforts to achieve net zero, and we were one of four Tokyo Electron partner companies selected from all partner companies to receive the award.

Going forward, we will continue to take on the challenge of developing innovative technologies and creating new value as a trusted partner to our customers.

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Following are the topics for the fiscal year ended March 31, 2025.

Here is the first topic.

In December 2024, the Company received the Environmental Excellence Award at TEL Partners Day from Tokyo Electron Ltd. The award was in recognition of the Company's work in recycling thermal spraying materials.

We will continue to take on the challenge of energy conservation, 3R initiatives, and the use of non-fossil fuels.

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② Building a supply chain that contributes to a sustainable society



Held a Partner Appreciation Event

Purpose: Expressing gratitude to business partners
and strengthening relationships

Locations: Held at all business sites

No. of participating companies: 95 in total



Established the Sustainable Procurement Guidelines (August 2024)

Content of the Guidelines

1. Legal compliance and respect for international codes
2. Human rights/labor
3. Health and safety
4. Environment
5. Fair trading/ethics
6. Safety/quality
7. Information security
8. Business continuity plan

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Next, I will introduce the establishment of a supply chain.

We held a partner appreciation event for our business partners at all of our plants and offices, inviting those who have always been cooperating with us.

A total of 95 partners participated in the event, providing us with a great opportunity to thank them for their ongoing support and to exchange ideas with them. We also invited our business partners who support us in areas not directly involved in production to the event, which turned out to be a very exciting event.

Through our business activities, we will continue to work together with our business partners to build a healthy and sustainable supply chain.

In addition, in August 2024, we established the Sustainable Procurement Guidelines to enhance procurement with consideration for the environment, human rights, and ethics.

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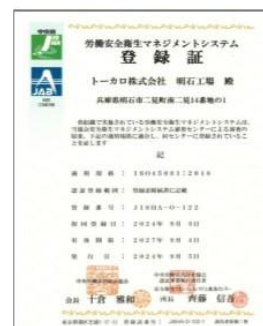
③ Initiatives for safety and health



All of our plants and offices have acquired ISO45001/JISQ45100 certification

All of our plants and offices have acquired certification for the ISO 45001 international standard and the JIS Q 45100 Japanese Industrial Standard for occupational health and safety management systems.

Our safety and health policy is based on the principle that “safety takes precedence over everything,” and we will strive to create a bright and rewarding workplace for safety and the health of all employees.



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Next, I would like to explain safety initiatives.

We promote the creation of a work environment in which the safety and health of our employees is our top priority.

As part of this effort, we have acquired ISO 45001 certification, the international standard for occupational safety management systems, and JIS Q 45100 certification, the Japanese industrial standard for occupational safety management systems, at all of our plants and offices. With this certification, we have put in place a system to ensure sustainable safety, including the prevention of occupational accidents and employee health management.

We will continue to make safety and health management based on the principle that safety takes precedence over everything else and will work to create a people-friendly workplace for the safety and health of all employees.

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④ Construction of new plant buildings to support future growth



May 2025: Completion of Kobe Plant No. 2

Purpose: To handle new orders in the semiconductor and medical fields, increase production, and improve production efficiency
 Location: 1-16-5 Mitsugaoka, Nishi-ku, Kobe City
 Plant overview: 3 floors, total floor area of 3,120 m² (building area: 1,270 m²)
 Construction cost: Approx. 1.3 billion JPY (excluding production equipment)



July 2025: Scheduled Start of Construction of New Building at Kitakyushu Plant

Purpose: To strengthen production capacity for surface treatment of semiconductor manufacturing equipment components
 Location: 10-8, 10-9 Torigoemachi, Kanda-machi, Miyako-gun, Fukuoka Prefecture
 Building area: Approx. 1,984 m²; total floor area: Approx. 6,994 m²
 Construction cost: Approx. 3.2 billion JPY (excl. production equipment)
 Start of operations: Scheduled for May 2027



August 2025: Scheduled Start of Construction of New Building at Tokyo Plant Gyoda Workshop

Purpose: To strengthen production capacity for surface treatment of semiconductor manufacturing equipment components
 Location: 631-13 Toyotomicho, Funabashi City, Chiba Prefecture
 Building area: Approx. 3,734 m²; total floor area: Approx. 14,201 m²
 Construction cost: Approx. JPY 6.7 billion (excluding production equipment)
 Start of operations: Scheduled for end of 2027

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I will continue with the status of the construction of the plant building.

First, on May 13, the construction of our Kobe Plant No. 2 was completed.

Construction of new buildings at the Kitakyushu Plant and Tokyo Plant Gyoda Workshop is also scheduled to begin in the near future.

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⑤ Selected for the Growth Investment Subsidy by the Ministry of Economy, Trade and Industry

TOCALO

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

Subsidy overview

1. Subsidy project period: November 1, 2024 – End of December 2026
2. Eligible investment amount: 11.1 billion JPY (approved investment amount)
3. Approved subsidy amount: 3.7 billion JPY (one-third of the investment amount)

Capital investment details

With a focus on expanding the semiconductor and FPD fields, we will carry out three-pronged capital 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 Suzumi 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

Published on the METI Subsidized Projects website



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In December 2024, we applied for the Large Scale Growth Investment Subsidy for Labor Saving Measures to Support Wage Increases at Medium Sized and Small Enterprises by the Ministry of Economy, Trade and Industry, and were selected in recognition of the growth investment required to achieve our business plan.

As shown on the slide for an overview of the subsidy, the investment amount adopted this time is JPY11.1 billion, of which one-third, or JPY3.7 billion, will be provided as a subsidy.

The reason behind this aggressive investment is that we intend to expand our business not only in semiconductors but also in the general segment toward the year 2030. On a non-consolidated basis, TOKARO aims to increase net sales by 60% to JPY12 billion in the semiconductor segment and by 56% to JPY10 billion in the general segment compared to the fiscal year ending March 31, 2024.

Through this subsidy project, we plan to increase production capacity and improve production efficiency through capital investment, and to use the increase in earnings generated by subsidy project as a resource for continuous wage increases of an average of 4% per year. The Company intends to use the wage increase to motivate employees to contribute to the Company, and to use it as a foundation for future growth.

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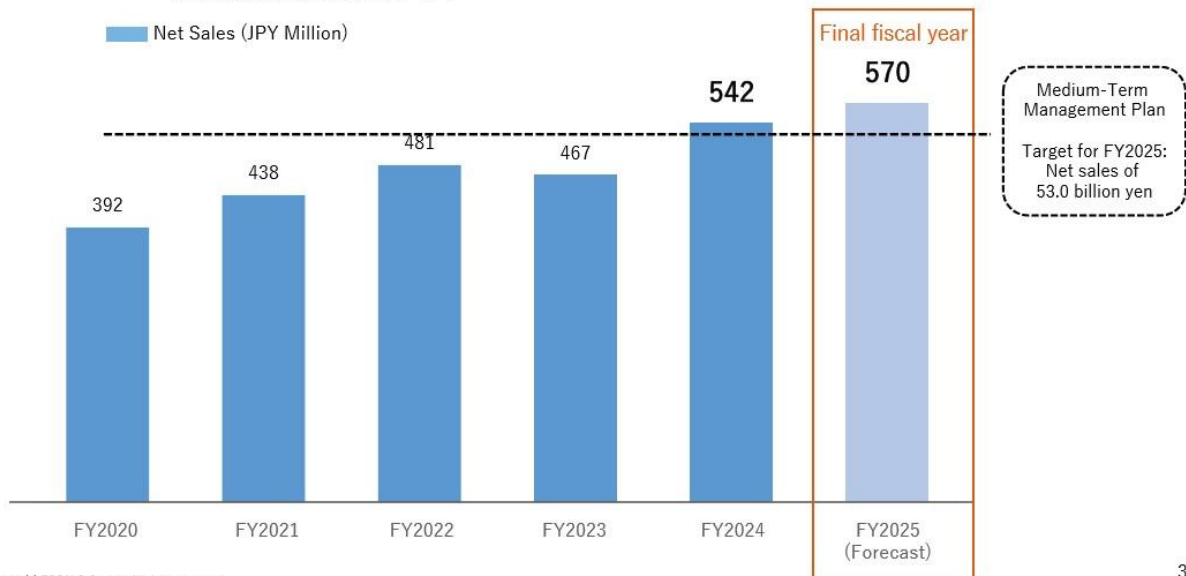
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Progress of Medium-term Management Plan (Net Sales)



Net sales reached the planned 53.0 billion JPY one year ahead of schedule, and for FY2025, the final fiscal year of the plan, we are aiming to set a new record with a forecast of 57.0 billion JPY

Net Sales (JPY Million)



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I will then explain the progress of the medium-term management plan.

The current fiscal year is the fifth and final year of the five-year plan.

Regarding the progress toward the net sales target of the medium-term management plan, we achieved the target of JPY53 billion one year ahead of schedule.

For the final fiscal year, ending March 31, 2026, we plan to achieve a new record high of JPY57 billion.

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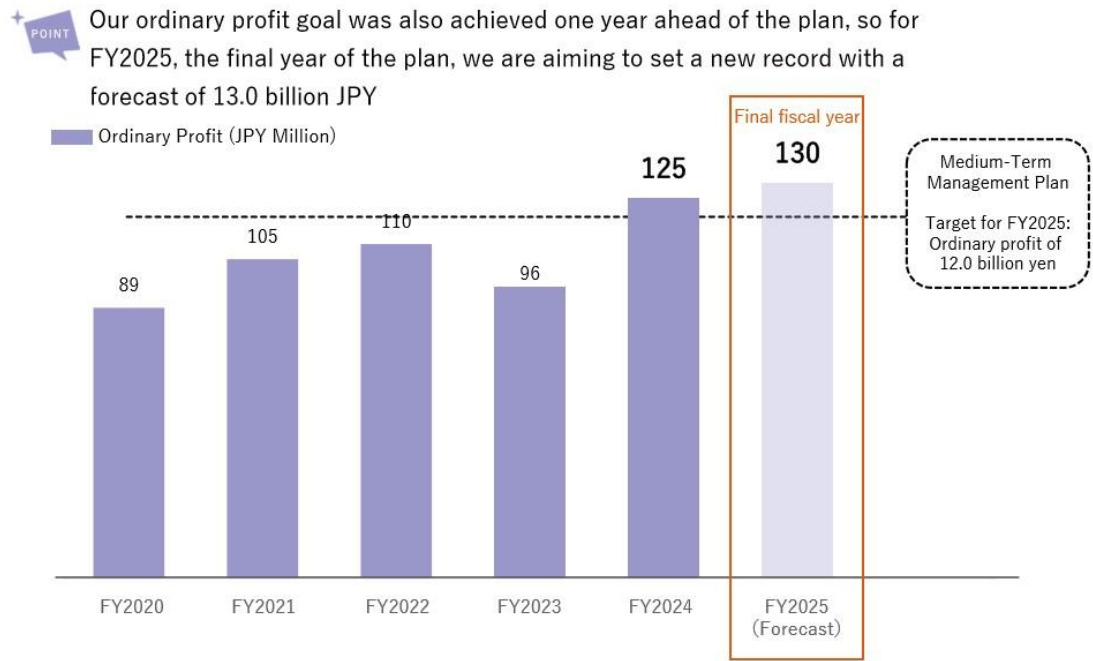
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Progress of Medium-term Management Plan (Ordinary Profit)





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I will now explain the progress of ordinary profit.

The target of JPY12 billion was achieved one year ahead of schedule. For the fiscal year ending March 31, 2026, the final year of the plan, we plan to achieve a record-high ordinary profit of JPY13 billion.

On the Formulation of the Medium-Term Management Plan (Net Sales Growth Image Toward 2030) TOCALO

External Environment

- The semiconductor market is expected to roughly double by 2030
- The importance of responding to customer (manufacturing) needs such as reducing environmental impact and energy conservation will increase

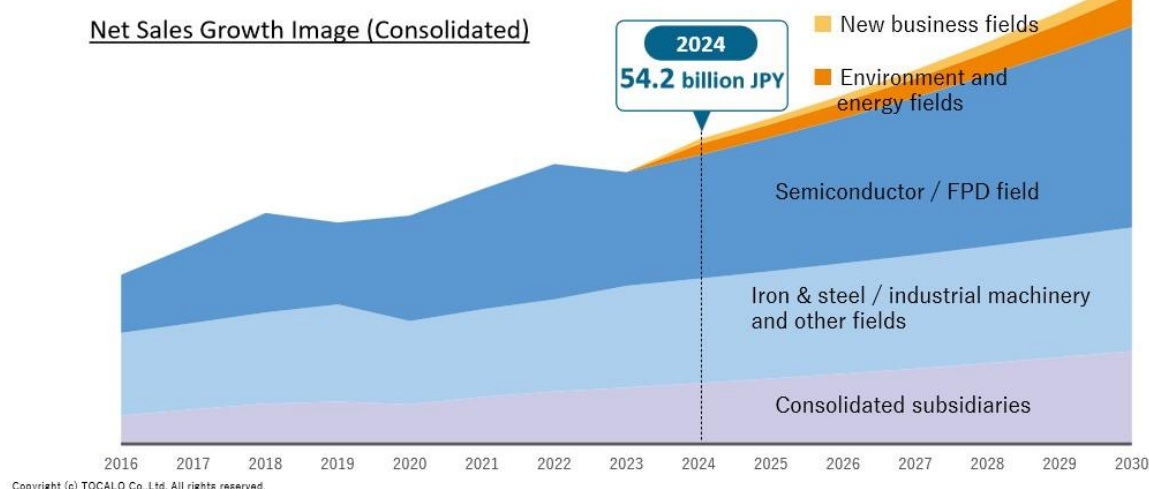
Growth Strategy

- Aggressive capital investment to expand production capacity and promote automation and labor-saving
- Development of next-generation coatings to support semiconductor miniaturization and multilayering, as well as entry into new business fields

*Concept under consideration

2030
80.0 billion JPY -

Net Sales Growth Image (Consolidated)



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Finally, I would like to explain our next medium-term management plan.

Here is an image of growth toward 2030.

With environmental impact reduction and energy-saving measures being considered an urgent issue in all manufacturing industries, our business opportunities are expanding. Against this backdrop, we envision growing consolidated net sales to JPY80 billion by 2030.

Slightly different from the material at your hand are the figures for consolidated results for FY2023, which are shown here. I explained earlier that the growth potential is JPY22 billion in total compared to 2023, so I thought it might be difficult to understand the figures for 2024 alone, so I have added this section.

That is all for my presentation Thank you for your attention.

Moderator: Thank you for your explanation.

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Question & Answer

Moderator [M]: I would like to start by asking questions from those who are attending on-site.

Osawa [Q]: My name is Osawa from Ichiyoshi Research Institute. I have two questions regarding semiconductors.

The first point is that the net sales of overseas subsidiaries have been growing very rapidly, with approximately JPY2 billion in the last fiscal year and JPY2.7 billion planned for the current fiscal year. How much of this growth in overseas subsidiaries is accounted for by semiconductors?

Also, what is the approximate percentage of growth in Taiwan and China separately. Also, can you tell us whether the growth driver for each is due to the increase in capacity or the increase in the number of workers secured per process? Please tell us the factor. It doesn't have to be exact, but it can be the level of which is more or something like that.

Kobayashi [A]: I think the ratio of semiconductors in our overseas subsidiaries is over 50%. The semiconductor business is growing on a large scale. As for the percentages for China and Taiwan, semiconductor business in China is growing. That was the plan last year and will be the plan this year as well.

Osawa [Q]: I believe that iron & steel and other segments will also grow this fiscal year, but the growth of JPY2.7 billion will be mostly in semiconductors. Is my understanding correct? Or will the other segment grow significantly?

Kobayashi [A]: The growth is almost all from semiconductor business.

Osawa [Q]: Is it correct to understand that the growth in China is very strong, although the growth in Taiwan is also strong?

Kobayashi [A]: Yes.

Osawa [Q]: Also, for the second point, you mentioned capital investment on the plants. The Tokyo and Kitakyushu Plants will be completed approximately in 2027, but what is the approximate rate of increase in processing capacity? For example, can you give us an idea of, for example, a 40% increase or a 30% increase? If possible, could you also tell us how much of that increase will come from Kitakyushu Plant?

Kobayashi [A]: Based on the current capital investment, in fact, the capital investment we had been making until last fiscal year was aimed at production capacity up to about FY2027. In addition, we are making considerably larger investments for future capacity expansion, aiming for a 200% increase in production capacity compared to FY2024. So, we are aiming to double our current production capacity.

I am not sure if I can answer what the percentage is this time, but what we know now is that it will be double by FY2030 compared to FY2024.

Osawa [Q]: Is it correct to think that after increasing the capacity, you will increase the number of workers to meet the demand, and then actually work toward that 200%?

Kobayashi [A]: Yes, that's right. The current facilities are based on the production assumption for FY2027, and we assume that the new plant will provide the main source of production capacity for the increase from FY2028 to FY2030.

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Moderator [M]: Any other questions? I forgot to mention earlier that this briefing is the subject of a full transcript. If you wish to remain anonymous, please do not identify yourself. Thank you.

Watanabe [Q]: My name is Watanabe from SMBC Nikko Securities. I have two questions.

First, in response to the earlier question, you mentioned that business in China is growing, and I believe that local Chinese companies will enter the market in the future. Could you give us your basic thoughts on your company's approach to this, to the extent possible?

Kobayashi [A]: We think we are in a very difficult situation. The technical tie-up in the semiconductor industry for Chinese market may include cutting-edge technologies that we cannot determine on our own. We have not yet completely decided on the extent to which we will provide the technology. However, at this stage, the reality is that we are only working on the range of technologies that can be handled with one or two generations old technologies that have already been publicized in Japan, and that is the extent of our growth.

We are going to closely examine the scope of what we are going to do in the future, while closely examining each technology and the relationship between the U.S. and China. However, our current plan is to work on a scope that is about two generations old and is no longer the subject of technical discussions in Japan.

Watanabe [Q]: Just to confirm, am I correct in understanding that you are proactively working on in that scope? As for the technology of two previous generations, are you actively working on upon request?

Kobayashi [A]: Yes, that's right.

Watanabe [Q]: Second, if possible, could you tell us about your investment ideas for the next medium-term management plan? As you mentioned earlier about capacity, I think the amount of investment value disclosed for the plants to be launched this time is probably only for the building. When you think about the investment level, in consideration for the period up to 2028 or 2030, will it be increased at the same level as in the past? Or are you receiving so many inquiries that you have to raise the pace quite a bit? Can you give us your thoughts?

Kobayashi [A]: Compared to the past investments, I think we will put in a large amount of money. We believe that the value will continue to increase by about 30%.

Watanabe [Q]: Are you increasing the value since there are more products for thermal spray? Or is it because you must introduce technology that requires more money? I think it is both.

Kobayashi [A]: What we are aware of now is that new technologies are coming in, of course, but the major market for the products that we are currently developing is changing, and the range of what we process is expanding. This has led to the need to expand our facilities.

Watanabe [Q]: Just to confirm, I understand that the net sales will increase in line with that. Is that correct?

Kobayashi [A]: Of course. We are aiming for JPY60 billion on a non-consolidated basis and, and we will continue this growth path toward JPY80 billion for the entire Group.

Moderator [M]: Any other questions? We do not have questions from those who are attending online right now. Any other questions from those who are attending on-site?

Watanabe [Q]: I am sorry to keep asking. This is Watanabe from SMBC Nikko Securities.

At the last briefing, I think you talked a little bit about different types of coatings from ceramics, but will there be an increase in new coatings in the next medium-term management plan? Or is there more room for growth

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in coatings based on existing thermal spray technology? Do you envision the business scope expanding, or do you envision the current core business growing as it is?

Kobayashi [A]: Of course, our semiconductor business accounts for a large proportion of our sales, about 50%, so our business is greatly affected by which processed products are sold in the major market. Of course, we are expanding our business beyond thermal spray, and we are in a situation where development cannot proceed without equipment and facilities, so we will invest in these areas, but if you ask whether this will increase profits or sales, it may not increase as we expect.

As for the growth of sales through investment, the question is what kind of products will be introduced to the major market. At this point, we have no choice but to answer thermal spray. We will continue to develop new technologies in addition to thermal spray.

In fact, we have decided to jointly develop the thin film technology of our subsidiary, JCC, and are moving forward with it. However, it is not so easy to say whether it will go to the major market or not. As far as the medium-term management plan is concerned, for now we see thermal spray as the main segment that will go to the major market.

Moderator [M]: Yes, please continue.

Watanabe [Q]: Sorry to ask again. This is Watanabe from SMBC Nikko Securities. Will there be any changes to shareholder returns in the next medium-term management plan?

Kobayashi [A]: At the moment, we are aiming for a dividend payout ratio of 50% and DOE of 5% or more. We will continue to invest in facilities that we have never experienced before over the next several years, so we would like to assess how we should proceed in the future while keeping an eye on the situation.

Moderator [M]: Yes, please.

Irisawa [Q]: I am Irisawa of Tachibana Securities. Please tell us about the status of orders received in the three segments for this fiscal year.

As for the main semiconductor segment, I remember hearing six months ago that it was doing very well and three months ago that it was doing OK but next year it would be a little more than this year's level. Could you give us an update on what the current situation is?

Also, what is the situation with industrial parts, which you are forecasting declined net sales this fiscal year, and when do you expect to see a recovery? In addition, what is your outlook for the automobile cutting tools business of your domestic subsidiary, Coating Center. Please tell us about these three segments.

Kobayashi [A]: The semiconductor business started doing well six months ago. The year before last, the performance was in a deep slump, then bottomed out, and has been recovering rapidly since H2 of last year.

Since the beginning of this year, we have been cautious, and the recovery has been leveling off. So far, I have not heard anything about a downturn this year. However, it is not so clear that the growth will be so strong that it will exceed that of last year. The revival in semiconductors in H2 of last year was to a certain extent [inaudible] for us, so we have told you that this year's performance will be good.

Therefore, rather than seeing growth, we think that the performance will be the same level as it was when the condition was favorable, or about the same level as last year.

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Also, industrial parts have been on an upward trend starting this fiscal year. I think that the businesses for the gas turbines, batteries, and hydrogen are gradually emerging and will be on the rise in the near future. Although the projects have temporarily stopped, we are seeing an upsurge in gas turbine-related business, just as the newspapers report. We believe that energy-related segment will grow considerably from now until 2030.

Also, as to the business related to the domestic subsidiary, JCC, the impact of automobiles is indeed quite large, and we are working on what we are going to do about it. As I mentioned earlier, it is not that the semiconductor business does not have thin-film technology. We have been making efforts toward this area for some time now, so I hope that this year and next year, the business will gradually be successful.

Moderator [M]: Any other questions?

Since there is no more question, we would like to conclude the briefing. Thank you to all the participants. Thank you to presenters from the Company.

If you have any questions that could not be answered due to time constraints, or if you have any new questions, please contact the person in charge of IR and they will be happy to answer them.

[END]

Document Notes

1. *Portions of the document where the audio is unclear are marked with [inaudible].*
2. *Portions of the document where the audio is obscured by technical difficulty are marked with [TD].*
3. *Speaker speech is classified based on whether it [Q] asks a question to the Company, [A] provides an answer from the Company, or [M] neither asks nor answers a question.*
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