TOCALO Co., Ltd.

Financial Results Briefing for the Fiscal Year Ended March 2026

May 20, 2026

Event Summary

[Company Name]	TOCALO Co., Ltd.	
[Company ID]	3433-QCODE	
[Event Language]	JPN	
[Event Type]	Earnings Announcement	
[Event Name]	Financial Results Briefing for the Fiscal Year Ended March 2026	
[Fiscal Period]	FY2026 Annual	
[Date]	May 20, 2026	
[Number of Pages]	49	
[Time]	13:00 – 14:36 (Total: 66 minutes, Presentation: 34 minutes, Q&A: 32 minutes)	
[Venue]	Webcast	
[Venue Size]	145 m^2	
[Participants]	20	
[Number of Speakers]	4	
	Kazuya Kobayashi	Representative Director, President, and CEO
	Hiroshi Goto	Senior Managing Executive Officer, Director, Vice President of Administrative, Headquarters
	Katsunori Nakai	Executive Officer, General Manager, Corporate Planning Division
	Aya Masago	Corporate Planning Division, Administrative Headquarters
[Analyst Names]*	Mitsuhiro Osawa	Ichiyoshi Research Institute
	Hiroharu Watanabe	SMBC Nikko Securities

*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.

Presentation

Moderator: Thank you for your patience. The time has arrived and we will now begin the financial results briefing for TOCALO Co., Ltd. This information session will be held in a hybrid format with a live-streaming online format in addition to the on-site session.

To begin, I would like to introduce the four people from the Company. First, Mr. Kazuya Kobayashi, Representative Director, President, and CEO.

Kobayashi: My name is Kobayashi. Thank you.

Moderator: Thank you. Next is Mr. Hiroshi Goto, Senior Managing Executive Officer, Director, General Manager of Administrative, Headquarters **Goto:** Thank you.

Moderator: Thank you. Next is Mr. Katsunori Nakai, Executive Officer, General Manager, Corporate Planning Division.

Nakai: This is Nakai. Thank you.

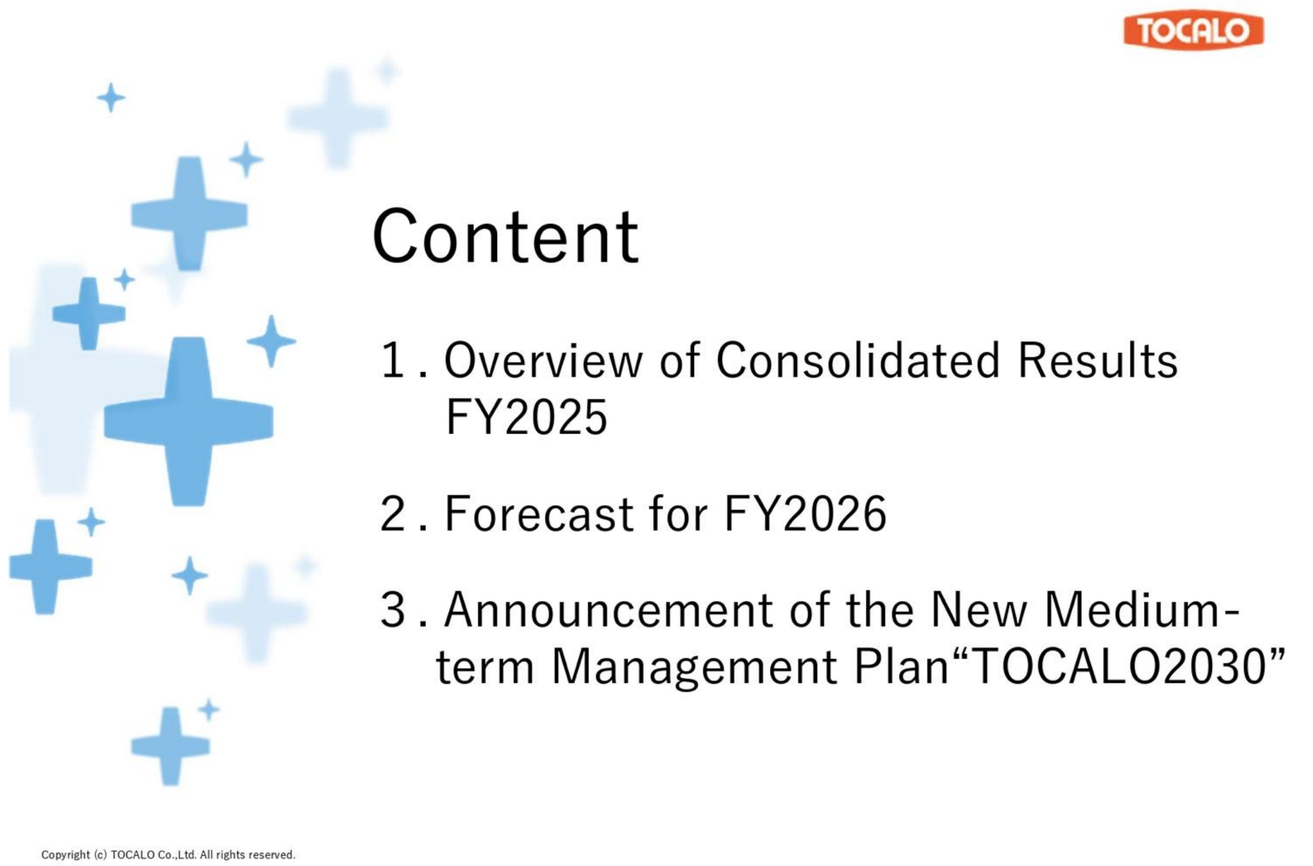
Moderator: Next is Ms. Aya Masago, Manager, Corporate Planning Division, Administrative Headquarters.

Masago: I am Masago. Thank you.

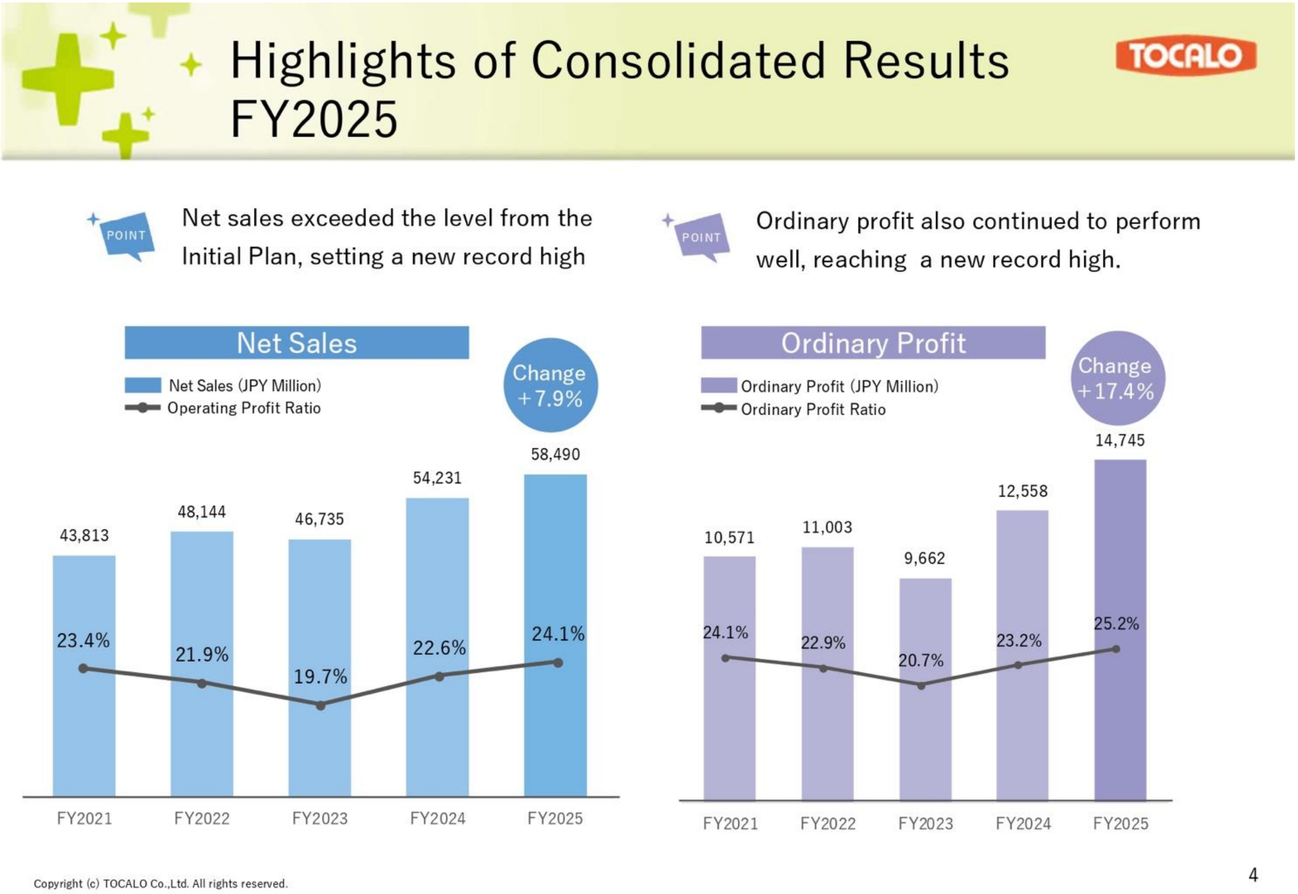
Moderator: Thank you. After the explanation from CEO Kobayashi, we will have a question-and-answer session at the venue. We will continue to take questions from those who are participating online this time.

If you have any questions, please use the Q&A function after entering your company name and name. Questions are welcome during the presentation. CEO Kobayashi, please begin.

Kobayashi: Hello, everyone. I am CEO Kobayashi. Thank you very much for taking the time to attend our briefing today despite your busy schedule.

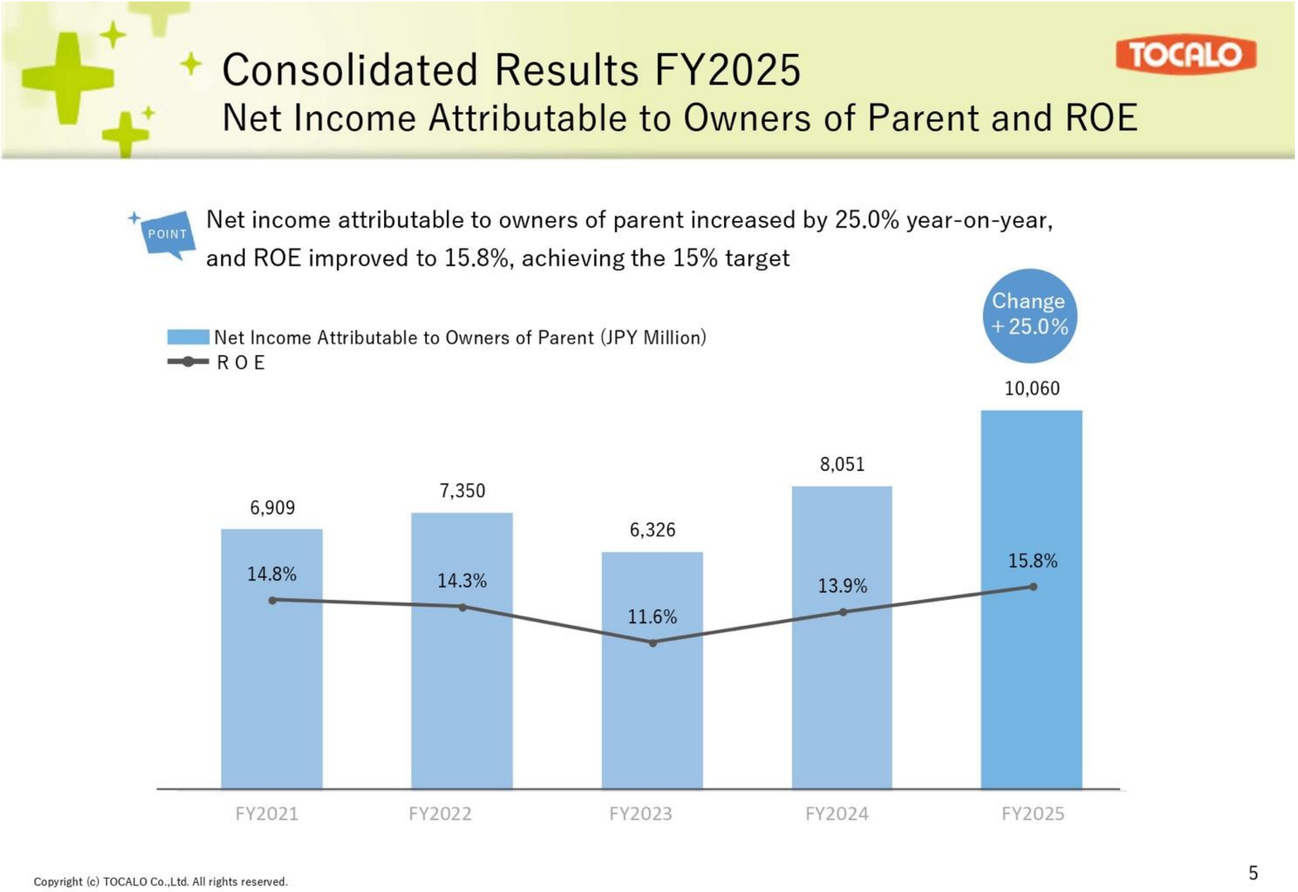


Please begin. These are the three things I will explain today. After the presentation of financial results, I will explain the new medium-term management plan.



First, I would like to present our consolidated financial results for the fiscal year ended March 31, 2026.

For the fiscal year ended March 31, 2026, the Company reported net sales of JPY58.4 billion, ordinary profit of JPY14.7 billion, and ordinary profit margin of 25.2%, both sales and ordinary profit exceeding the initial plan and reaching record highs.



Net income attributable to owners of the parent company was JPY10 billion, up 25% from the previous year, and ROE was 15.8%, achieving the target of 15%.

Overview of Consolidated Results (P/L) FY2025

TOCALO

● Net sales trended strongly, increasing by 7.9% year-on-year

● Ordinary profit also performed well, increasing by 17.4% year-on-year

(JPY Million)	FY2024		FY2025		Change	
	Result	Ratio	Result	Ratio	Amount	%
Net Sales	54,231	100.0%	58,490	100.0%	4,259	7.9%
Operating Profit	12,268	22.6%	14,102	24.1%	1,834	15.0%
Ordinary Profit	12,558	23.2%	14,745	25.2%	2,186	17.4%
Net Income Attributable to Owners of Parent	8,051	14.8%	10,060	17.2%	2,009	25.0%
Earnings Per Share (EPS)	135.44JPY	—	169.19JPY	—	33.75JPY	—

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We would like to present for your reference a table of sales profit in comparison with the previous year.

FY2025 Net Sales (by Segment)

TOCALO

- Net sales in the Thermal Spray(TOCALO) segment, the largest segment, increased 3.8% year on year; despite a temporary slowdown in semiconductor and FPD growth, the industrial machinery segment was robust.
- Other surface modification decreased by 14.3% year-on-year, affected by continued inventory adjustments for agricultural machinery parts
- Overseas subsidiaries performed well, led by the semiconductor- and iron & steel-related fields, with a 31.7% year-on-year increase

(JPY Million)	FY2024		FY2025		Change	
	Result	Ratio	Result	Ratio	Amount	%
Net Sales	54,231	100.0%	58,490	100.0%	4,259	7.9%
Thermal Spray (TOCALO)	39,213	72.3%	40,709	69.6%	1,496	3.8%
Semicon & FPD	24,114	44.5%	24,813	42.4%	698	2.9%
Industrial Parts	4,872	9.0%	5,652	9.7%	779	16.0%
Iron & Steel	3,927	7.2%	3,963	6.8%	35	0.9%
Others	6,298	11.6%	6,280	10.7%	-17	-0.3%
Other Surface Modif.	2,880	5.3%	2,467	4.2%	-413	-14.3%
Domestic Sub.	2,656	4.9%	2,883	4.9%	227	8.6%
Overseas Sub.	9,319	17.2%	12,269	21.0%	2,949	31.7%
Royalty Income	161	0.3%	160	0.3%	0	-0.4%

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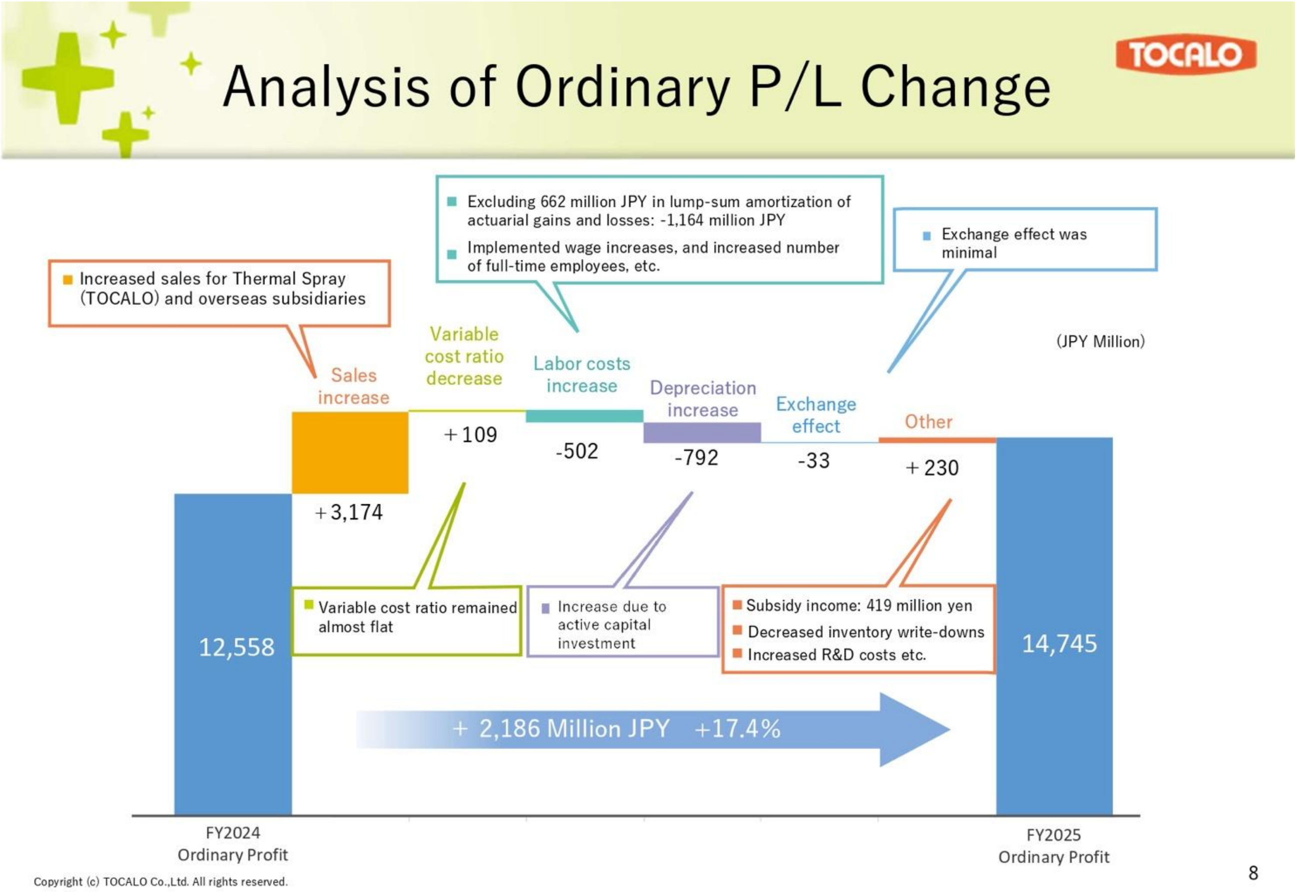
I will explain the financial results by business segment. In the largest segment, thermal spray processing, non-consolidated, the industrial machinery field performed well, but the semiconductor and FPD fields, the mainstay of the business, were on a leveling off, and although the business picked up in Q4, it only rose slightly. In addition, sales of surface treatment processing decreased due to the impact of continued inventory adjustments in the agricultural machinery sector. Meanwhile, overseas subsidiaries performed well, growing 31.7% YoY.



This is an analysis of the change in ordinary profit from the previous year. Ordinary profit for the fiscal year ended March 31, 2026, was JPY14,745 million, an increase of JPY2,186 million from the previous year.

The main reasons for the increase are higher sales and lower variable ratios. On the other hand, the main factors of decrease were an increase in depreciation and amortization due to aggressive capital investment and an increase in personnel expenses. The Company amortizes actuarial gains and losses in a lump sum. Excluding this effect, the personnel cost portion increased by JPY1,164 million.

(Reference) Ordinary Profit on a Substantive Basis

POINT Earning power on a substantive basis, excluding actuarial gains and losses and subsidy income

(JPY million)

	FY2021	FY2022	FY2023	FY2024	FY2025
Ordinary Profit	10,571	11,003	9,662	12,558	14,745
Actuarial Gains and Losses	35	64	556	301	662
Subsidy Income	33	10	19	17	419
Ordinary Profit on a Substantive Basis (Excluding actuarial gains and losses and subsidy income)	10,502	10,928	9,086	12,239	13,663

Ordinary Profit on a Substantive Basis
(Excluding actuarial gains and losses and subsidy income)

Actuarial Gains and Losses and Subsidy Income

- Actuarial Gains and Losses on retirement benefit accounting
  FY2025 earnings were lifted by positive actuarial gains in retirement benefits, driven by higher interest rates and favorable equity market conditions.
- Subsidy income
  Large-scale Growth Investment Subsidy for Labor-saving, etc., aimed at Wage Increases for Mid-size Enterprises and SMEs" (METI), etc.

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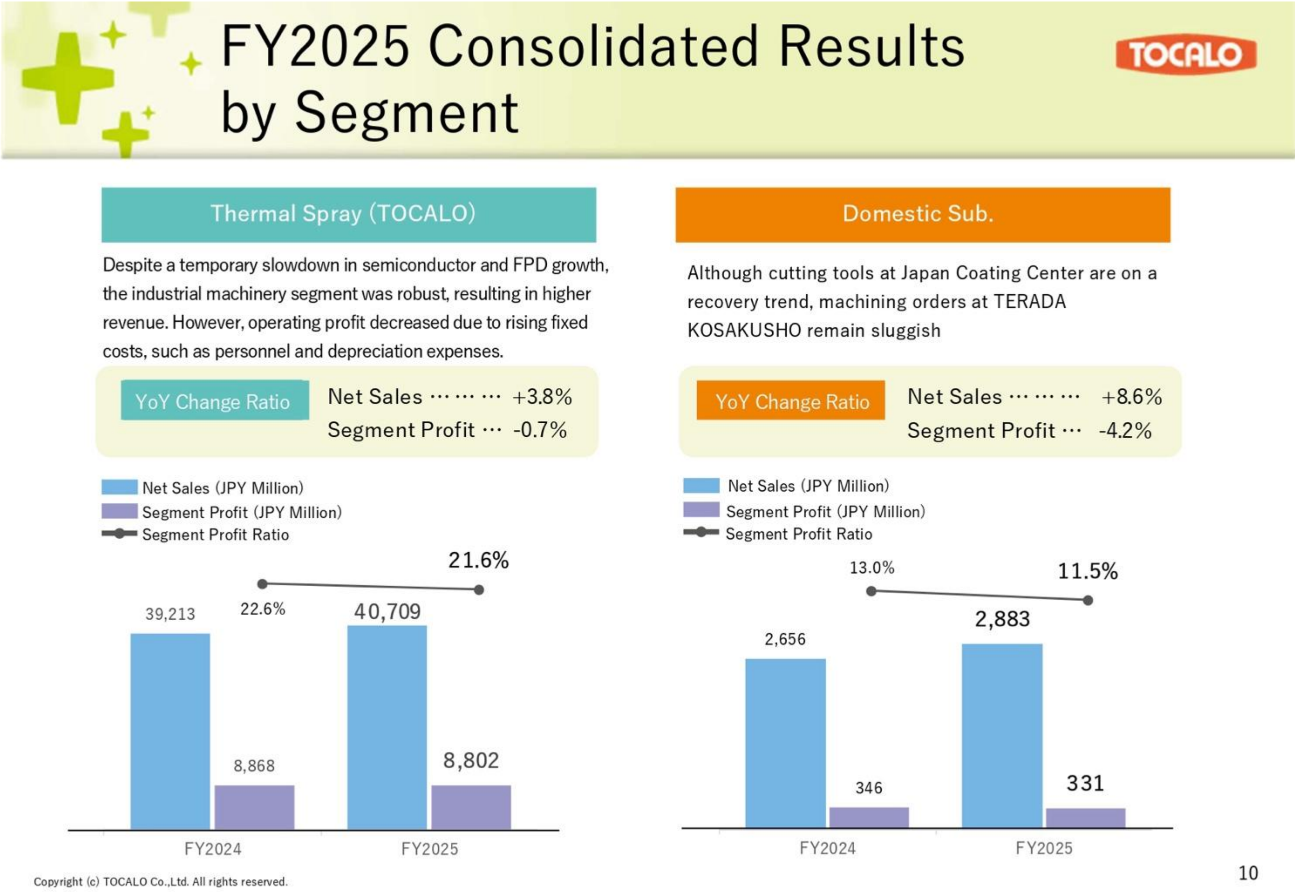
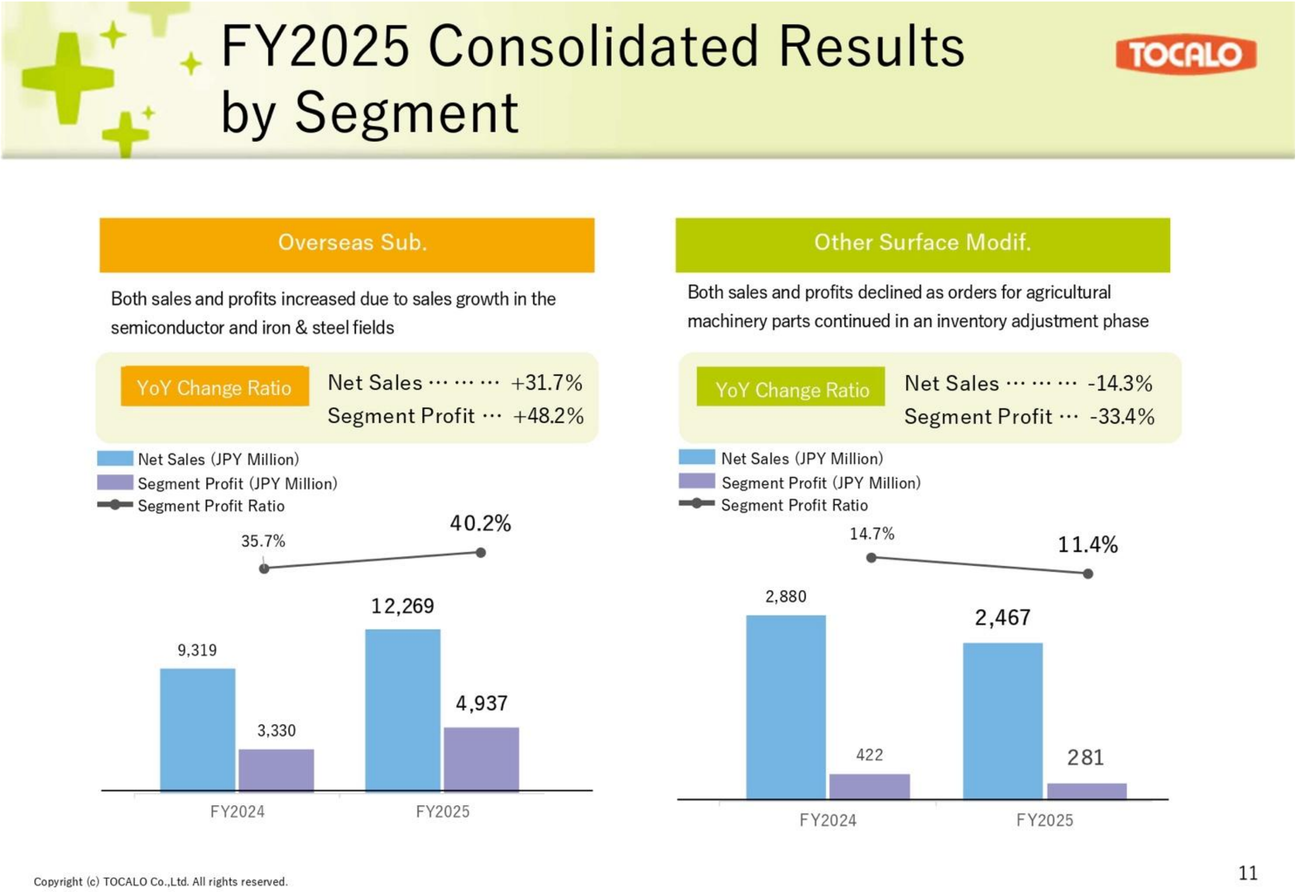
Effective from the current fiscal year, ordinary profit on an actual basis excluding actuarial gains and losses and subsidy income is disclosed. The Company's ordinary profit based on actual performance will be JPY13.6 billion.



Here is a comparison of segment-level operating profit with the previous period. Although thermal spraying, as a non-consolidated business, saw growth stall in the semiconductor and FPD fields, the industrial machinery field performed well, resulting in an increase in revenue. On the other hand, profits also decreased due to higher personnel and depreciation costs. As for domestic subsidiaries, although cutting tools of Japan Coating Center are on the road to recovery, sales and profits increased and declined due to sluggish orders at Terada KOSAKUSHO.



Overseas subsidiaries posted increases in both sales and profit due to continued strong sales in the semiconductor and steel-related fields. In addition, the surface modification business saw a decline in both revenue and profit due to the ongoing impact of inventory adjustments for agricultural machinery components.

Segment Information

(JPY Million)	FY2024		FY2025		Change			
					Net Sales		Segment P/L	
	Net Sales	P/L	Net Sales	P/L	Amount	%	Amount	%
Thermal Spray (TOCALO)	39,213	8,868	40,709	8,802	1,496	3.8%	-65	-0.7%
Domestic Sub.	2,656	346	2,883	331	227	8.6%	-14	-4.2%
Overseas Sub.	9,319	3,330	12,269	4,937	2,949	31.7%	1,606	48.2%
Other Surface Modif.	2,880	422	2,467	281	-413	-14.3%	-141	-33.4%
Total	54,069	12,967	58,329	14,353	4,259	7.9%	1,385	10.7%

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

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We would like to present for your reference a table of sales profit in comparison with the previous year.

Financial Position

TOCALO

- Total assets increased 7,600 million JPY from the end of the previous period (tangible fixed assets increased 6,200 million JPY)
- Equity ratio increased 0.6 percentage points from the end of the previous fiscal year to 74.8%
- Interest-bearing debt increased by 3,500 million JPY from the end of the previous period

(JPY Million)	FY2024	FY2025
	4Q	4Q
Total Assets	81,683	89,291
Equity	60,645	66,758
Equity Ratio	74.2%	74.8%
Interest-bearing Debt	3,796	7,359

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The financial position at the end of the fiscal year ended March 31, 2026. Total assets increased JPY7.6 billion from the end of the previous year due to an increase in tangible fixed assets. The equity ratio rose by 0.6 percentage points compared with the end of the previous year, reaching 74.8%. Interest-bearing debt increased JPY3.5 billion from the end of the previous year to JPY7.3 billion due to an increase in new loans.

Cash Flow

TOCALO

- Free Cash Flow (Operating CF + Investment CF) -2,200 million JPY
- Investment CF/Acquisition of tangible fixed assets
  Previous term: -5,500 million JPY Current term: -9,700 million JPY
- Financial CF/Dividends paid
  Previous term: -3,400 million JPY Current term: -4,400 million JPY

(JPY Million)	FY2024 Full Year	FY2025 Full Year
Operating CF	9,077	7,749
Investment CF	-6,194	-9,963
Financial CF	-5,124	-1,155
Cash Balance	17,591	14,461

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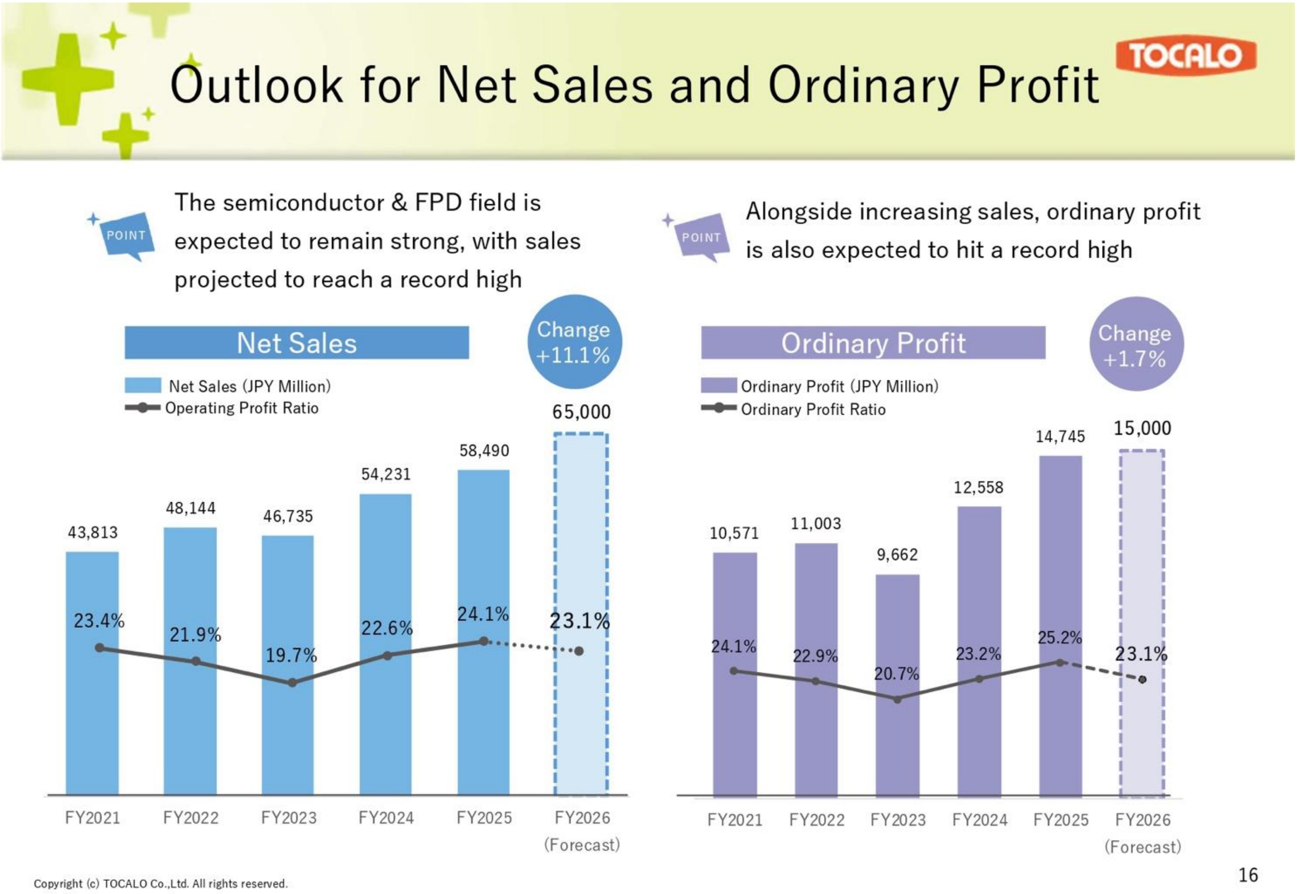
Here is a cash flows for the year ended March 31, 2026. Operating cash flow was positive JPY7.7 billion and investing cash flow was negative JPY9.9 billion, resulting in negative free cash flow of JPY2.2 billion. Financing cash flow was negative JPY1.1 billion due to an increase in borrowings, despite an increase in dividend payments. As a result, the cash balance for the fiscal year was JPY14.4 billion, a decrease of JPY3.1 billion from the end of the previous period.

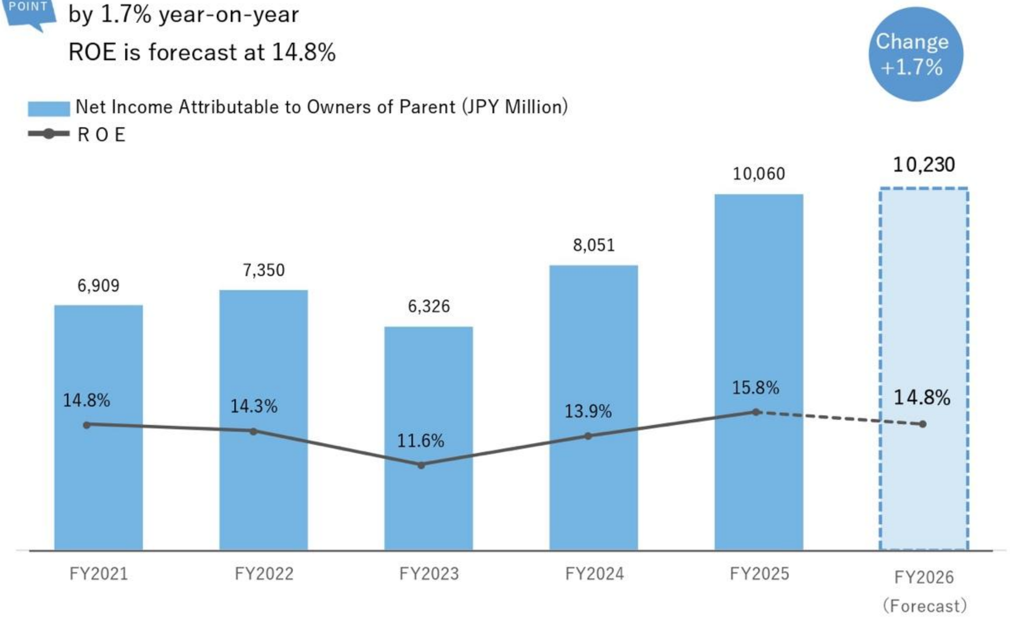
Next, I would like to explain our earnings forecast for FYE 3/2027.



For the fiscal year ending March 31, 2027, we forecast sales of JPY65 billion, ordinary profit of JPY15 billion, and ordinary profit margin of 23.1%. Sales are expected to reach a record high, driven by the semiconductor field. Ordinary profit is also expected to reach a record high due to the increase in revenue.

Outlook for Net Income Attributable to Owners of Parent and ROE

POINT
Net income attributable to owners of parent is forecast to increase by 1.7% year-on-year
ROE is forecast at 14.8%



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Net income attributable to shareholders of the parent company is expected to increase 1.7% from the previous year to JPY10.2 billion. ROE is expected to be 14.8%, slightly below the target of 15%.

Consolidated Forecast FY2026

TOCALO

(JPY Million)	FY2024		FY2025		Change	
	Result	Ratio	Forecast	Ratio	Amount	%
Net Sales	58,490	100.0%	65,000	100.0%	6,509	11.1%
Thermal Spray (TOCALO)	40,709	69.6%	46,291	71.2%	5,581	13.7%
Semicon & FPD	24,813	42.4%	31,000	47.7%	6,186	24.9%
Industrial Parts	5,652	9.7%	5,655	8.7%	2	0.0%
Iron & Steel	3,963	6.8%	3,964	6.1%	0	0.0%
Others	6,280	10.7%	5,671	8.7%	-608	-9.7%
Other Surface Modif.	2,467	4.2%	2,815	4.4%	347	14.1%
Domestic Sub.	2,883	4.9%	3,073	4.7%	189	6.6%
Overseas Sub.	12,269	21.0%	12,637	19.4%	367	3.0%
Royalty Income	160	0.3%	184	0.3%	23	14.5%
Operating Profit	14,102	24.1%	15,000	23.1%	897	6.4%
Ordinary Profit	14,745	25.2%	15,000	23.1%	254	1.7%
Net Income Attributed to Owners of Parent	10,060	17.2%	10,230	15.7%	169	1.7%
Earnings Per Share (EPS)	169.19JPY	—	172.02JPY	—	2.83JPY	—
Return on Equity (ROE)	15.8%	—	14.8%	—	-1.0pt	—

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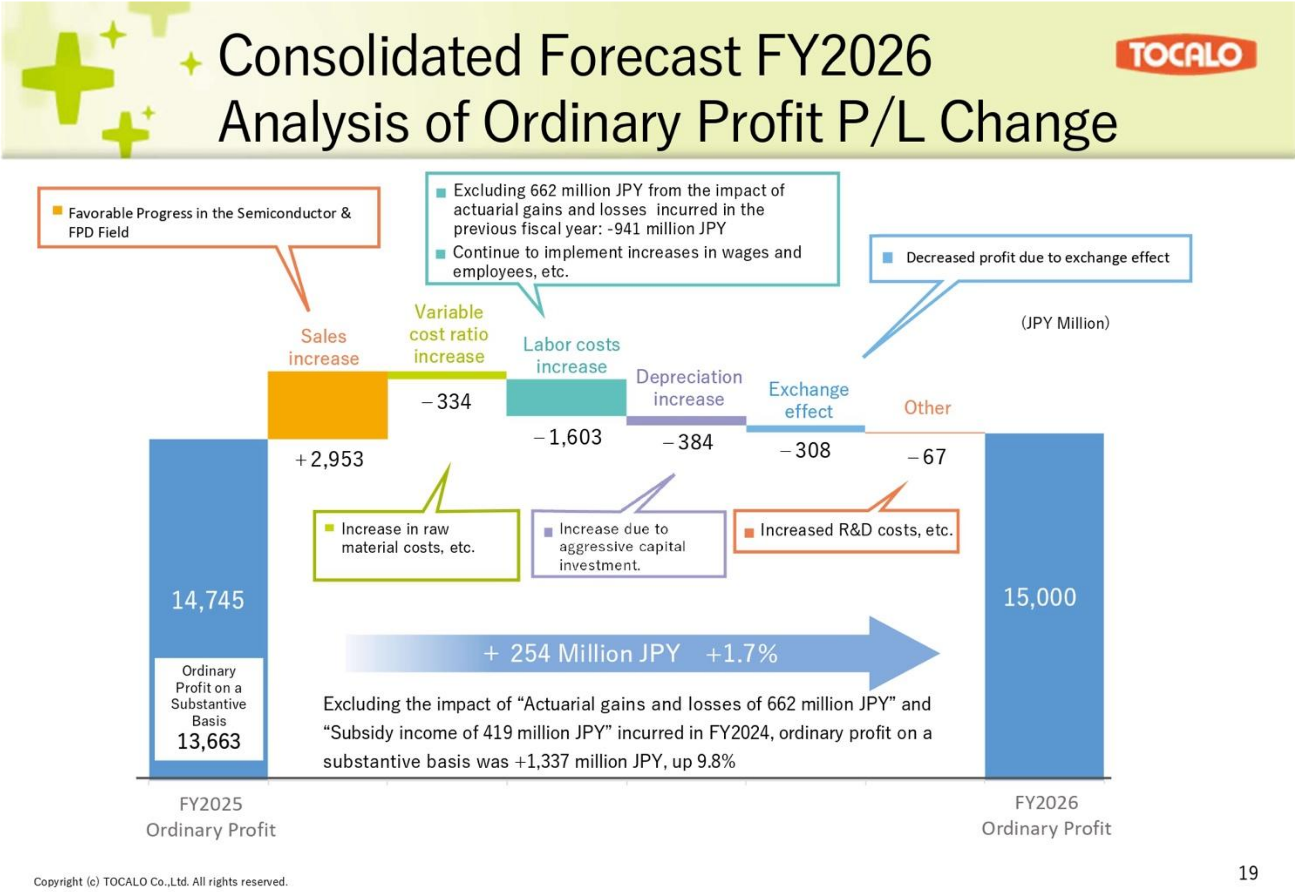
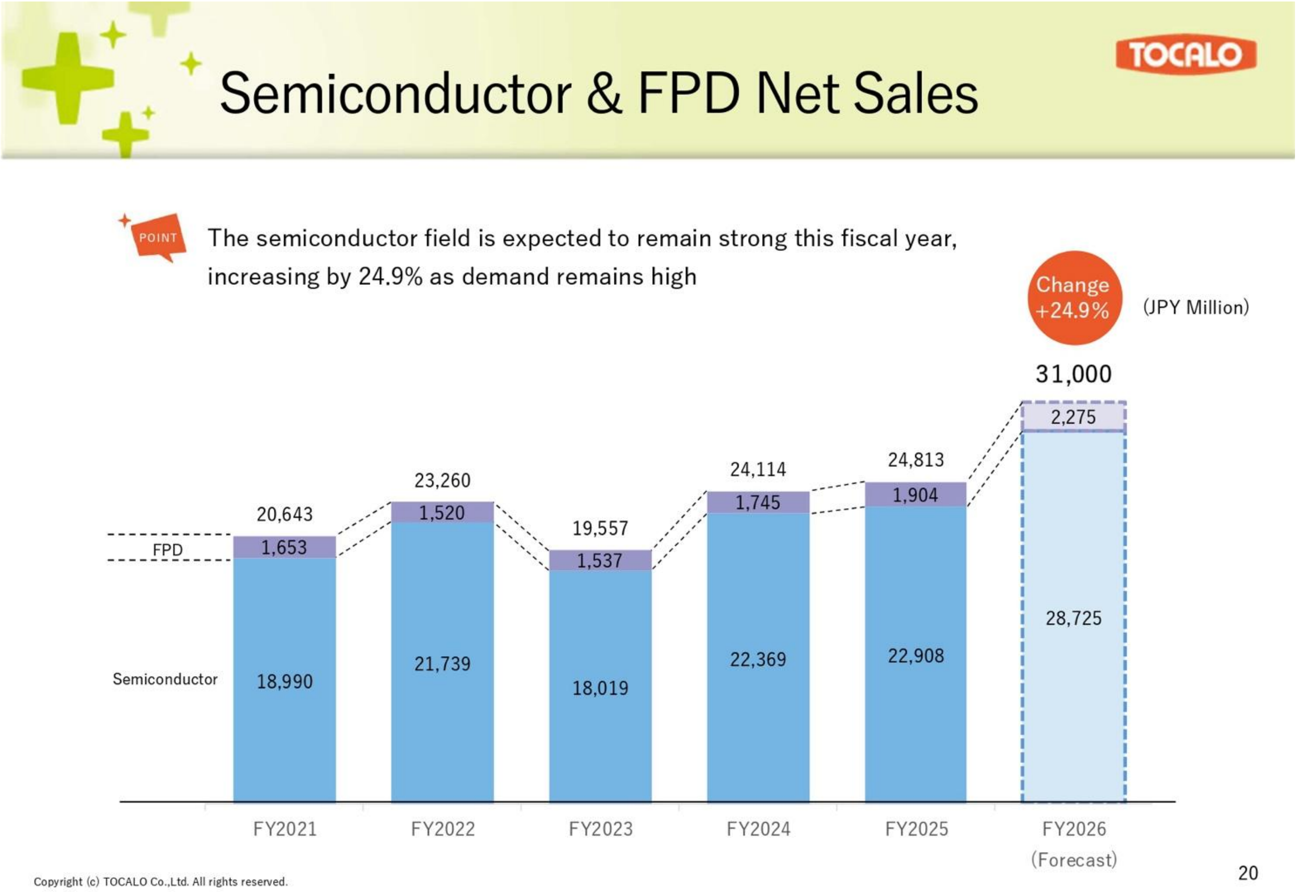
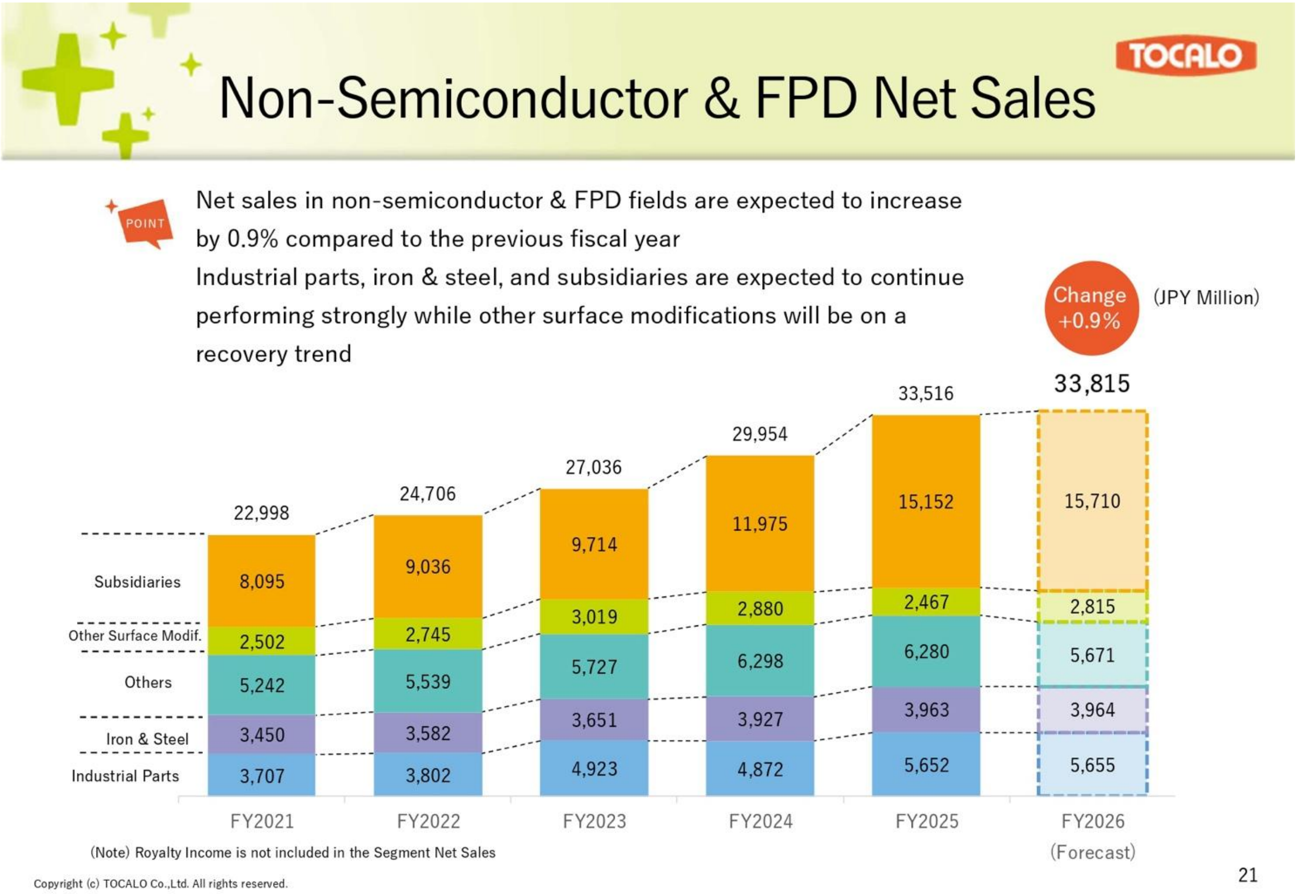
Next, I would like to explain our consolidated earnings forecast for FYE 3/2027. Net sales forecast is JPY65 billion, an increase of JPY6.5 billion from the previous year. The main factor was a JPY6.1 billion increase in sales in the semiconductor and FPD fields. Semiconductors and FPDs account for 47.7% of sales. We forecast ordinary profit to be JPY15 billion, an increase of JPY200 million compared with the previous year. On an actual basis, ordinary profit is expected to increase by JPY1.4 billion compared to the previous year's JPY13.6 billion.



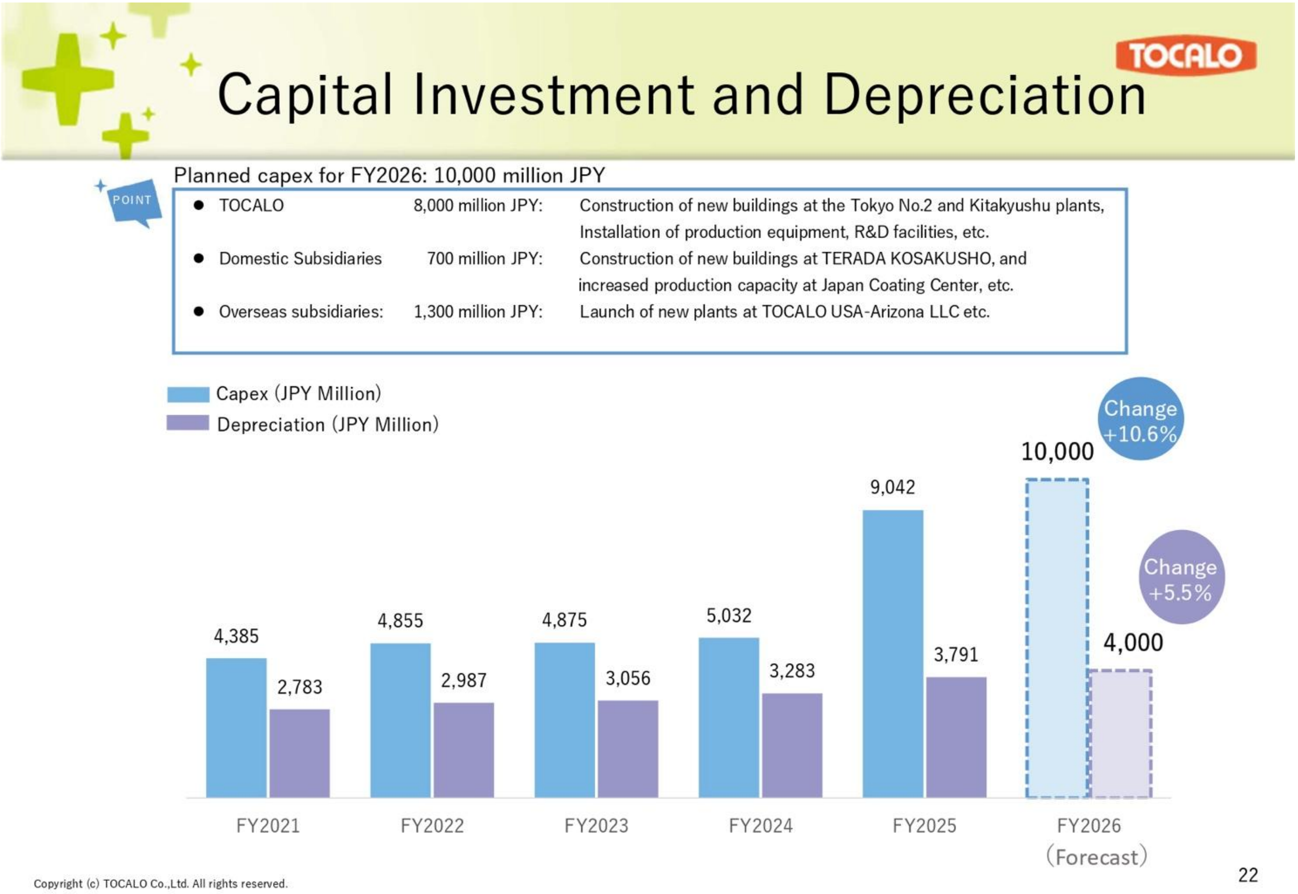
This is an analysis of the change in ordinary profit from the previous year. The main positive factor is the increase in sales. Negative factors include a JPY1,603 million increase in personnel expenses due to an increase in personnel in response to higher wages and production and an increase in depreciation due to aggressive capital investment. The increase in personnel expenses is JPY941 million, excluding JPY662 million in actuarial gains and losses incurred in the previous year.



Sales trends in the semiconductor and FPD fields. The forecast for the fiscal year ending March 31, 2027, is JPY31 billion. Of this amount, JPY28.7 billion is for semiconductors and JPY2.2 billion is for FPDs. We expect the semiconductor market to remain strong this fiscal year with continued prominent levels of demand.



Sales trends in the semiconductor and FPD fields. The forecast for the fiscal year ending March 31, 2027, is JPY33.8 billion, a slight increase of 0.9% from the previous year's JPY33.5 billion. The overseas subsidiary-related business, which supported growth in the previous fiscal year, has calmed down a bit this fiscal year, and the plan is on par with last year's level. The industrial parts field, the steel & iron field, and subsidiaries are expected to perform well. As for other surface finishing, we expect a recovery trend due to the recovery of orders for agricultural machinery.

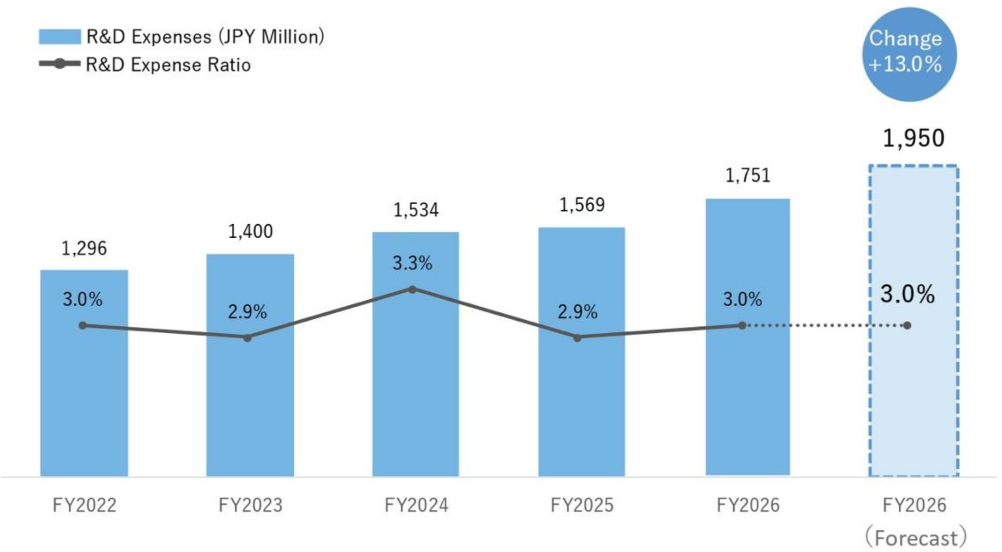


Here is a trend of capital investment and depreciation. For the fiscal year ending March 31, 2027, we expect capital investment of JPY10 billion and depreciation of JPY4 billion.

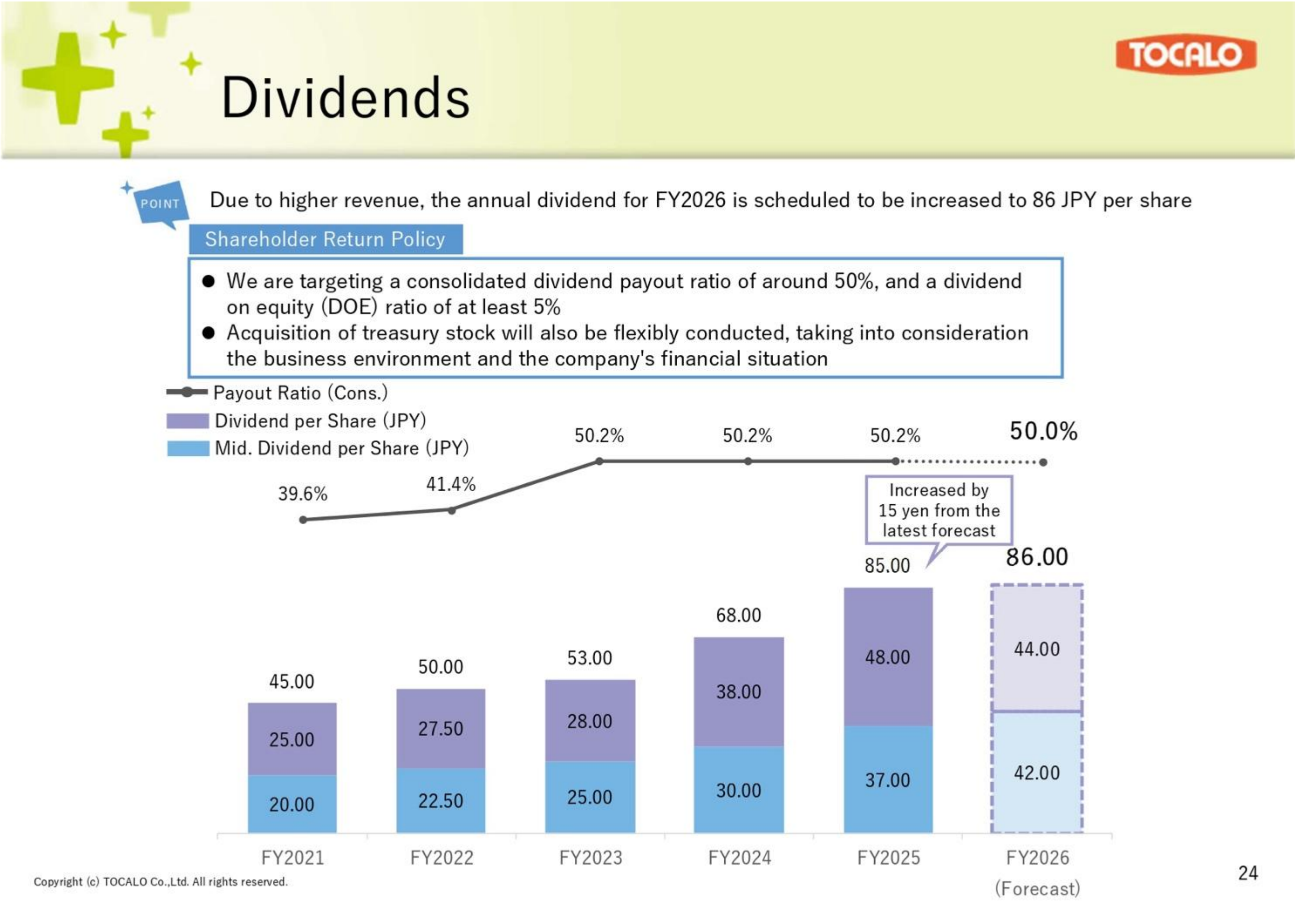
On a non-consolidated basis, TOCALO Co., Ltd. plans to construct new buildings and install production facilities at its Tokyo and Kitakyushu plants and expand its research facilities, totaling JPY8 billion. For domestic subsidiaries, a total of JPY700 million is planned for the construction of a new building at Terada KOSAKUSHO and the expansion of production capacity at Japan Coating Center. In addition, the Company's overseas subsidiaries plan to make capital investments totaling JPY1.3 billion, including the construction of a new plant at TCA-Arizona.

R&D Expenses

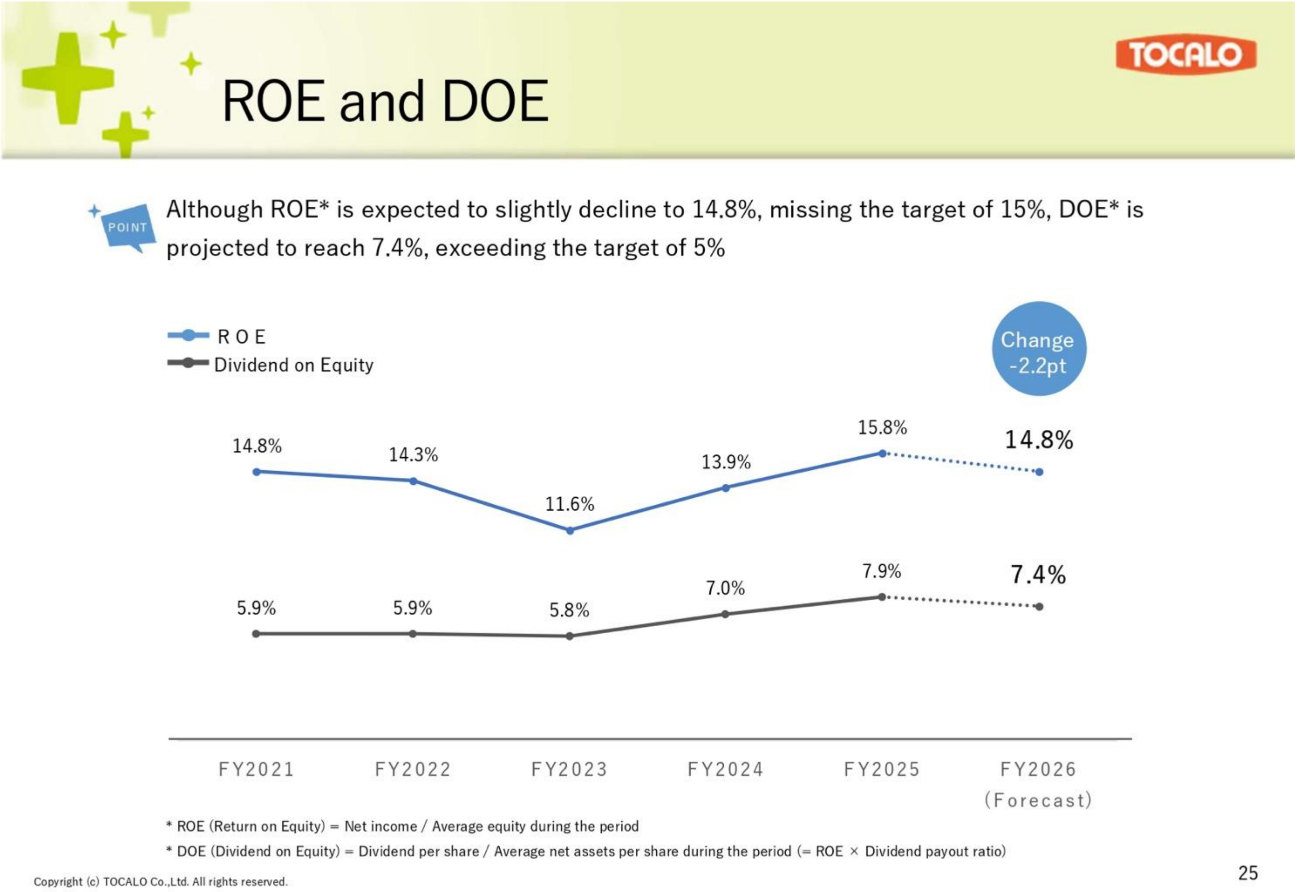
POINT R&D expenses will be maintained at around 3% of consolidated net sales



Research and development expenses. For the fiscal year ending March 31, 2027, we expect R&D expenses to be JPY1.9 billion or 3% of sales.



Dividend amount and dividend payout ratio. For the fiscal year ended March 31, 2026, the year-end dividend will be increased by JPY15 from the latest forecast, bringing the annual dividend to JPY85 per share. The annual dividend for the fiscal year ending March 31, 2027, is expected to be JPY86 per share.



ROE and DOE. For the fiscal year ending March 31, 2027, ROE and DOE are expected to be around 14.8% and 7.4%, respectively.

That concludes our presentation on the financial results for the year ended March 2026.

After this, I will explain the new medium-term management plan announced at the same time as the financial results. Please note that due to time constraints, I will limit my explanation to important pages and use narration.

In the new medium-term management plan that we announced, we set our new mission as to continue to be a company that is trusted by all stakeholders.

Going forward, we intend to place this word trust at the center of our management, which will lead the TOCALO Group, as we collaborate with our stakeholders to achieve the goals of the new mid-term management plan.

I will now begin to explain the new medium-term plan, TOCALO 2030. After the explanation, we will be happy to answer any questions you may have.

[Video Begins]

Kobayashi: Next, I would like to explain the new medium-term management plan announced on May 11, 2026. With the completion of the previous medium-term management plan period in the fiscal year ended March 31, 2026, we have formulated a new Five-Year Medium-Term Management Plan, TOCALO 2030, with the fiscal year ending March 31, 2027, as the first year, aiming for further growth and rapid progress. The new medium-term management plan TOCALO 2030 consists of six chapters. Today, I would like to focus on the most important points of the previous medium-term management plan, the basic policies of the new medium-term management plan TOCALO 2030, and growth strategies to achieve the goals of the plan.

Upon Formulating TOCALO2030, Our New Medium-Term Management Plan

01 Message from the President

Since our founding in 1951, we have supported with all our stakeholders as a specialized manufacturer in surface modification technologies focused on thermal spraying. For the fiscal year ended March 2026, we achieved record-high results, with net sales of ¥58.4 billion and ordinary profit of ¥14.7 billion.
We have focused on improving corporate value through measures such as enhancing equity and strengthening our earnings structure.

During the period of the TOCALO2025 medium-term management plan, which was announced in November 2021, we operated under the uncertain environment, including the spread of COVID-19, US-China trade friction, the war in Ukraine, Trump tariffs, and frequent natural disasters. However, by successfully capitalizing on the robust demand for coatings in the semiconductor/FPD and industrial machinery fields and through integrated efforts by sales, manufacturing, technological development, quality control, and management divisions in our operations, we were able to achieve the performance targets of the TOCALO2025 previous medium-term management plan one year ahead of schedule.
Additionally, the steady growth of our subsidiaries both in Japan and abroad, along with the overseas sales ratio exceeding 30%, contributed significantly to achieving our profit goals.

In the TOCALO2030 medium-term management plan that we formulated this time, we have set forth as a new mission "**to continue being a company trusted by all stakeholders.**"
Together with all employees, we will strive to ensure we never fail to deliver on the expectations of our stakeholders, regardless of the management environment.

In addition, under "TOCALO2030," rather than simply extending past efforts, to create a plan centered on achieving a major leap forward for the company, we will move ahead with the following four key priorities.

1. Expanding growth business in the semiconductor, FPD, and other fields by aggressively investing management resources.
2. Strengthening the technology development structure, which is the source of our competitiveness, and upgrading our manufacturing and quality control systems
3. Expanding into global markets, including the development of new markets.
4. Strengthening the management foundation for sustainable growth (human resource development, sustainability, supply chain, financial foundation, governance)

Through executing these initiatives, we intend to ensure more reliable corporate growth while simultaneously fulfilling our social responsibilities.

Please look forward to TOCALO's next five years.

Kazuya Kobayashi
Representative Director
President and CEO

TOCALO Co.,LTD. 4

First, I would like to introduce a message from me, Kobayashi, on the formulation of our new medium-term management plan, TOCALO 2030.

In the new medium-term management plan that we formulated, we set our new mission as to continue to be a company that is trusted by all stakeholders. Under this mission, we will collaborate with all employees to ensure that we do not betray the expectations of all concerned parties in any business environment.

Under TOCALO 2030, the following four points will be promoted as important projects, not as an extension of the past, but to achieve further progress.

The first is to expand businesses such as semiconductors and FPDs through bold investment of management resources. The second is to strengthen our technology development system, which is the source of our competitiveness, and to upgrade our manufacturing and quality control systems. The third is expansion into global markets, including the development of new markets. The fourth is to strengthen the management foundation for sustainable growth. This includes human resource development, sustainability, supply chain, financial infrastructure, and governance.

By implementing these measures, we intend to ensure the Company's growth and fulfill our social responsibility. Please look forward to the new five years of TOCALO.

Management Philosophy, Vision, Mission

02 Overview of TOCALO

Management Philosophy

As a specialized manufacturer of surface treatment processing focused on thermal spraying (TOCALO), we uphold “**Technology and Ideas**,” “**Youth and Passion**,” “**Harmony and Trust**,” and “**Good Service**” as our corporate creed, and, based on sound relationships of trust with all stakeholders, including shareholders, business partners, employees, and local communities, contribute to society through the various functions of surface treatment coatings, such as resource saving, labor saving, and reduction of environmental impact, and regard as our basic management philosophy the realization of "a well-rounded corporate group with advanced technology and a high-profit structure."

Vision

Contributing to a bright future for people and nature

TOCALO2030 New Mission

To continue being a company trusted by all stakeholders

TOCALO Co.,LTD. 6

Next is an overview of TOCALO. Many of you may already know this, but I will briefly explain. Our management philosophy, vision, and mission. In the new medium-term management plan that we announced, we set our new mission as to continue to be a company that is trusted by all stakeholders.

Company Data

02 Overview of TOCALO

TOCALO Co., Ltd.

Business: **Surface modification processing focused on thermal spraying**

Head Office: Kobe, Hyogo Prefecture

Established: July 1951

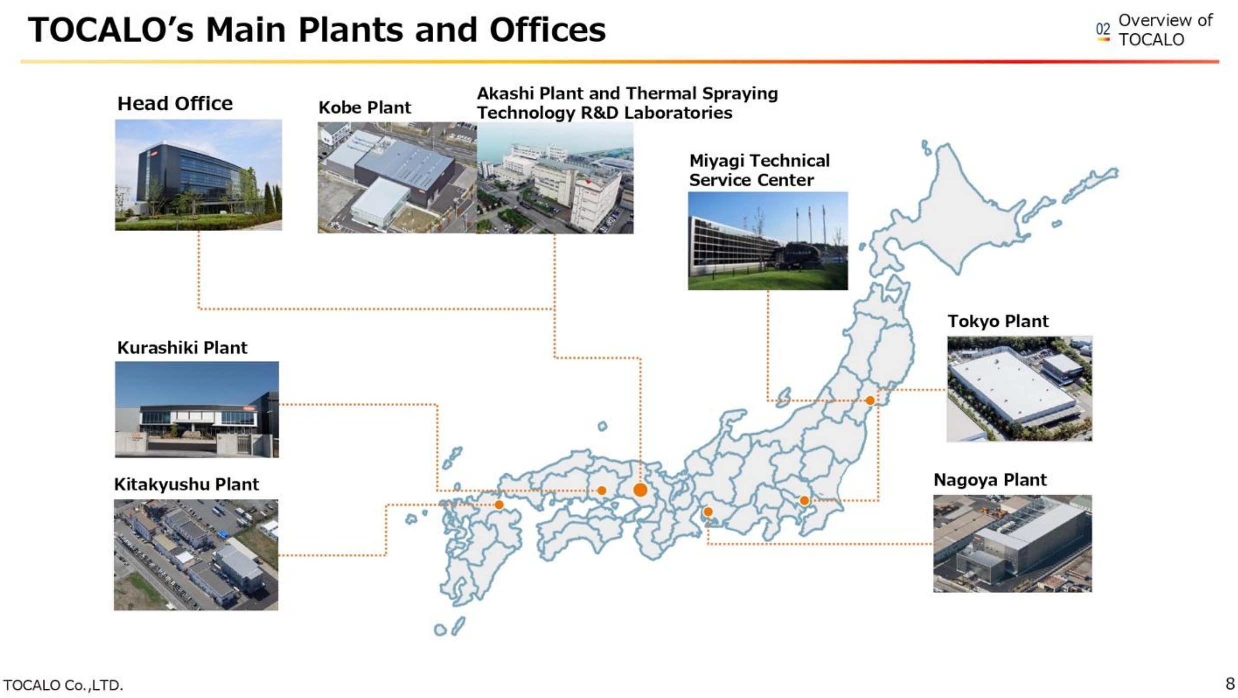
Capital: ¥2,658.823 million

Net Sales: Consolidated ¥58,490 million (for FY2025)

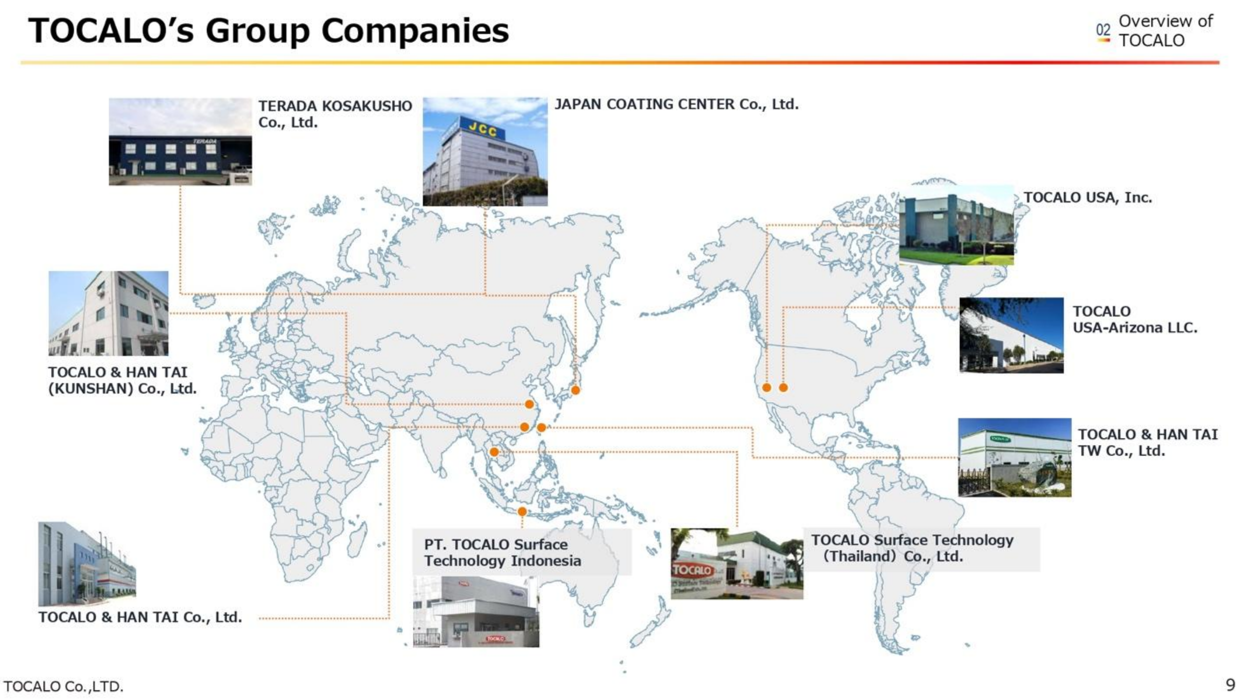
No. of Employees: Consolidated 1,573 (as of March 31, 2026)

TOCALO Co.,LTD. 7

Next is an overview of the Company. We operate as a surface modification company with a focus on thermal spraying. The Company has consolidated sales of JPY58.4 billion and approximately 1,500 employees.



The main offices in Japan are shown below.

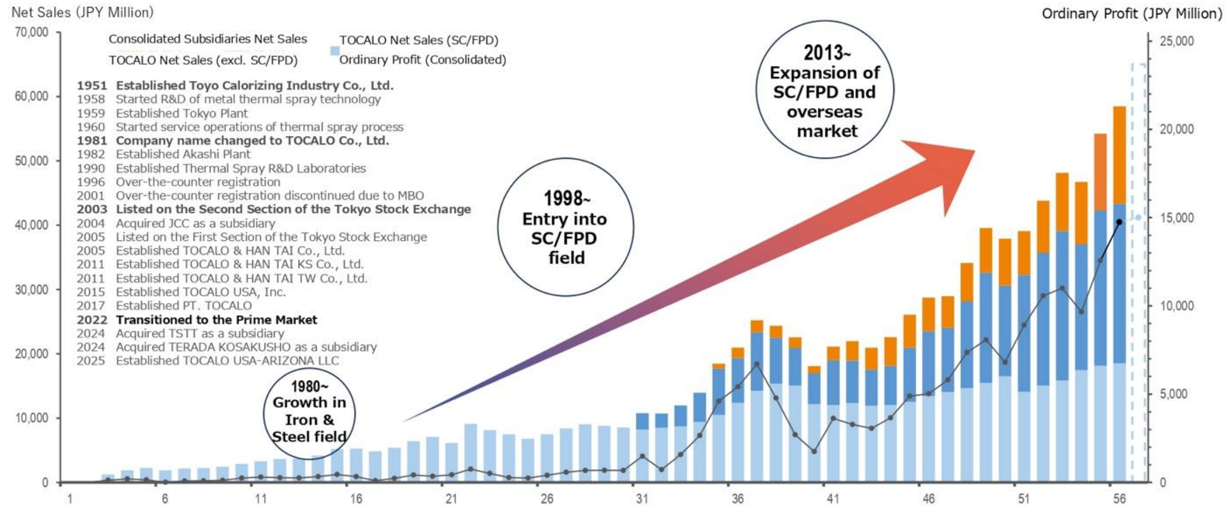


The Group companies are as follows.

History and Business Performance (Since FY1951)

02 Overview of TOCALO

From our founding through the 1990s, TOCALO primarily grew in the domestic iron & steel field. From around 2000, we made a full-scale entry into the semiconductor (SC) and FPD field, and our business performance rapidly expanded due to growth in the SC and FPD markets, the development of thermal spraying technologies, and the growth of subsidiaries.



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Our history and performance. The Company grew in the steel & iron field until the 1980s and entered the semiconductor and FPD fields in earnest around 2000. We have expanded our business performance mainly due to the expansion of the semiconductor and FPD markets and the growth of our subsidiaries.

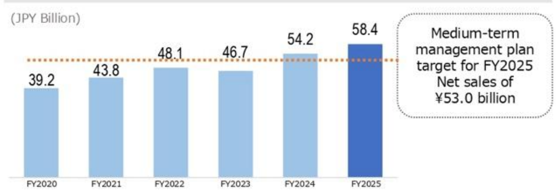
We will now review the previous Five-Year Medium-Term Management Plan, TOCALO 2025, which covered the period from the fiscal year ended March 31, 2022, to the fiscal year ended March 31, 2026.

Review of the Previous Medium-Term Management Plan: Overall Summary of TOCALO2025

03 Review of TOCALO2025, the Previous Medium-Term Management Plan

Despite facing successive changes in the external environment, including the spread of COVID-19, surging resource prices, and US-China trade frictions, we achieved our planned targets for both net sales and ordinary profit one year ahead of schedule (in FY2024).

Net Sales



Ordinary Profit

(JPY Million)

	FY2020 Results (before announcement of the medium-term management plan)	FY2025 Plan (medium-term management plan)	FY2025 Results	Achievement Status
Net Sales	39,294	53,000	58,490	Good
Semiconductor & FPD	18,176	26,000	24,813	Fair
Iron & steel, industrial machinery, and Subsidiaries, etc.	21,118	27,000	33,677	Good
Ordinary Profit	8,914	12,000	14,745	Good

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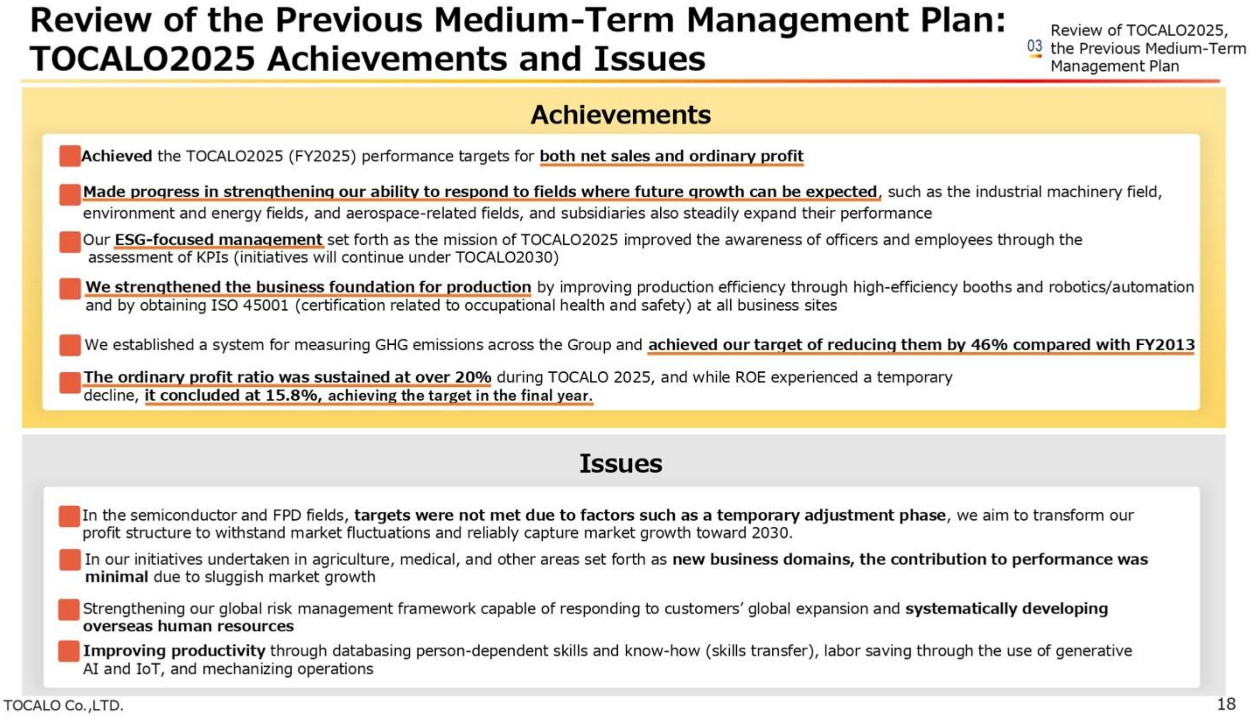
SCRIPTS Asia's Meetings, Globally

This is a summary of the previous medium-term management plan, TOCALO 2025. In the previous medium-term management plan, we achieved net sales of JPY53 billion and ordinary profit of JPY12 billion one year ahead of schedule.

Results for the fiscal year ended March 31, 2026, the final year of the plan, also exceeded the plan, with net sales of JPY58.4 billion and ordinary profit of JPY14.7 billion. The semiconductor and FPD fields fell slightly short of the mid-range plan of JPY26 billion by JPY24.8 billion due to a temporary adjustment phase, while the steel, industrial machinery, and subsidiary businesses grew significantly by JPY33.6 billion compared to the plan of JPY27 billion.

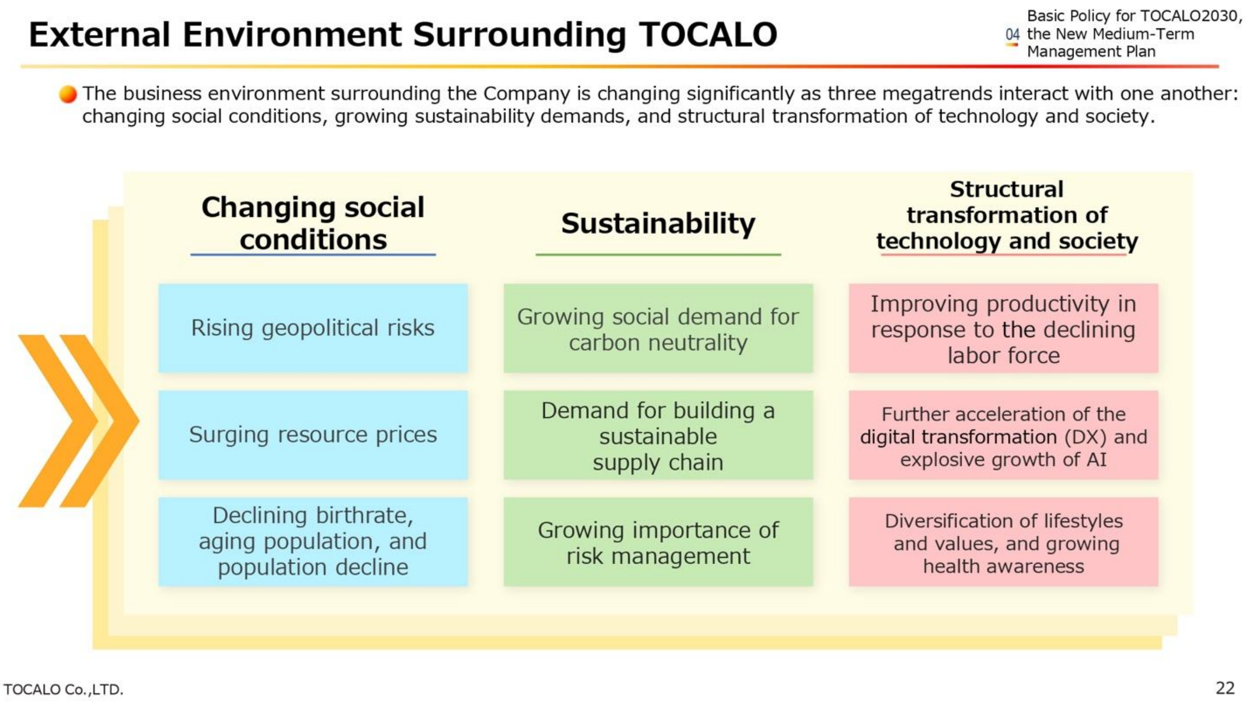


The next slide summarizes the achievements and challenges of the previous medium-term management plan, TOCALO 2025. First, in terms of results, we achieved our performance targets for both net sales and ordinary profit and made progress in strengthening our ability to respond to growth areas such as industrial machinery, environment/energy, and aerospace-related fields, while the performance of our subsidiaries also expanded steadily.

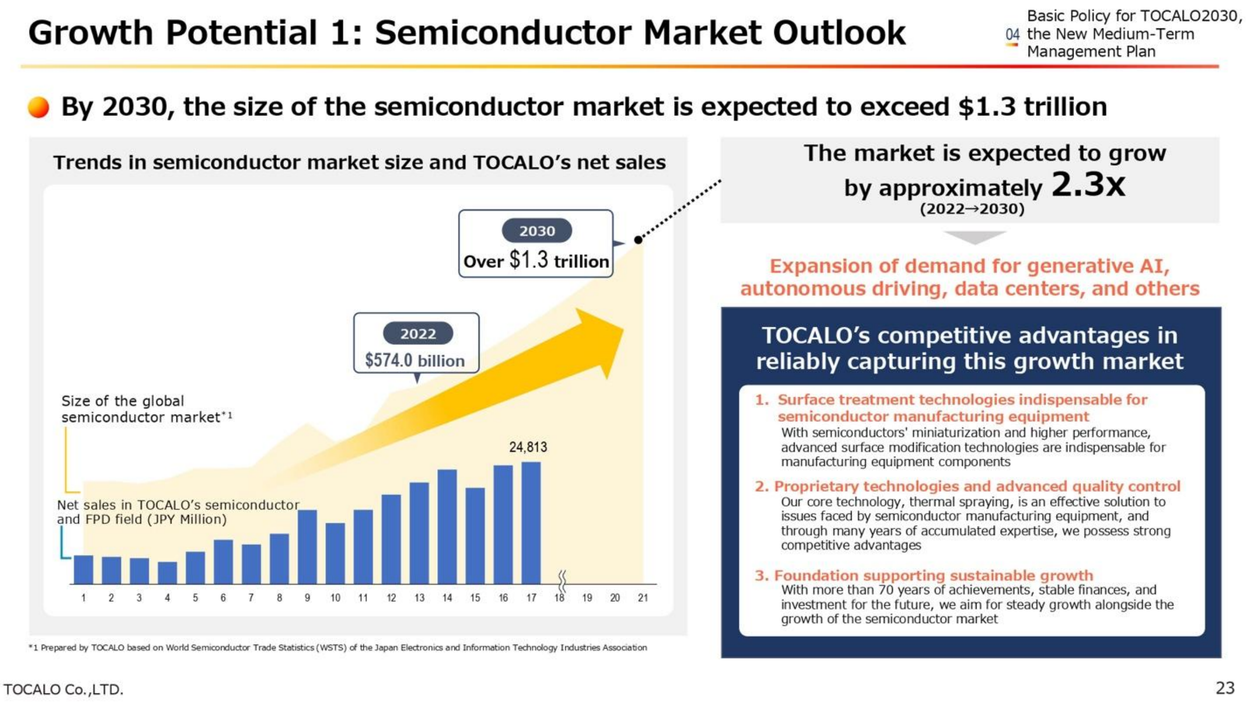
We also made steady progress on the sustainability front by acquiring ISO 45001 certification at all of our business locations, strengthening our business foundation for production, and achieving our GHG emissions reduction targets. In terms of profitability, we maintained an ordinary profit margin of over 20% and achieved our final year ROE target of 15.8%.

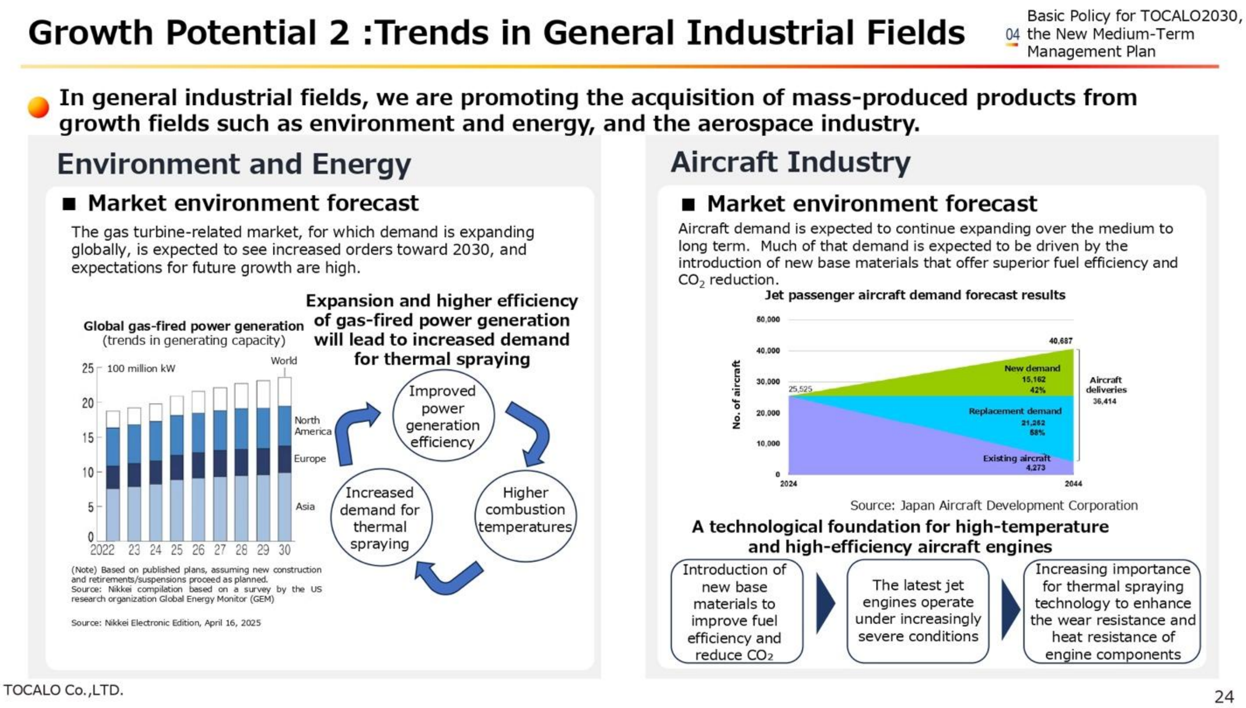
On the other hand, as for the challenges, we will steadily capture the market growth toward 2030 while working to shift to a profitable structure in the semiconductor and FPD fields. We also recognize that strengthening our global risk management system to respond to the global expansion of our customers and systematically developing our overseas human resources are important themes in the new medium-term business plan.

We will now explain the basic policies of our new medium-term management plan, TOCALO 2030.

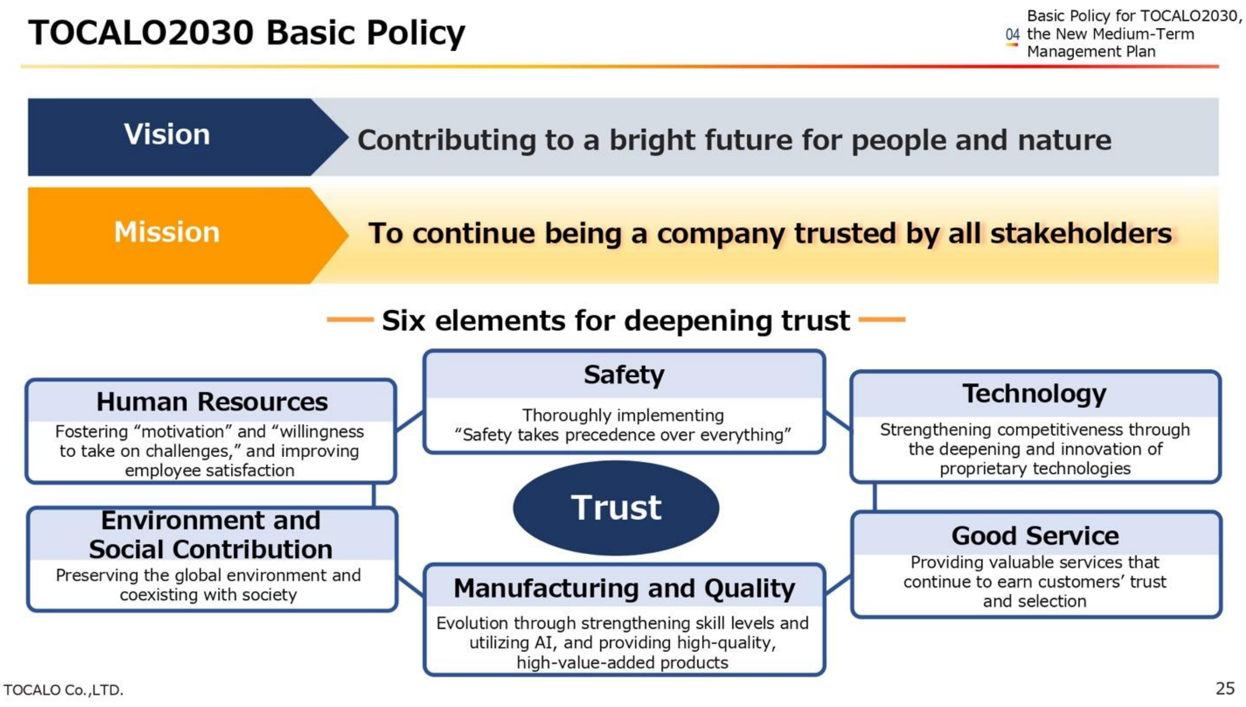


First, we summarize the external environment surrounding our company. Three megatrends are interacting with each other: changes in social conditions, growing demands for sustainability, and structural changes in technology and society.





Next, please refer to this page and the next page for a summary of the outlook for the semiconductor market and trends in the environment/energy and aircraft industries as representative of our growth potential in this external environment.



We will now explain the basic policies of our new medium-term management plan, TOCALO 2030. The vision continues from the previous medium-term plan: Contribute to a prosperous future for people and nature. In the new medium-term management plan that we announced, we set our new mission as to continue to be a company that is trusted by all stakeholders. We then selected six elements to deepen this trust: safety, technology, good service, manufacturing and quality, the environment and social contribution, and human resources.

The diagram illustrates how we aim to build stronger trust by addressing each of these points with sincerity. These six elements will be the central themes that make up our materiality and KPIs in the future.

TOCALO2030 Management Targets

04 Basic Policy for TOCALO2030, the New Medium-Term Management Plan

Toward our management targets, the entire Company will take on the challenge as one and realize a leap forward over the next five years.

Indicator	FY2025 Result	FY2030 Target
Net Sales	¥58.4 billion	¥90.0 billion
Semiconductor and FPD field	¥24.8 billion	¥45.0 billion
General Industrial field*1	¥18.5 billion	¥26.0 billion
Subsidiaries	¥15.1 billion	¥19.0 billion
Ordinary Profit	¥14.7 billion	¥20.0 billion

Indicator	FY2025 Result	FY2030 Target
Ordinary Profit Ratio	25.2%	22%
ROE (Return on Equity)	15.8%	15%
ROIC (Return on Invested Capital)	13.1%	13%
Dividend Payout Ratio	50.2%	approximately 50%
DOE (Dividend on Equity Ratio)	7.9%	5% or more

*1 Royalty Income is included in the general industrial field.

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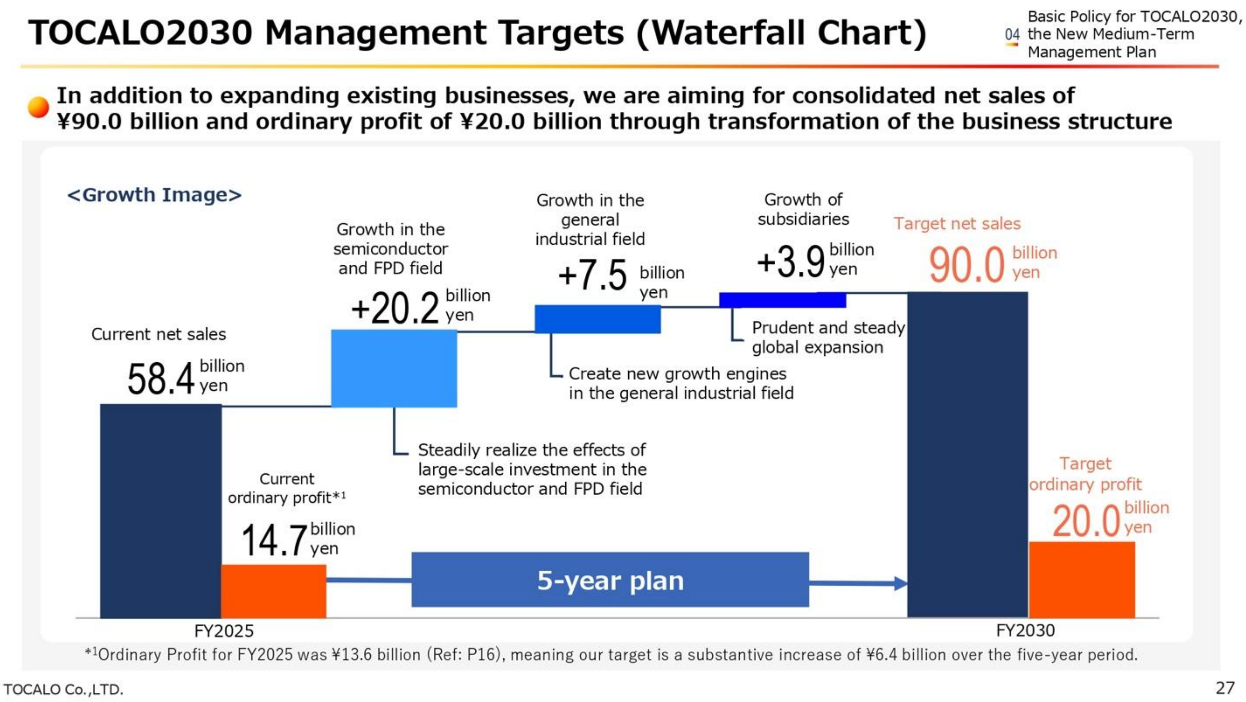
The management targets for the fiscal year ending March 31, 2031, the final year of TOCALO 2030, are net sales of JPY90 billion and ordinary profit of JPY20 billion. Regarding capital efficiency, we will maintain the stable level of ROE of 15% achieved in the previous mid-term plan, and we have set a new indicator of ROIC of 13%.

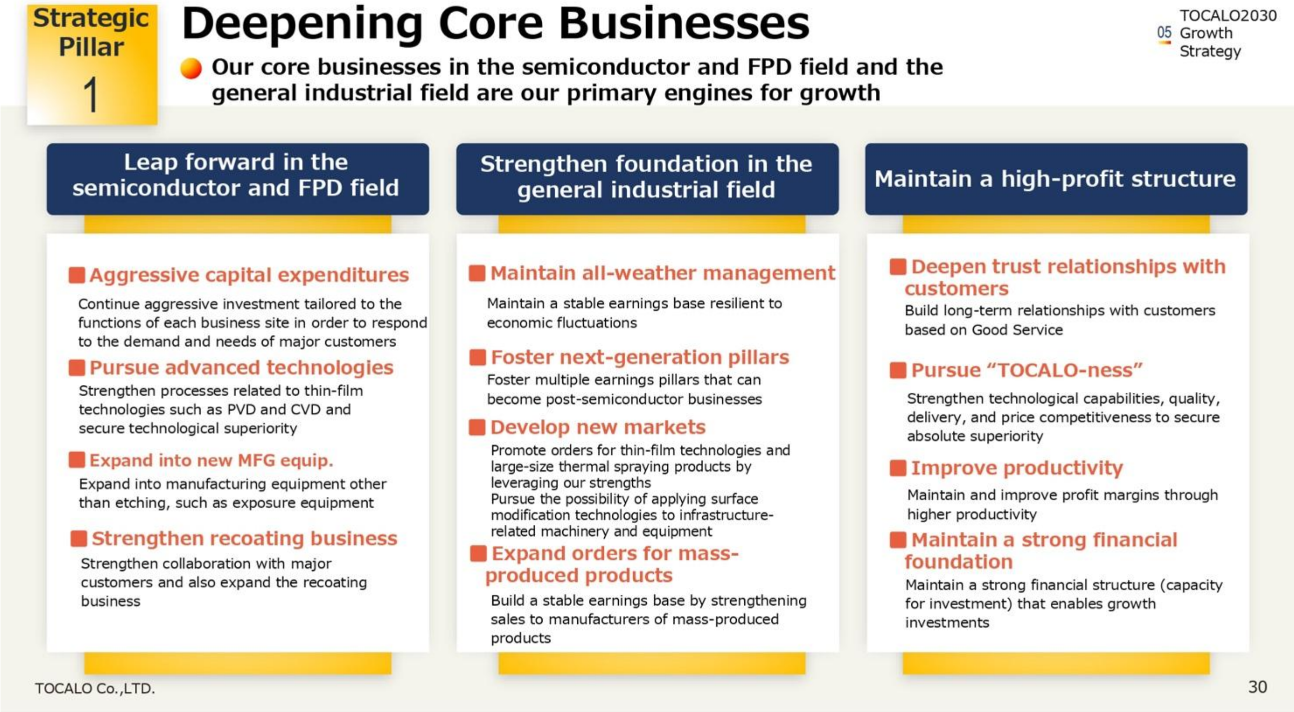
The sales targets by segment are JPY45 billion for the semiconductor and FPD fields, JPY26 billion for the general industrial field, and JPY19 billion for the subsidiaries. In addition, we will continue to maintain a dividend payout ratio of approximately 50% and a DOE of at least 5%. To achieve these goals, we will work together as a group and make the next five years a time of great progress.



This is the road map to achieve JPY90 billion in sales. We aim to accumulate plus JPY20.2 billion in semiconductors and FPDs, plus JPY7.5 billion in general industries, and plus JPY3.9 billion in subsidiaries. The target for a real increase in ordinary profit is JPY6.4 billion.

Next, I will explain our growth strategy to achieve our business goals.

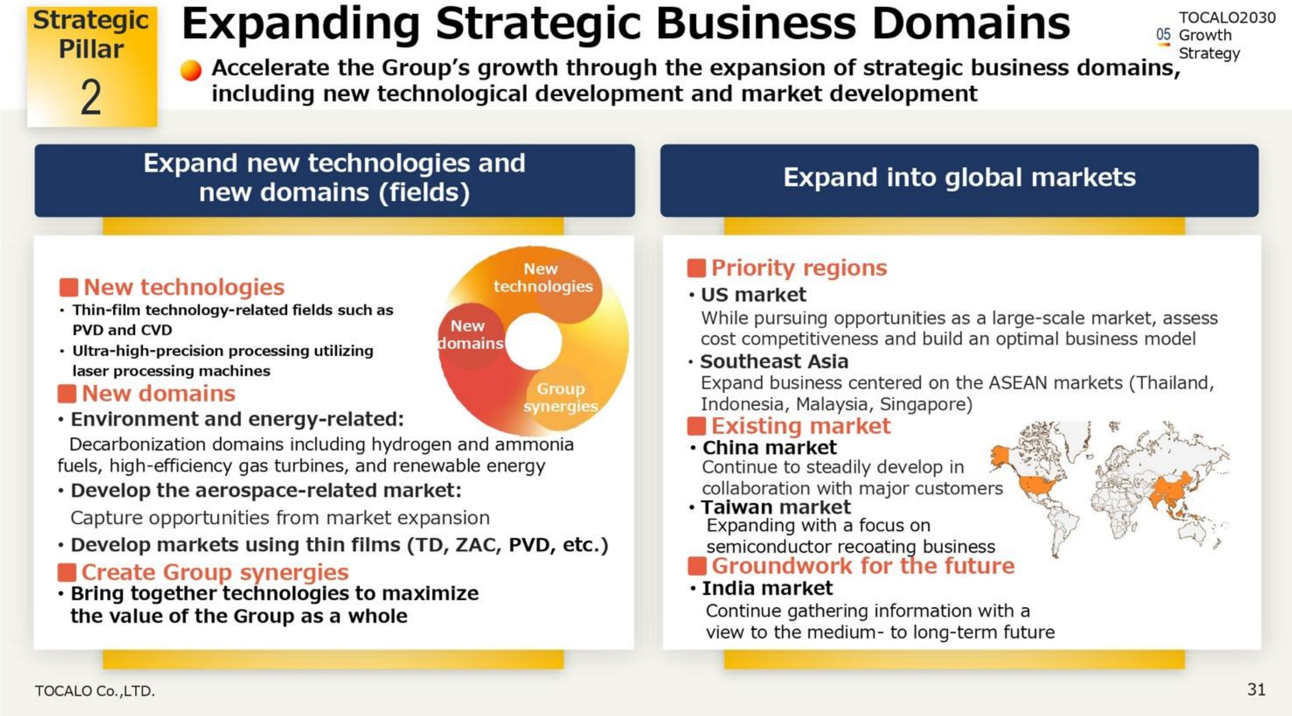
I will explain the three pillars for achieving consolidated net sales of JPY90 billion. The first pillar is the deepening the core business. The second pillar is the expansion of strategic business domains. The third is to strengthen the management foundation for sustainable growth. In the next slide, we will explain each one in detail.



The first pillar of the strategy is the deepening the core business. First, in order to make a leap forward in the semiconductor and FPD fields, we will continue to make aggressive capital investments, take on the challenge of advanced thin-film technologies such as PVD and CVD, expand into new manufacturing equipment other than etching such as exposure equipment, and strengthen our recoating business.

In the general industrial field, we will strengthen our foundation by maintaining a stable revenue base that is not affected by economic fluctuations, cultivating multiple earnings pillars that could become post-semiconductors, developing new markets by leveraging our strengths, and focusing on increasing orders for mass-produced products.

We will also strive to deepen our relationships of trust with our customers, pursue what makes TOCALO unique, improve profit margins through increased productivity, and maintain a highly profitable structure by sustaining a strong financial position. TOCALO's uniqueness lies in its ability to differentiate itself from its competitors through the latest technology, highly challenging manufacturing, as well as rigorous quality certification and qualifications.



The second pillar is the expansion of strategic business domains. Regarding the expansion of new technologies and new business fields, we will utilize thin-film technology and laser processing to expand our business in growth areas such as the environment, energy, and aerospace-related markets. In addition, we will maximize the corporate value of the Group as a whole by bringing together the Group's technologies.

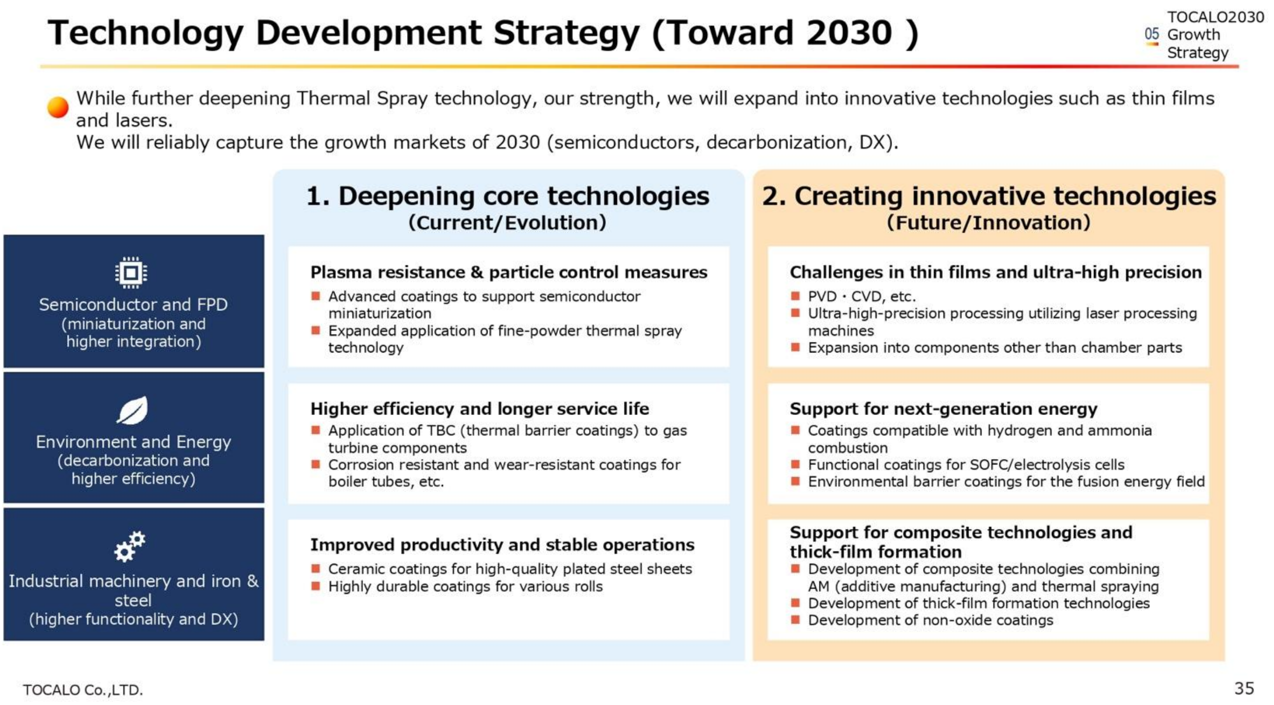
In terms of expansion into global markets, in addition to the Chinese, Taiwanese, and US markets, we have begun considering the ASEAN markets, Thailand, Indonesia, Malaysia, and Singapore as new candidate locations. In addition, with an eye on the medium- to long-term future, we are also considering entering the Indian market. Through the development of these new technologies and market development, we will expand our strategic business areas and accelerate our global growth.

The third is to strengthen the management foundation for sustainable growth. In the area of advanced manufacturing and quality control, we will improve productivity through automation and the introduction of high-efficiency booths and promote the improvement of inspection capabilities and the reduction of human errors through the use of DX and other technologies.

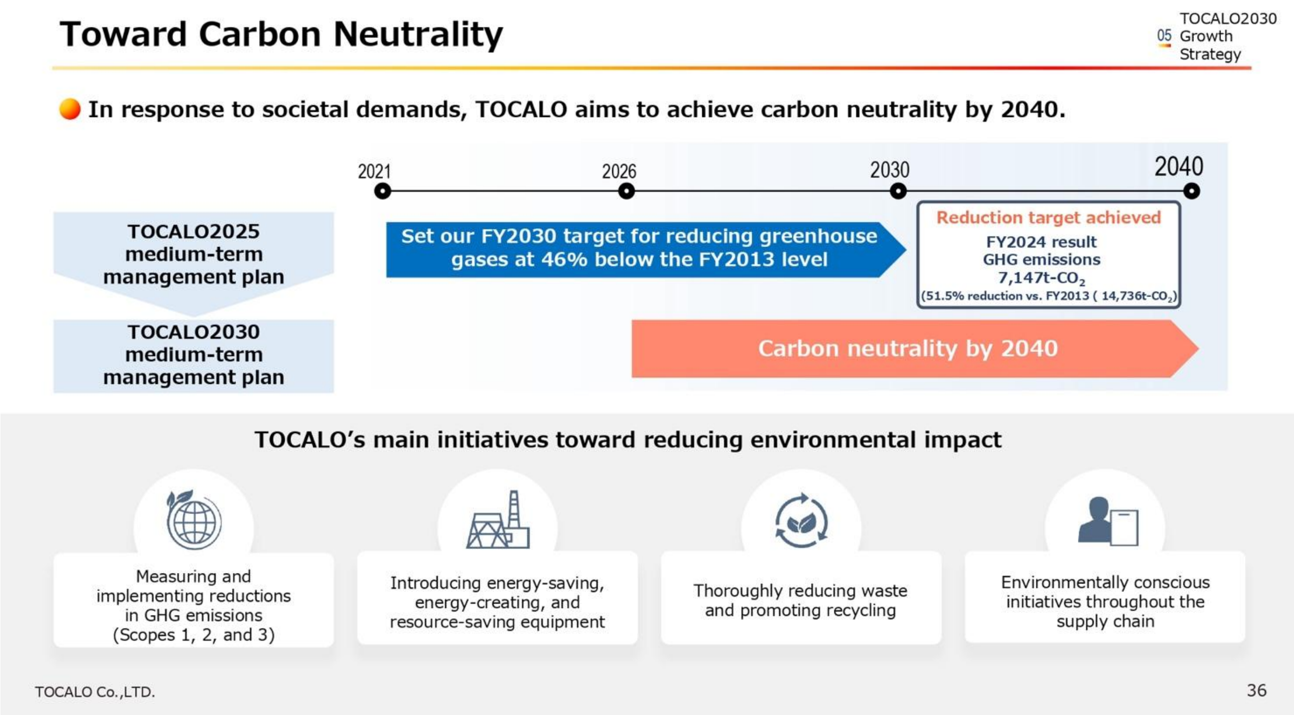
Regarding our quality control system, we will continue to upgrade our PQP to world-class standards. It is clear that Japan's working population will continue to decline, and it is assumed that it will become tougher to cover future sales growth with increased personnel. Therefore, we recognize that improving productivity is an essential issue for our growth.

Regarding sustainability, we will continue to promote ESG management. We will promote reduction of environmental impact, continuous efforts for environmental conservation, establishment of sustainable supply chain involving suppliers, and advancement of corporate governance.

Human capital management is an essential theme for our sustainable growth, and we will accelerate the enhancement of our medium- to long-term human resource development plan, improve employee satisfaction, and create a rewarding work environment.



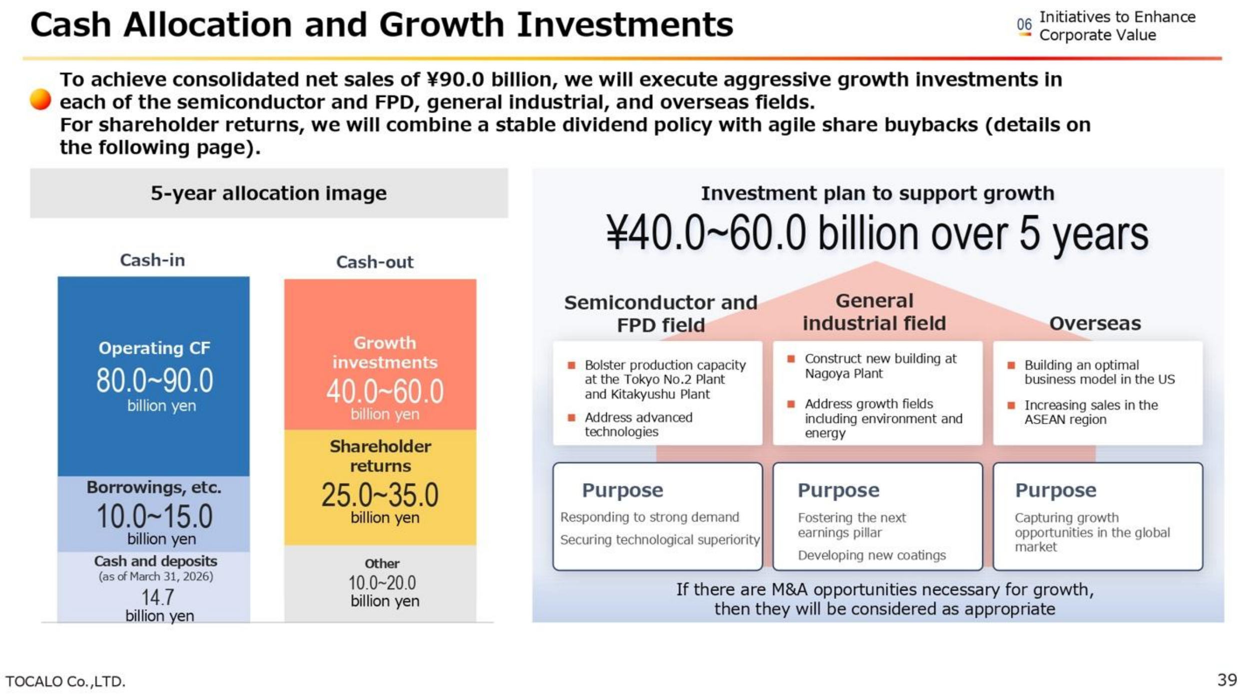
Next, I will explain our technology strategy road map to 2030. In addition to deepening our strength in thermal spray technology, we will expand the scope of our business to include innovative technologies such as thin films and lasers to ensure that we capture the growth market of 2030 and build a sustainable competitive advantage.



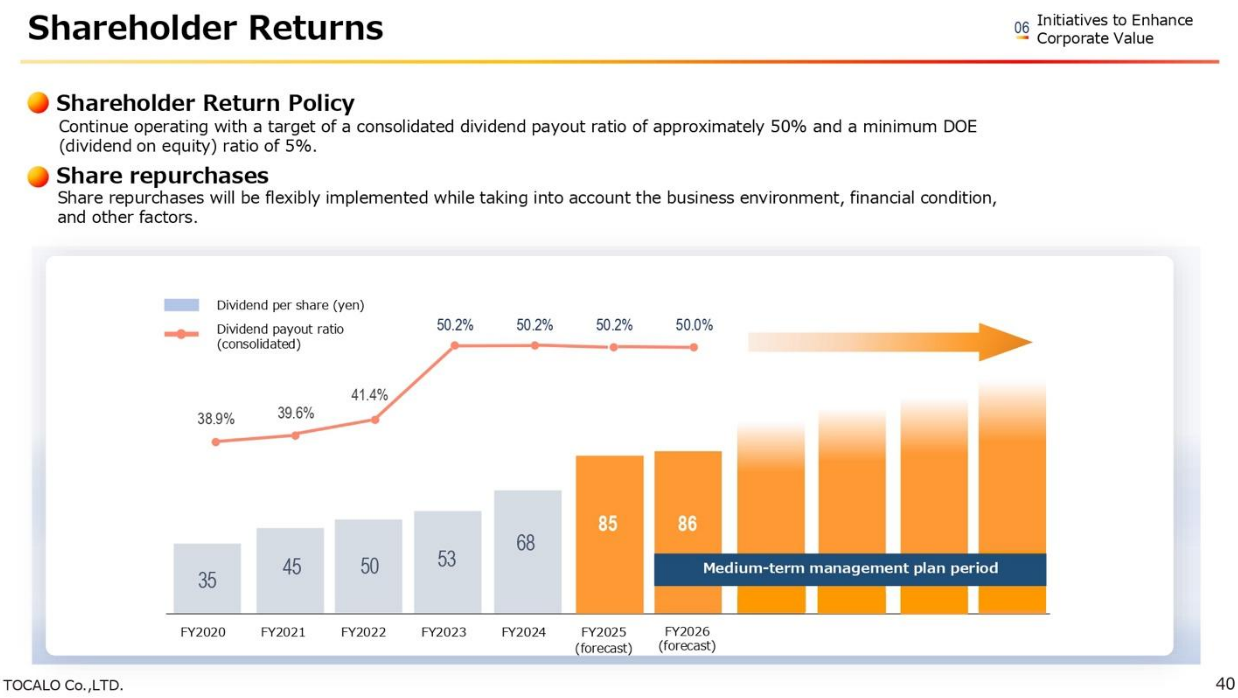
We have already achieved the goal set in TOCALO 2030 to reduce GHG emissions in FY2030 by 46% from the FY 2013 level, ahead of schedule.

TOCALO 2030 aims to achieve carbon neutrality by 2040 to meet the growing demands of society. We will accelerate our efforts to further reduce GHG emissions, save energy, create new energy, and install resource-saving equipment to achieve carbon neutrality in 2040. The entire group is united in taking on the important challenge of reducing our environmental impact in order to realize a sustainable society.

Finally, I would like to briefly explain our efforts to enhance corporate value.



To achieve consolidated net sales of JPY90 billion, the Company will execute aggressive growth investments in the semiconductor/FPD, general industrial, and overseas sectors. During the period of TOCALO 2030, we expect to generate operating cash flow of JPY80 billion to JPY90 billion over a five-year period. We will use this cash flow as a source of funds to make growth investments of JPY40 billion to JPY60 billion, which will lead to further earnings growth in the future.



We also intend to continue to provide stable and continuous returns to shareholders, with shareholder returns expected to reach the JPY25 billion to JPY35 billion level over the next five years. The Company will continue its current policy of returning profits to shareholders by targeting a consolidated dividend payout ratio of approximately 50% and a dividend on equity, DOE, ratio of at least 5%.

The last page contains a message for employees.

That is all. Thank you very much.

Moderator : Thank you very much.

Question & Answer

Moderator [M]: So, as indicated, we will begin with a question-and-answer session from those in the audience. Online attendees are encouraged to submit questions via the Q&A function at the bottom of the screen during the Q&A session at the venue. A full transcript of this presentation, including the question-and-answer portion, will be made available to the public. Therefore, if you wish to remain anonymous, please do not give your name when asking questions.

Okay, we will answer your questions. If you have any questions, please raise your hand and a staff member will bring the microphone to you.

Thank you.

Osawa [Q]: My name is Osawa of Ichiyoshi Securities. Thank you very much. There are three major ones, and I would like to ask them one at a time.

One of the first things is the premise of the new fiscal year and a few other items. The first is ordinary profit, which is expected to be affected by the exchange rate of JPY300 million, so I would like to know how much you are assuming for the exchange rate.

In the case of industrial machinery, you mentioned that you expect flat sales for the segment, and regarding industrial machinery, could you please outline the business environment and outlook for the current period for the bearings and energy sectors? Also, regarding the subsidiaries, you mentioned that the semiconductor sector, which has been growing significantly, had leveled off for the time being. Could you explain what the current situation is? In addition, I understand that the growth of subsidiaries is modest in the mid-term plan, so I would like you to mention the mid-term plan as well.

Goto [M]: Yes. Mr. Osawa, I am Goto. What did you mean when you said JPY300 million in foreign exchange?

Osawa [Q]: Didn't you see a negative impact of JPY 300 million in the analysis of increase/decrease?

Goto [A]: This is a foreign exchange impact, not just foreign exchange, but we are of course looking at a neutral foreign exchange impact in FY2027, in the sense that the foreign exchange gains that we had in the previous year will decrease.

Osawa [M]: If it’s just a decrease in marginal gain, that is not a problem.

Goto [A]: The assumption is made at about JPY150 to the dollar. And secondly, whether it is industrial machinery or a subsidiary, are you asking about a lull and what will happen in the future?

Osawa [Q]: For what reason do you think this year will be a slow year, and the growth in the medium-term management plan also seems relatively modest.

Kobayashi [A]: Yes. The lull in overseas subsidiaries is due to the fact that they are restricted to a certain extent from selling the latest technology in China, which is said to be the most advanced technology in the world, and although we are working with manufacturers to provide cutting-edge technology overseas, our overseas development does not include the latest technology. We have been making good progress with the expansion of past technologies, but we expect that the next generation or new technological requirements will gradually impose restrictions to a certain extent, and we have not included the latest technologies in our medium-term management plan

I hope you understand that there is a line drawn between the US-China relationship and the US-Japan relationship in terms of what to do with innovative technology and we are operating under those constrains. We are also looking at the mid-term management plan with some restraint.

Also, regarding the industrial machinery field, which is said to be stagnating, we had anticipated significant growth in the NAS battery segment within that field. We had been placing considerable hope in this area since last year, but an announcement was made last year that we would be withdrawing from it. Whilst our business plan had included substantial projections for new energy initiatives of NAS battery.. We have reached a point where we need to start looking for alternatives again, and whilst I intend to take on new challenges for new energy from now on and ensure they bear fruit, I suspect this financial year will be much the same as last.

Osawa [Q]: Thank you very much. The second and subsequent sections are related to the mid-term plan. In the graph, the market assumption is that the average annual growth rate from 2022 to 2030 will be 10%, but what is the assumption for 2025 or 2026?

Kobayashi [A]: There are many theories, and I wrote a number that is already published and I am sure of, which is this kind of growth from a 2022 base, and USD1.3 trillion for 2030. This is a bit different from what we are talking about in the semiconductor industry, but when asked what our growth forecast is under such circumstances, we can only give a rough estimate, such as that we expect to double our growth from FY2022 onward.

Osawa [Q]: I understand. The reason I asked you about the market is that, according to what TOCALO just told me, you are expecting growth of 12.7% over the next five years, 25 years to 12.7%, so the point is that I would like to know whether you are expecting higher or lower growth than the market growth, and that is the target that you are looking for.

Kobayashi [A]: It is roughly linked to market growth, but we examine growth based on the forecasts that come from individual customers, and I would appreciate it if you could understand that these figures are the result of that examination. So, each one is a forecast for the fiscal year ending March 31, 2031, which we have received from each customer, and we have added up the aggregate numbers.

Osawa [Q]: For example, in terms of individual semiconductors, there are various genres such as discrete and sensor semiconductors, and the areas in which TOCALO is involved are mostly innovative memory and logic semiconductors. And I think it's a field that will probably purely push up the overall growth rate.

Also, there may be some specific customers related to thermal spraying, and since the growth there is high, there may be an idea to aim for a 15% average, for example. There is a possibility of increasing the number of areas or of independent growth, so I wanted to know the market average, or to put it another way, in a sense, following the market.

Kobayashi [A]: What we are announcing is the relationship with etch system manufacturers, but a certain company in the US is not working mainly in etching, but in fields other than etching that we are approaching or in the approach to semiconductor equipment manufacturers, other than those related to exposure system etching, as mentioned in our medium-term management plan. The figures are based on our current forecast, including our approach to semiconductor equipment manufacturers in fields other than etching related to exposure systems.

Osawa [Q]: So, they are being served without those new things.

Kobayashi [A]: You can assume that the new stuff is in there.

Osawa [Q]: Do you mean that it includes exposure and so on?

Kobayashi [A]: We are not expecting a large amount currently, but we are putting in a little bit.

Osawa [Q]: I understand. Thank you. And thirdly, finally, you have a plan for ordinary profit, the mid-term plan, was it 22.3% in the final year? This year, the percentage is 25%, and the so-called ability-based percentage is 23.3%, which means that the percentage will remain the same or slightly decrease, which, simply put, could be considered to be an increase if the percentage of semiconductors increases. This is the idea, but if you just say it is prudent, that is fine, but I would like to know your thoughts on this.

Kobayashi [A]: Yes. I am not saying that we are cautious, but since we are talking about the next five years, we need to consider the fact that we will be aggressively investing in human and capital resources and equipment, and depending on what the world looks like in 2030, we may be aggressively investing in equipment again in the fourth or fifth year of this five-year period.

Taking that into account, as you mentioned, the figure is around 22.2% compared to the current 23%. I assume your point is that this represents a slight decrease. However, we have taken a cautious approach in this regard.

Kobayashi[A]: It is a number that we discussed a lot, but I have to admit that we were still somewhat cautious about setting it as a target.

Osawa [M]: I understand. Thank you very much.

Moderator [M]: Thank you very much. Other questions by the audience? Yes, thank you.

Watanabe [Q]: Thank you. I am Watanabe from SMBC Nikko Securities.

The first point is that there is a certain amount of divergence between the current situation and then the budget formulation, perhaps budget. They were assembled in January or February and are now being announced, so in case of other companies, it seems to me that there is a divergence, with a slight increase in March and April. Could you please explain? I am wondering if the way the equipment comes in could be rate-limiting for your company, and I would like to be involved in that as well.

Kobayashi [A]: The semiconductor-related numbers are up considerably now. To be honest, I am not sure that I am capturing it accurately because it really fluctuates a bit widely, but I am reinserting the numbers once they have been recalculated in March and April. once In April, once again, I was able to recalculate the numbers. However, I have a feeling that have already exceeded this by about 10% in terms of numbers.

Watanabe [Q]: I understand. We look forward to your upward revision.

The second is at the medium-term plan. The announced capital investment is JPY40 billion to JPY60 billion, but how much production capacity will be secured when this investment is made? There is quite a wide range between JPY40 billion and JPY60 billion, but considering the tangible fixed asset turnover rate and other factors, I would guess that they will have a little more capacity than the JPY45 billion figure, half of the JPY90 billion that was given this time. Please tell us your thoughts, to the extent possible, on how much production you will prepare for, especially in the area of semiconductors.

Kobayashi [A]: As you may have seen in the materials provided, our capital investment has typically been around JPY4.5 billion every year, but from 2025 and 2026, this figure will rise to nearly JPY10 billion. We plan to maintain this level of investment throughout the five-year period of our new medium-term business plan, with capital expenditure expected to range between JPY9 billion and JPY11 billion.

For the semiconductor-related business, we are talking about doubling the production capacity, which is a fine line between 2024 and 2025, but we are aiming to double the production capacity from that point on.

In addition to this, we will also consider investments in aircraft-related industries and overseas-related investments, which are slightly different from the semiconductor industry, and we are planning to make capital investments in the range of 400 to 600 and to double the capacity of the semiconductor industry, plus other areas.

Watanabe [Q]: I think it is necessary to prepare the factory space ahead of time, but do you feel that there will be a little extra capacity in buildings and land in 2030, or will it cost a lot of money for the equipment, and if additional investment is needed, will it be able to swing even higher? What do you think will happen?

Kobayashi [A]: Regarding land, we are preparing the new plant land in the Nagoya area, and we are also considering purchasing a land adjacent to it, but I am not sure if we will be able to purchase it or not.

For the other parts of the project, we will still include land in our plan to acquire it if necessary. I believe that the plan will remain at about JPY10 billion per year, including such items.

Watanabe [Q]: I understand. Thank you.

I would like to ask you to explain a little bit about the new technologies you are using. Firstly, regarding your entry into the market for exposure systems and the like, I would like to know what specific technologies you intend to utilize. Also, I believe the term AM layering was mentioned. As I have not heard much about this from your company, I would appreciate it if you could explain that aspect.

Kobayashi [A]: Yes. In the field of exposure systems, there is a need for existing thermal spraying technology, and if required, we can use PVD and CVD thin-film systems and their evolved systems, and in the area of shape and surface modification, of course the material is of course important, but the shape of the surface is also very important. We can think about what kind of roughness we can make in terms of its shape, or we can think about forming microstructures in terms of shape, such as 1-micron height unevenness or 5-micron height unevenness or something like that, and we can incorporate those kinds of things into our work. We would do it in various fields. We are considering not only exposure but also other applications on the film formation side.

And I mentioned AM as a new technology this time, but this is called additive manufacturing or perhaps it would be better to call it 3D lamination in general, or perhaps it would be better to call it 3D lamination for resin-based products. We use ultraviolet-curing resin to create shapes by curing with ultraviolet rays, and now we are using laser cladding and other techniques to create objects by laminating even with metallic materials.

At the present stage, technology is being developed mainly by machining manufacturers, but we are also involved in laser cladding and thermal spraying as a representative of the technology on the side of melting and laminating and are working on AM technology. By doing so, we can create materials, although at this stage it is not so important.

We have been coating materials that have been created, but I think that there is a new market soon where we can propose the creation of materials and coatings or the creation of such materials. All AM companies are dreaming of this, and we will enter the coating side and focus on the creation of materials that will serve as the foundation or base material for coatings.

Watanabe [Q]: Just to confirm, for semiconductor manufacturing equipment, will the equipment continue to be ceramics or metals? Are there other targets, such as glass-based products or coatings on new materials?

Kobayashi [A]: Of course, I think that is part of it. If we focus solely on thermal spraying, metals are by far the focus. we are also developing applications that involve applying coatings to ceramics or applying further coatings to specialized materials, and this work is gradually progressing.

Watanabe [Q]: One more confirmation, AM. In terms of nuance, I think your company's job until now has been to apply coatings to certain equipment, but if the 3D laminating process uses lasers to laminate, the materials will be melted, so you will be able to do both the equipment side and the coating side at the same time? Or is it closer to the image of building the equipment side?

Kobayashi [A]: Now additive manufacturing builds up the equipment itself. So, even if the material has voids inside, by creating layers, the voids are left intact and the material is created.

The most used turbine blades are turbine blades. It is the same with aircraft blades, but we can do something like that. Furthermore, since we also handle coating as a post-process, we believe that an in-house integrated system from component manufacturing to coating will come into view as a potential development.

Watanabe [Q]: So, it's like a coating plus additional business development.

Kobayashi [A]: I guess it is like the original.

Watanabe [Q]: Make materials. They come in from the side of processing equipment.

Company Representative [A]: If that is the case, for example, we are a coating company now, but I think it may be possible that TOCALO will eventually take over all the parts and components.

Watanabe [M]: I understand. Thank you.

Moderator [M]: Thank you very much. We are running out of time, but does anyone in the audience have any questions? Do you have any questions? Now, if I may, I would like to read out some questions from those of you who are joining us online.

Participant [Q]: I have a question regarding your results for the fiscal year ended March 31, 2026, and your plans for the fiscal year ending March 31, 2027. First of all, your exchange rate assumption for the fiscal year ending March 31, 2027, is JPY150, but could you please confirm the actual rate for March 2026?

Goto [A]: Yes, Goto will answer. As I mentioned earlier, we are currently assuming an exchange rate of around JPY150 to the US dollar. We use mainly the Taiwan dollar, the Chinese yuan and US dollar for currency conversion, and for the fiscal year ended March 31, 2026, we used JPY20.81 for the Chinese yuan, JPY4.81 for the Taiwan dollar, and JPY149.62 for the US dollar. That is all.

Moderator [M]: I understand very well. Thank you. Moving on to the next question.

Participant [Q]: If you divide semiconductors into these five regions, Taiwan, Korea, the US, China, and the rest of the world, what would be the regions with higher or lower growth than the overall average of 25%, for example, Taiwan higher than that or China lower than that?

Goto [A]: we have not planned it in such a way that any particular region is singled out as being higher. As the President explained earlier, we base our planning on forecasts provided by manufacturing equipment manufacturers. We do not specifically formulate our plans based on where we anticipate the highest growth in the semiconductor market, so it may be difficult for me to answer your question. Sorry.

Kobayashi [A]: I think you are probably referring to the state of semiconductors in each country, as if you were a device manufacturer. We collaborate with manufacturers of semiconductor manufacturing equipment. Globally, the main players are two companies in the US and two in Japan, and we do business with several of them. Consequently, our operations are inevitably skewed towards the US and Japan.

However, our service bases are in Taiwan or China, so we can provide service at each location, but we are not seeing large numbers as a business.

Moderator [M]: Thank you very much. I am afraid. I am sorry, time is running out, but I have three more questions. Is it all right to continue? Moving on to the next question.

Participant [Q]: Is there a difference in the growth rate between your semiconductor domestic and overseas customers, or is it the same?

Kobayashi [A]: I believe your question is asking whether it is correct to understand that, with regard to major domestic and overseas customers, the situation is not only in the US, and Japan, but rather that business dealings and customer relations appear to be handled individually at each location.

Manufacturing equipment makers are still growing. I am not sure if the growth is different, but as the scope of our market expands, so does the scope of our overseas customers, so I think it is difficult to compare the two.

Moderator [M]: Thank you very much.

Participant [Q]: What factors do you see in your operating margin plan for the fiscal year ending March 31, 2027, being lower than the fiscal year ended March 31, 2026, even as the percentage of semiconductor sales is rising?

Goto [A]: You are referring to the decrease in operating profit margin compared to the fiscal year ended March 31, 2026, but as we have disclosed this time, the retirement benefits and subsidies are included in the ordinary profit. As for the above, as we have disclosed from this time, retirement benefits and subsidies are included, so excluding them, we are of course planning for an increase in profit.

However, as for H2 of the fiscal year, some semiconductor production equipment manufacturers have yet to announce their financial results, so it is true that we have been conservative in our plans for H2 of the fiscal year.

Moderator [M]: Thank you very much.

Participant [Q]: Has the surge in memory prices and price increases for various materials affected various parts of your company? Also, have such effects been factored into your plans for the fiscal year ending March 31, 2027?

Kobayashi [A]: I think the memory price spike doesn't have a direct impact on our business. If the soaring price of memory leads to the sale of more manufacturing equipment, our demand may increase, but we do not understand how much of this increase is reflected in the current demand.

I am sure that material price hikes will start in various ways in the future, but we have not factored this into our plans at this stage. We are currently considering how exactly we will disclose these surcharges and raw material prices, whether we will publish them as a fixed surcharge or negotiate them on a case-by-case basis. We have not factored this into our current plans, as we are able to meet demand for the remainder of the year using the materials we already have in stock. We intend to consider how and when to incorporate this into our plans and will decide on our next steps accordingly.

Moderator [M]: Thank you very much. I am deeply sorry, but we have exceeded our scheduled time. If you have any questions that we were unable to answer due to time constraints or if you have any new questions, please contact the person in charge of IR by e-mail or phone, and we will try to answer those that we can.

With these words, we would like to conclude the financial results briefing of TOCALO Co., Ltd. Mr. Kobayashi, Ms. Goto, Mr. Nakai, Mr. Masago, thank you very much for your time today.

Company Representative [M]: Thank you very much.

Moderator [M]: To everyone here today, and to those joining us online, thank you very much for taking the time to join us despite your busy schedules. Thank you very much. Please have a safe trip home. Thank you very much.

[END]

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