(TSE Prime Market Code 3433)

New possibilities for a bright future

Financial Summary (1Q FY2023)

7/31/2023

TOCALO Co., Ltd.

Overview of Consolidated Results 1Q FY2023

- Revenue decreased due to the semiconductor market entering an adjustment phase from the second half of the previous fiscal year
- Ordinary profit decreased by 19.3% year-on-year (ordinary profit ratio decreased to 20.2%) due to decreased revenue in the semiconductor field, increased labor costs, and rising raw material prices and power costs

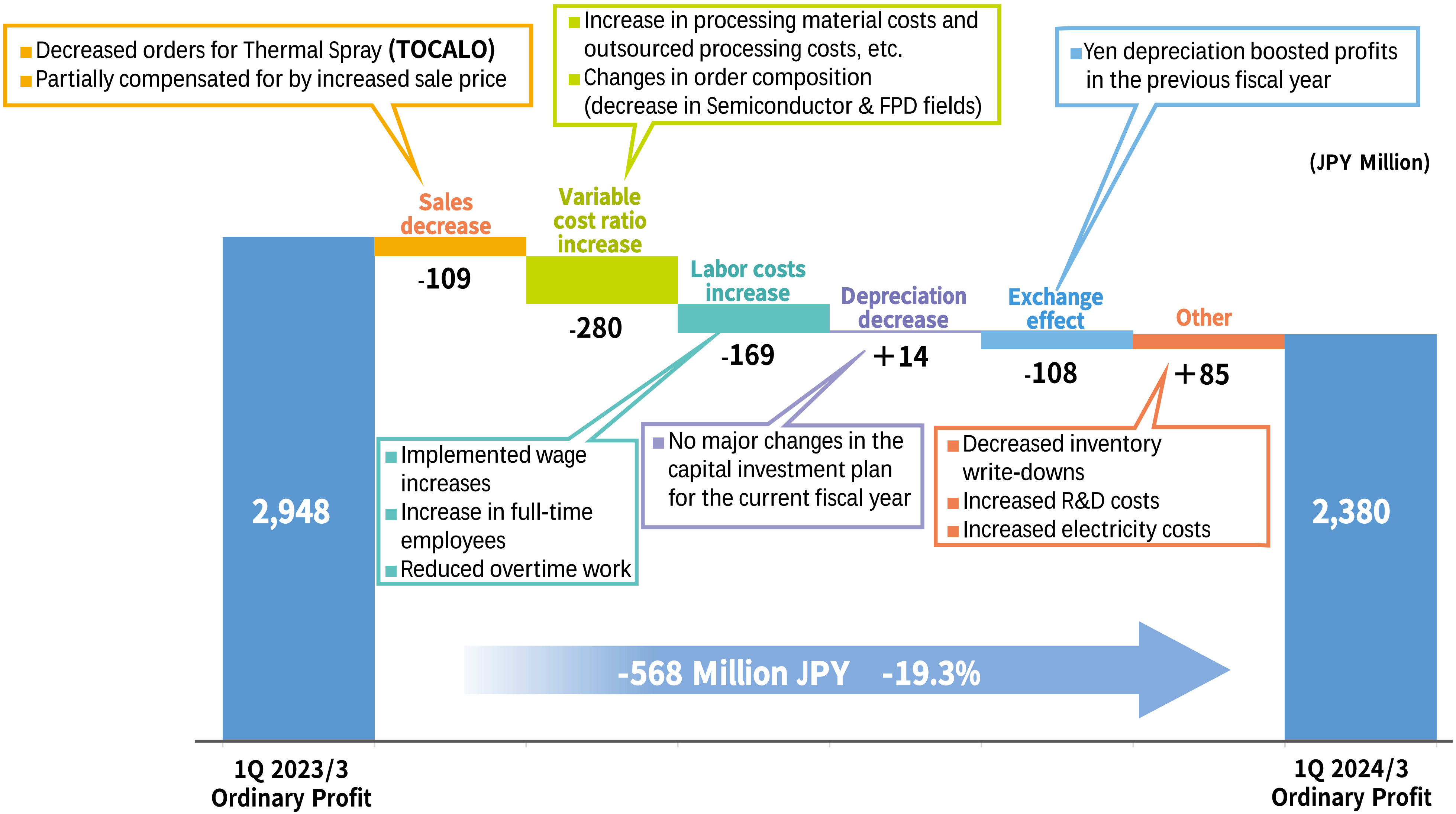
(JPY Million)	1Q FY2022		1Q FY2023		Change	
	Result	Ratio	Result	Ratio	Amount	%
Net Sales	11,906	100.0%	11,787	100.0%	-119	-1.0%
Operating Profit	2,724	22.9%	2,268	19.2%	-455	-16.7%
Ordinary Profit	2,948	24.8%	2,380	20.2%	-568	-19.3%
Net Income Attributed to Owners of Parent	1,912	16.1%	1,539	13.1%	-372	-19.5%
Earnings Per Share (EPS)	31.44JPY	—	25.35JPY	—	-6.09JPY	—

1Q FY2023 Sales (by Segment)

- Thermal Spray (TOCALO), the largest segment, decreased due to a decline in the Semiconductor & FPD field
- Other segments performed well, including domestic subsidiaries, where orders recovered due to improved automobile production

(JPY Million)	1Q FY2022		1Q FY2023		Change	
	Result	Ratio	Result	Ratio	Amount	%
Net Sales	11,906	100.0%	11,787	100.0%	-119	-1.0%
Thermal Spray (TOCALO)	9,010	75.7%	8,797	74.6%	-213	-2.4%
Semicon & FPD	5,891	49.5%	5,052	42.9%	-838	-14.2%
Industrial Parts	994	8.3%	1,107	9.4%	113	11.4%
Iron & Steel	755	6.3%	844	7.2%	88	11.7%
Others	1,369	11.6%	1,792	15.1%	422	30.9%
Other Surface Modif.	697	5.8%	745	6.4%	47	6.8%
Domestic Sub.	591	5.0%	623	5.3%	31	5.3%
Overseas Sub.	1,577	13.3%	1,607	13.6%	29	1.9%
Royalty Income	29	0.2%	14	0.1%	-15	-51.4%

Analysis of Ordinary P/L Change



Segment Information

- For Thermal Spray (TOCALO), profits significantly decreased due to a decrease in sales in the semiconductor field
- At Domestic Subsidiaries, profits grew due to a recovery in orders for mainstay cutting tools
- At Overseas Subsidiaries, semiconductor-related sales were sluggish and profit margins declined

(JPY Million)	1Q FY2022		1Q FY2023		Change			
					Net Sales		Segment P/L	
	Net Sales	P/L	Net Sales	P/L	Amount	%	Amount	%
Thermal Spray (TOCALO)	9,010	2,278	8,797	1,787	-213	-2.4%	-490	-21.5%
Domestic Sub.	591	85	623	114	31	5.3%	28	33.4%
Overseas Sub.	1,577	437	1,607	376	29	1.9%	-61	-13.9%
Other Surface Modif.	697	122	745	130	47	6.8%	7	6.5%
Total	11,877	2,924	11,772	2,410	-104	-0.9%	-514	-17.6%

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

Consolidated Forecast FY2023

(JPY Million)	FY2022		FY2023		Change	
	Result	Ratio	Forecast	Ratio	Amount	%
Net Sales	48,144	100.0%	47,000	100.0%	-1,144	-2.4%
Thermal Spray (TOCALO)	36,184	75.2%	34,063	72.5%	-2,121	-5.9%
Semicon & FPD	23,260	48.3%	20,700	44.0%	-2,560	-11.0%
Industrial Parts	3,802	7.9%	3,956	8.4%	154	4.1%
Iron & Steel	3,582	7.4%	3,734	7.9%	151	4.2%
Others	5,539	11.6%	5,672	12.2%	133	2.4%
Other Surface Modif.	2,745	5.6%	2,877	6.1%	131	4.8%
Domestic Sub.	2,414	5.0%	2,656	5.7%	241	10.0%
Overseas Sub.	6,622	13.8%	7,254	15.4%	631	9.5%
Royalty Income	177	0.4%	150	0.3%	-27	-15.5%
Operating Profit	10,558	21.9%	8,700	18.5%	-1,858	-17.6%
Ordinary Profit	11,003	22.9%	8,700	18.5%	-2,303	-20.9%
Net Income Attributed to Owners of Parent	7,350	15.3%	5,800	12.3%	-1,550	-21.1%
Earnings Per Share (EPS)	120.83JPY	—	96.70JPY	—	-24.13JPY	—
Return On Equity (ROE)	14.3%	—	10.7%	—	-3.6pt	—

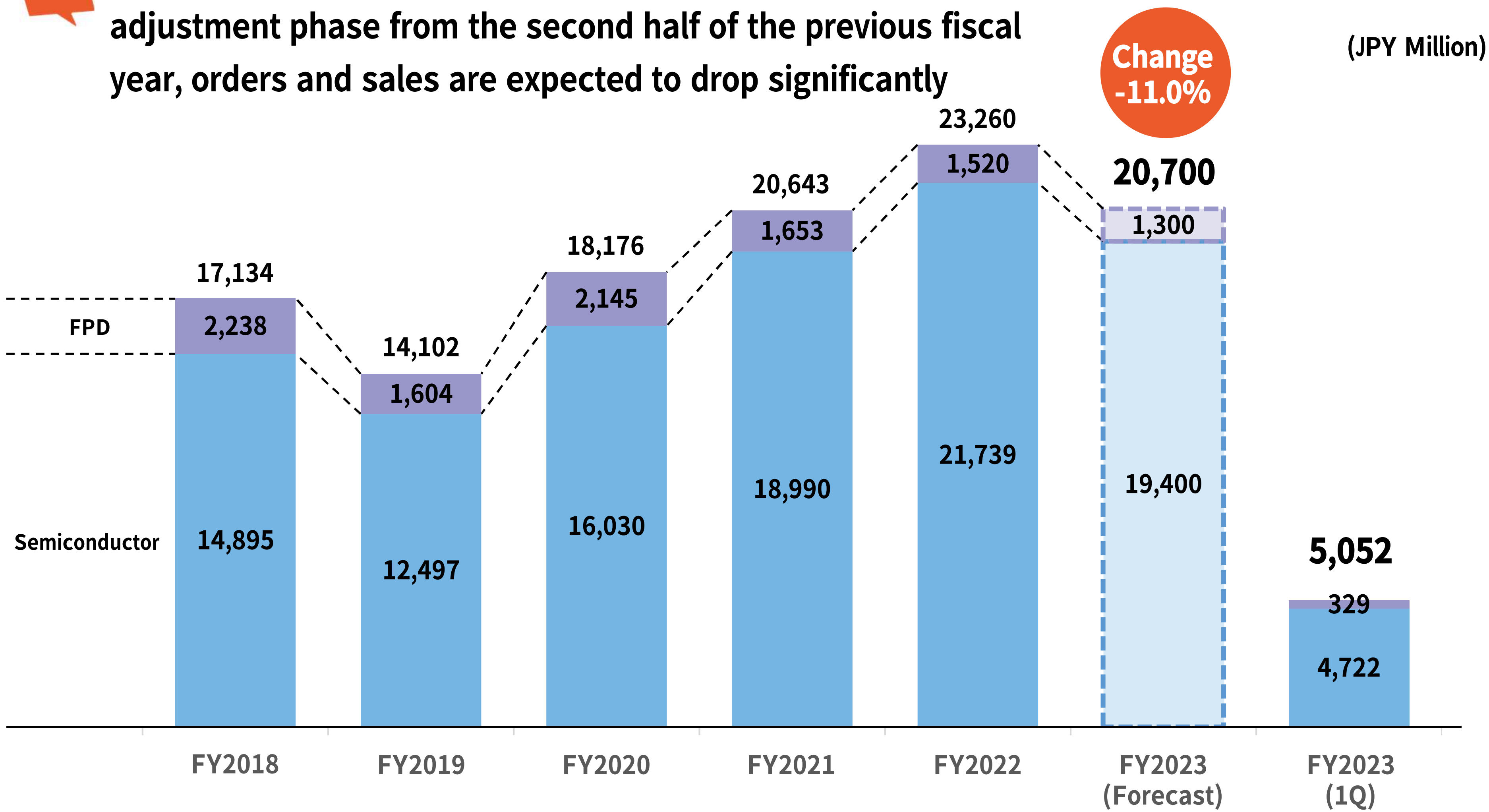
1Q FY2023 Progress Rate

(JPY Million)	1Q FY2023		FY FY2023		Progress Rate
	Result	Ratio	Forecast	Ratio	
Net Sales	11,787	100.0%	47,000	100.0%	25.1%
Thermal Spray (TOCALO)	8,797	74.6%	34,063	72.5%	25.8%
Semicon & FPD	5,052	42.9%	20,700	44.0%	24.4%
Industrial Parts	1,107	9.4%	3,956	8.4%	28.0%
Iron & Steel	844	7.2%	3,734	7.9%	22.6%
Others	1,792	15.1%	5,672	12.2%	31.6%
Other Surface Modif.	745	6.4%	2,877	6.1%	25.9%
Domestic Sub.	623	5.3%	2,656	5.7%	23.5%
Overseas Sub.	1,607	13.6%	7,254	15.4%	22.2%
Royalty Income	14	0.1%	150	0.3%	9.6%
Operating Profit	2,268	19.2%	8,700	18.5%	26.1%
Ordinary Profit	2,380	20.2%	8,700	18.5%	27.4%
Net (Quarterly) Income Attributed to Owners of Parent	1,539	13.1%	5,800	12.3%	26.5%
Earnings Per Share (EPS)	25.35JPY	—	96.70JPY	—	26.2%

SC & FPD Net Sales

POINT

Due to the semiconductor industry entering a temporary adjustment phase from the second half of the previous fiscal year, orders and sales are expected to drop significantly



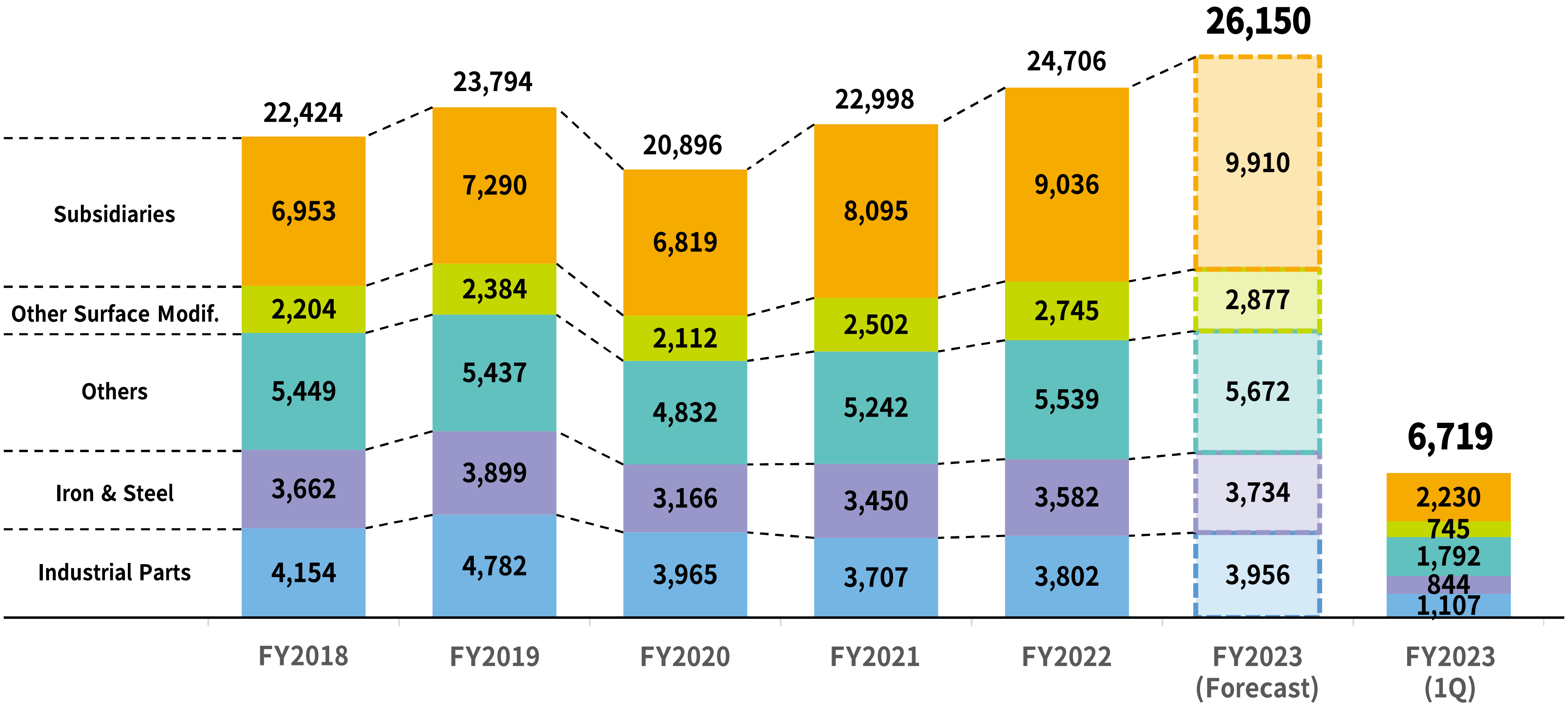
Non-SC & FPD Net Sales

POINT

Sales are expected to increase in all non-Semiconductor & FPD segments, such as Industrial Parts, Iron & Steel, and Subsidiaries

Change +5.8%

(JPY Million)



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

Financial Position

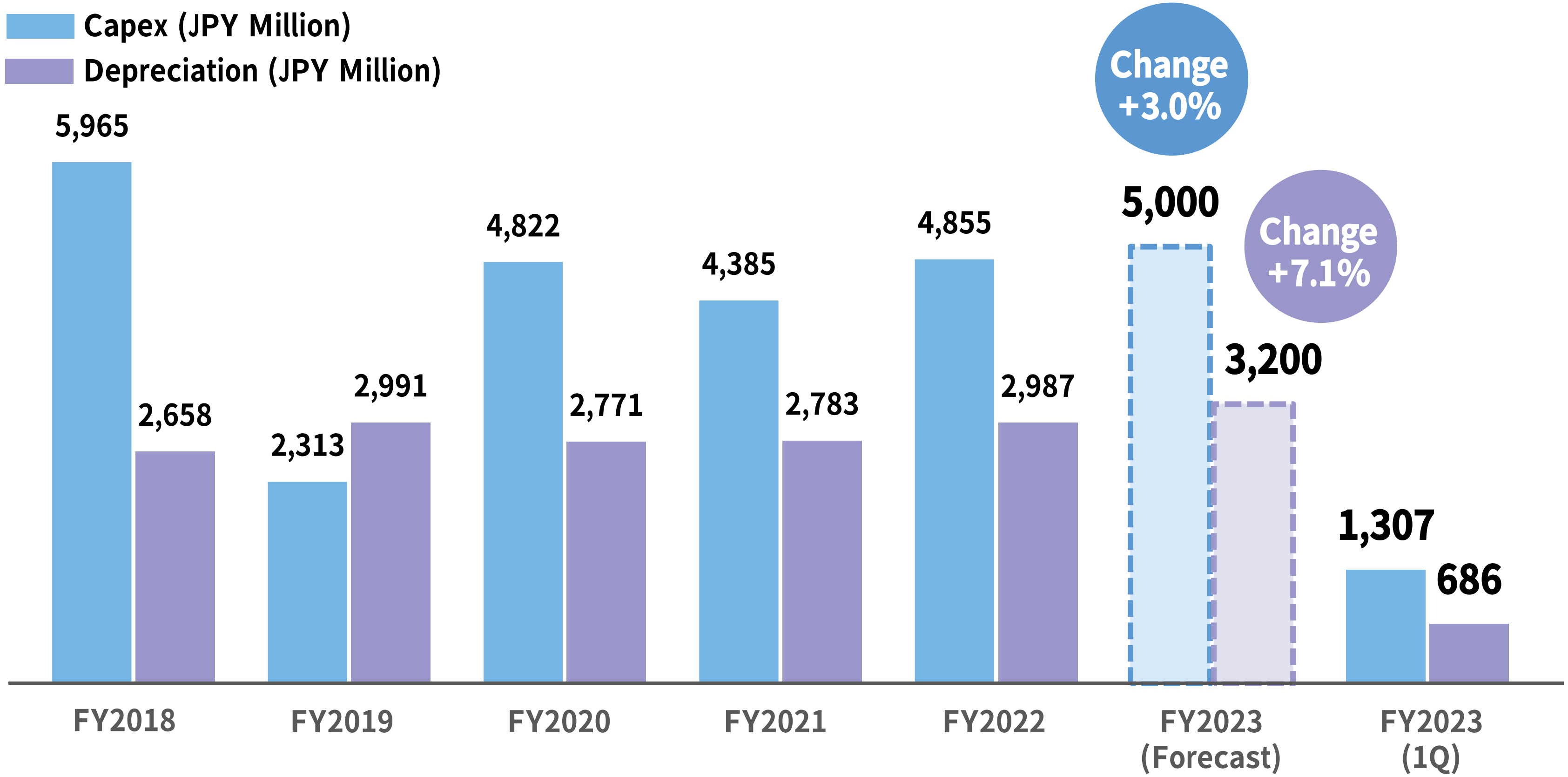
- Total assets decreased by 1,003 million JPY from the end of the previous fiscal year (current assets decreased by 1,442 million JPY due to a decrease in cash and deposits)
- Equity ratio rose by 0.2 pt from the end of the previous fiscal year to 72.7%
- Interest-bearing debt decreased by 230 million JPY from the end of the previous fiscal year

(JPY Million)	FY2022		FY2023
	1Q	4Q	1Q
Total Assets	69,820	74,263	73,260
Equity	49,680	53,839	53,267
Equity Ratio	71.2%	72.5%	72.7%
Interest-Bearing Debt	3,887	2,802	2,572

Capital Investment Plan and Depreciation

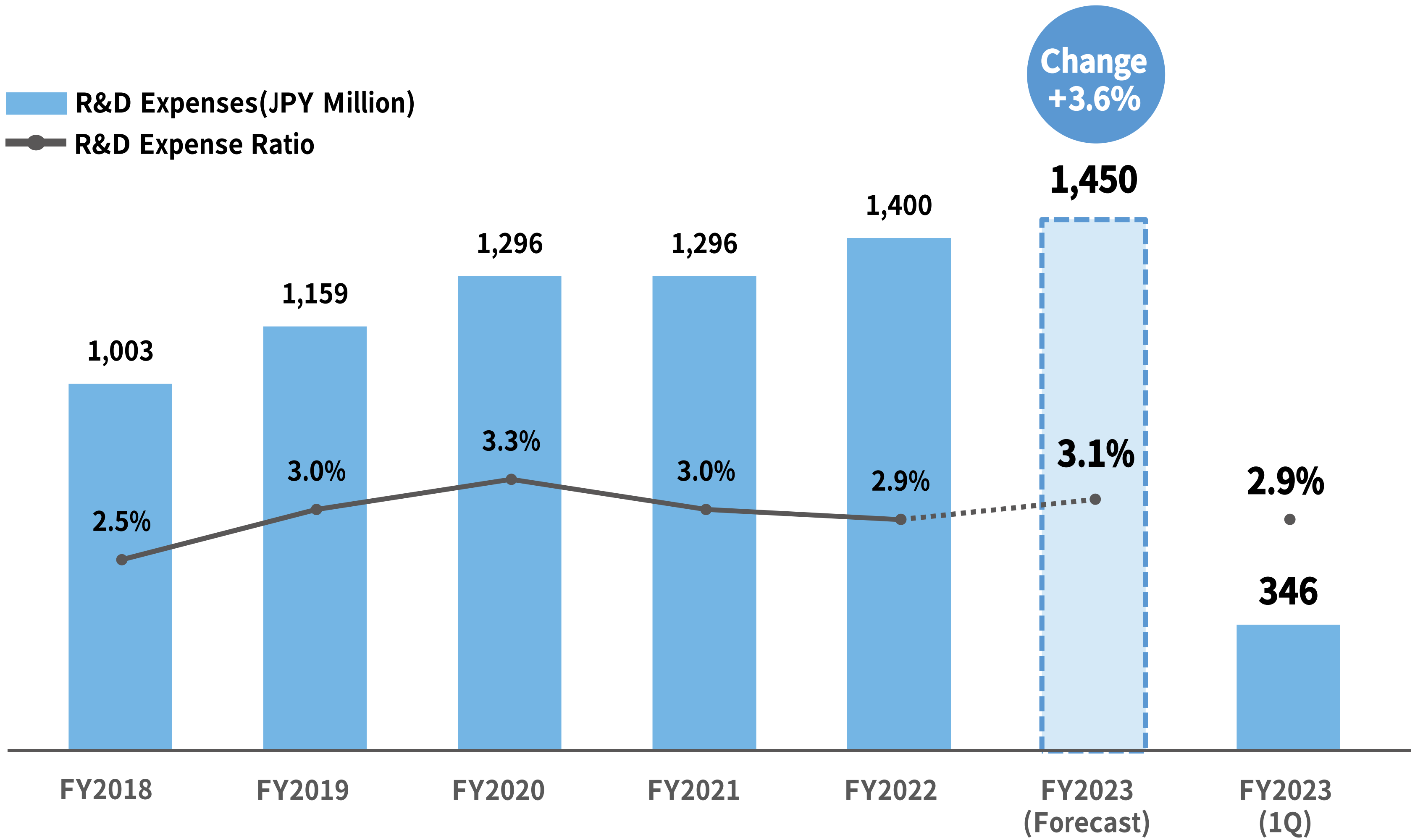
POINT **Planned capex for FY2023: 5,000 Million JPY**

• TOCALO	2,600 Million JPY:	Strengthening and streamlining production systems, primarily at the Tokyo, Akashi, and Kitakyushu plants
• Domestic Subsidiaries	300 Million JPY:	Increasing production capacity, etc.
• Overseas Subsidiaries	2,100 Million JPY:	Constructing a new plant at TOCALO & HAN TAI TW Co., Ltd. (Taiwan)



R&D Expenses

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

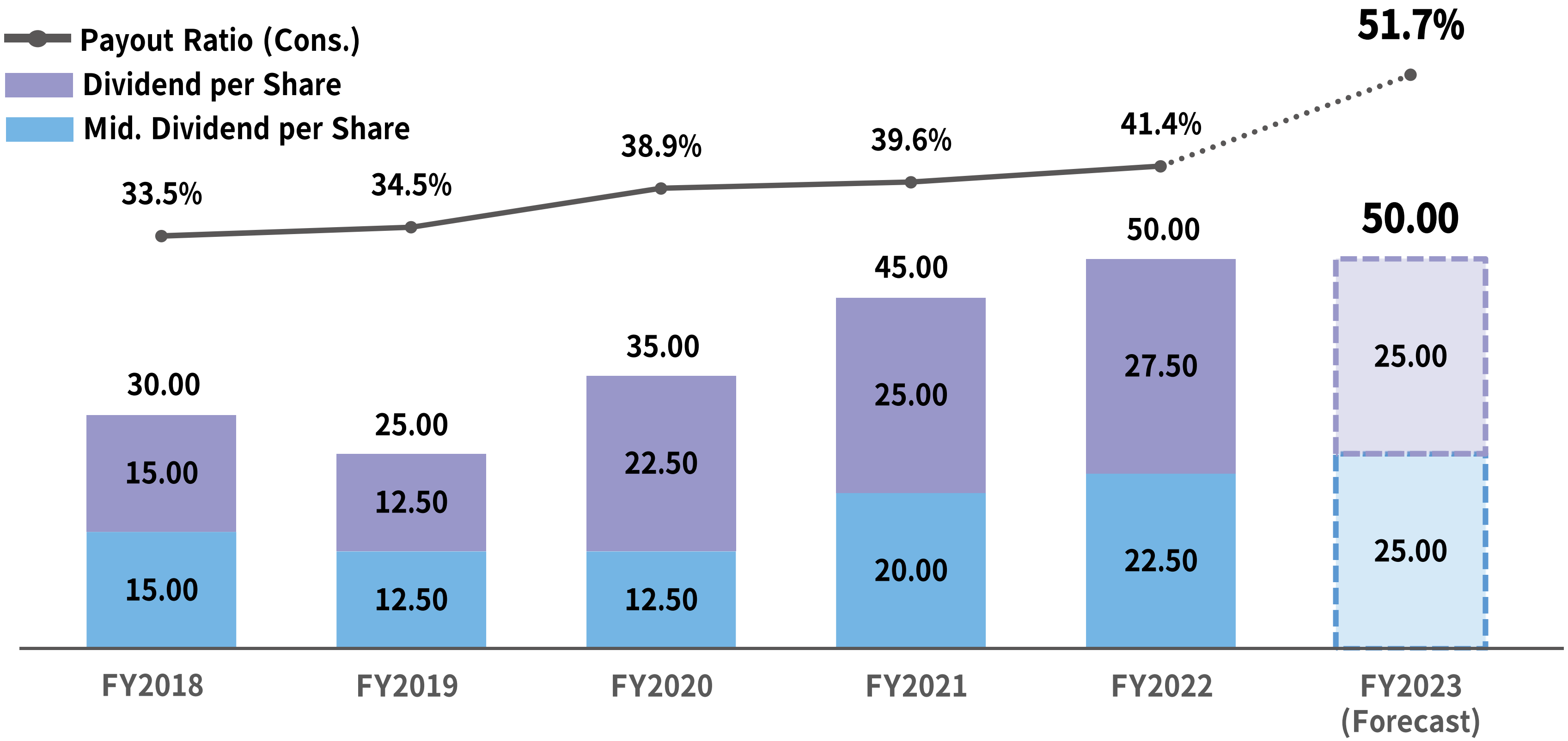


Dividends

POINT An annual dividend of 50JPY is planned for FY2023 (a divided payout ratio of 51.7%)

Shareholder Return Policy

- Aiming for a divided payout ratio of around 50% to further enhance shareholder returns
- Acquisition and retirement of outstanding company shares will also be implemented in a timely and appropriate manner, taking into consideration the business environment and the Company's financial standing



Financial Highlights

(JPY Million)	FY2018 Result	FY2019 Result	FY2020 Result	FY2021 Result	FY2022 Result	FY2023 Forecast
Orders Received	38,915	38,011	39,021	45,394	48,419	—
Backlog of Orders	6,081	6,195	6,143	7,896	8,349	—
Net Sales	39,742	38,084	39,294	43,813	48,144	47,000
Operating Profit	7,905	6,727	8,890	10,255	10,558	8,700
Ordinary Profit	8,076	6,812	8,914	10,571	11,003	8,700
Ordinary Profit Ratio	20.3%	17.9%	22.7%	24.1%	22.9%	18.5%
Net Income Attributed to Owners of Parent	5,441	4,404	5,463	6,909	7,350	5,800
Earnings Per Share (EPS)	89.51JPY	72.45JPY	89.86JPY	113.62JPY	120.83JPY	96.70JPY
Total Assets	57,278	61,122	64,183	69,517	74,263	74,100
Equity	37,559	40,263	44,201	49,099	53,839	54,400
Equity Ratio	65.6%	65.9%	68.9%	70.6%	72.5%	73.5%
Return on Equity (ROE)	15.2%	11.3%	12.9%	14.8%	14.3%	10.7%
Return on Assets (ROA)	14.7%	11.5%	14.2%	15.8%	15.3%	11.7%
Return on Invested Capital (ROIC)	13.3%	9.8%	11.9%	13.0%	12.5%	10.0%

(Note) ROE＝Net income attribute to owners of parent ÷ Average Equity during the period.
ROA＝Ordinary Profit ÷ Average Total Assets during the period.
ROIC＝Operating Profit after tax ÷ Average Invested Capital during the period.
Effective from the FY2021, the classification of Royalty Income has been changed from non-operating income to Net Sales

Notes

The financial forecasts and estimates in this Financial Summary are based on information available to the Company at the time of report issuance and certain assumptions judged to be reasonable by the Company, and therefore are not guarantees of future performance. Consequently, actual results may differ substantially from those described in this Financial Summary.

Contact

TOCALO Co., LTD

Corporate Planning Division

TEL: +81-78-303-3433