May 11, 2026

Company: TOCALO Co., Ltd.
Representative: Kazuya KOBAYASHI, President and CEO, Representative Director
(Stock Code: 3433 (Prime Market of Tokyo Stock Exchange))
Contact: Hiroshi GOTO, Senior Managing Executive Officer, Director
Phone: +81-78-303-3433

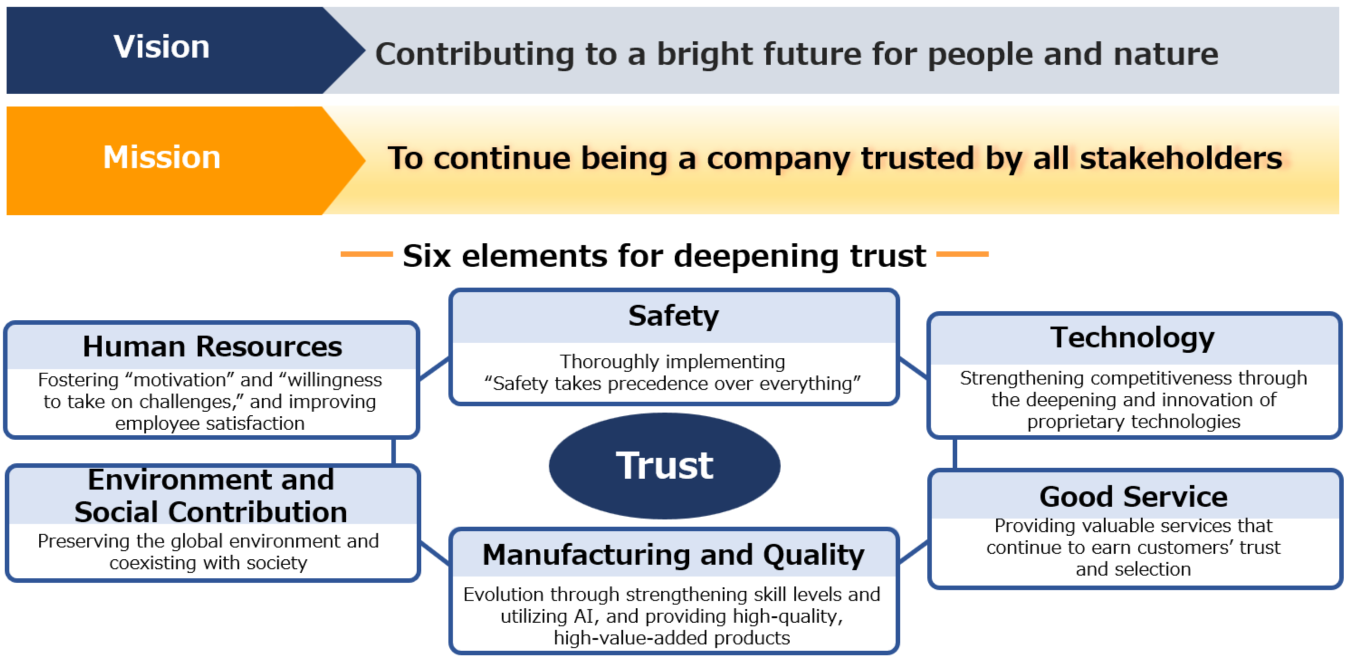
# Announcement of the Medium-Term Management Plan " TOCALO2030"

TOCALO Co., Ltd. (the "Company") hereby announces that at its Board of Directors meeting held today, it approved the new medium-term management plan, **TOCALO2030**, covering the five-year period from the fiscal year ending March 31, 2027, to the fiscal year ending March 31, 2031.

The Company has upheld its vision of "Contributing to a bright future for people and nature" and has striven to achieve sustainable growth and improve corporate value under the previous medium-term management plan, **TOCALO2025** (covering the fiscal years ending March 31, 2022, to March 31, 2026). Under this plan, we achieved our financial targets one year ahead of schedule. In addition to the semiconductor and FPD field, which is the Company's growth drivers, our industrial machinery, environment and energy fields, and subsidiaries also steadily expanded their performance.

In the newly formulated **TOCALO2030**, we have set ambitious goals to challenge ourselves to make a major leap forward, rather than simply extending the previous medium-term management plan. The entire company will work together as one to advance these initiatives. By steadily executing the growth strategies based on **TOCALO2030**, we aim to further improve our corporate value.

## 1. TOCALO2030 Basic Policy



## 2. Management Targets

| Indicator | FY2025 Result | FY2030 Target | Indicator | FY2025 Result | FY2030 Target |
|---|---|---|---|---|---|
| Net Sales | ¥58.4 billion | ¥90.0 billion | Ordinary Profit Ratio | 25.2% | 22% |
| Semiconductor and FPD field | ¥24.8 billion | ¥45.0 billion | ROE (Return on Equity) | 15.8% | 15% |
| General Industrial field*1 | ¥18.5 billion | ¥26.0 billion | ROIC (Return on Invested Capital) | 13.1% | 13% |
| Subsidiaries | ¥15.1 billion | ¥19.0 billion | Dividend Payout Ratio | 50.2% | approximately 50% |
| Ordinary Profit | ¥14.7 billion | ¥20.0 billion | DOE (Dividend on Equity Ratio) | 7.9% | 5% or more |

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

## 3. Three pillars and Growth Strategy toward achieving consolidated net sales of ¥90.0 billion

**＜Strategic Pillar 1＞ Deepening core businesses**

・Leap forward in the semiconductor and FPD field

・Strengthen foundation in the general industrial field

・Maintain a high-profit structure

**＜Strategic Pillar 2＞ Expanding strategic business domains**

・Expand new technologies and new domains (fields)

・Expand into global markets

**＜Strategic Pillar 3＞ Strengthening the management foundation that supports sustainable growth**

・Manufacturing and quality control

・Sustainability

・Human capital management

Please refer to the attached document for further details.

End of document

(TSE Prime Market Code 3433)

Medium-Term Management Plan
FY2026 (Term 76) – FY2030 (Term 80)

# TOCALO2030

## TOCALO Co., Ltd.

May 11, 2026

# Contents

# 01 Message from the President

# Upon Formulating TOCALO2030, Our New Medium-Term Management Plan



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

# 02 Overview of TOCALO

# Management Philosophy, Vision, Mission



**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**

# Company Data

## 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) |

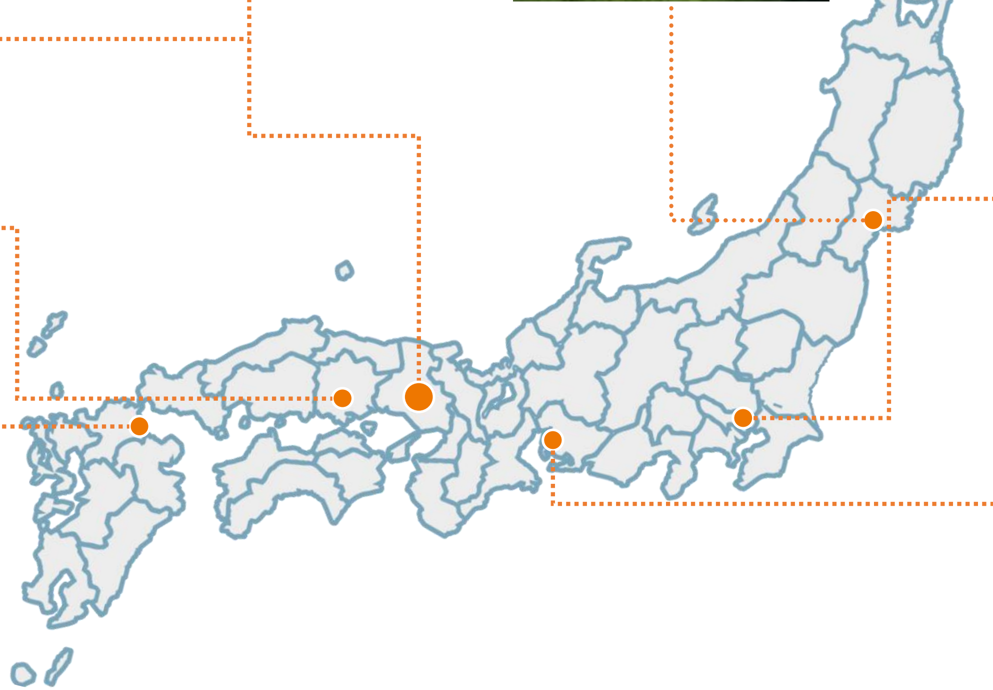
# TOCALO’s Main Plants and Offices

**Head Office**

**Kobe Plant**

**Akashi Plant and Thermal Spraying Technology R&D Laboratories**

**Miyagi Technical Service Center**



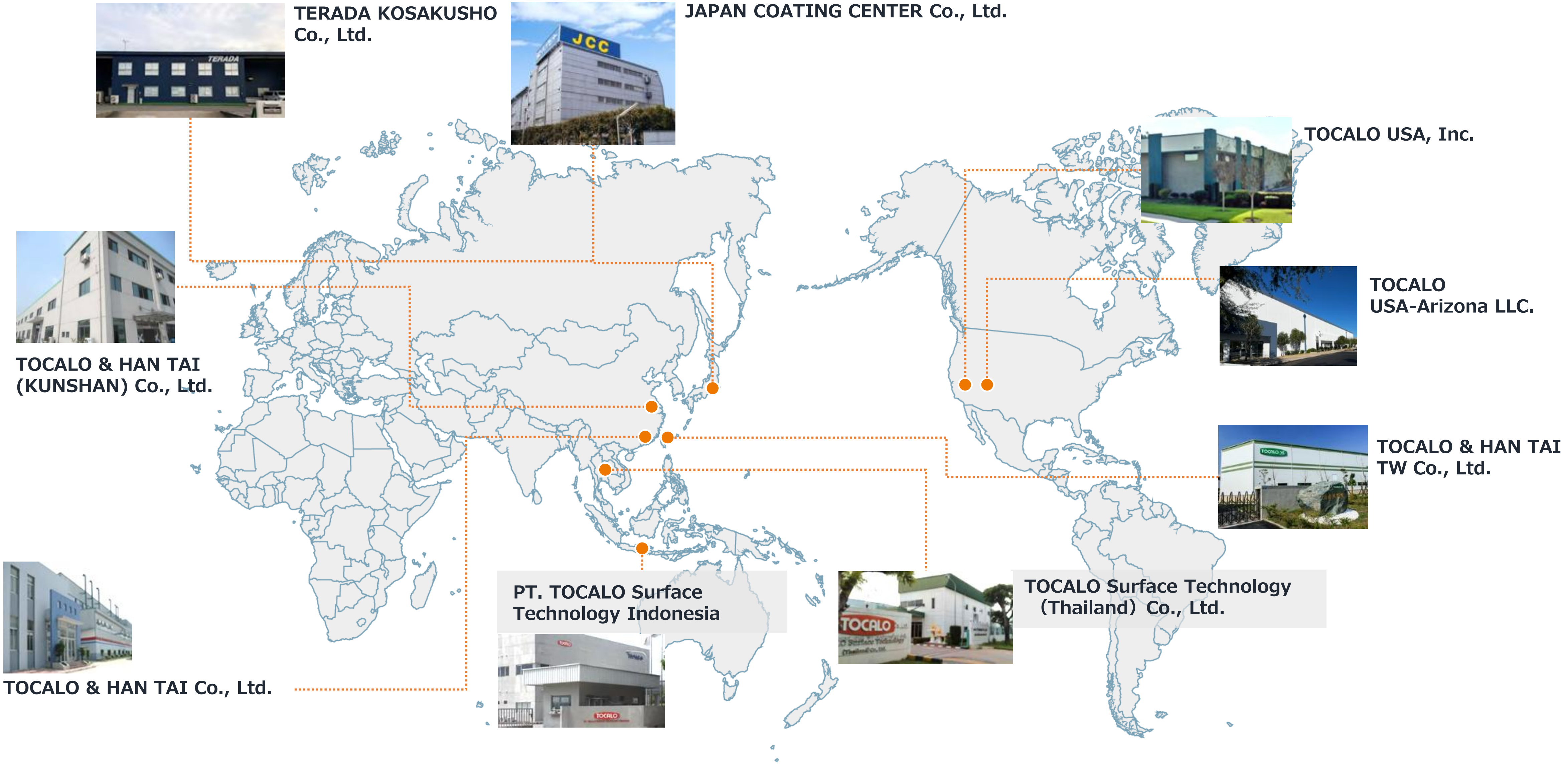
**Tokyo Plant**

**Kurashiki Plant**

**Kitakyushu Plant**

**Nagoya Plant**

# TOCALO’s Group Companies



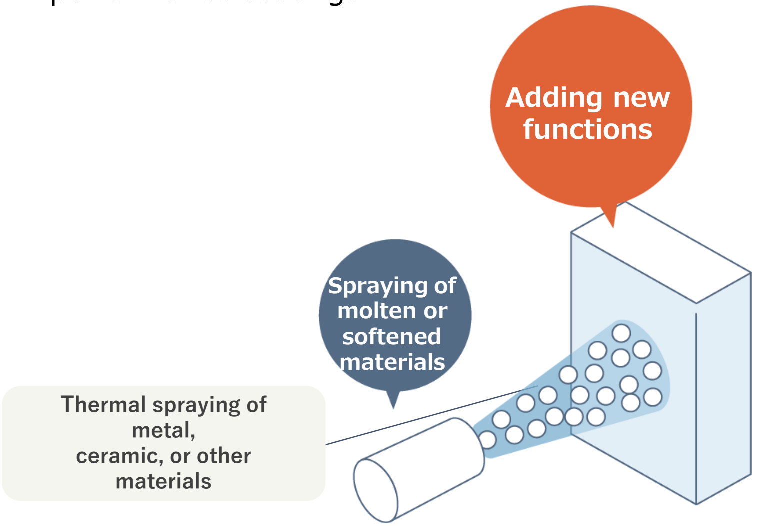
# TOCALO's Business Model (1)



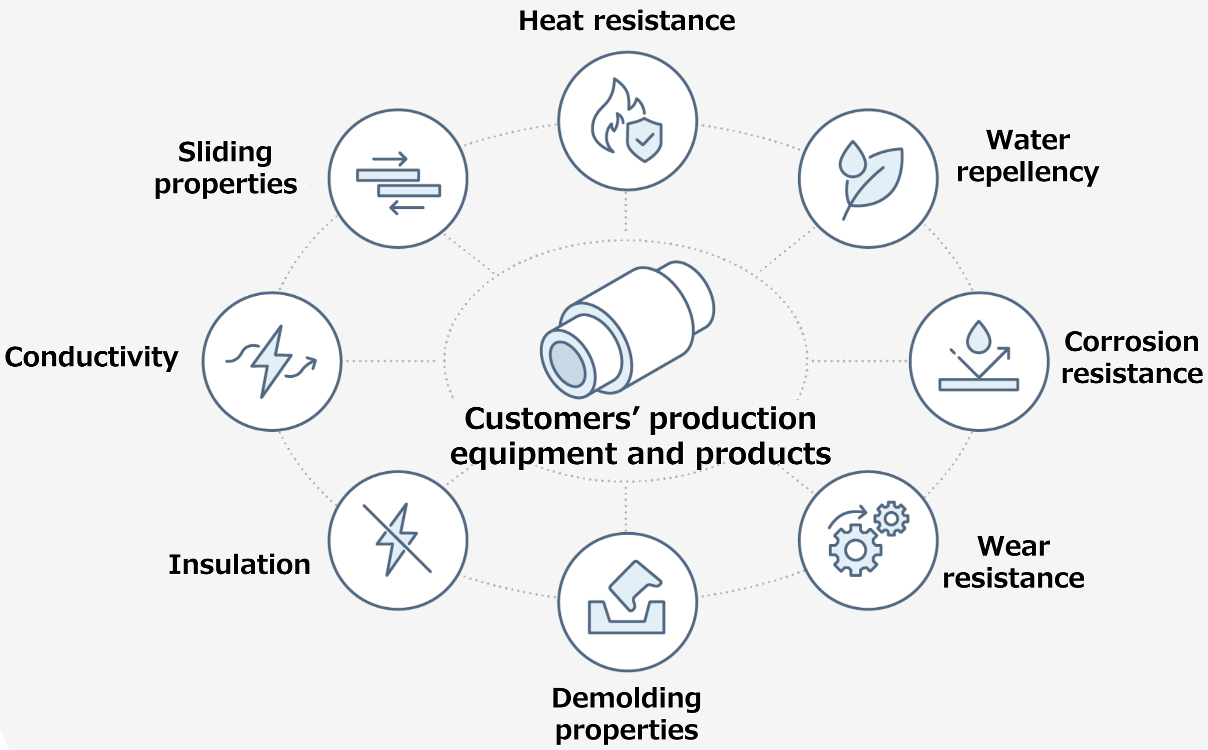
## No.1 domestic market share
## TOCALO is a leading company in surface modification technologies, focused on thermal spray.

### "What is thermal spraying technology?"

Thermal spraying technology is a surface modification technology that provides new properties and functions by coating various customer products and production equipment with materials optimized for their intended purposes.
Fine particles of high-hardness, high-melting-point metals or ceramics are melted at high temperatures and sprayed at high speed onto the surfaces of machine parts and other components to form superior high-performance coatings.



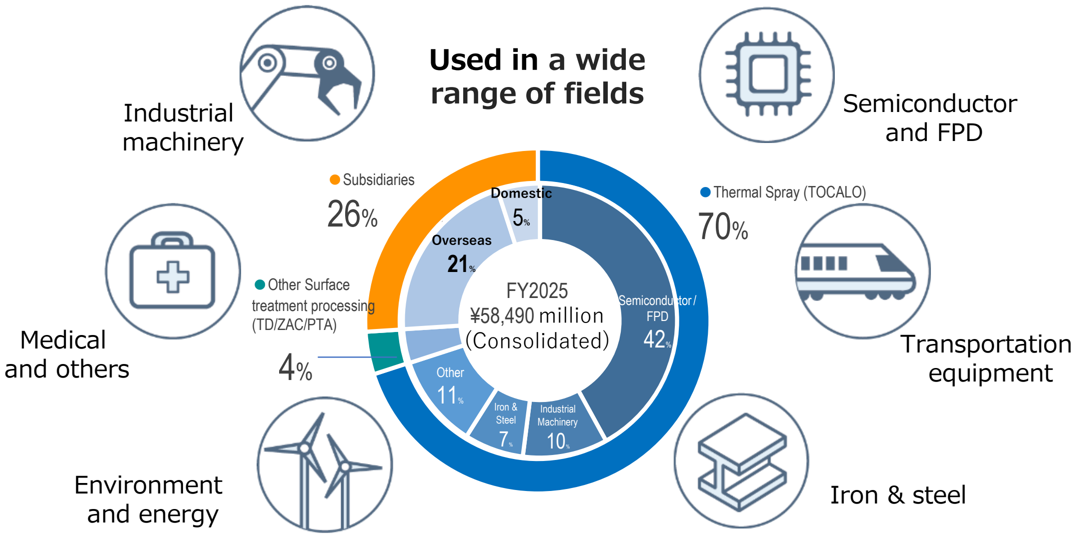

### Adding various functions through surface modification technologies



# TOCALO's Business Model (2)

## "Where is TOCALO used?"

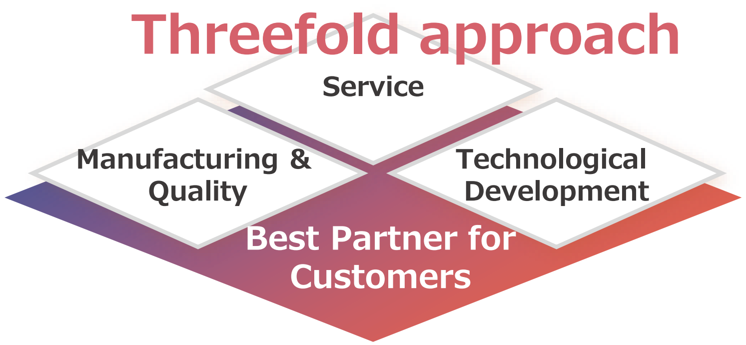
**From smartphones to energy, we support society with technologies that are friendly to people and nature.**




## "TOCALO's strengths"

**We provide solutions through fully integrated structure for manufacturing and quality, service, and technological development.**

Our customers need to overcome a wide diversity of challenges. We operate on a proposal-type sales approach because it allows us to focus exclusively on each customer's specific needs for value and function of their products and production equipment.
We use our integrated threefold approach for manufacturing and quality, service, and technological development to be the best partner for our customers by providing solutions that surpass expectations.




## "TOCALO's competitive advantages"

### 1. Advanced technological foundation

**Over more than 70 years, we have accumulated and evolved surface modification technologies focused on thermal spraying**

### 2. Business model with a broad range of applicability

**By deploying one core technology across diverse industrial fields, we achieve stable and sustainable growth**

### 3. Evolving problem-solving capability

**A self-reinforcing virtuous cycle in which on-site issues refine technology, and evolved technology opens up new markets**

# TOCALO Group's Surface Modification Technologies: Sources of Competitiveness



## Surface modification technologies that continue to evolve year by year

### Thermal spraying technologies

Technology for forming high-performance coatings on the surface of an object to be processed by spraying molten fine particles

#### Atmospheric Plasma Spraying (APS)

Thermal spraying method using a plasma jet at temperatures exceeding 10,000°C

#### Vacuum Plasma Spraying (VPS)

Plasma spraying method carried out in a low-vacuum inert gas atmosphere

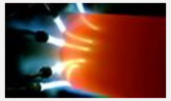
#### High Velocity Oxy-Fuel Spraying (HVOF)

Thermal spraying method in which materials are sprayed at high speed, forming dense coatings with high adhesion

#### Arc Spraying

Thermal spraying method in which wire material is melted by the heat of an arc discharge and sprayed onto the object to be processed

#### Powder Flame Spraying



Thermal spraying method in which the coating is remelted after spraying to form a nearly pore-free coating

#### Wire Flame Spraying

Thermal spraying method in which metal or alloy wire material is melted and sprayed by a gas flame to apply relatively thick thermal spray coatings

#### Suspension Plasma Spraying (SPS)

Plasma spraying method in which fine powder is supplied in a suspension

#### Robotic and Automated Thermal Spraying

We actively promote automation, including robotic application, even for products with complex shapes, contributing to stable quality and highly efficient production

### Other surface modification technologies

Surface modification technologies other than thermal spraying, including coating formation technologies using chemical reactions

#### TD Process

A coating formed by immersing the object in a high-temperature molten salt bath and causing carbides such as vanadium to diffuse and penetrate into the substrate surface to form a hard film

#### CDC-ZAC Coating

A chemical densification method for forming a composite ceramic coating mainly composed of chromium oxide

#### PTA Process

A powder overlay welding method using plasma
Exhibits excellent adhesion and impact resistance through metallurgical bonding

#### Laser Cladding Process

A powder overlay welding method using lasers
Forms coatings with excellent adhesion and wear resistance while minimizing thermal impact on the substrate

#### PVD Coating

The PVD (Physical Vapor Deposition) process is a technology that forms a thin film on the object by utilizing physical reactions

#### DLC Coating

A carbon thin film with properties such as high hardness and lubricity, produced by a vapor-phase synthesis method using plasma

#### Wet Coating Process

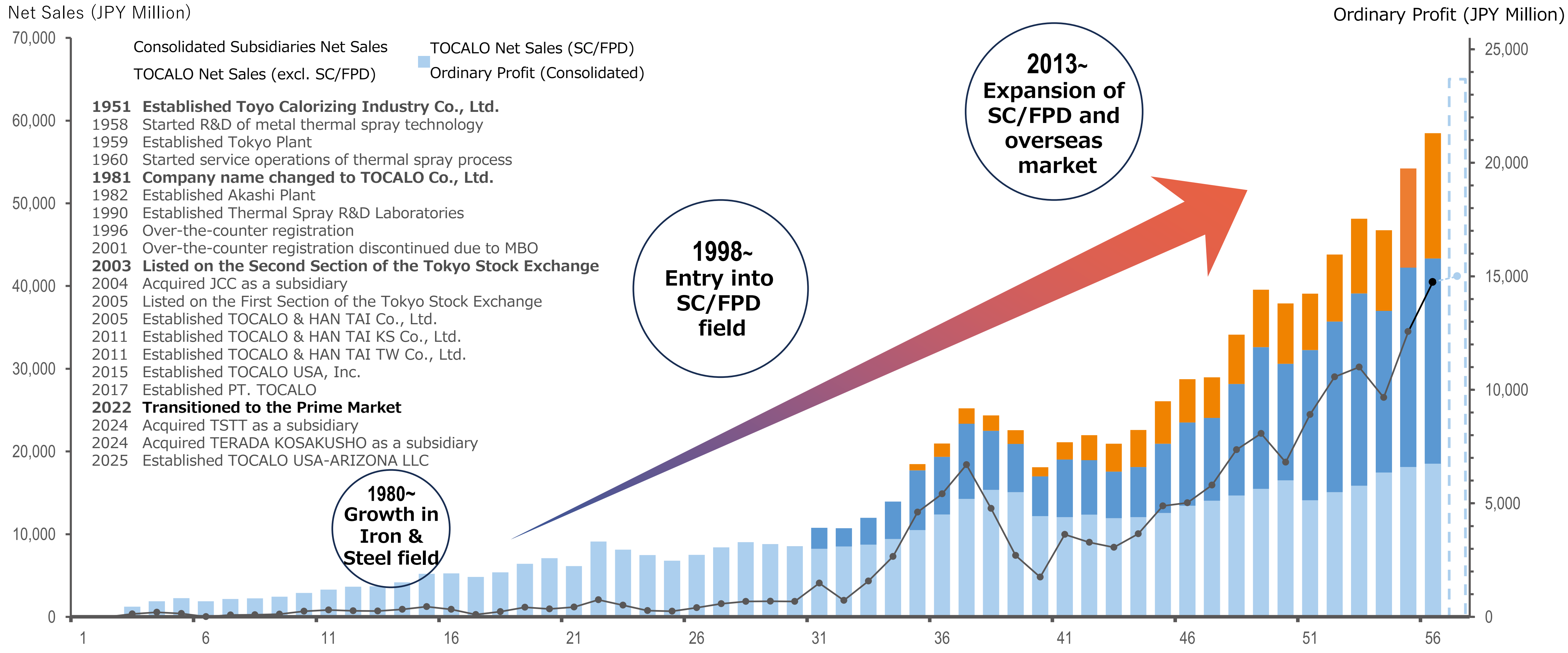
A process in which liquid materials are uniformly applied and then dried and cured to form a thin film with water repellency and barrier functions

#### Precision Machining

A technology that supports complex and precise shapes and processes highly difficult parts with high precision and stable quality

# History and Business Performance (Since FY1951)

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.



03

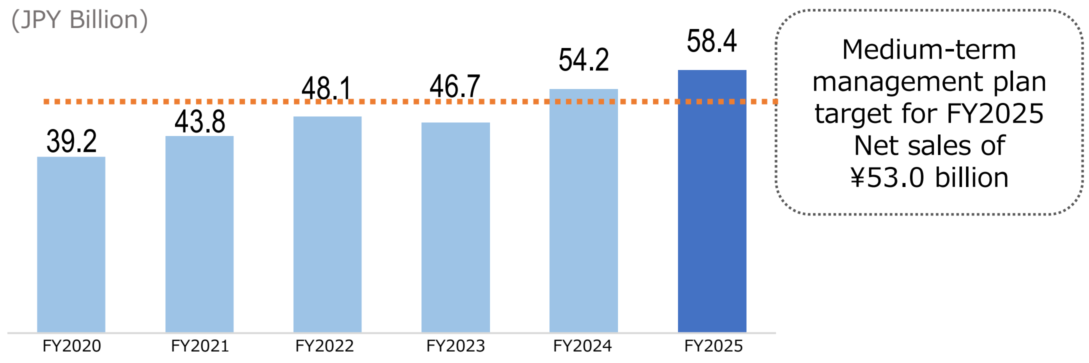
# Review of TOCALO2025, the Previous Medium-Term Management Plan

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

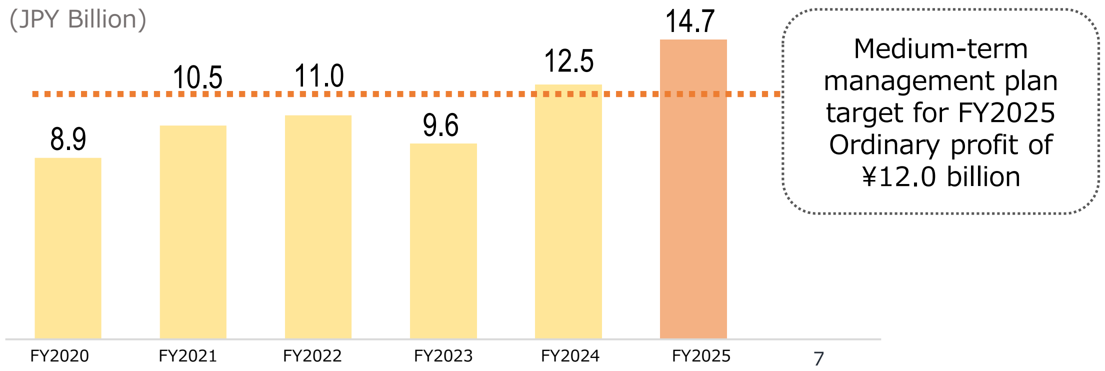


- Despite facing successive changes in the external environment, including the spread of COVID-19, surging resource prices, and US-China trade frictions, we achieved our planned targets for both net sales and ordinary profit one year ahead of schedule (in FY2024).

## 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 |

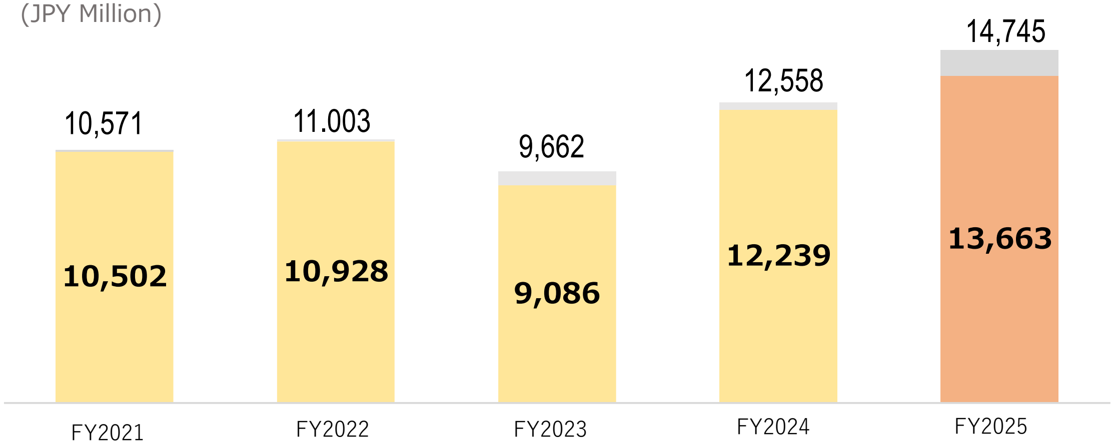
# (Reference) Ordinary Profit on a Substantive Basis

## 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 actual gains and losses and subsidy income)**



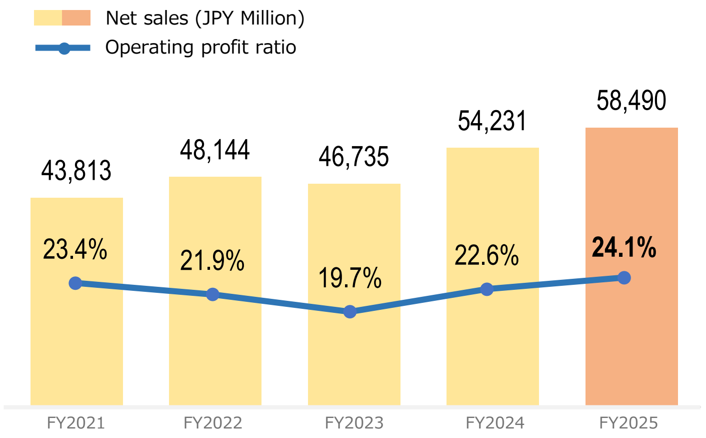

### Actuarial Gains and Losses and Subsidy Income

- **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.
  Our company records it as a lump sum at the end of each fiscal year.
- **Subsidy income**
  Large-scale Growth Investment Subsidy for Labor-saving, etc., aimed at Wage Increases for Mid-size Enterprises and SMEs" (METI), etc.

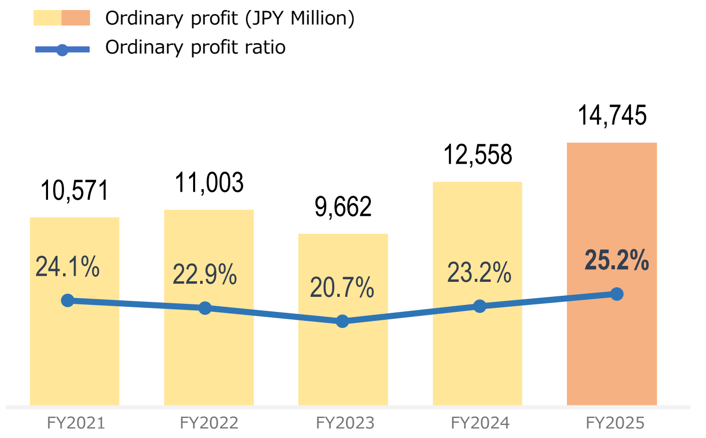
# Review of the Previous Medium-Term Management Plan: Trends in Financial Results

- Although there was an adjustment phase in the semiconductor and FPD field (FY2023), net sales and ordinary profit generally made steady progress.

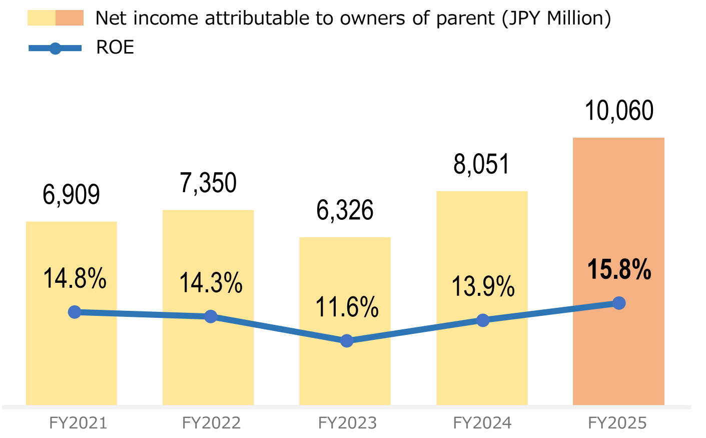
## Net Sales



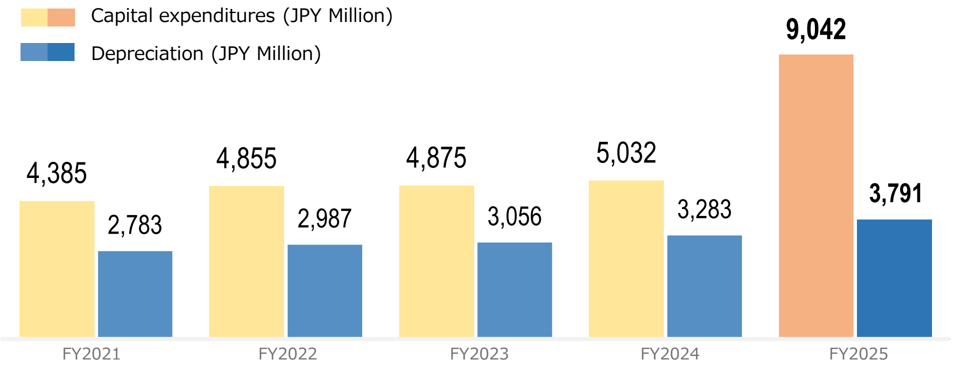

## Ordinary Profit



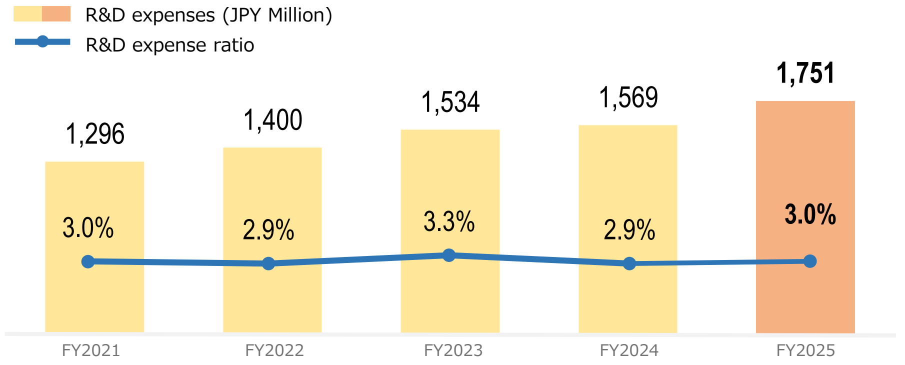

## Net Income Attributable to Owners of Parent and ROE




## Capital Expenditures and Depreciation




## R&D Expenses



# Review of the Previous Medium-Term Management Plan: TOCALO2025 Achievements and Issues



## Achievements

- **Achieved** the TOCALO2025 (FY2025) performance targets for **both net sales and ordinary profit**
- **Made progress in strengthening our ability to respond to fields where future growth can be expected**, such as the industrial machinery field, environment and energy fields, and aerospace-related fields, and subsidiaries also steadily expand their performance
- Our **ESG-focused management** set forth as the mission of TOCALO2025 improved the awareness of officers and employees through the assessment of KPIs (initiatives will continue under TOCALO2030)
- **We strengthened the business foundation for production** by improving production efficiency through high-efficiency booths and robotics/automation and by obtaining ISO 45001 (certification related to occupational health and safety) at all business sites
- We established a system for measuring GHG emissions across the Group and **achieved our target of reducing them by 46% compared with FY2013**
- **The ordinary profit ratio was sustained at over 20%** during TOCALO 2025, and while ROE experienced a temporary decline, **it concluded at 15.8%, achieving the target in the final year.**

## Issues

- In the semiconductor and FPD fields, **targets were not met due to factors such as a temporary adjustment phase**, we aim to transform our profit structure to withstand market fluctuations and reliably capture market growth toward 2030.
- In our initiatives undertaken in agriculture, medical, and other areas set forth as **new business domains, the contribution to performance was minimal** due to sluggish market growth
- Strengthening our global risk management framework capable of responding to customers' global expansion and **systematically developing overseas human resources**
- **Improving productivity** through databasing person-dependent skills and know-how (skills transfer), labor saving through the use of generative AI and IoT, and mechanizing operations

# (Reference) Review of the Previous Medium-Term Management Plan: Progress Status of Growth Strategy

- Against the backdrop of market expansion in the semiconductor and FPD field, we have advanced technological development, while also creating new applications in the environment and energy field and the materials field.

<table>
<tr><th></th><th>Field</th><th>Application development and target items</th><th>Evaluation</th><th>Review</th></tr>
<tr><td rowspan="3">People</td><td>Semi-conductors</td><td>ESC:<br>• Expand development of thermal spraying applications<br>• Accelerate development of multifunctional coatings<br>Chamber parts:<br>• Development of next-generation coatings to meet the requirement of diversified miniaturized processes<br>• Development of next-generation coatings compatible with multilayered and higher-aspect-ratio processes</td><td>Excellent</td><td rowspan="3">Semiconductors: Progressing steadily with market expansion and technological development<br>FPD: Domestic LCD market shrank due to the shift to China, while OLED progressed<br>Medical instruments: Progress was made in applying coatings to some medical instruments<br>Agricultural machinery: Shipment volumes remained weak due to prolonged inventory adjustments at sales destinations<br>Food machinery: Struggled with application development</td></tr>
<tr><td>FPD</td><td>• Large-size FPD and organic EL displays with high functions: Promote development of optimal coatings and mass production</td><td>Good</td></tr>
<tr><td>Other<br>(medical, agriculture, food, etc.)</td><td>• Medical instruments (non-stick, corrosion resistance, control of wettability, etc.)<br>• Application development for agricultural equipment<br>• Food machinery (wear resistance, non-stick, anti-biofilm, corrosion resistance, etc.)</td><td>Fair</td></tr>
<tr><td rowspan="3">Environment</td><td>Energy</td><td>• Renewable energy power generation (meeting increasing demands of hydro and wind power generation, improving durability of solar and geothermal energy, etc.)<br>• Non-fossil fuels (alternative fuels such as hydrogen, ammonia, and biomass. $CO_2$ emission control techniques, etc.)<br>• Creation of projects in the environmental businesses</td><td>Good</td><td rowspan="3">Renewable energy generation: Numerous achievements in applying thermal spraying to power generation equipment parts<br>Decarbonization from fossil fuels: Progress made in responding to hydrogen, ammonia, biomass, etc.<br>Distributed power sources: Needs are strong, and various developments are underway; however, we withdrew from NAS batteries<br>Recycling facilities: Electric furnaces and refining expanded<br>Aircraft components: Inquiries for mass-production projects increased; EV adoption remains under observation</td></tr>
<tr><td>Materials</td><td>• Off-grid power source (secondary battery components such as LIB and NAS), fuel-cell components (SOFC), etc.)<br>• Expand applications for recycling facilities (electric furnace, non-ferrous refining, petrochemical production field, etc.)</td><td>Good</td></tr>
<tr><td>Other<br>(transportation, etc.)</td><td>• Aircraft components coating application development<br>• Coating development for EV related items in the automotive industry</td><td>Excellent</td></tr>
</table>

# (Reference) Review of the Previous Medium-term Management Plan: Evolution of the Business Model



- The evolution of our business model has steadily progressed, including the development of new markets, enhancement of manufacturing sophistication, intellectual property strategy, occupational safety and health systems, and strengthening of the human resources foundation

| Theme | | Measures for Business Expansion | Measures for Internal Management | Evaluation | Review |
|---|---|---|---|---|---|
| **Reinforcing market development** | Sophistication of service structures | • Shift from a supplier to a partner<br>• Provide optimal solutions to customers<br>• Establish projects in key areas (diversify revenue sources) | • Promote DX (Digital Transformation)<br>• Cultivate problem-solving expert solution advisors | Excellent | **• Received various awards from major customers for suppliers<br>• Promoted the acquisition of orders for mass-produced products from manufacturers<br>• Made progress in developing projects in the aircraft and industrial machinery fields<br>• Overseas subsidiaries grew steadily, and the overseas sales ratio exceeded 30%** |
| | Global operations | • Restructure maintenance service business<br>• Promote localization (collaborate with leading local companies)<br>• Technical assistance (reinforce the licensing business) | • Reinforce the global risk management system<br>• Develop well-planned global human resources | | |
| **Reinforcing technological development** | Ensuring technological superiority | • Invest focusing on advanced coating development<br>• Promote cooperation among government, industry and academia | • Enforce the intellectual property strategy<br>• Make the human resource development plans more sophisticated<br>• Enhance the technical databases | Excellent | **• Maintained R&D expense ratio to net sales at 3%<br>• Advanced the intellectual property strategy<br>• 289 patents held and 37 patent applications filed (FY 2025 results)** |
| **Sophistication of manufacturing** | Sophisticating and improving efficiency of manufacturing processes | • Reinforce production capabilities<br>• Optimize cost & delivery<br>• Practical application of new coating technologies<br>• Enable on-site smart processing | • Safety first commitment<br>• Human resource development and technology transfer<br>• Promotion of automation and IoT | Good | **• Efficiency improvements in manufacturing processes progressed, including the deployment of high-efficiency booths and utilizing robotics/automation for on-site work<br>• In the quality control system, the number of employees obtaining qualifications such as QC Certification (132 persons) and non-destructive testing qualifications (29 persons) increased, contributing to future quality improvements (FY2025 results)<br>• Obtained ISO 45001, the occupational health and safety management certification system, at all business sites and established a safety management system<br>• Improved the accuracy of GHG emissions measurement (Scopes 1, 2, and 3)<br>• Achieved target for waste recycling rate** |
| | Reinforcing the quality control system | • Reinforce process control<br>• Address and establish product performance assurance | • Ensure smooth operation of quality control systems (ISO and others)<br>• Establish PQP (product qualification plan) | | |
| | Reducing environmental impact | • Strategic decarbonization (toward carbon neutrality)<br>• Develop and implement a green growth strategy | • Improve process methods to reduce electric power consumption<br>• Utilize renewable energy<br>• Prevent water and air pollution | | |
| **Sustainable growth aiming to become a 100-year company** | Human resource development & better working environment | • Diversity promotion<br>(Value talents of women, persons with disabilities, mid-career employment, etc.) | • Promotion of work style reforms<br>• DX promotion<br>• Formulation of medium and long term human resource development plan | Good | **• Promoted diversity initiatives and obtained certifications such as "Kurumin," "Eruboshi," and "Health & Productivity Management Outstanding Organization"<br>• Advanced the development of global human resources and core personnel through the use of the "Global Experience " open-application internal education program<br>• Institutionalized the "TODO Seminar" e-learning program and promoted reskilling** |
| | Sophisticating internal control | • Implementing ESG initiatives<br>• Promotion of engagement with domestic and overseas investors | • Conform to Corporate Governance Code<br>• Commitment to compliance | | |

04

# Basic Policy for TOCALO2030, the New Medium-term Management Plan

# External Environment Surrounding TOCALO

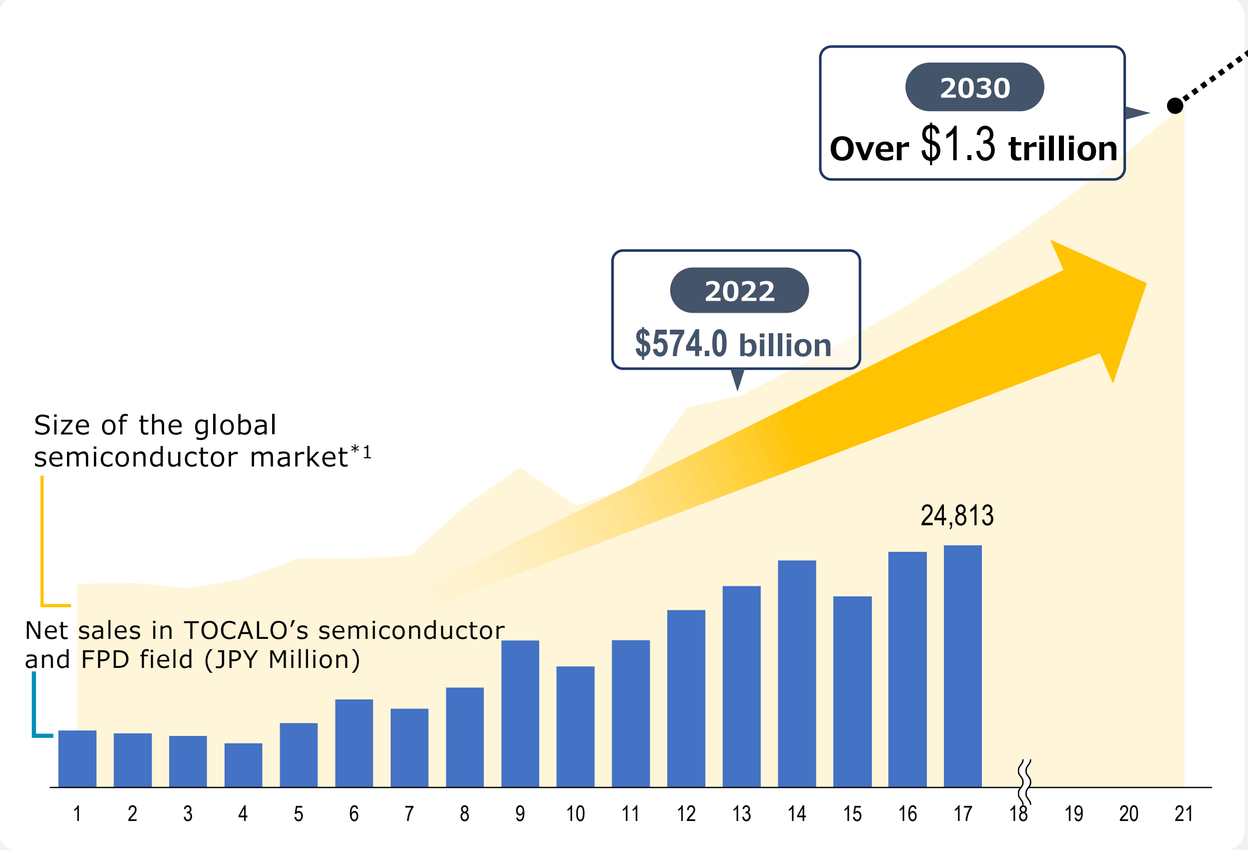
- The business environment surrounding the Company is changing significantly as three megatrends interact with one another: changing social conditions, growing sustainability demands, and structural transformation of technology and society.

| Changing social conditions | Sustainability | Structural transformation of technology and society |
| --- | --- | --- |
| Rising geopolitical risks | Growing social demand for carbon neutrality | Improving productivity in response to the declining labor force |
| Surging resource prices | Demand for building a sustainable supply chain | Further acceleration of the digital transformation (DX) and explosive growth of AI |
| Declining birthrate, aging population, and population decline | Growing importance of risk management | Diversification of lifestyles and values, and growing health awareness |

# Growth Potential 1: Semiconductor Market Outlook

## By 2030, the size of the semiconductor market is expected to exceed $1.3 trillion

### Trends in semiconductor market size and TOCALO's net sales




*1 Prepared by TOCALO based on World Semiconductor Trade Statistics (WSTS) of the Japan Electronics and Information Technology Industries Association

**The market is expected to grow by approximately 2.3x**
**(2022→2030)**

**Expansion of demand for generative AI, autonomous driving, data centers, and others**

### TOCALO's competitive advantages in reliably capturing this growth market

1. **Surface treatment technologies indispensable for semiconductor manufacturing equipment**
   With semiconductors' miniaturization and higher performance, advanced surface modification technologies are indispensable for manufacturing equipment components
2. **Proprietary technologies and advanced quality control**
   Our core technology, thermal spraying, is an effective solution to issues faced by semiconductor manufacturing equipment, and through many years of accumulated expertise, we possess strong competitive advantages
3. **Foundation supporting sustainable growth**
   With more than 70 years of achievements, stable finances, and investment for the future, we aim for steady growth alongside the growth of the semiconductor market

# Growth Potential 2 :Trends in General Industrial Fields

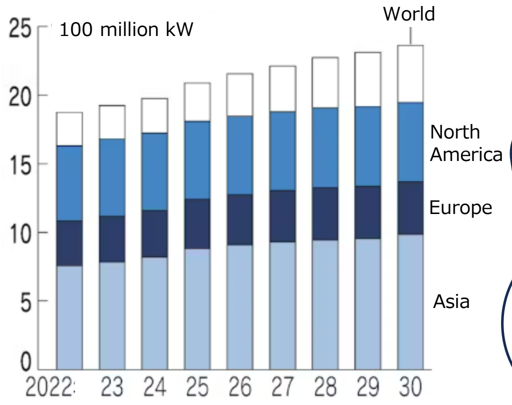
**In general industrial fields, we are promoting the acquisition of mass-produced products from growth fields such as environment and energy, and the aerospace industry.**

## Environment and Energy

### ■ Market environment forecast

The gas turbine-related market, for which demand is expanding globally, is expected to see increased orders toward 2030, and expectations for future growth are high.

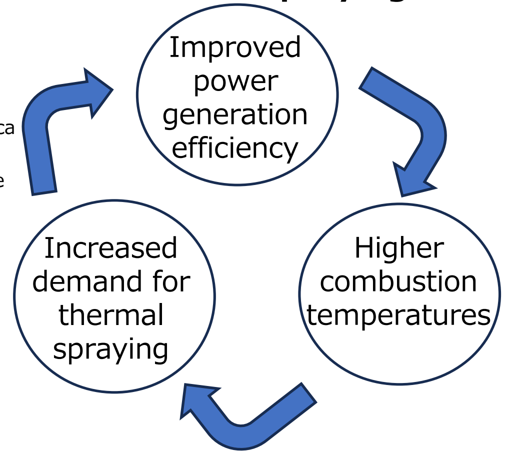
**Global gas-fired power generation**
(trends in generating capacity)




(Note) Based on published plans, assuming new construction and retirements/suspensions proceed as planned.
Source: Nikkei compilation based on a survey by the US research organization Global Energy Monitor (GEM)

Source: Nikkei Electronic Edition, April 16, 2025

**Expansion and higher efficiency of gas-fired power generation will lead to increased demand for thermal spraying**

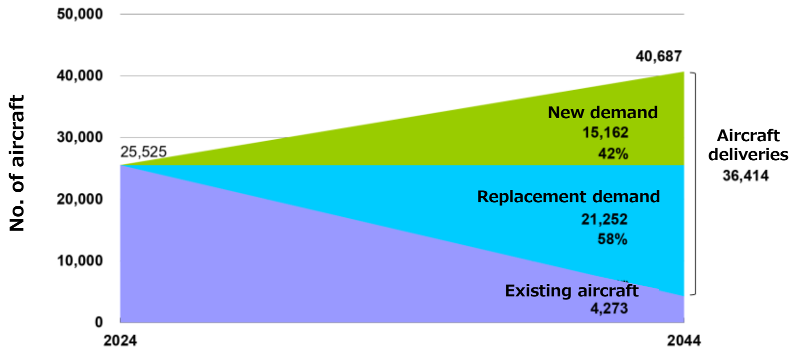



## Aircraft Industry

### ■ Market environment forecast

Aircraft demand is expected to continue expanding over the medium to long term. Much of that demand is expected to be driven by the introduction of new base materials that offer superior fuel efficiency and $CO_2$ reduction.

**Jet passenger aircraft demand forecast results**




Source: Japan Aircraft Development Corporation

**A technological foundation for high-temperature and high-efficiency aircraft engines**

Introduction of new base materials to improve fuel efficiency and reduce $CO_2$ ▶ The latest jet engines operate under increasingly severe conditions ▶ Increasing importance for thermal spraying technology to enhance the wear resistance and heat resistance of engine components

# TOCALO2030 Basic Policy

**Vision** Contributing to a bright future for people and nature

**Mission** To continue being a company trusted by all stakeholders

## Six elements for deepening trust

**Trust**

### Safety
Thoroughly implementing "Safety takes precedence over everything"

### Human Resources
Fostering "motivation" and "willingness to take on challenges," and improving employee satisfaction

### Technology
Strengthening competitiveness through the deepening and innovation of proprietary technologies

### Environment and Social Contribution
Preserving the global environment and coexisting with society

### Good Service
Providing valuable services that continue to earn customers' trust and selection

### Manufacturing and Quality
Evolution through strengthening skill levels and utilizing AI, and providing high-quality, high-value-added products

# TOCALO2030 Management Targets

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

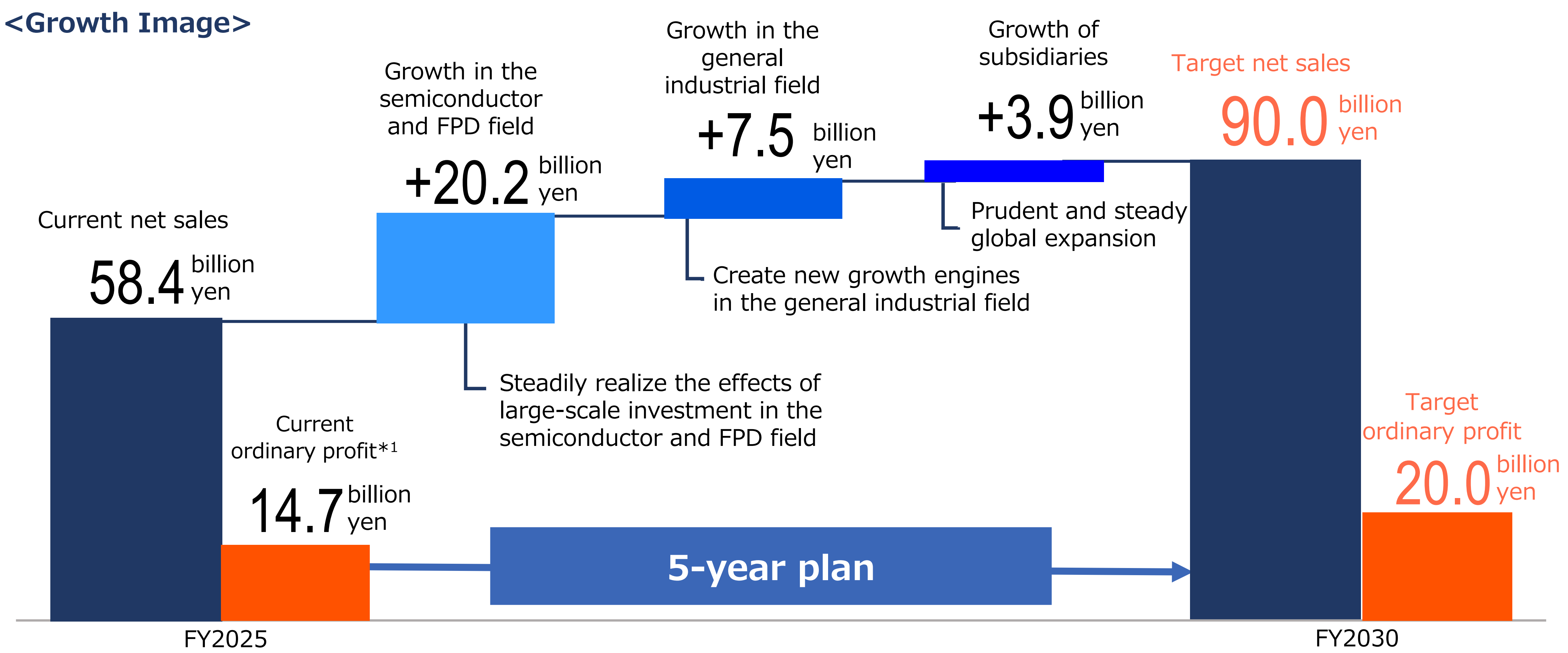
| Indicator | FY2025 Result | FY2030 Target |
|---|---|---|
| Net Sales | ¥58.4 billion | ¥90.0 billion |
| Semiconductor and FPD field | ¥24.8 billion | ¥45.0 billion |
| General Industrial field*1 | ¥18.5 billion | ¥26.0 billion |
| Subsidiaries | ¥15.1 billion | ¥19.0 billion |
| Ordinary Profit |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

# TOCALO2030 Management Targets (Waterfall Chart)

**In addition to expanding existing businesses, we are aiming for consolidated net sales of ¥90.0 billion and ordinary profit of ¥20.0 billion through transformation of the business structure**




*[1]Ordinary Profit for FY2025 was ¥13.6 billion (Ref: P16), meaning our target is a substantive increase of ¥6.4 billion over the five-year period.

# 05 TOCALO2030 Growth Strategy

# TOCALO2030 Growth Strategy: 3 Pillars

## Three pillars toward achieving consolidated net sales of ¥90.0 billion

### Strategic Pillar 1
**Deepening core businesses**

- Leap forward in the semiconductor and FPD field
- Strengthen foundation in the general industrial field
- Maintain a high-profit structure

### Strategic Pillar 2
**Expanding strategic business domains**

- Accelerate growth through new technologies and new domains
- Create Group synergies
- Expand into global markets

### Strategic Pillar 3
**Strengthening the management foundation that supports sustainable growth**

- Manufacturing and quality control
- Sustainability
- Human capital management

Strategic Pillar 1

# Deepening Core Businesses

- Our core businesses in the semiconductor and FPD field and the general industrial field are our primary engines for growth

## Leap forward in the semiconductor and FPD field

### Aggressive capital expenditures
Continue aggressive investment tailored to the functions of each business site in order to respond to the demand and needs of major customers

### Pursue advanced technologies
Strengthen processes related to thin-film technologies such as PVD and CVD and secure technological superiority

### Expand into new MFG equip.
Expand into manufacturing equipment other than etching, such as exposure equipment

### Strengthen recoating business
Strengthen collaboration with major customers and also expand the recoating business

## Strengthen foundation in the general industrial field

### Maintain all-weather management
Maintain a stable earnings base resilient to economic fluctuations

### Foster next-generation pillars
Foster multiple earnings pillars that can become post-semiconductor businesses

### Develop new markets
Promote orders for thin-film technologies and large-size thermal spraying products by leveraging our strengths
Pursue the possibility of applying surface modification technologies to infrastructure-related machinery and equipment

### Expand orders for mass-produced products
Build a stable earnings base by strengthening sales to manufacturers of mass-produced products

## Maintain a high-profit structure

### Deepen trust relationships with customers
Build long-term relationships with customers based on Good Service

### Pursue “TOCALO-ness”
Strengthen technological capabilities, quality, delivery, and price competitiveness to secure absolute superiority

### Improve productivity
Maintain and improve profit margins through higher productivity

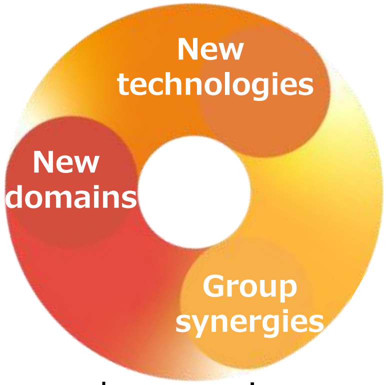
### Maintain a strong financial foundation
Maintain a strong financial structure (capacity for investment) that enables growth investments

# Expanding Strategic Business Domains



Accelerate the Group's growth through the expansion of strategic business domains, including new technological development and market development

## Expand new technologies and new domains (fields)




### New technologies

- Thin-film technology-related fields such as PVD and CVD
- Ultra-high-precision processing utilizing laser processing machines

### New domains

- **Environment and energy-related:**
  Decarbonization domains including hydrogen and ammonia fuels, high-efficiency gas turbines, and renewable energy
- **Develop the aerospace-related market:**
  Capture opportunities from market expansion
- **Develop markets using thin films (TD, ZAC, PVD, etc.)**

### Create Group synergies

- **Bring together technologies to maximize the value of the Group as a whole**

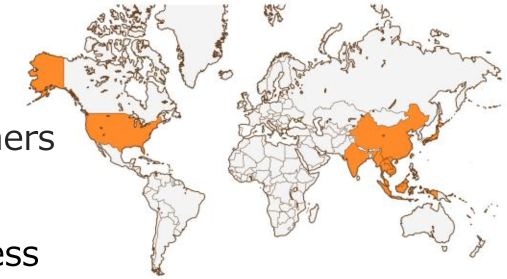
## Expand into global markets

### Priority regions

- **US market**
  While pursuing opportunities as a large-scale market, assess cost competitiveness and build an optimal business model
- **Southeast Asia**
  Expand business centered on the ASEAN markets (Thailand, Indonesia, Malaysia, Singapore)

### Existing market

- **China market**
  Continue to steadily develop in collaboration with major customers
- **Taiwan market**
  Expanding with a focus on semiconductor recoating business



### Groundwork for the future

- **India market**
  Continue gathering information with a view to the medium- to long-term future

# Strengthening the Management Foundation that Supports Sustainable Growth



A robust management foundation forms the basis for growth

## MFG and quality control
Enhance MFG and quality control

### Enhance MFG sophistication and improve productivity

**Hardware**
Dramatic productivity improvement through the introduction of automation and high-efficiency booths

**Software**
Improve inspection capabilities, skills transfer, and reduction of human error through the use of DX, AI, and IoT

### Enhance a world-class quality control system (PQP)

## Sustainability
Continuous promotion of ESG management

### Continuous initiatives for environmental conservation and reducing environmental impact

### Build a sustainable supply chain

### Enhance corporate governance

## Human capital management
Enhance job satisfaction and human resources base

### Medium- to long-term human resources development

### Improve employee satisfaction

### Create a fulfilling and rewarding workplace environment

# Strategies by Business (Thermal Spray and Other Surface Treatments Businesses)



Demonstrate an overwhelming presence in the surface treatment business

## Thermal Spray Business

Accelerate growth by leveraging a variety of thermal spraying technologies and technological development capabilities

### Business environment

- Expand the thermal spray business by the growing semiconductor market
- Create new markets for thermal spray including environment and energy-related domains
- Priority focus on the 17 growth industries promoted by the government
- Expand in overseas markets

### Business strategies

- Strengthen partnerships with semiconductor manufacturing equipment manufacturers
- Contribute to improving the productivity of equipment for the general industrial field, including iron & steel and industrial machinery
- Propose solutions to customers’ growing environmental response needs
- Strengthen the thermal spray business through global expansion

## Other Surface Treatments Business

Pursue synergies with thermal spraying technologies to create new functional coatings and expand applications

### Business environment

- Expand areas for use of thin-film technologies in response to diversifying customer needs
- Demand for new technology development in line with the increasing sophistication of semiconductor manufacturing equipment
- Expand the application of thin-film coatings such as TD and ZAC
- Demand for rapidly evolving PVD and CVD technologies

### Business strategies

- Develop thin-film technologies that respond to semiconductor miniaturization needs
- Expand application to semiconductor manufacturing equipment parts other than chamber parts
- Expand the application areas of TD and ZAC coatings in fields such as medical and agriculture
- Develop  new applications through a combination of thermal spray and thin-film technologies

**Create new high-value-added coating technologies through synergies from technology integration**

# Technology Development Strategy (the Driving Force of Growth)

## Technology development strategy that creates overwhelming competitiveness

The source of TOCALO's competitiveness is its proprietary R&D system, which seamlessly covers everything from basic research to mass-production processes and intellectual property management.
With an eye to the future, we will establish technological superiority by driving both "next-generation core technologies" and "technical services" as twin engines.

**Thermal Spraying Technology R&D Laboratories**

**Creating the future (0→1)**

### Technology Development Strategy

- Strengthening basic technologies such as thermal spraying, thin films, and laser cladding
- Creating added value through high-performance coatings and application development
- Research and development of next-generation core technologies
- Joint research and technological development through industry-academia-government collaboration

**Human Resources Strategy**

### Intellectual Property Strategy

- Managing patents, utility models, and know-how
- Maintaining the superiority of proprietary technologies and securing competitiveness
- Bridging to overseas expansion and new businesses

### Business Expansion Strategy

- Expansion into new markets and industrial fields
- Expanding solutions for existing customers
- Global expansion and support for overseas customers

**Corporate Value Maximization**

# Technology Development Strategy (Toward 2030 )

While further deepening Thermal Spray technology, our strength, we will expand into innovative technologies such as thin films and lasers.
We will reliably capture the growth markets of 2030 (semiconductors, decarbonization, DX).

| | 1. Deepening core technologies (Current/Evolution) | 2. Creating innovative technologies (Future/Innovation) |
|---|---|---|
| Semiconductor and FPD (miniaturization and higher integration) | **Plasma resistance & particle control measures**<br>■ Advanced coatings to support semiconductor miniaturization<br>■ Expanded application of fine-powder thermal spray technology | **Challenges in thin films and ultra-high precision**<br>■ PVD・CVD, etc.<br>■ Ultra-high-precision processing utilizing laser processing machines<br>■ Expansion into components other than chamber parts |
| Environment and Energy (decarbonization and higher efficiency) | **Higher efficiency and longer service life**<br>■ Application of TBC (thermal barrier coatings) to gas turbine components<br>■ Corrosion resistant and wear-resistant coatings for boiler tubes, etc. | **Support for next-generation energy**<br>■ Coatings compatible with hydrogen and ammonia combustion<br>■ Functional coatings for SOFC/electrolysis cells<br>■ Environmental barrier coatings for the fusion energy field |
| Industrial machinery and iron & steel (higher functionality and DX) | **Improved productivity and stable operations**<br>■ Ceramic coatings for high-quality plated steel sheets<br>■ Highly durable coatings for various rolls | **Support for composite technologies and thick-film formation**<br>■ Development of composite technologies combining AM (additive manufacturing) and thermal spraying<br>■ Development of thick-film formation technologies<br>■ Development of non-oxide coatings |

# Toward Carbon Neutrality

## In response to societal demands, TOCALO aims to achieve carbon neutrality by 2040.

2021 — 2026 — 2030 — 2040

**TOCALO2025 medium-term management plan**

**TOCALO2030 medium-term management plan**

**Set our FY2030 target for reducing greenhouse gases at 46% below the FY2013 level**

**Reduction target achieved**
**FY2024 result**
**GHG emissions**
**7,147t-$CO_2$**
**(51.5% reduction vs. FY2013 ( 14,736t-$CO_2$))**

**Carbon neutrality by 2040**

## TOCALO's main initiatives toward reducing environmental impact

Measuring and implementing reductions in GHG emissions (Scopes 1, 2, and 3)

Introducing energy-saving, energy-creating, and resource-saving equipment

Thoroughly reducing waste and promoting recycling

Environmentally conscious initiatives throughout the supply chain

# The Evolution of the Business Model

Continuing the evolution of the business model from TOCALO 2025 through TOCALO 2030.

## Sophistication of manufacturing

**Sophisticating and improving efficiency of manufacturing processes**
- **Thoroughly implementing safety first, and creation of a clean, functional, and people-friendly working environment**
- **Improving productivity through the introduction of high-efficiency booths and other measures**
- Promoting automation and mechanization in anticipation of a shrinking labor force
- Reducing the burden of work through on-site robotic operations
- **Skills transfer utilizing DX and generative AI**

**Reinforcing the quality control system**
- **Establishing the PQP (Product Quality Planning) , a world-standard quality control framework**
- **Elimination of process defects utilizing Generative AI and IoT**
- Developing systems in line with quality certifications for the aerospace field (AS13100, Nadcap)

**Reducing environmental impact**
- **Formulating plans to reduce GHG emissions (Scopes 1, 2, and 3) and acquisition of third-party certification**
- Promoting a shift to energy-creating, energy-saving, and power-saving equipment
- Reducing waste and promoting recycling
- **Environmental initiatives involving supply chains**

## Reinforcing technological development

**Ensuring technological superiority**
- **Research and development through industry-academia-government collaboration**
- **Developing processes related to thin-film technologies such as PVD and CVD**
- Practical application of ultra-high-precision processing technology utilizing laser processing machines, and development of AM processing technology
- Cultivating the technological development staff as human resources

## Reinforcing market development

**Sophistication of service structure**
- **Deepening relationships of trust through the provision of optimal solutions to customers**
- **Aggressive investment of management resources in growth fields (including the 17 industries designated by the government)**
- Pursuing new markets in the semiconductor and FPD field (such as exposure equipment)
- Deploying products (large-size products) differentiated from competitors in the steel and industrial machinery fields
- **Establishing accurate service capabilities utilizing AI**

**Promoting global expansion**
- **Expanding market share in priority regions (the US and ASEAN)**
- Promoting the semiconductor recoating business
- Strengthening the global risk management framework

## Sustainable growth aiming to become a 100-year company

**Human resource development and establishing a rewarding environment**
- **Improving employee engagement (profit incentive system, challenge support system, etc.)**
- **Enhancing development programs for global human resources and core personnel (including the Global Experience Program )**
- Strengthening specialized personnel in system-related fields such as DX, generative AI, and networks
- Promoting diversity and health and productivity management

**Sophisticating corporate governance**
- **Further enhancing Board of Directors functions**
- **Continuous review aimed at strengthening the information security framework and BCP framework**
- Maintaining a strong financial foundation (capacity for investment)
- Giving back to society and coexistence through social contribution activities, etc.

# 06 Initiatives to Enhance Corporate Value

# Cash Allocation and Growth Investments



**To achieve consolidated net sales of ¥90.0 billion, we will execute aggressive growth investments in each of the semiconductor and FPD, general industrial, and overseas fields.**
**For shareholder returns, we will combine a stable dividend policy with agile share buybacks (details on the following page).**

## 5-year allocation image

| Cash-in | Cash-out |
|---|---|
| **Operating CF** 80.0~90.0 billion yen | **Growth investments** 40.0~60.0 billion yen |
| **Borrowings, etc.** 10.0~15.0 billion yen | **Shareholder returns** 25.0~35.0 billion yen |
| **Cash and deposits** (as of March 31, 2026) 14.7 billion yen | **Other** 10.0~20.0 billion yen |

## Investment plan to support growth

# ¥40.0~60.0 billion over 5 years

### Semiconductor and FPD field

- Bolster production capacity at the Tokyo No.2 Plant and Kitakyushu Plant
- Address advanced technologies

**Purpose**

Responding to strong demand

Securing technological superiority

### General industrial field

- Construct new building at Nagoya Plant
- Address growth fields including environment and energy

**Purpose**

Fostering the next earnings pillar

Developing new coatings

### Overseas

- Building an optimal business model in the US
- Increasing sales in the ASEAN region

**Purpose**

Capturing growth opportunities in the global market

If there are M&A opportunities necessary for growth, then they will be considered as appropriate

# Shareholder Returns

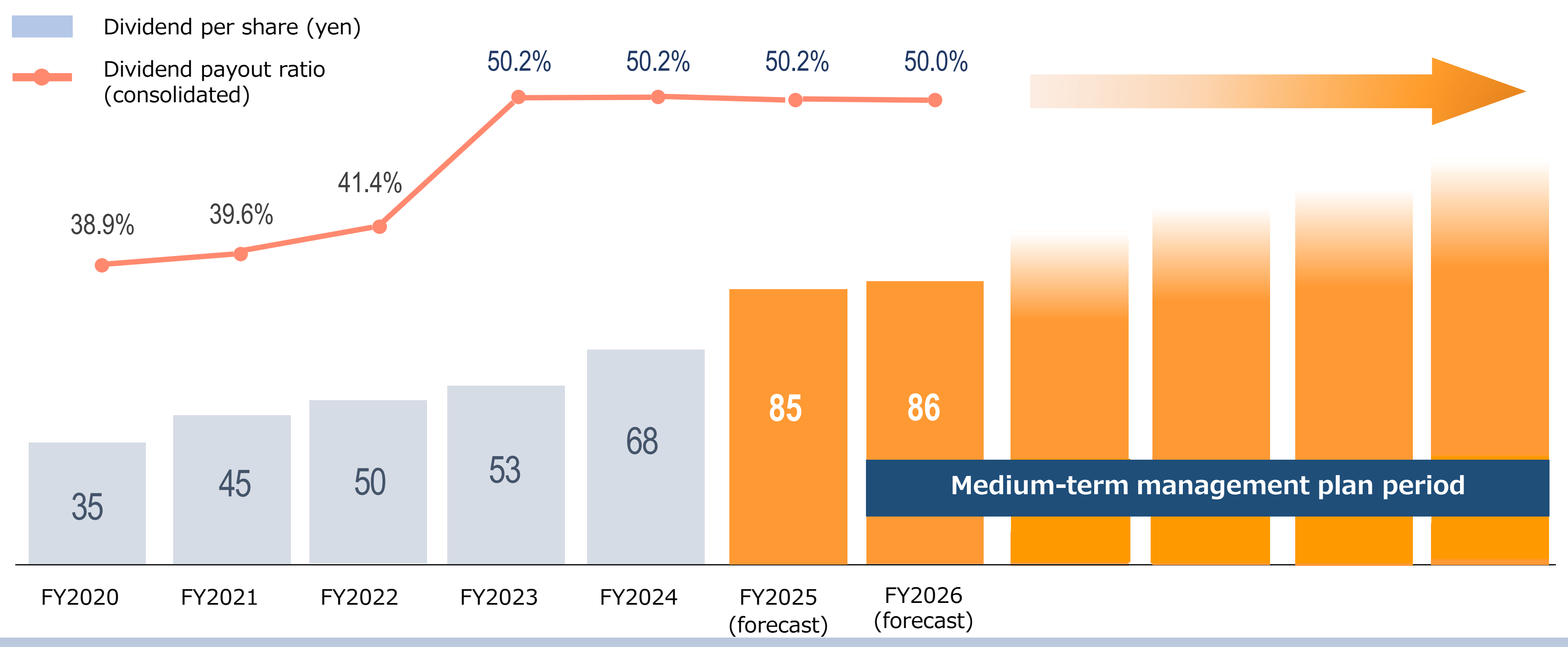


## Shareholder Return Policy

Continue operating with a target of a consolidated dividend payout ratio of approximately 50% and a minimum DOE (dividend on equity) ratio of 5%.

## Share repurchases

Share repurchases will be flexibly implemented while taking into account the business environment, financial condition, and other factors.



# Realizing Management Conscious of Cost of Capital and Stock Price



## Current status and issues

### ■Current assessment

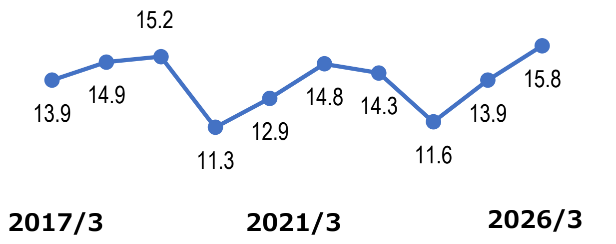
ROE: For the most recent 10 years, has stably exceeded the cost of shareholders' equity (8-10%)

PBR: Maintained above 1x. Market evaluation of capital efficiency is favorable

### ■Identified challenges

・While the 15% ROE target for FY2025 was met, this included ordinary profit gains from actuarial differences and subsidy income. Maintaining a stable 15% ROE remains a challenge.

10-year ROE trends




## Specific measures

### ■Improve profitability

・Deepen core businesses
・Expand strategic business domains
・Strengthen the management foundation supporting sustainable growth

### ■Promote growth investments

**Prioritize allocation of free cash flow to growth fields**

Expand production capacity at business sites in Japan and overseas
<Construction of plant buildings>
Tokyo No.2 Plant, Kitakyushu Plant, Nagoya Plant, etc.
<Overseas expansion>
TOCALO USA-Arizona LLC, etc.

### ■Stable capital policy

・**Continue dividends at a high and stable level**
Consolidated dividend payout ratio: approximately 50%
DOE (dividend on equity ratio): 5% or higher

・**Share repurchases will also be flexibly considered**

## Target profile

**stable Achievement ROE 15%**

### ■Integrate business strategy and investment strategy

・**A business structure capable of continuously generating returns exceeding capital cost and stably achieving 15% ROE**

### ■Maximize shareholder value and corporate value

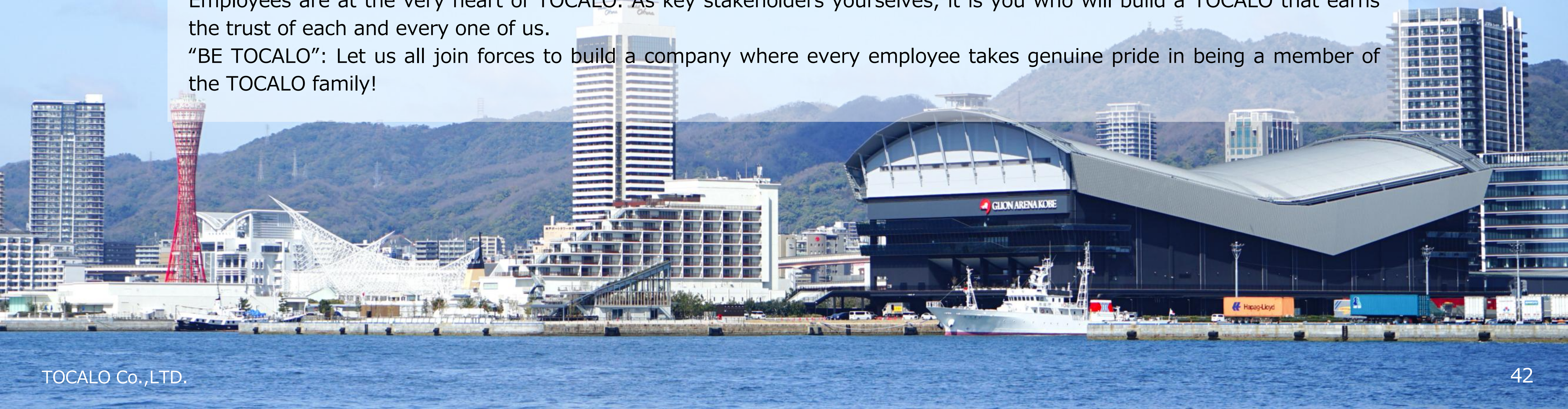
・**Continuous business growth**
・**Pursue optimal cash allocation**
・**Establish a sound financial foundation from both the perspectives of financial stability and capital efficiency**

To All TOCALO Employees

# BE TOCALO Being a TOCALO employee

TOCALO has grown by overcoming numerous business crises, including the Great Hanshin-Awaji Earthquake, hostile acquisition attempts from overseas, the Lehman Shock, and the Great East Japan Earthquake.
We are currently taking steps to address the impact of export controls on critical resources and the deteriorating situation in the Middle East.
While every aspect, including social conditions, coating demand, and technical trends, will continue to undergo rapid and sweeping changes, we must work together as one to address these shifts and ensure the sustained growth and development of TOCALO.

Employees are at the very heart of TOCALO. As key stakeholders yourselves, it is you who will build a TOCALO that earns the trust of each and every one of us.
“BE TOCALO”: Let us all join forces to build a company where every employee takes genuine pride in being a member of the TOCALO family!



(Note)
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