(TSE Code 3433)

Comprehensive Manufacturer of Advanced Coatings

IR Conference (FY March 2021)

5/13/2021

President Mifune Noriyuki

TOCALO Co.,Ltd.

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1. Company Profile

Company Profile

TOCALO Co., Ltd.

Business : Surface Modification (Main tech.

: Thermal Spray Coating)

Head Office : Kobe City, Hyogo

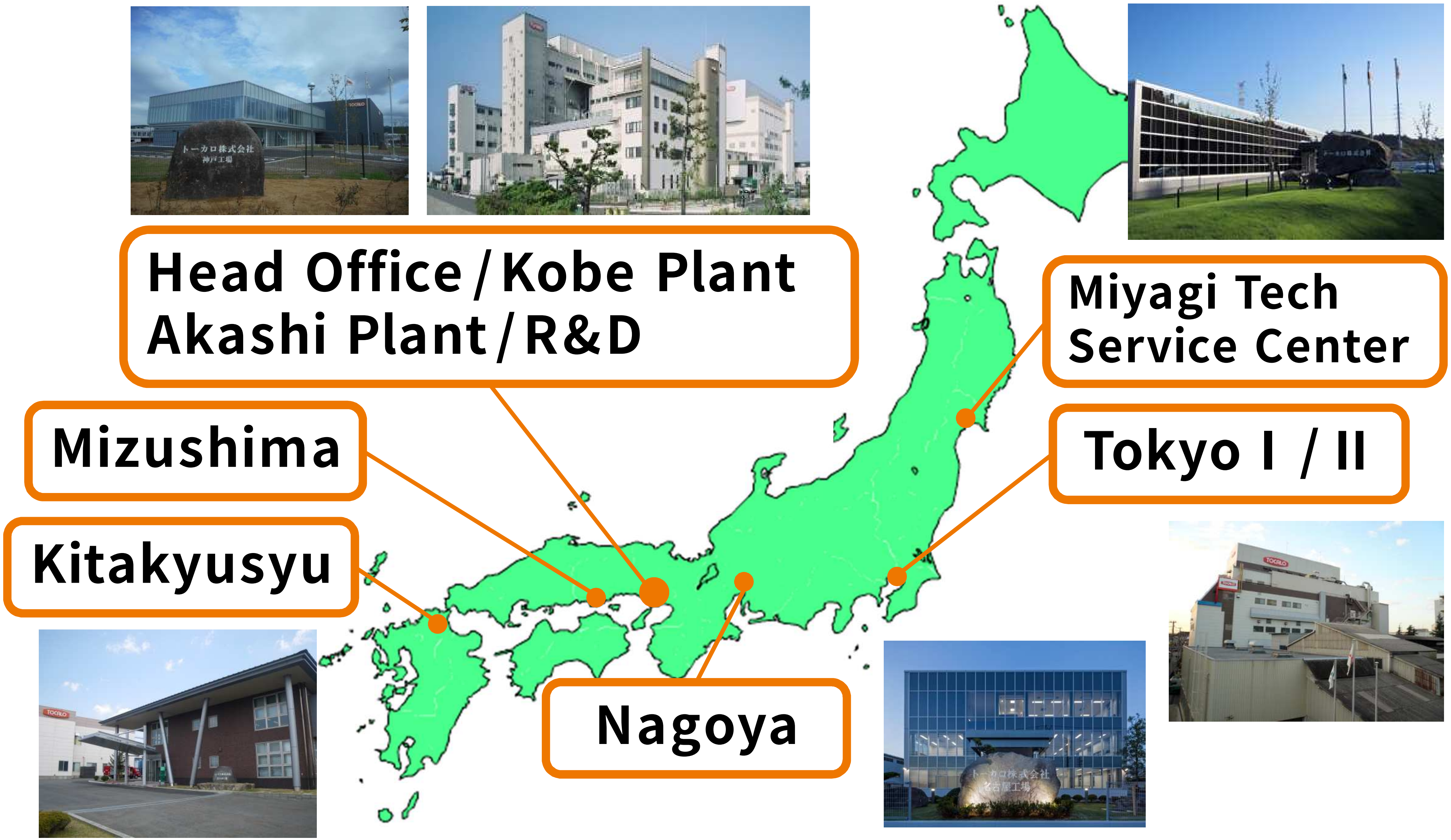
Established : July, 1951

Capital : JPY 2,658,823,000

Consolidated Revenue : JPY 39,073million (FY March 2021)

Group Manpower : 1,121 (AS of Mar.31,2021)

Main Business Location in Japan

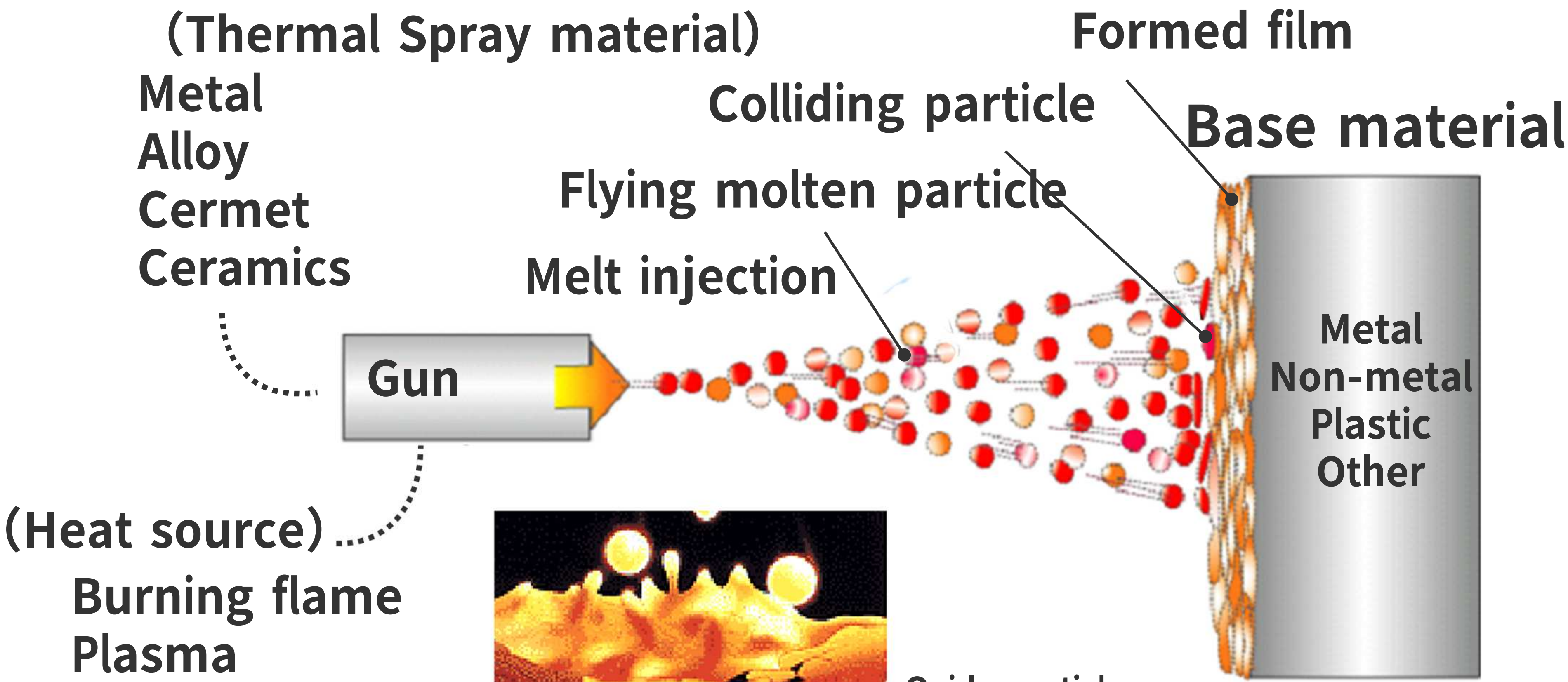


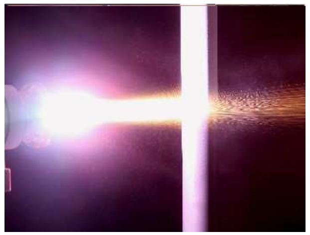
Group Companies

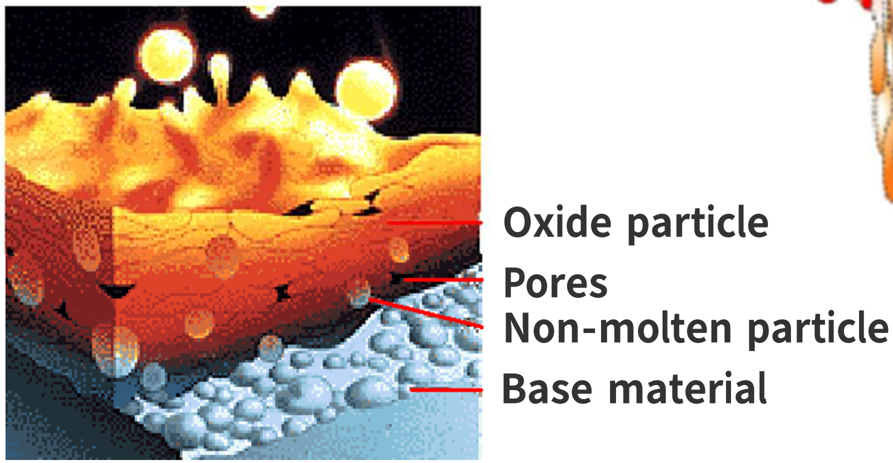
Company Name	Est. (Inv.)	HO	Controlling Share	Business field
Consolidated Subsidiaries				
JAPAN COATING CENTER CO.,LTD	1985	Kanagawa JAPAN	100%	PVD Coating
TOCALO&HAN TAI CO.,LTD	2005	Guangzhou CHINA	70%	TSC(Iron & Steel etc.)
TOCALO&HAN TAI KS CO.,LTD	2011	Jiangsu CHINA	90%	TSC(SC & FPD)
TOCALO&HANTAI TW CO.,LTD	2011	Tainan TAIWAN	50%	TSC(SC & FPD)
TOCALO USA INC.	2015	CA.USA	100%	TSC(SC & FPD)
Affiliates				
NEIS&TOCALO(Thailand)CO.,LTD	2015	Chomburi TAILAND	49%	TSC(Iron & Steel etc.)
PT.TOCALO Surface Technology Indonesia	2016	Karawang INDONESIA	100%	TSC(Iron & Steel etc.)

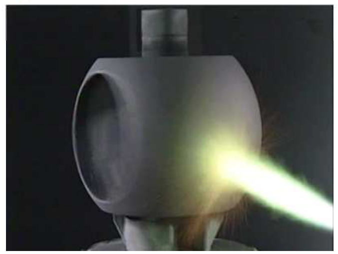
What is Thermal Spray Coating

Principle of Thermal Spray Coating (image)

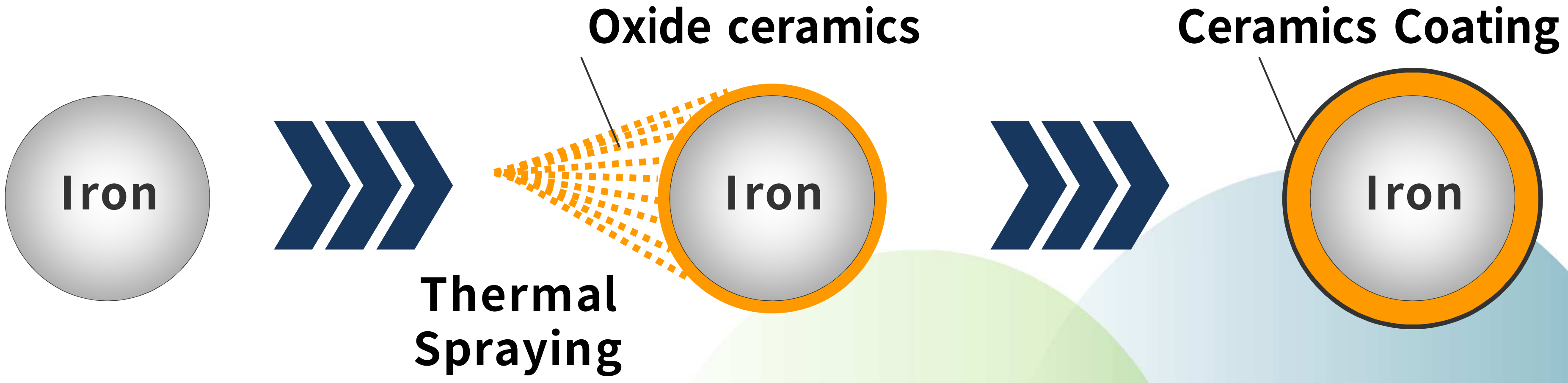








What is Surface Modification



Requirement from Customers

- Add required functions or Improve lifetime of the Manufacturing equipment parts
- Add the high-value to products, Or improve product quality

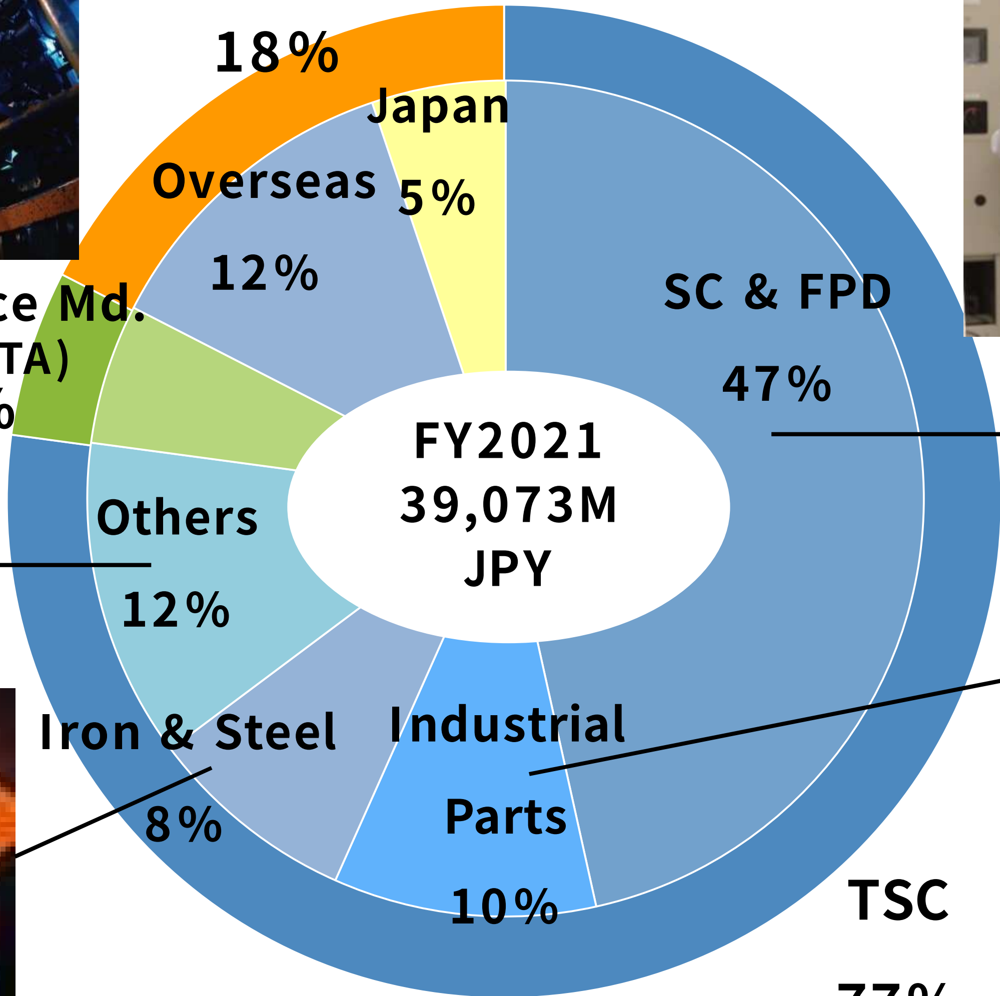
Examples of Function Achieved Thermal Spraying

Wear Resistance	Electrical Insulation
Non reflection	Conductivity
Corrosion Resistance	Adhesive Resistance
Lubricity	Thermal Barrier

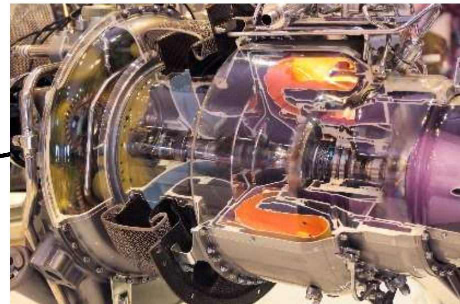
Business fields in various industries

Orhers

SC・FPD

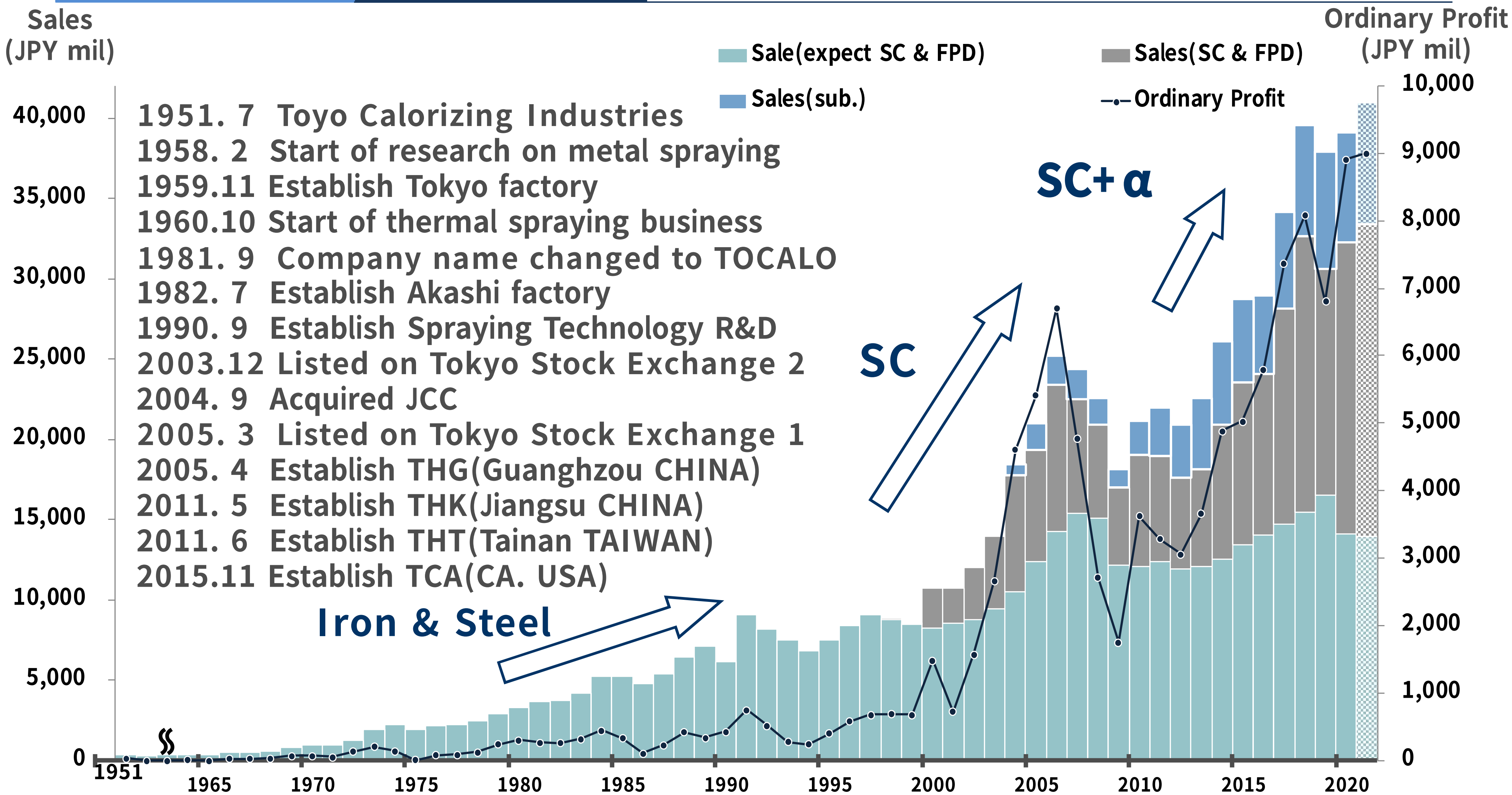


Industrial Parts



Iron & Steel

History of Performance(1951～)



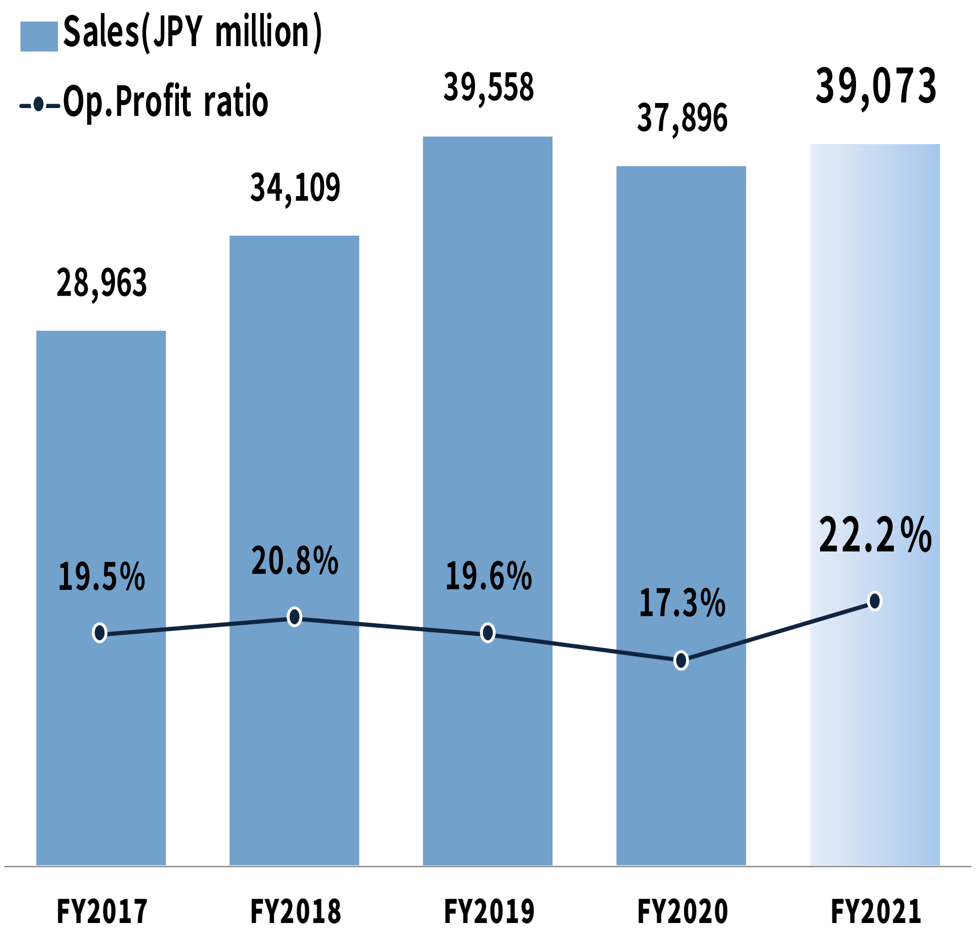
(Note 1) Fiscal 1990: 9 months due to change in fiscal year end
(Note 2) Consolidated accounts from FY 2005
(Note 3) Forecast for FY 2021

2．Overview of Consolidated result FY March 2021

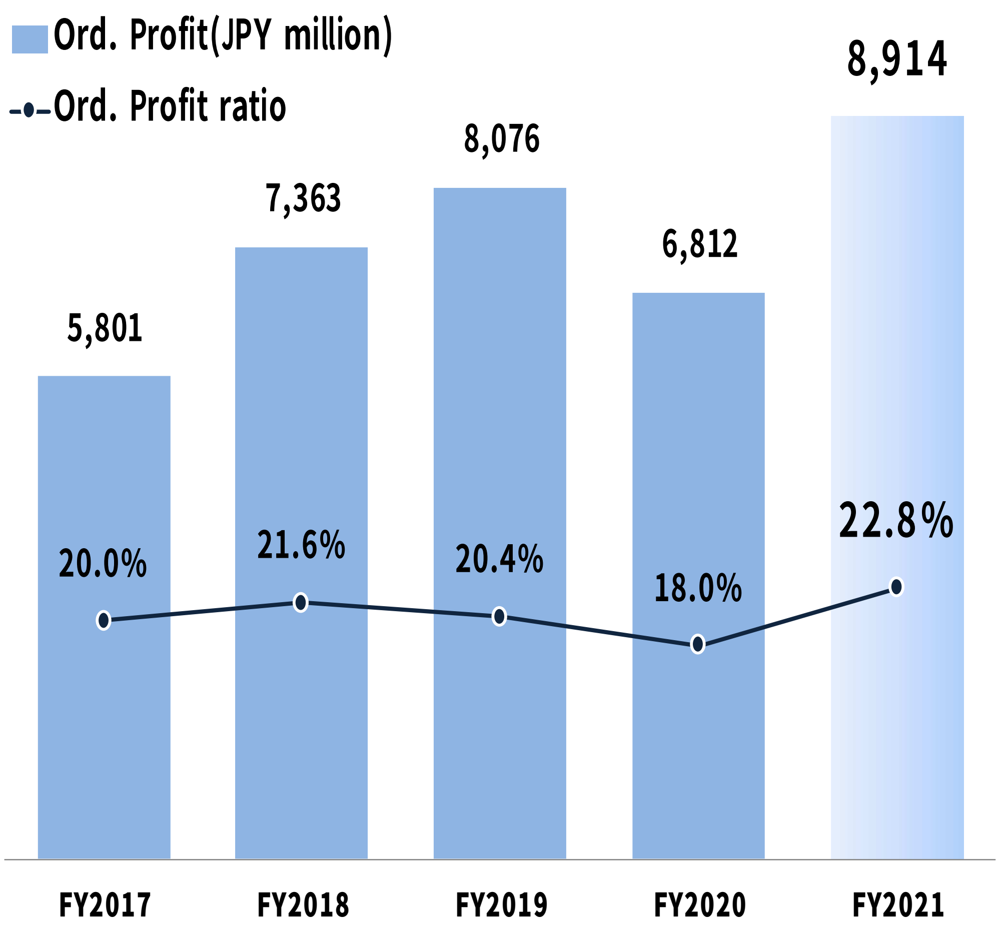
TOCALO Co.,Ltd.

Overview of Consolidated result FY March 2021

Sales and Operating margin

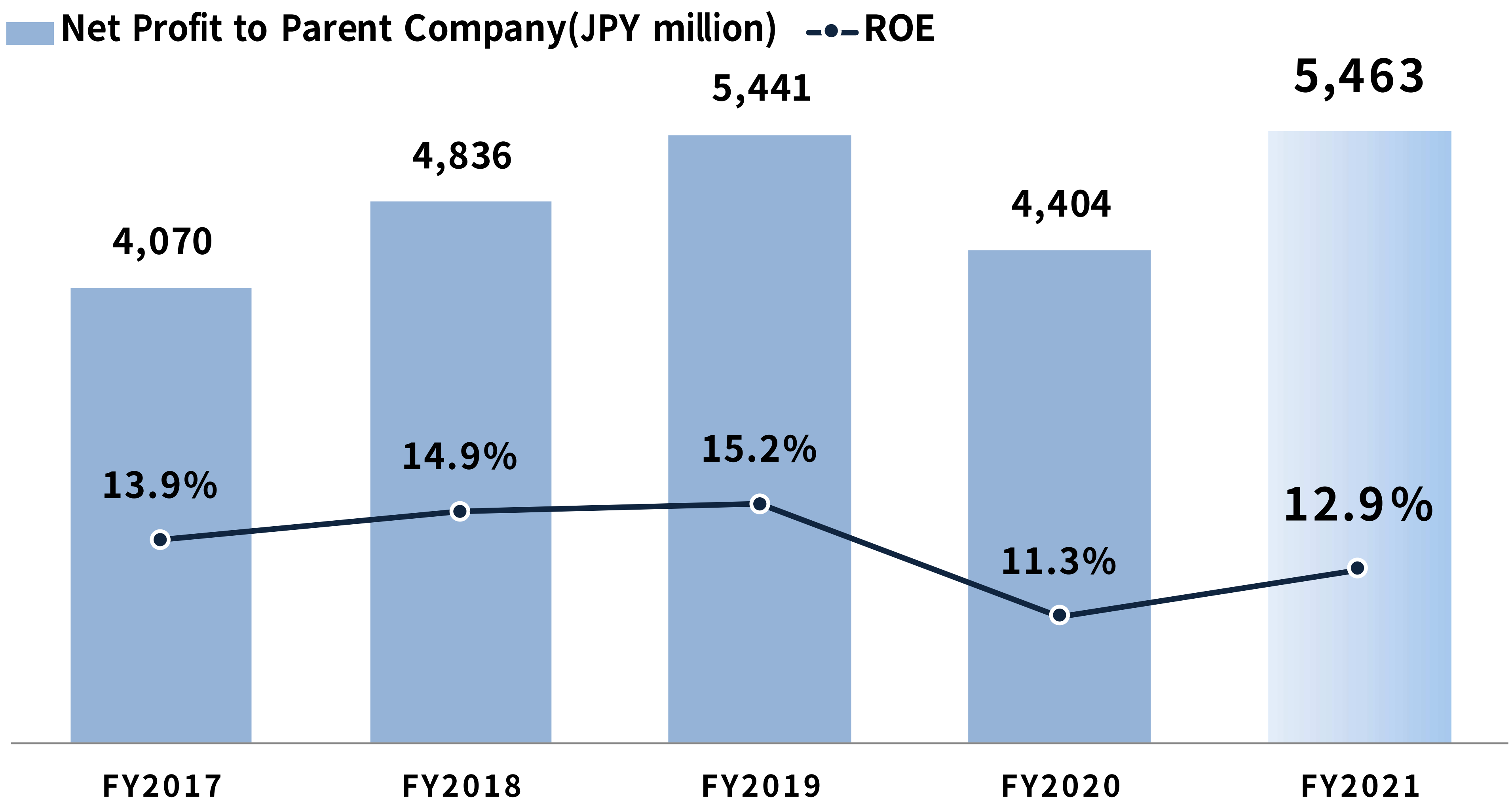


Ordinary Profit and Ordinary Profit ratio



Overview of Consolidated result FY March 2021

Net Profit attribute to Parent Company & ROE



Summary of result FY March 2021

Topics

(1) Increased revenues and income, Record high profit

Sales in the SC & FPD field increased more than expected

Other fields are sluggish due to the influence of COVID-19

(2) Overseas subsidiaries decreased revenues and increased income

Subsidiary in Chinas steel and oil and gas sectors struggle

Strong performance in SC & FPD fields in China and Taiwan

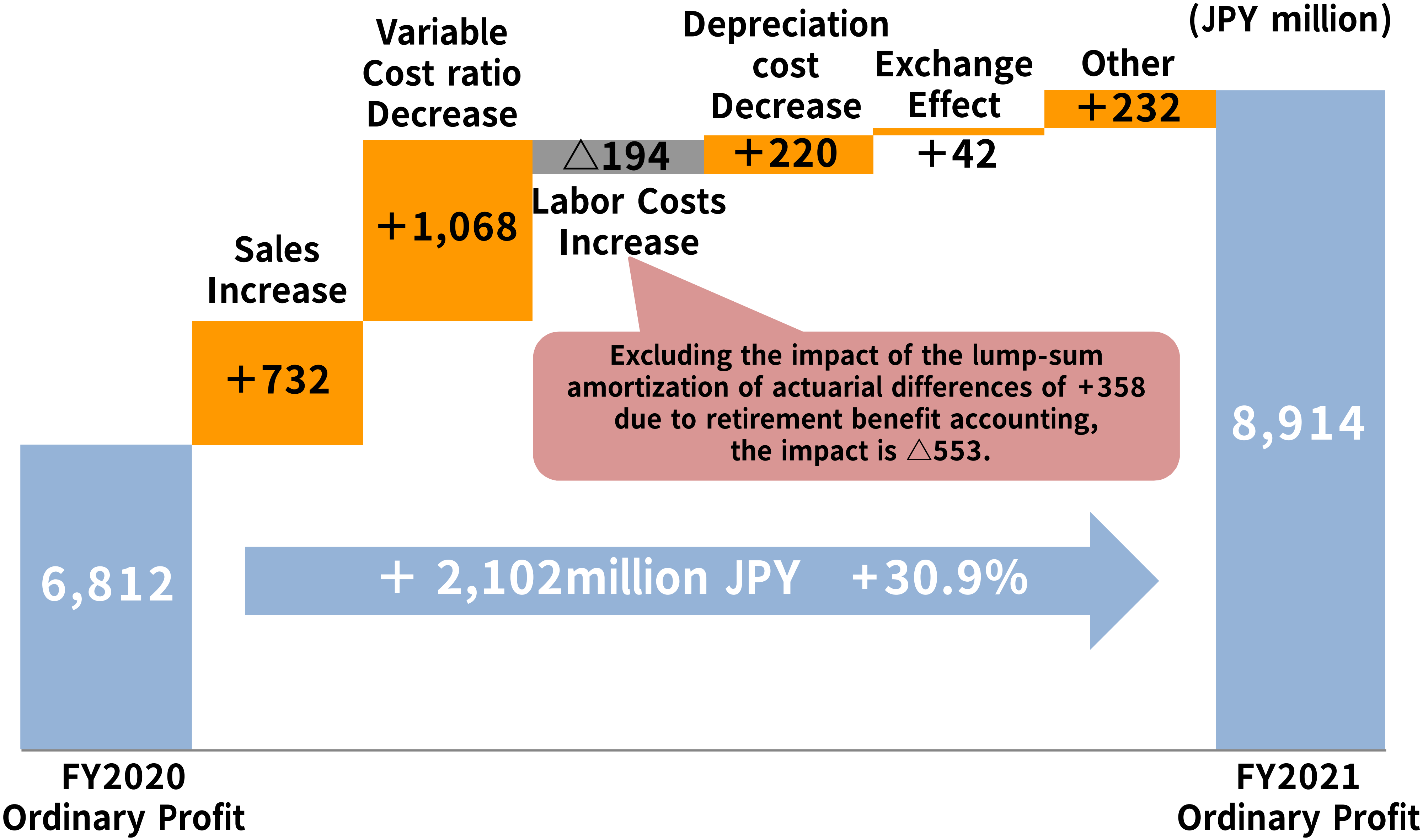
●Extraordinary loss (349 million JPY) :

Impairment of fixed assets in TOCALO USA INC.

Overview of Consolidated result FY March 2021

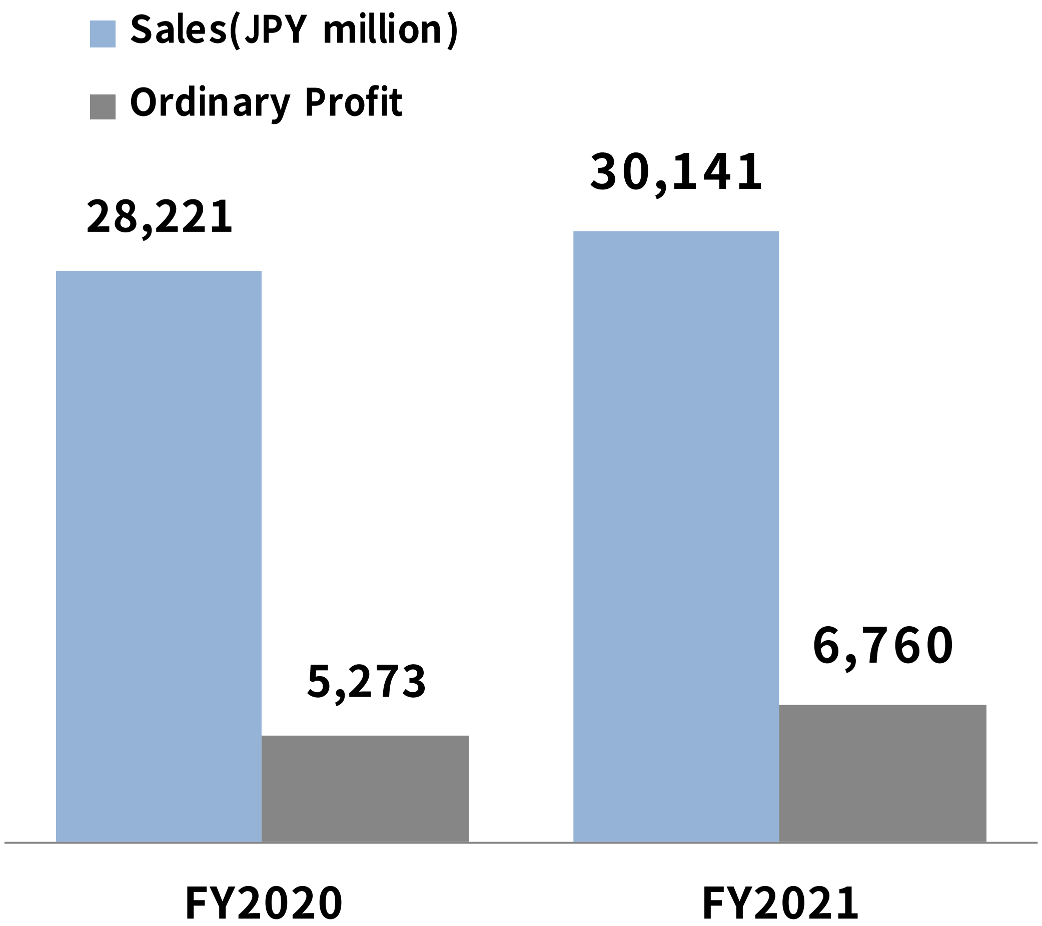
(JPY million)	FY2020		FY2021		Change	
	Result	Ratio	Result	Ratio	Amount	Ratio
Turnover	37,896	100.0%	39,073	100.0%	1,176	3.1%
Thermal Spray	28,221	74.5%	30,141	77.1%	1,919	6.8%
Semi-con,FPD	14,102	37.2%	18,176	46.5%	4,074	28.9%
Industrial Parts	4,782	12.6%	3,965	10.1%	△ 817	-17.1%
Iron & Steel	3,899	10.3%	3,166	8.1%	△ 733	-18.8%
Others	5,437	14.4%	4,832	12.4%	△ 604	-11.1%
Other Surface Md.	2,384	6.3%	2,112	5.4%	△ 271	-11.4%
Domestic Sub.	2,364	6.2%	2,018	5.2%	△ 345	-14.6%
Overseas Sub.	4,925	13.0%	4,800	12.3%	△ 125	-2.5%
Operational Profit	6,550	17.3%	8,669	22.2%	2,118	32.3%
Ordinary Profit	6,812	18.0%	8,914	22.8%	2,102	30.9%
Net Profit attribute to Parent Company	4,404	11.6%	5,463	14.0%	1,058	24.0%

Analysis of Ordinary P/L Change



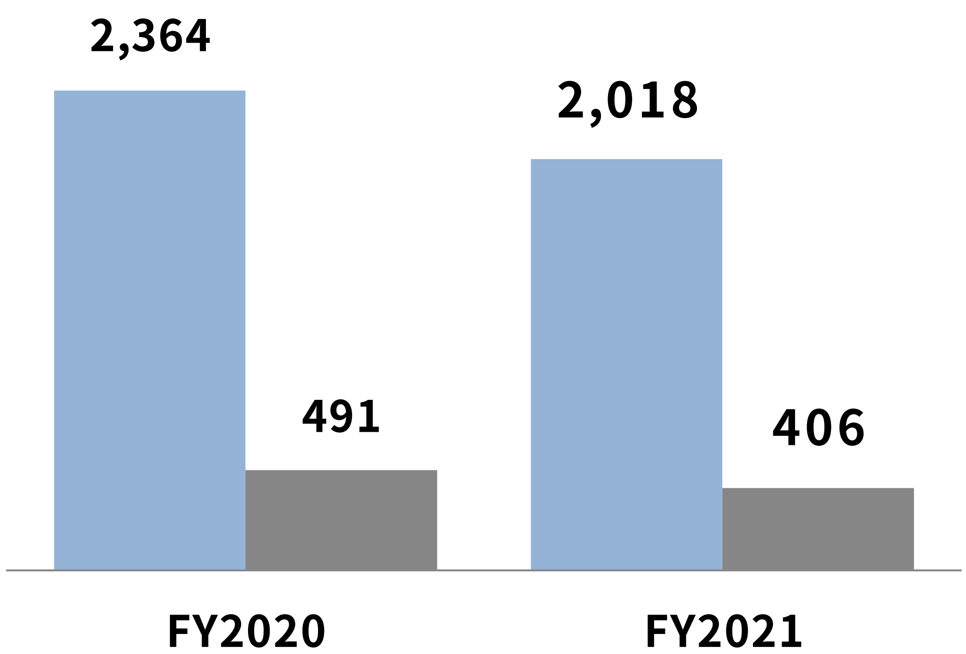
Segment Information

Thermal Spraying Tocalo



While the industrial machinery and steel fields fell, the SC & FPD fields grew significantly, resulting in higher revenues and profits.

Domestic Subsidiary

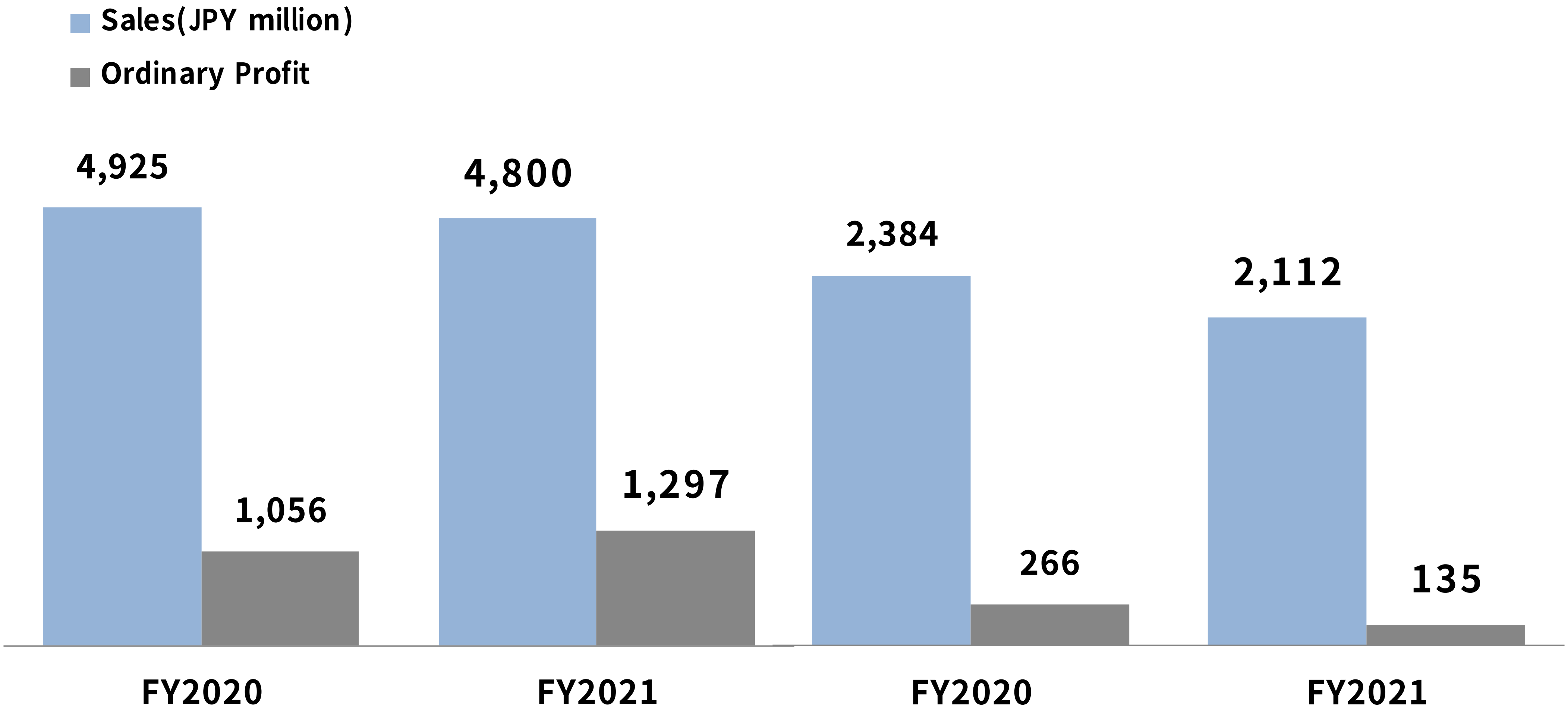


Revenues and profits declined due to a significant drop in PVD processing of cutting tools due to the cooling of automobile sales.

Segment Information

Overseas Subsidiary

Other Surface Modification



Iron & Steel decreased revenues in China but Increased profits by covering the strong SC & FPD fields.

Due to the U.S.-China conflict, agricultural machinery parts was sluggish, resulting in lower sales and profits.

Segment Information

(JPY million)	FY2020		FY2021		Change			
					Turnover		Segment P/L	
	Turnover	P/L	Turnover	P/L	Amount	Ratio	Amount	Ratio
Ther Spray TOCALO	28,221	5,273	30,141	6,760	1,919	6.8%	1,487	28.2%
Domestic Sub.	2,364	491	2,018	406	△345	-14.6%	△84	-17.2%
Overseas Sub.	4,925	1,056	4,800	1,297	△125	-2.5%	240	22.8%
Other Surface Modifi.	2,384	266	2,112	135	△271	-11.4%	△130	-49.1%
Total	37,896	7,087	39,073	8,600	1,176	3.1%	1,512	21.3%

Financial Condition

(JPY million)	2020/3 4Q	2021/3 4Q
Total Asset	61,122	64,183
Shareholders' Equity	40,263	44,201
Equity ratio	65.9%	68.9%
Int-bearing Debt Outstanding	8,145	6,031

- Total assets increased by 3,061 million yen from the end of the previous fiscal year (Fixed asset +1,758million JPY)
- Equity ratio increased 3 points from the end of the previous fiscal year to 68.9%
- Interest-bearing debt decreased by 2,114 million yen from the end of the previous fiscal year (no borrowings for the current fiscal year)

Cash Flow

(JPY million)	FY2020	FY2021
Operating CF	6,621	10,588
Investment CF	△ 4,217	△ 4,615
Financial CF	1,871	△ 3,798
Cash Balance	16,496	18,672

- Free Cash Flow FY 2021 (Operating CF＋Investment CF) : +5,900million JPY
- Investment CF／Acquisition of tangible fixed assets

  Previous term : △3,600million JPY This term : △4,300million JPY
- Financial CF／Income by the long-term debt

  Previous term : +5,100million JPY This term : None

(As a COVID-19 measure, the company secured liquidity on hand by taking out a long-term debt of 3 billion yen at the end of the previous fiscal year.)

Capital investment

FY 2021 Result

Capital investment amount 4,822 million JPY (Initial plan amount 4,700 million JPY)

TOCALO　2,456 million JPY

- New building construction in Tokyo Plant 900 million JPY
- Mizushima Plant relocation 300 million JPY
- Akashi Harima Plant Introduction of SC related equipment
  Introduction of next –generation coating to develop equipment etc.

Domestic Subsidiary

- Mainly new plant construction in Nagoya etc.
  1,127 million JPY

(JCC／Nagoya New Plant)

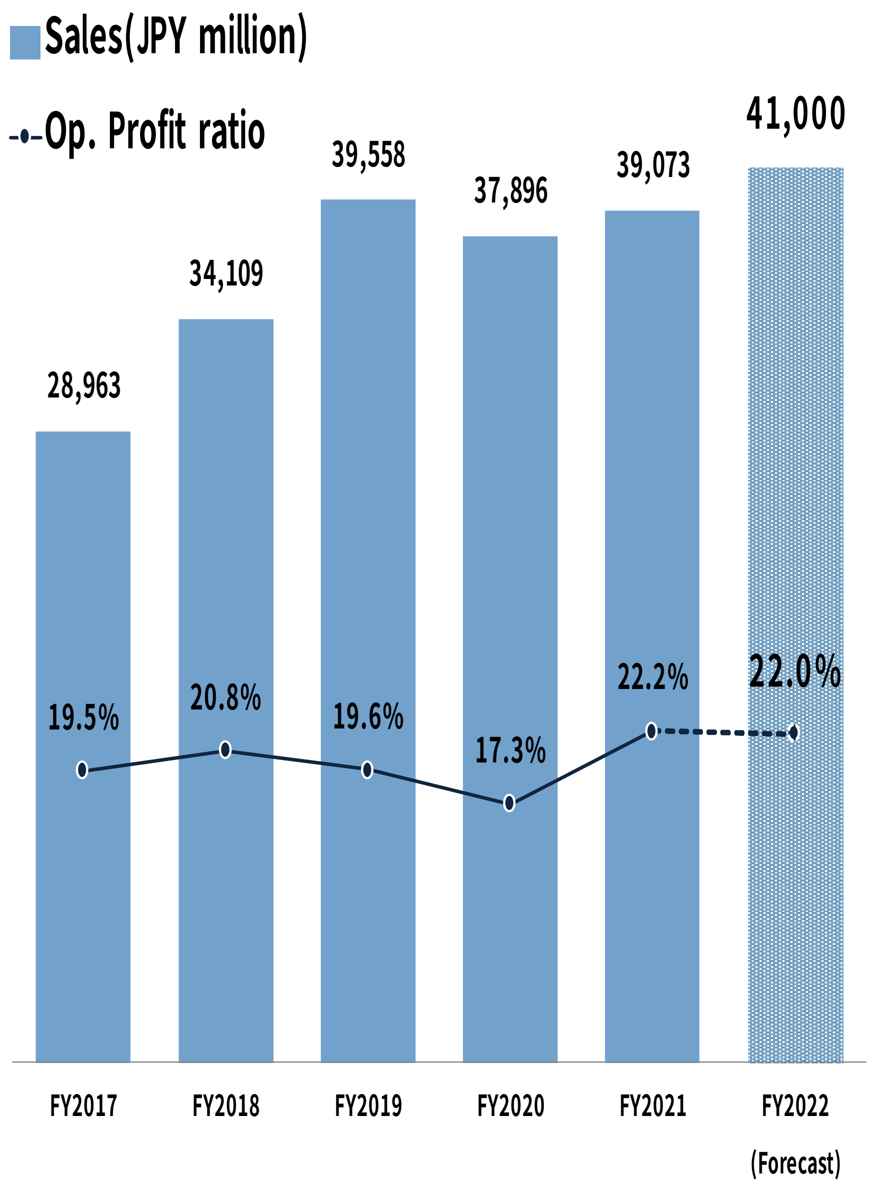
Overseas Subsidiary

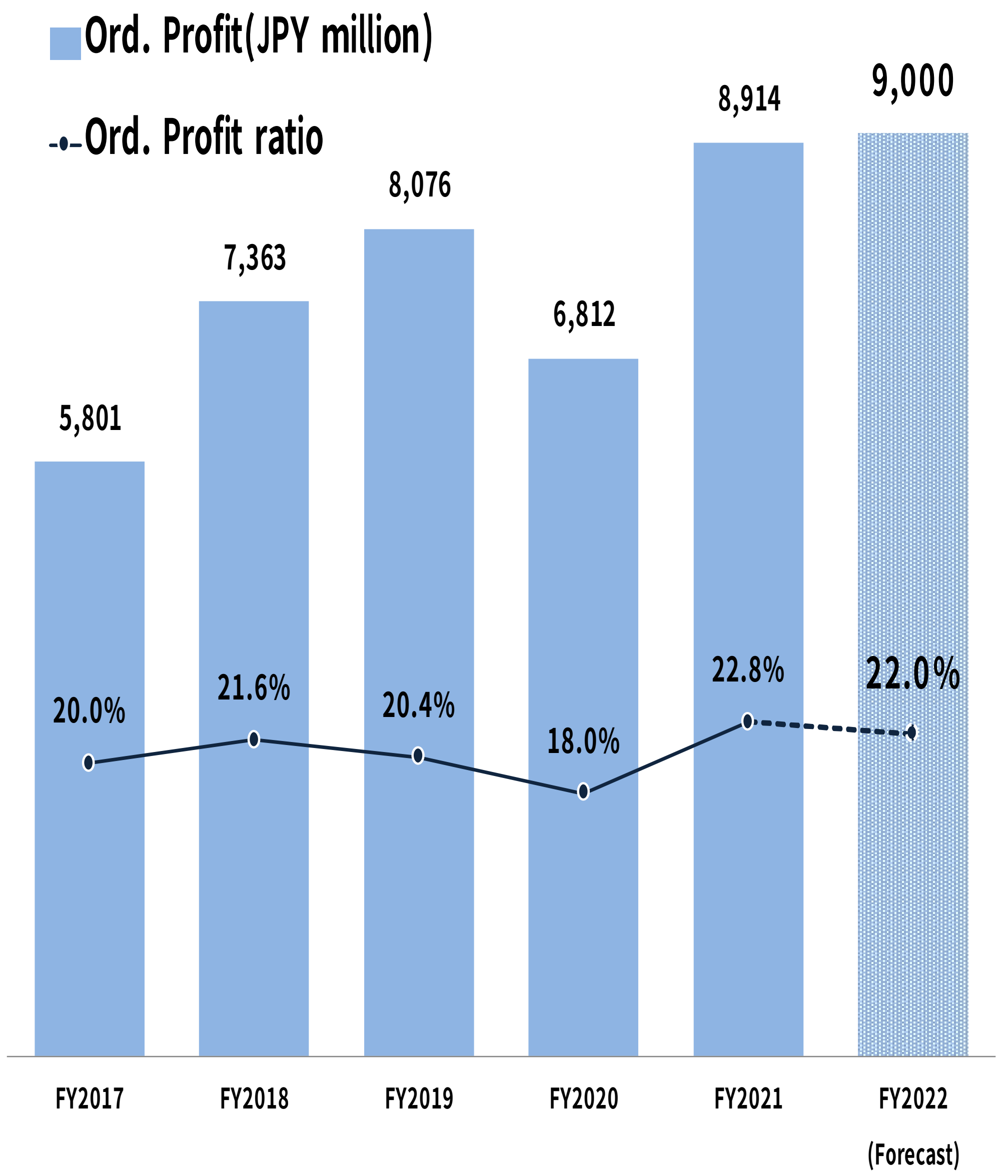
- Mainly SC & FPD fields (new plant construction in Taiwan) 1,238 million JPY

3．Forecast of FY March 2022 Consolidated Earnings Forecast

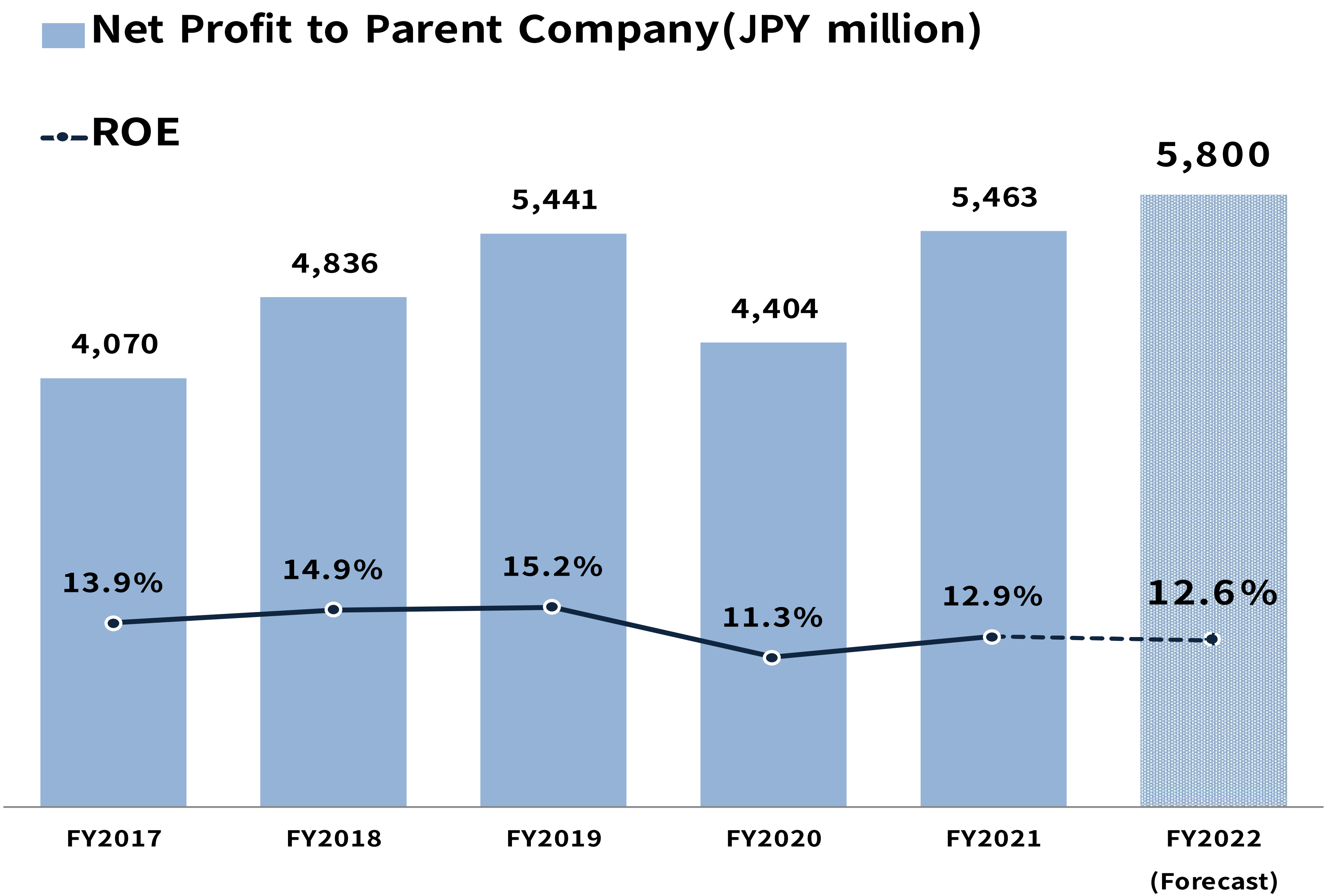
TOCALO Co.,Ltd.

Forecast of FY March 2022





Forecast of FY March 2022

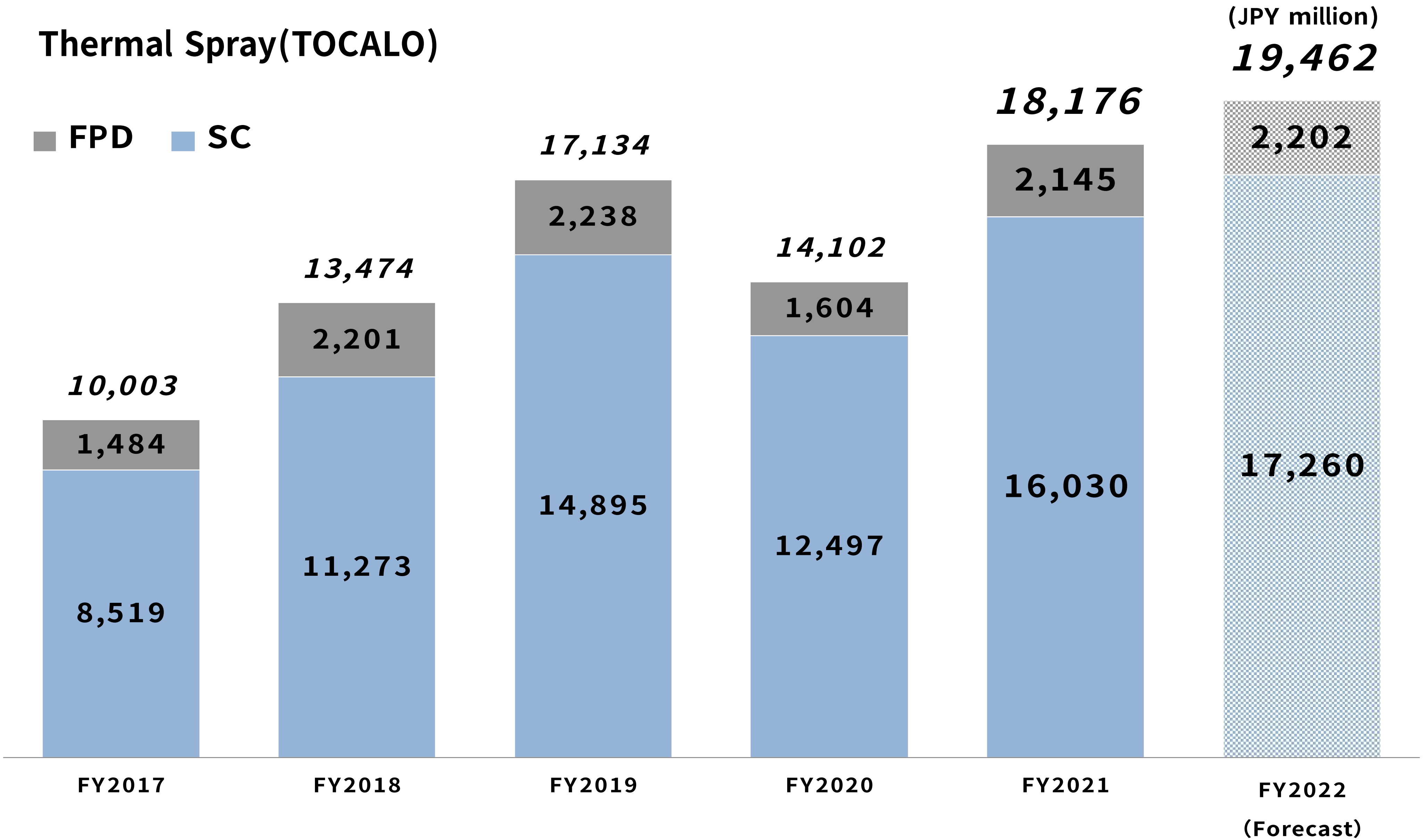


Forecast of FY March 2022

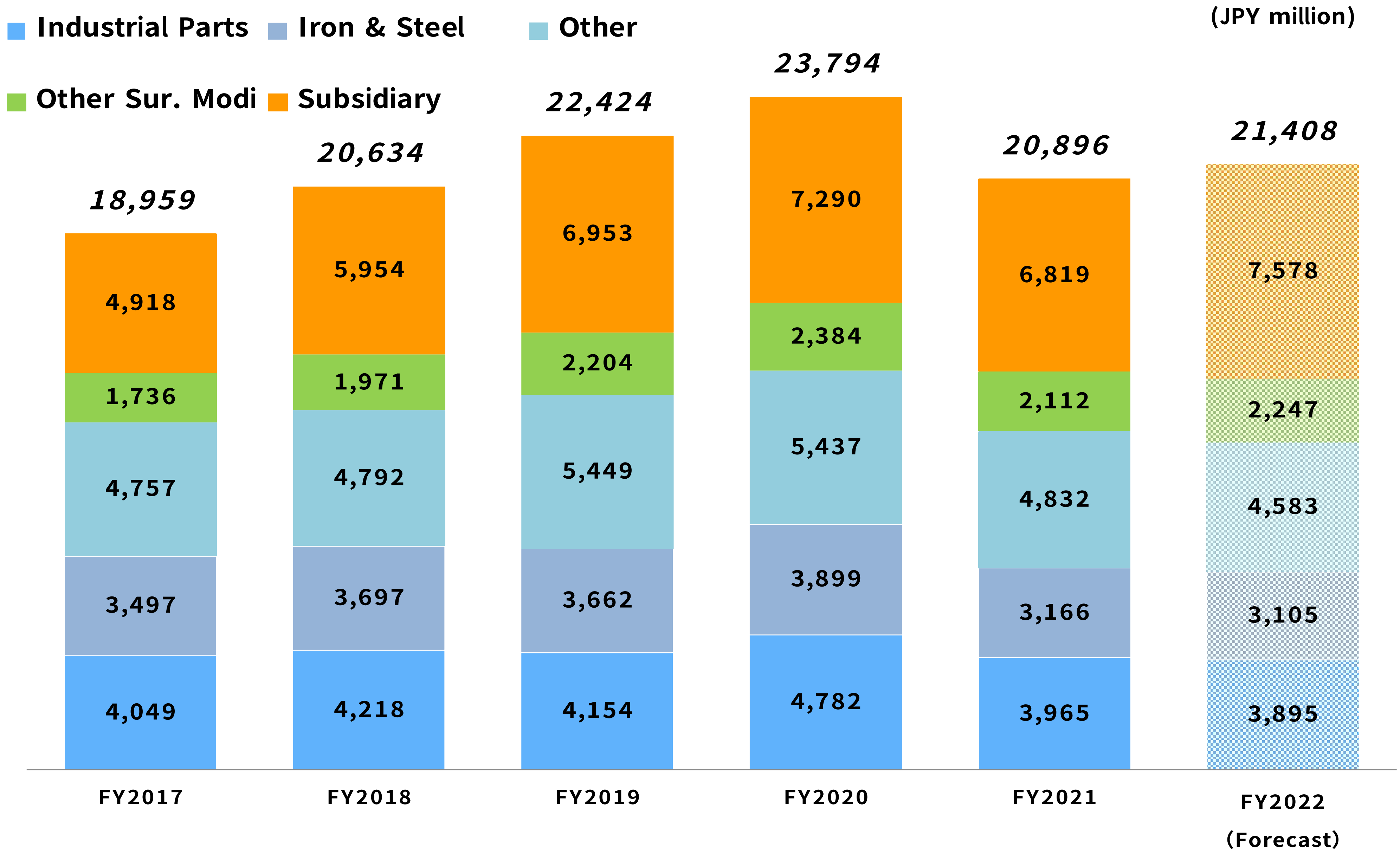
(JPY million)	FY2021		FY2022		Change	
	Result	Ratio	Forecast	Ratio	Amount	Ratio
Turnover	39,073	100.0%	41,000	100.0%	1,926	4.9%
Thermal Spray	30,141	77.1%	31,045	75.7%	903	3.0%
Semi-con,FPD	18,176	46.5%	19,462	47.5%	1,285	7.1%
Industrial Parts	3,965	10.1%	3,895	9.5%	△ 70	-1.8%
Iron & Steel	3,166	8.1%	3,105	7.6%	△ 61	-1.9%
Others	4,832	12.4%	4,583	11.1%	△ 249	-5.2%
Other Surface Md.	2,112	5.4%	2,247	5.6%	134	6.4%
Domestic Sub.	2,018	5.2%	2,396	5.8%	377	18.7%
Overseas Sub.	4,800	12.3%	5,182	12.6%	381	7.9%
Royalty income etc.	—	-	130	0.3%	—	-
Operational Profit	8,669	22.2%	9,000	22.0%	330	3.8%
Ordinary Profit	8,914	22.8%	9,000	22.0%	85	1.0%
Net Profit attribute to Parent Company	5,463	14.0%	5,800	14.1%	336	6.2%

SC & FPD Turnover

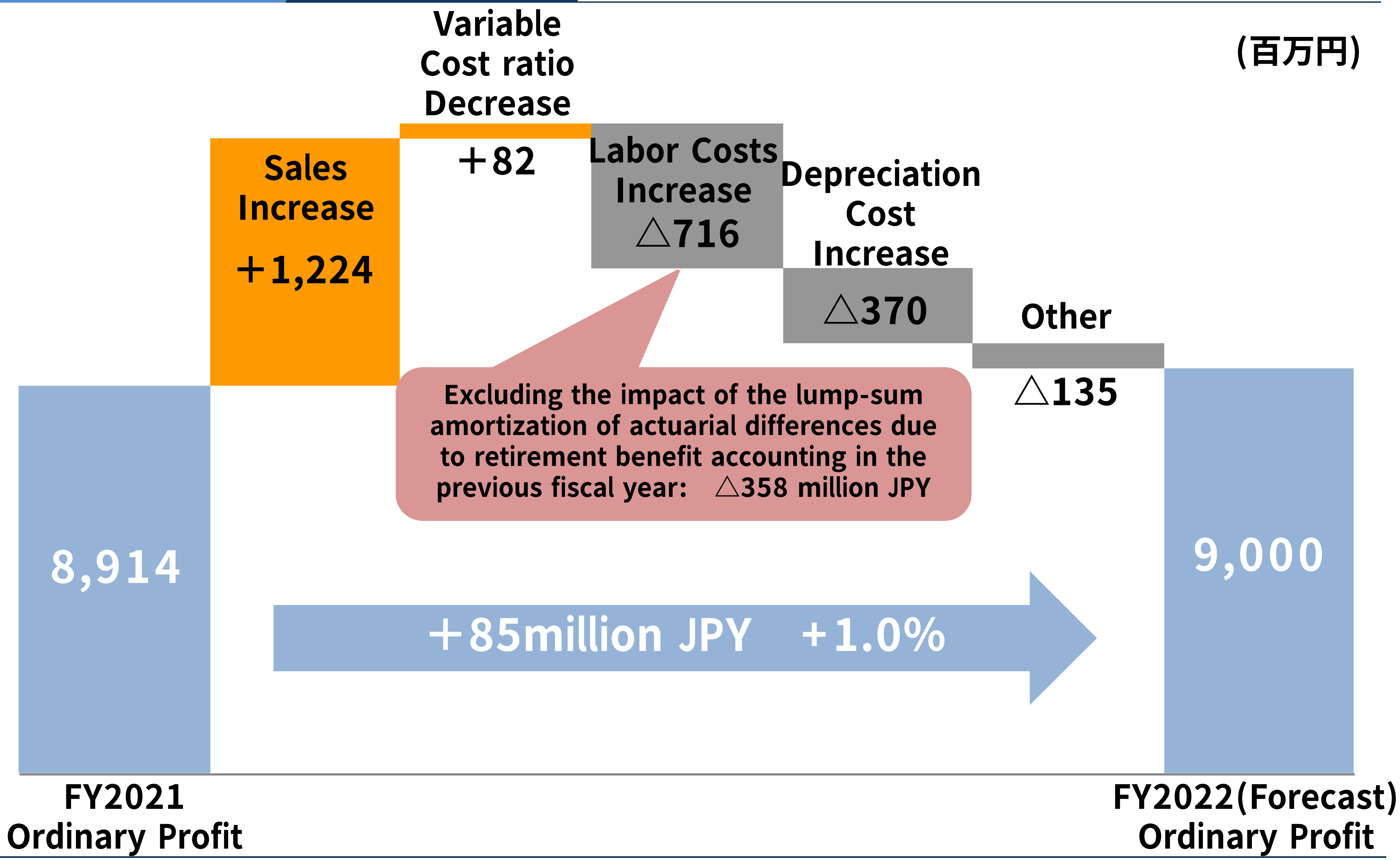
Thermal Spray(TOCALO)



Non-SC & FPD Turnover

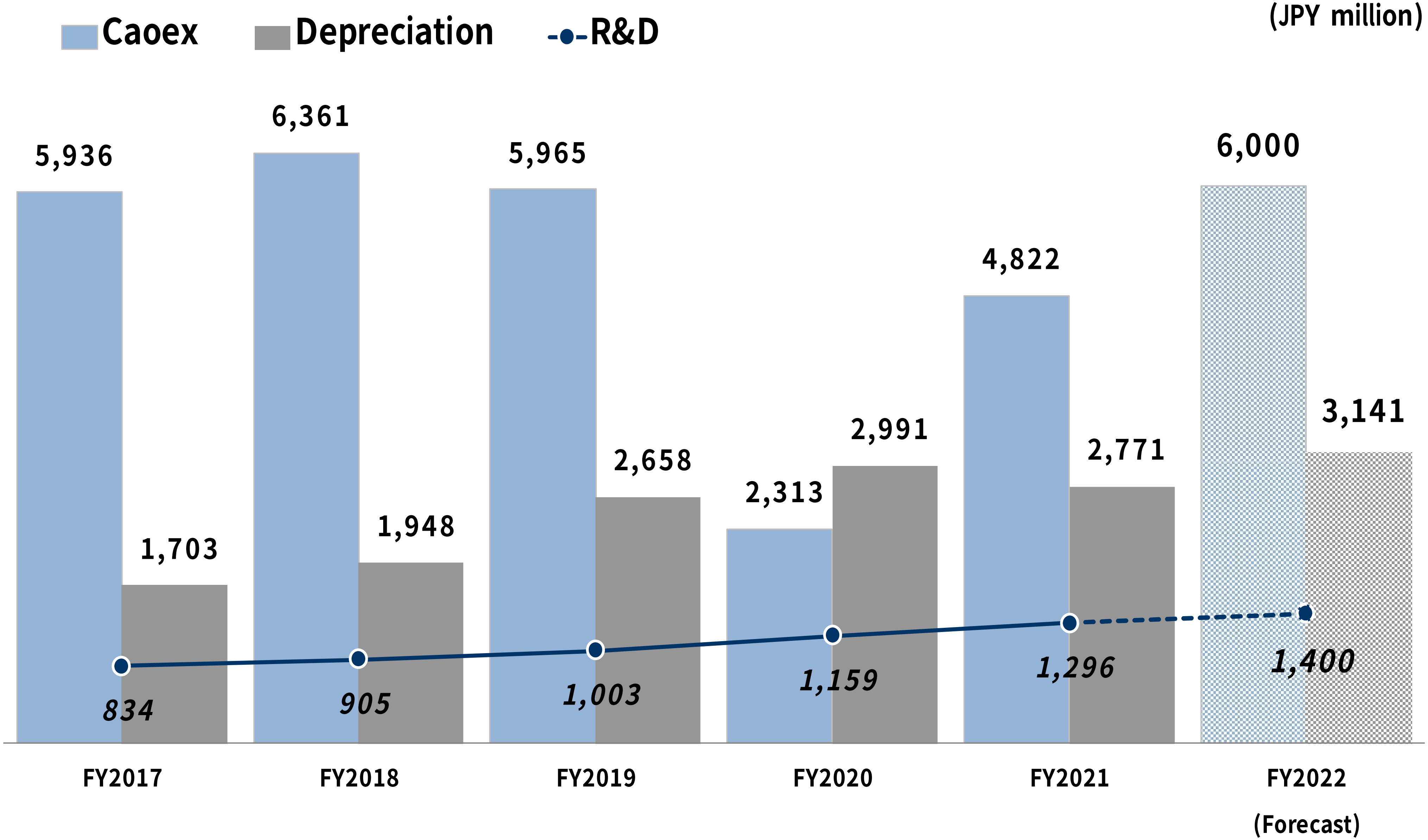


Analysis of Ordinary P/L Change
Forecast of FY March 2022



Capex・Depreciation・R&D

(JPY million)



Capital investment plan

FY 2022 Estimated amount 6,000 million JPY

<u>TOCALO</u> 5,000million JPY

- Mizushima New Plant construction 1,500million JPY
- New building construction in Tokyo Plant 1,000million JPY
- Akashi Harima Plant Introduction of SC related equipment
  Introduction of next-generation coating to develop equipment etc.

<u>Domestic Subsidiary</u>

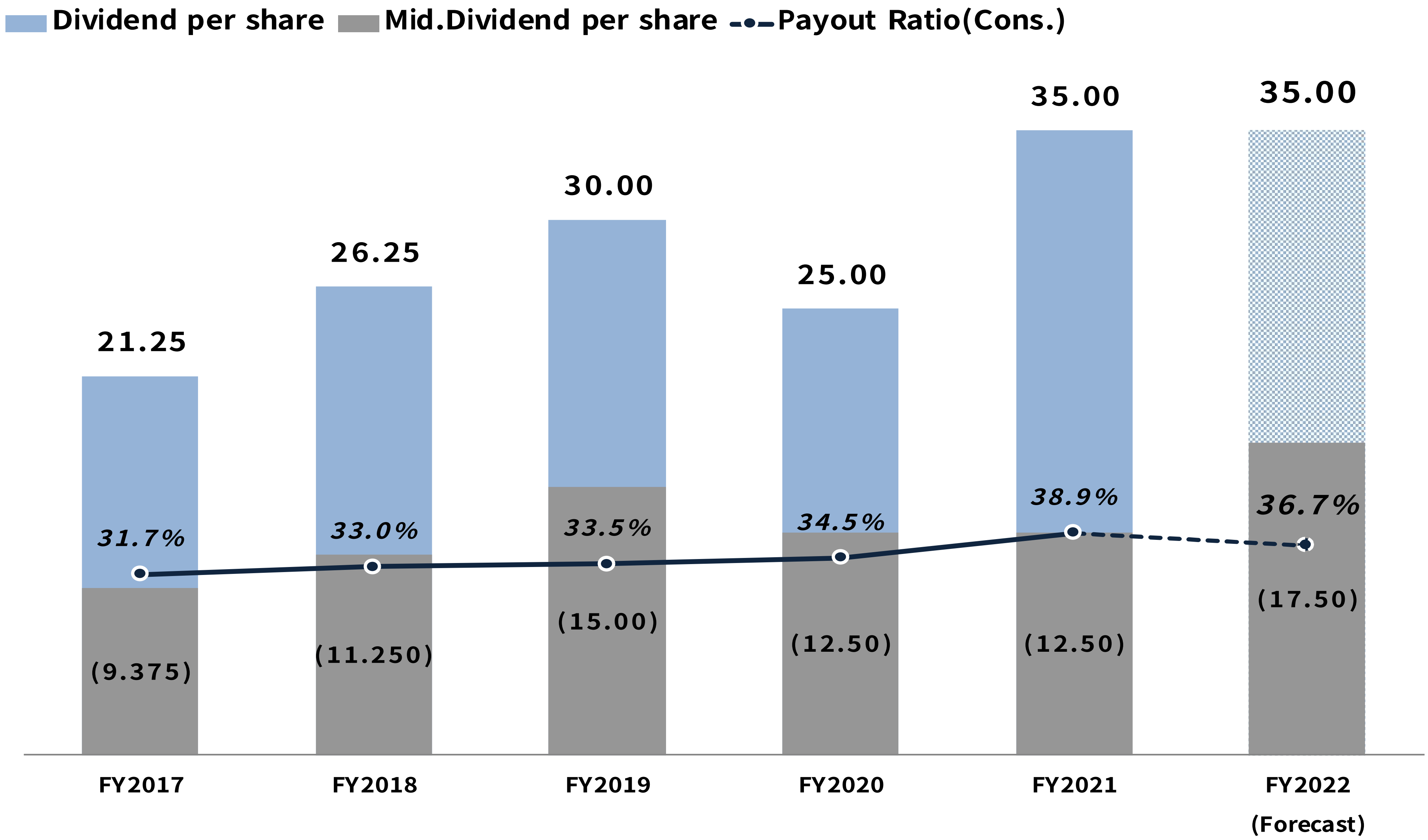
- Increased production capacity 100million JPY

<u>Overseas Subsidiary</u>

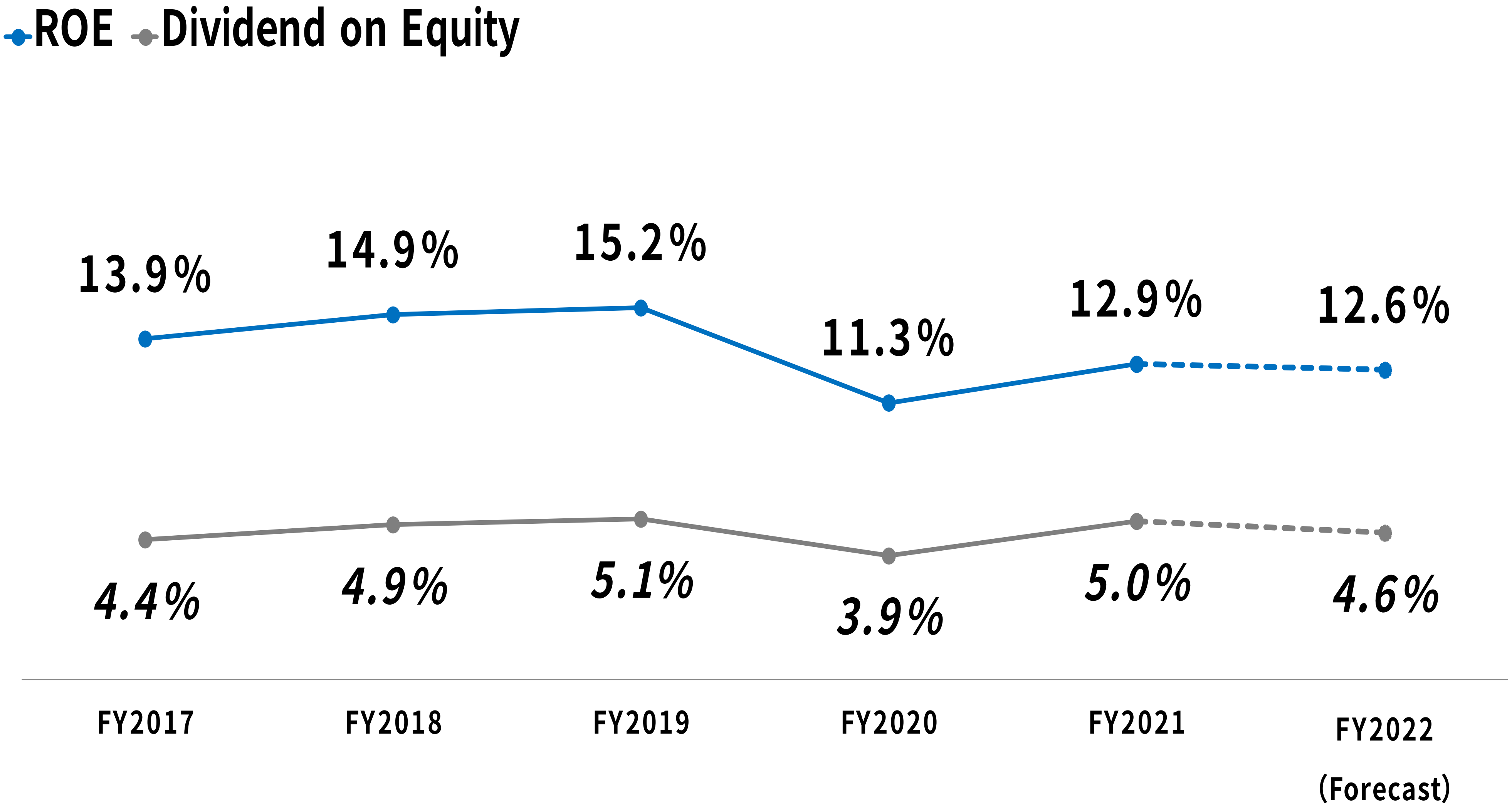
- New Plant construction in Taiwan etc.
  900million JPY

<Rendering of Mizushima new plant>

Dividend per share



ROE • Dividend on Equity



4． To Achieve Sustainable Growth

TOCALO Co.,Ltd.

Strategy for future growth

GROWTH of TOCALO
‖
Develop new coating application and Create new market

5 R&D main fields

1. Semiconductor & FPD
2. Environment and Energy
3. New materials
   High-performance steel material
   High-performance film, Paper／Non-woven etc.
4. Transportation
   High-speed trains, Aerospace etc.
5. Medical

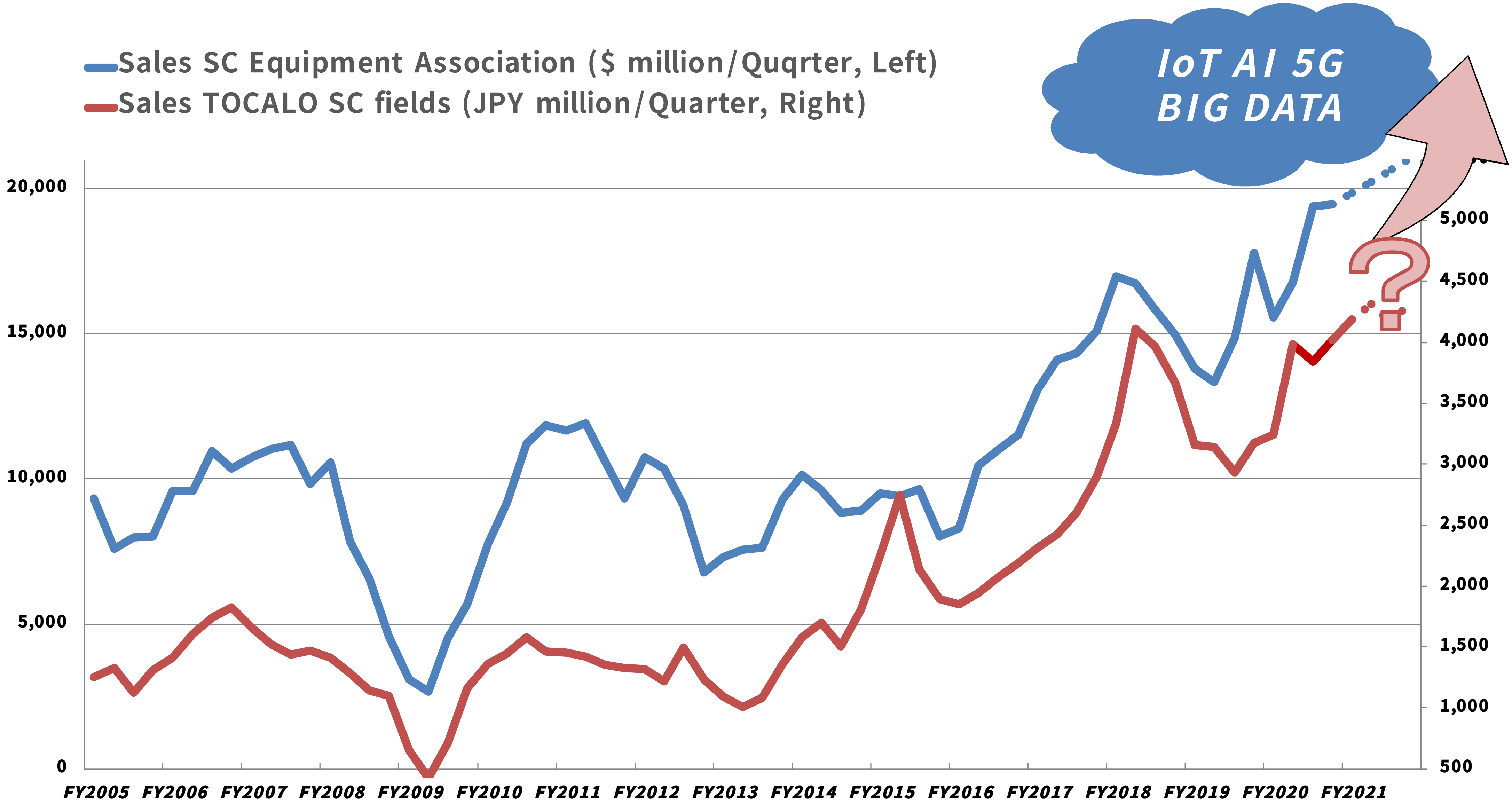
Create new market

①Diversification of revenue sources
- ☆In the SC & FPD fields, market expansion and technology development of next-generation
- ☆Focus on environment and energy fields

②Living with COVID-19
- ☆Risk management for business continuity
- ☆Improvement in labour productivity through changes in work style

③Global sales expansion

Sales of Semiconductor and TOCALO



Prepared based on quarterly (calendar year) data from the WorldWide SEMS Report

Reference

TOCALO Co.,Ltd.

Management index

(JPY million)	FY2017 Result	FY2018 Result	FY2019 Result	FY2020 Result	FY2021 Result	FY2022 Forecast
Orders received	29,506	36,851	38,915	38,011	39,021	-
Backlog	3,983	6,725	6,081	6,195	6,143	-
Turnover	28,963	34,109	39,558	37,896	39,073	41,000
Operating Profit	5,645	7,110	7,741	6,550	8,669	9,000
Ordinary Profit	5,801	7,363	8,076	6,812	8,914	9,000
Ordinary Profit Ratio	20.0%	21.6%	20.4%	18.0%	22.8%	22.0%
Net Profit attribute to Parent Company	4,070	4,836	5,441	4,404	5,463	5,800
Earning per share	66.95	79.56	89.51	72.45	89.86	95.40
Total asset	44,302	52,664	57,278	61,122	64,183	68,941
Shareholders' Equity	30,647	34,174	37,559	40,263	44,201	47,569
Capital Adequency Ratio	69.1%	64.9%	65.6%	65.9%	68.9%	69.0%
Return on Equity	13.9%	14.9%	15.2%	11.3%	12.9%	12.6%
Ordinary Profit on Asset	14.1%	15.2%	14.7%	11.5%	14.2%	13.5%

ROE=Net Profit Attributable to Parent Company/Average Shareholders' Equity for the Period

ROA = Ordinary Profit/Average total assets for the period

Notes

Earnings forecast includes projections based on assumptions, forecasts, and plans concerning the future as of the publication date of this material.

Actual results may differ from forecast figures due to various factors in the future.

Contact

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