(TSE Code 3433)

Comprehensive Manufacture of Advanced Coatings

Financial Summary (1H FY2022)

11/9/2021

TOCALO Co., Ltd.

1. Overview of Consolidated Results 1H FY2022

Summary of result 1H FY2021

Highlights

(1) **Increase in sales and profit compared with the same period of the previous fiscal year.**

Record high sales and profit in the first half.

Continued strong performance in the semiconductor field.

Other fields also generally exceeded the initial forecast.

(2) **Subsidiaries : Both domestic and overseas sales and profits of subsidiaries increased.**

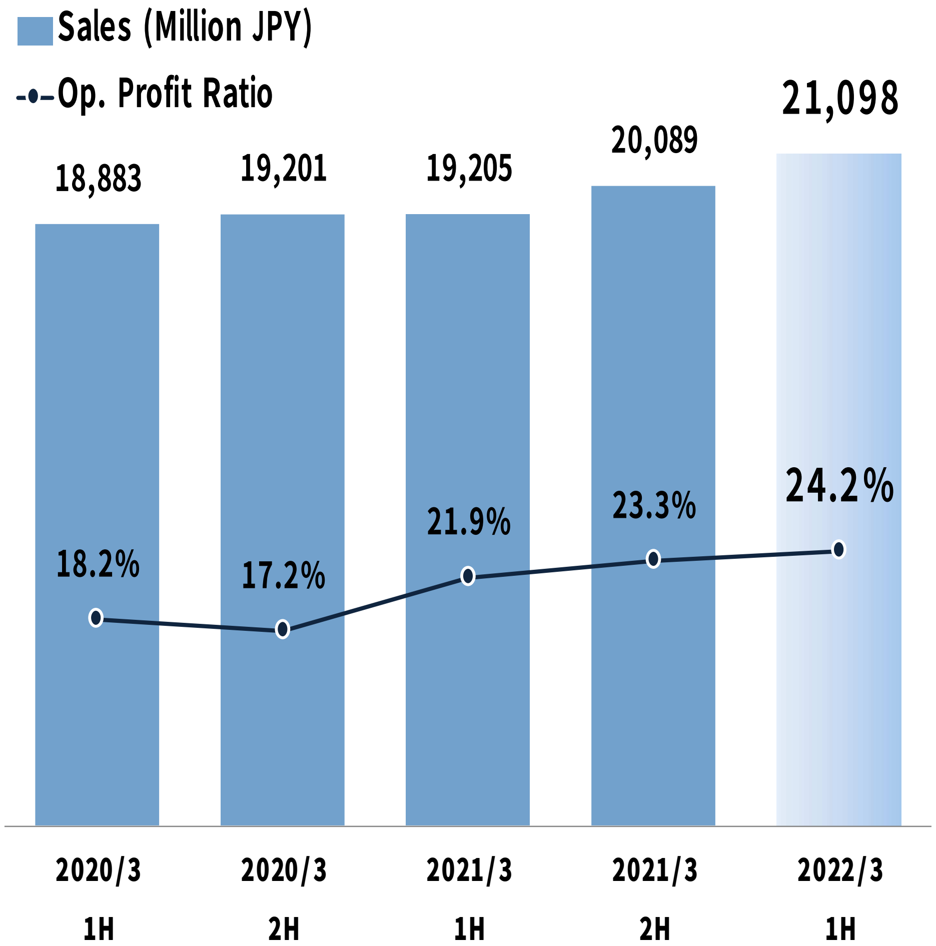
Japan's automotive field remains steady.

Strong performance in semiconductor and FPD fields in China and Taiwan.

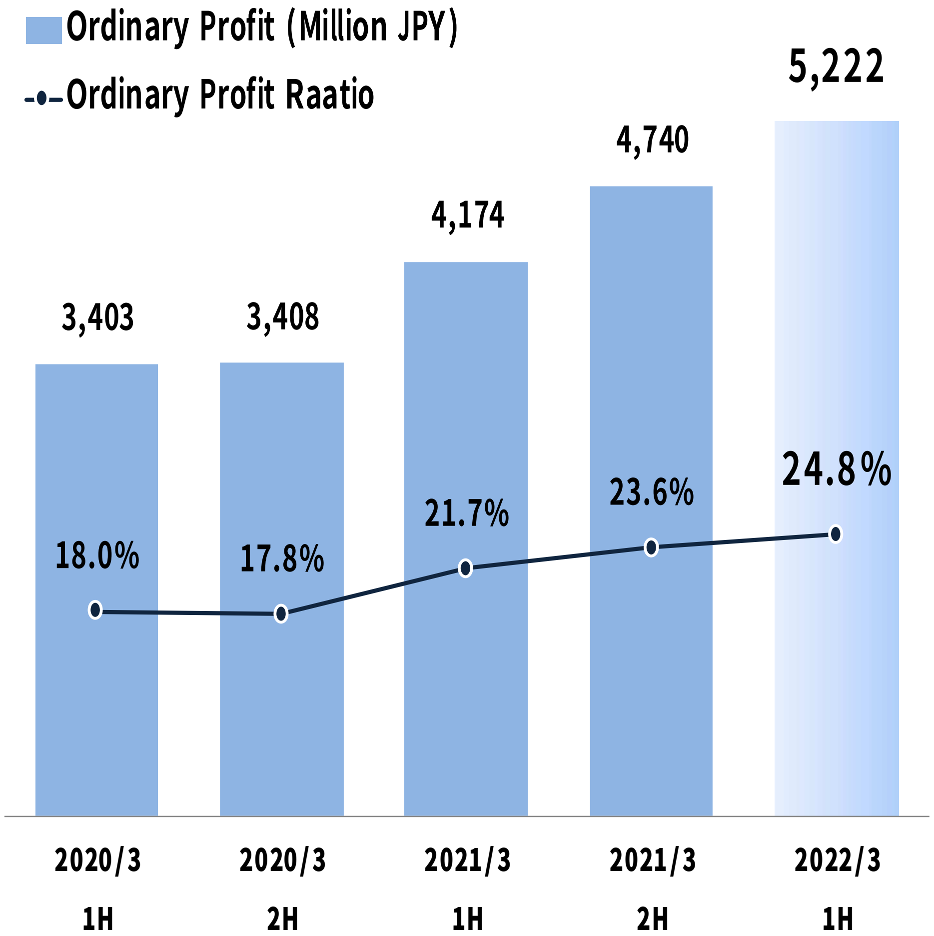
China's oil sector sees no recovery in orders.

Overview of Consolidated Results 1H FY2022

Sales and Operating Profit Ratio



Ordinary Profit and Ordinary Profit Ratio



(Note) Effective from the FY2022, the classification of Royalty Income has been changed from non-operating income to net sales, and the figures for the previous years have been reclassified to reflect this change.

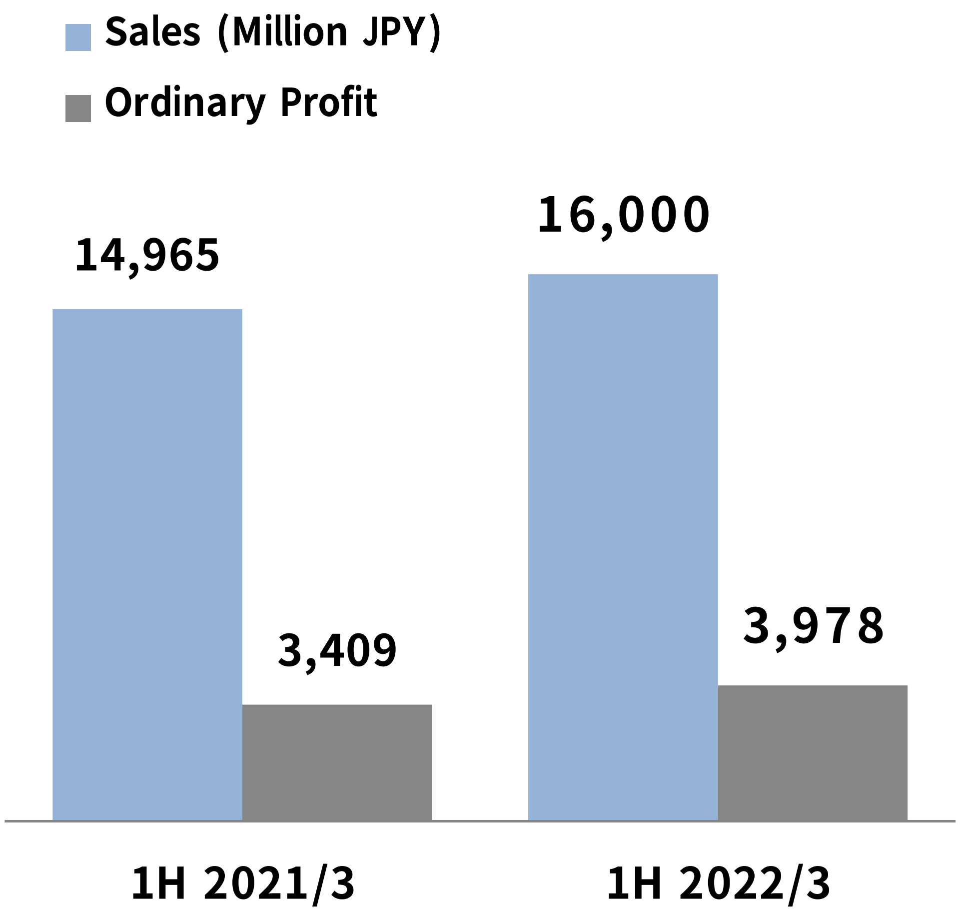
Overview of Consolidated Results 1H FY2022

(Million JPY)	1H 2021/3		1H 2022/3		Change	
	Result	Ratio	Result	Ratio	Amount	%
Net Sales	19,205	100.0%	21,098	100.0%	1,893	9.9%
Thermal Spray	14,965	77.9%	16,000	75.8%	1,034	6.9%
Semicon & FPD	9,019	47.0%	9,938	47.1%	919	10.2%
Industrial Parts	2,075	10.8%	1,757	8.3%	△ 317	-15.3%
Iron & Steel	1,739	9.1%	1,623	7.7%	△ 115	-6.6%
Others	2,131	11.0%	2,680	12.7%	548	25.8%
Other Surface Modif	1,029	5.4%	1,195	5.7%	166	16.1%
Domestic Sub.	892	4.6%	1,206	5.7%	313	35.1%
Overseas Sub.	2,205	11.5%	2,615	12.4%	409	18.6%
Royalty Income	111	0.6%	80	0.4%	△ 30	-27.5%
Operating Profit	4,203	21.9%	5,111	24.2%	908	21.6%
Ordinary Profit	4,174	21.7%	5,222	24.8%	1,048	25.1%
Net income attributable to owners of parent	2,688	14.0%	3,448	16.3%	760	28.3%

(Note) Effective from the FY2022, the classification of Royalty Income has been changed from non-operating income to net sales, and the figures for the previous years have been reclassified to reflect this change.

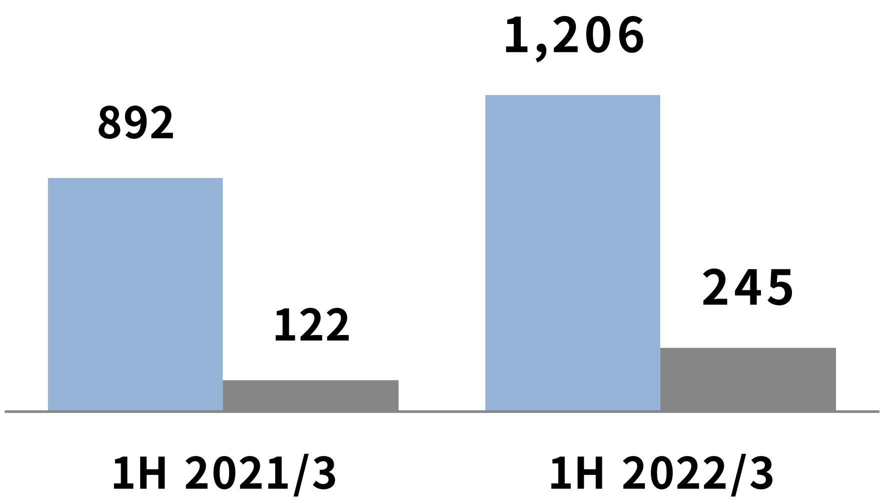
Segment Information

Thermal Spray TOCALO



Both sales and profit increased due to growth in Semicon & FPD and other fields, despite lower sales in Industrial Parts and Iron & Steel fields.

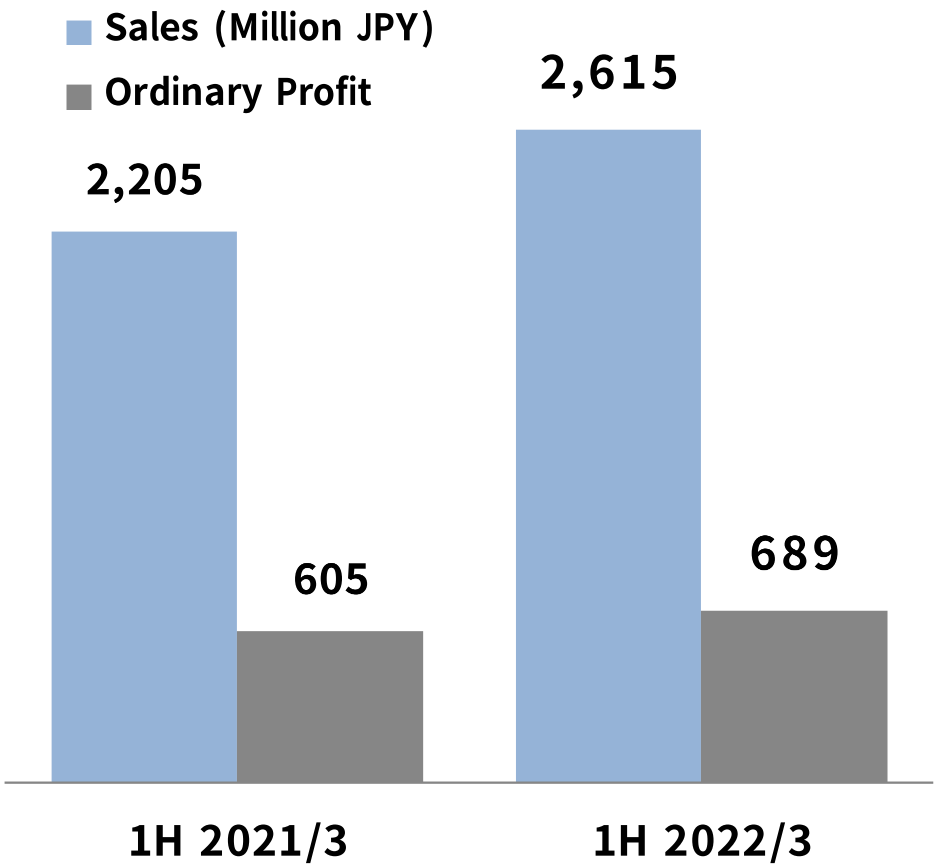
Domestic Subsidiary



Both sales and profit increased due to steady orders for cutting tools for automobile parts and construction machinery manufacturers.

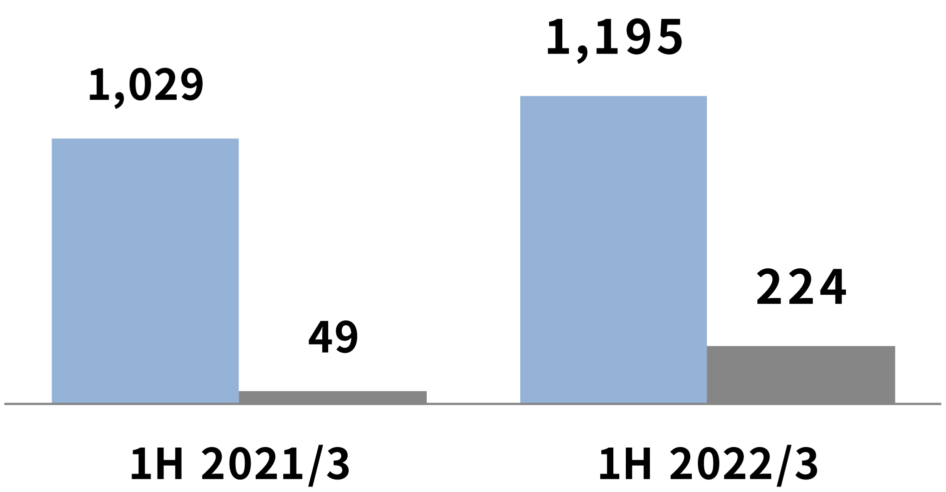
Segment Information

Overseas Subsidiary



Both sales and profit increased due to generally strong sales of semicon & FPD, despite weak orders in the oil field in China.

Other Surface Modification



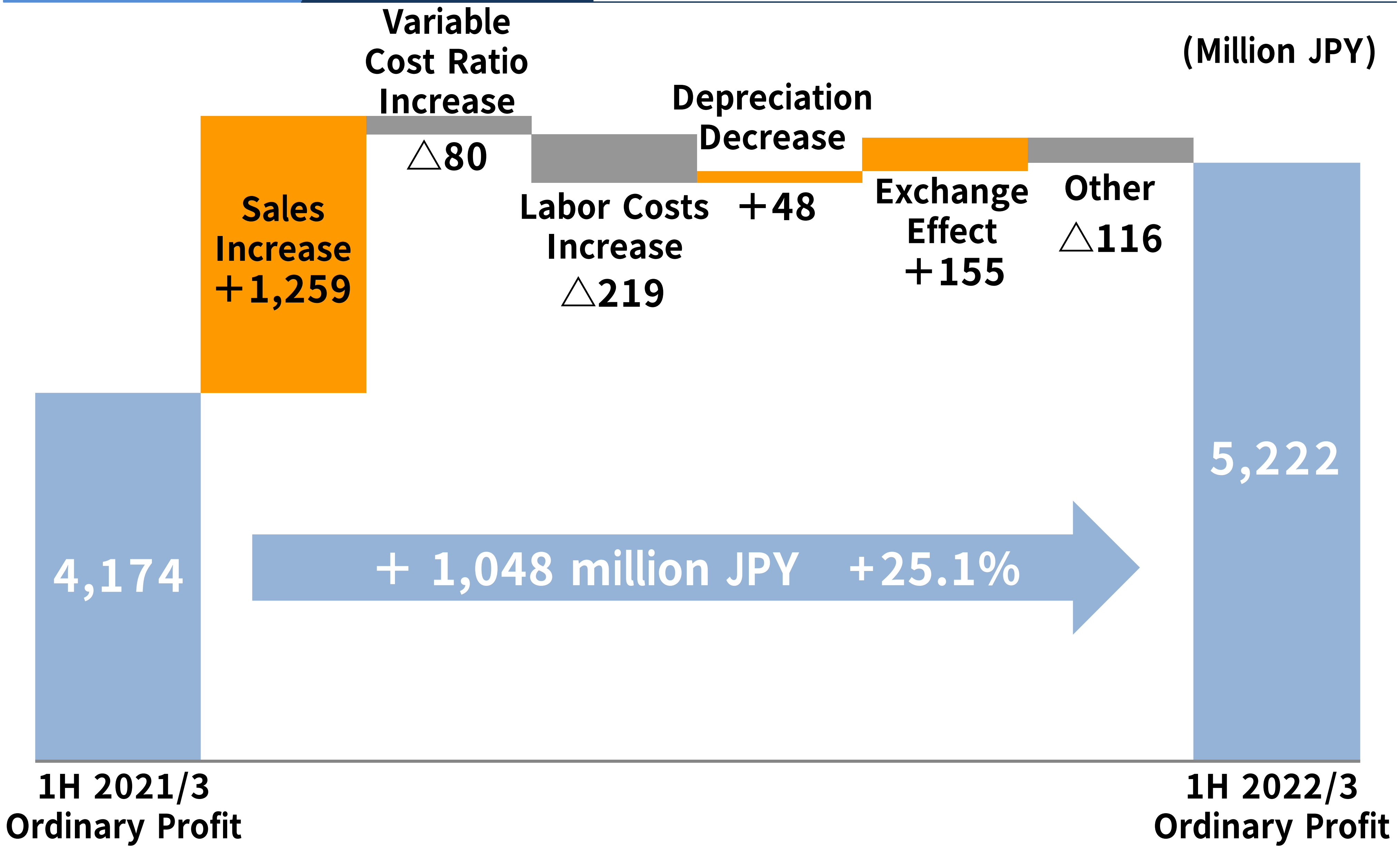
Both sales and profit increased due to a general recovery trend in orders.

Segment Information

(Million JPY)	1H 2021/3		1H 2022/3		Change			
					Net Sales		Segment P/L	
	Net Sales	P/L	Net Sales	P/L	Amount	Ratio	Amount	Ratio
Thermal Spray TOCALO	14,965	3,409	16,000	3,978	1,034	6.9%	568	16.7%
Domestic Sub.	892	122	1,206	245	313	35.1%	122	100.1%
Overseas Sub.	2,205	605	2,615	689	409	18.6%	84	14.0%
Other Surface Modif.	1,029	49	1,195	224	166	16.1%	175	350.3%
Total	19,093	4,187	21,017	5,138	1,924	10.1%	951	22.7%

(Note) Royalty Income is not included in the Segment Net Sales. Segment P/L is adjusted with Ordinary Profit in the consolidated statements of income.

Analysis of Ordinary P/L Change



Financial Position

(Million JPY)	FY 2021		FY 2022
	2Q	4Q	2Q
Total Assets	61,817	64,183	66,430
Equity	42,140	44,201	46,633
Equity ratio	68.2%	68.9%	70.2%
Interest-bearing debt	7,057	6,031	5,073

- From the previous period, Total Assets increase 2,247 million yen. (Tangible Fixed Assets increase 1,509 million yen)
- From the previous period, Equity ratio +1.3%points (70.2%)
- From the previous period, Interest-bearing debt decrease 957 million yen. (No borrowings for the current fiscal year)

Cash Flow

(Million JPY)	FY 2021 1H	FY 2022 1H
Operating CF	4,180	4,706
Investment CF	△ 1,932	△ 1,820
Financial CF	△ 2,002	△ 2,494
Cash Balance	16,714	19,174

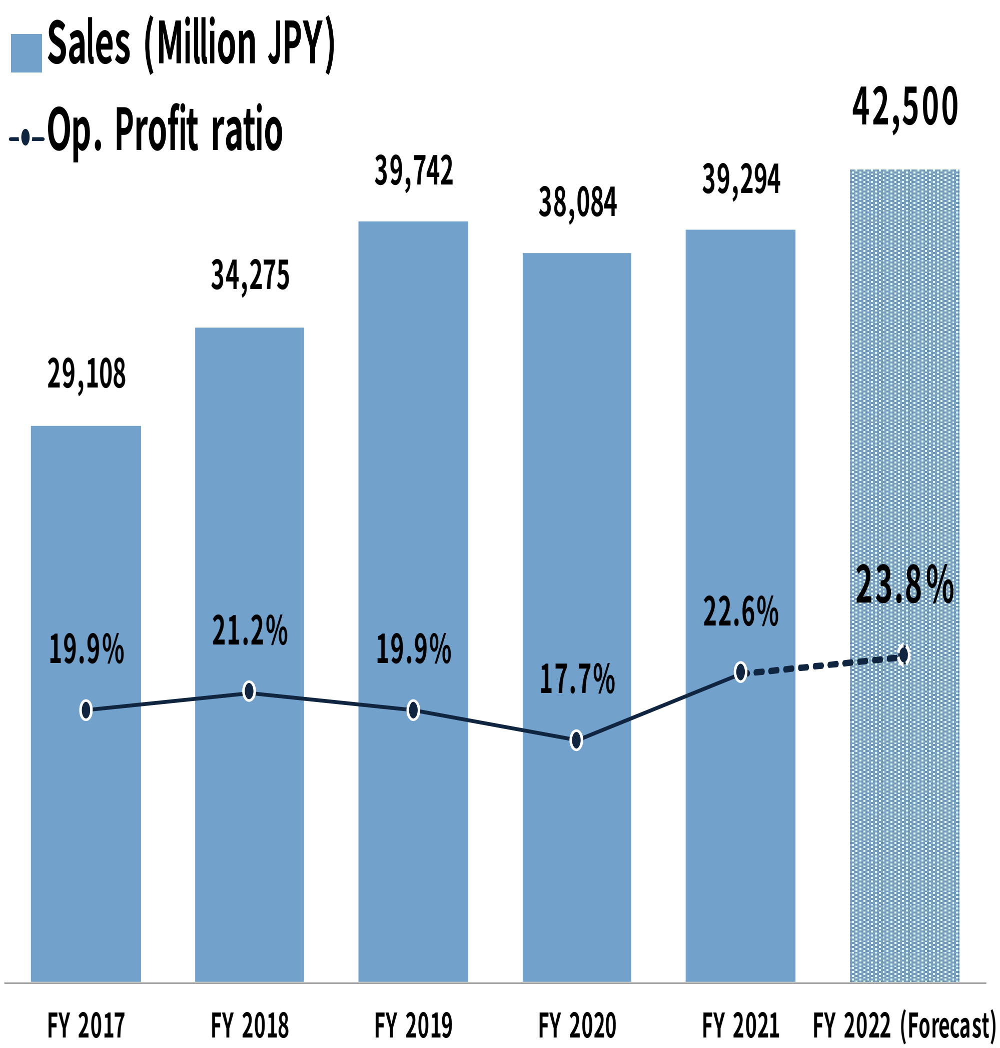
- 1H Free Cash Flow (Operating CF + Investment CF) : +2.8 billion yen
- Investment CF / Purchase of property, plant and equipment
  1H FY2021 : △1.8 billion yen 1H FY2022 : △1.8 billion yen
- Financial CF / Dividends paid
  1H FY2021 : △0.7 billion yen 1H FY2022 : △1.3 billion yen

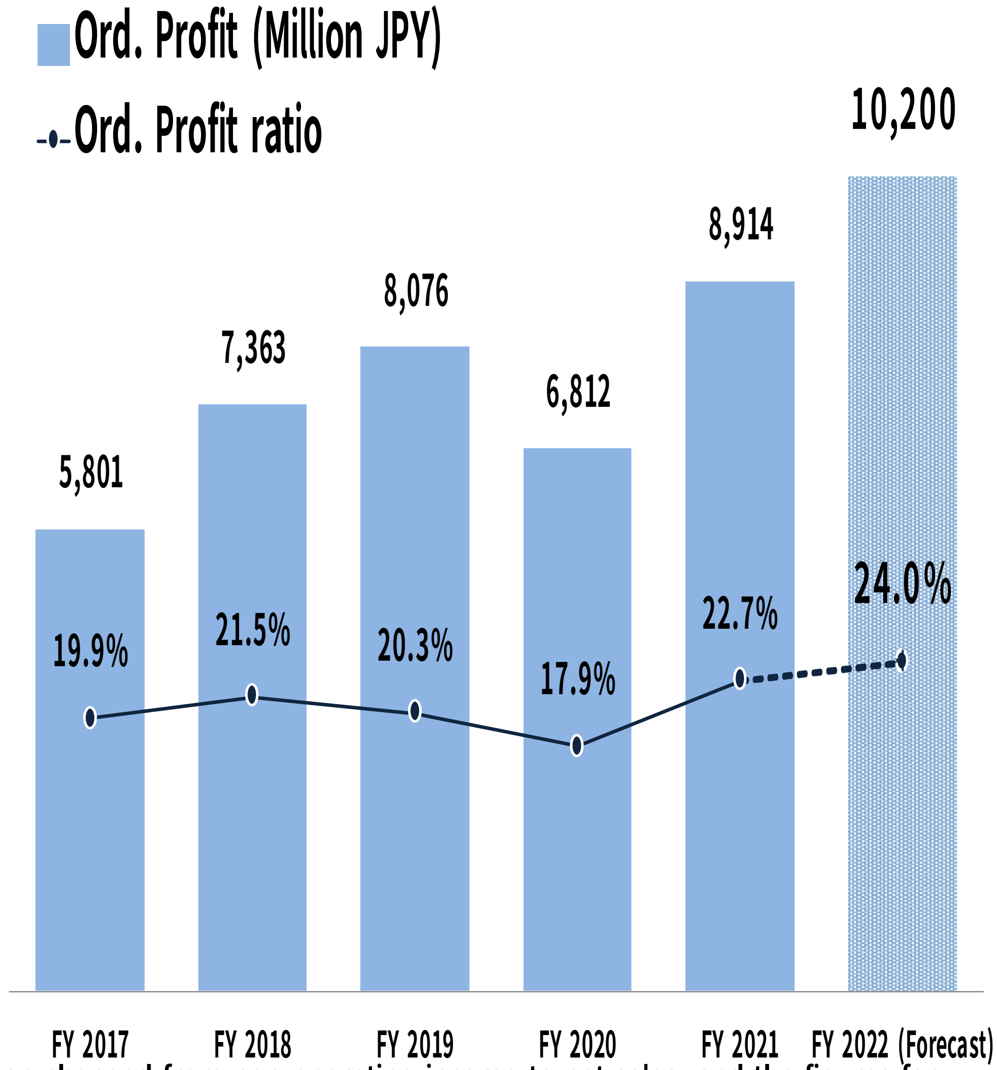
2 . Forecast of FY2022

Consolidated Forecast FY2022

TOCALO

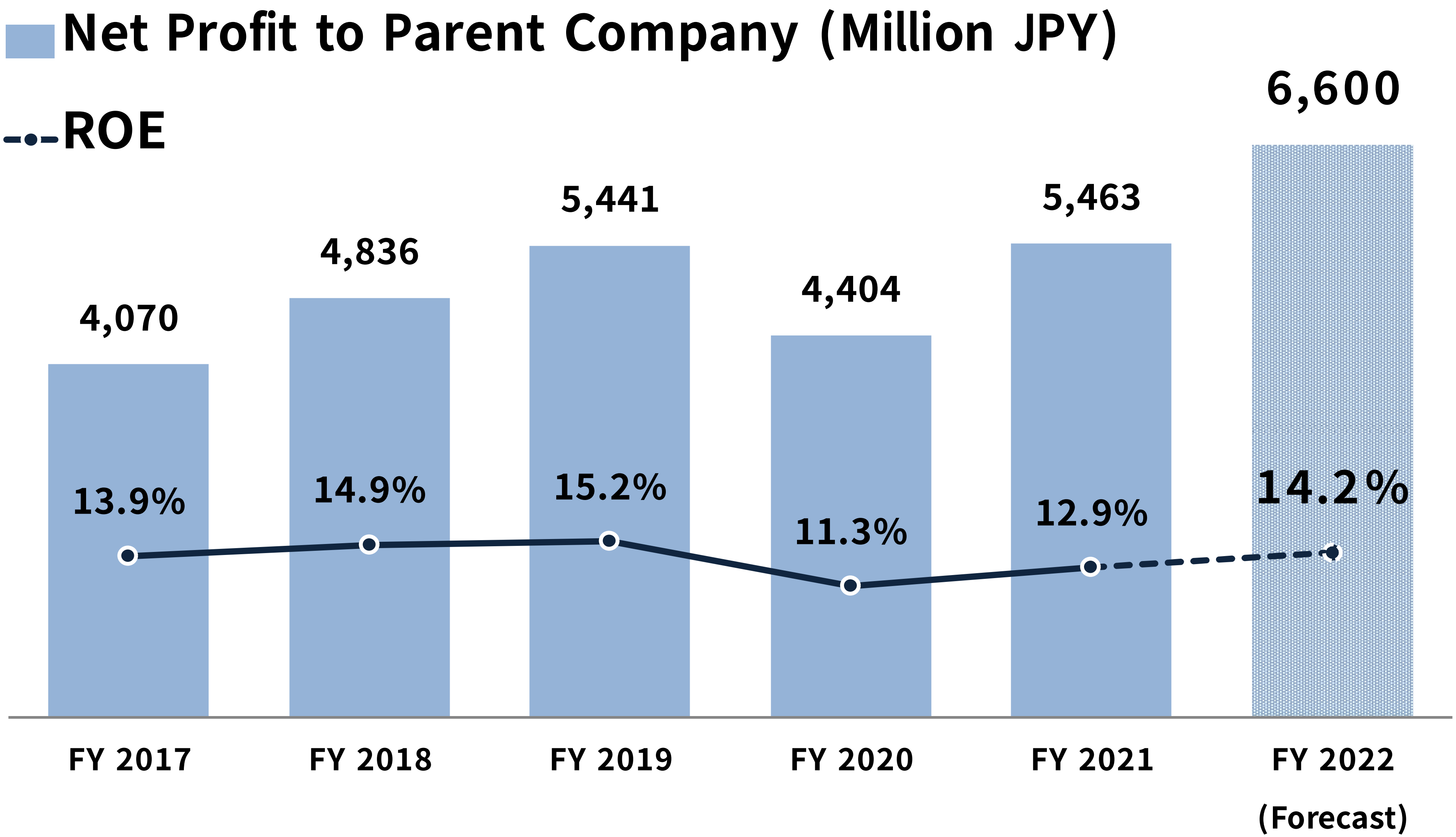
The full-year forecast has been revised.
Net sales are expected to exceed the initial forecast, mainly due to semicon field.





(Note) Effective from the FY2022, the classification of Royalty Income has been changed from non-operating income to net sales, and the figures for the previous years have been reclassified to reflect this change.

Consolidated Forecast FY2022



Summary of revision

TOCALO

(Million JPY)	FY 2022				Change	
	Initial Forecast	Ratio	Revised Forecast	Ratio	Amount	Ratio
Net Sales	41,000	100.0%	42,500	100.0%	1,500	3.7%
Thermal Spray	31,045	75.7%	31,830	74.9%	785	2.5%
Semicon & FPD	19,462	47.5%	20,000	47.1%	538	2.8%
Industrial Parts	3,895	9.5%	3,780	8.9%	△ 115	-3.0%
Iron & Steel	3,105	7.6%	3,280	7.7%	175	5.6%
Others	4,583	11.1%	4,770	11.2%	187	4.1%
Other Surface Modif.	2,247	5.6%	2,460	5.7%	213	9.5%
Domestic Sub.	2,396	5.8%	2,450	5.8%	54	2.3%
Overseas Sub.	5,182	12.6%	5,600	13.2%	418	8.1%
Royalty Income	130	0.3%	160	0.4%	30	23.1%
Operating Profit	9,000	22.0%	10,100	23.8%	1,100	12.2%
Ordinary Profit	9,000	22.0%	10,200	24.0%	1,200	13.3%
Net income attributable to owners of parent	5,800	14.1%	6,600	15.5%	800	13.8%

Consolidated Forecast FY2022

(Million JPY)	FY 2021		FY 2022		Change	
	Result	Ratio	Forecast	Ratio	Amount	Ratio
Net Sales	39,294	100.0%	42,500	100.0%	3,205	8.2%
Thermal Spray	30,141	76.7%	31,830	74.9%	1,688	5.6%
Semicon & FPD	18,176	46.3%	20,000	47.1%	1,823	10.0%
Industrial Parts	3,965	10.1%	3,780	8.9%	△ 185	-4.7%
Iron & Steel	3,166	8.1%	3,280	7.7%	113	3.6%
Others	4,832	12.2%	4,770	11.2%	△ 62	-1.3%
Other Surface Modif	2,112	5.4%	2,460	5.7%	347	16.4%
Domestic Sub.	2,018	5.1%	2,450	5.8%	431	21.4%
Overseas Sub.	4,800	12.2%	5,600	13.2%	799	16.6%
Royalty Income	221	0.6%	160	0.4%	△ 61	-27.7%
Operating Profit	8,890	22.6%	10,100	23.8%	1,209	13.6%
Ordinary Profit	8,914	22.7%	10,200	24.0%	1,285	14.4%
Net income attributable to owners of parent	5,463	13.9%	6,600	15.5%	1,136	20.8%

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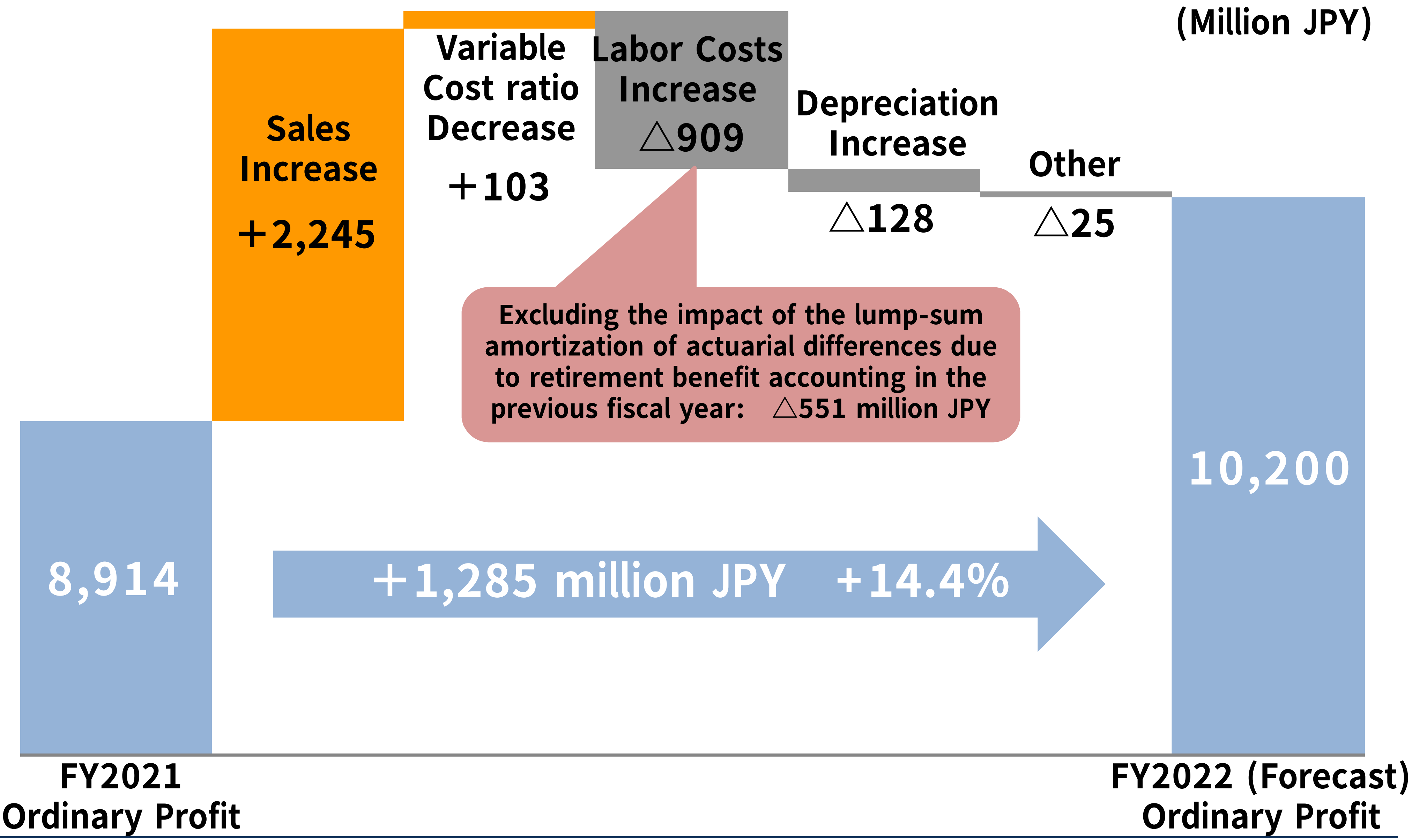
Analysis of Ordinary P/L Change Forecast of FY2022

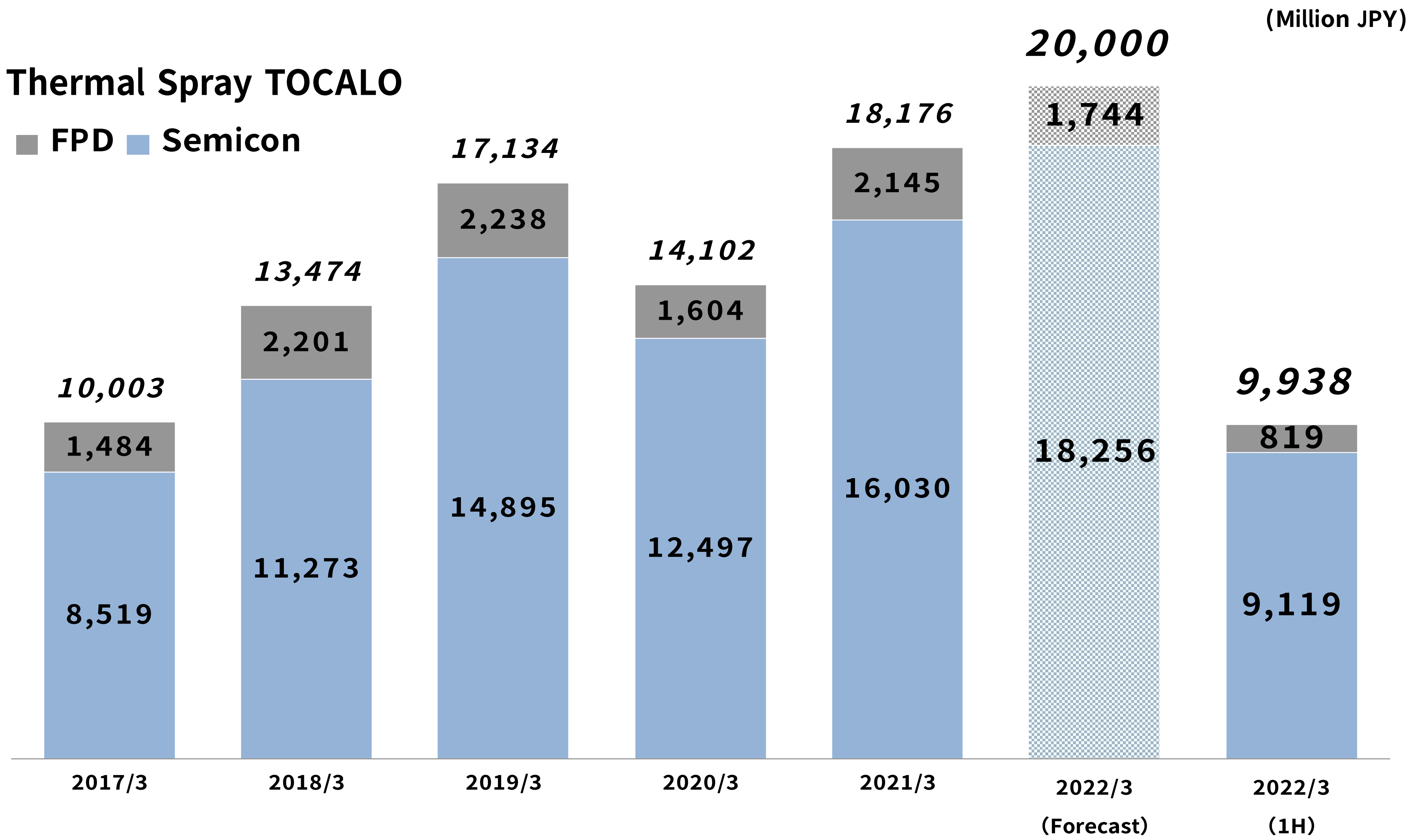


1H FY2022 Progress Rate

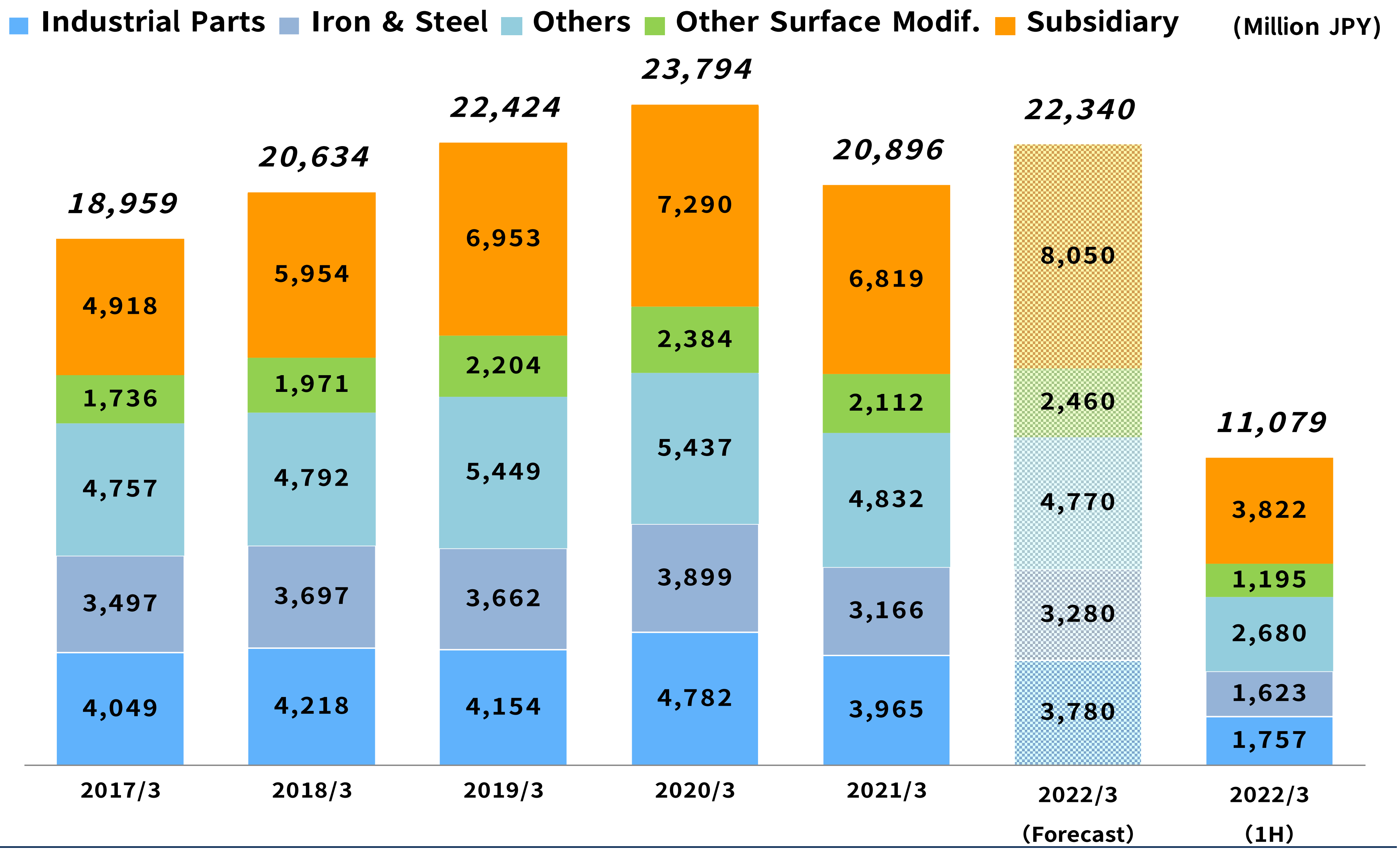
TOCALO

(Million JPY)	1H 2022/3		FY 2022/3		Progress
	Result	Ratio	Forecast	Ratio	Rate
Net Sales	21,098	100.0%	42,500	100.0%	49.6%
Thermal Spray	16,000	75.8%	31,830	74.9%	50.3%
Semicon & FPD	9,938	47.1%	20,000	47.1%	49.7%
Industrial Parts	1,757	8.3%	3,780	8.9%	46.5%
Iron & Steel	1,623	7.7%	3,280	7.7%	49.5%
Others	2,680	12.7%	4,770	11.2%	56.2%
Other Surface Modif.	1,195	5.7%	2,460	5.7%	48.6%
Domestic Sub.	1,206	5.7%	2,450	5.8%	49.2%
Overseas Sub.	2,615	12.4%	5,600	13.2%	46.7%
Royalty Income	80	0.4%	160	0.4%	50.5%
Operating Profit	5,111	24.2%	10,100	23.8%	50.6%
Ordinary Profit	5,222	24.8%	10,200	24.0%	51.2%
Net income attributable to owners of parent	3,448	16.3%	6,600	15.5%	52.3%

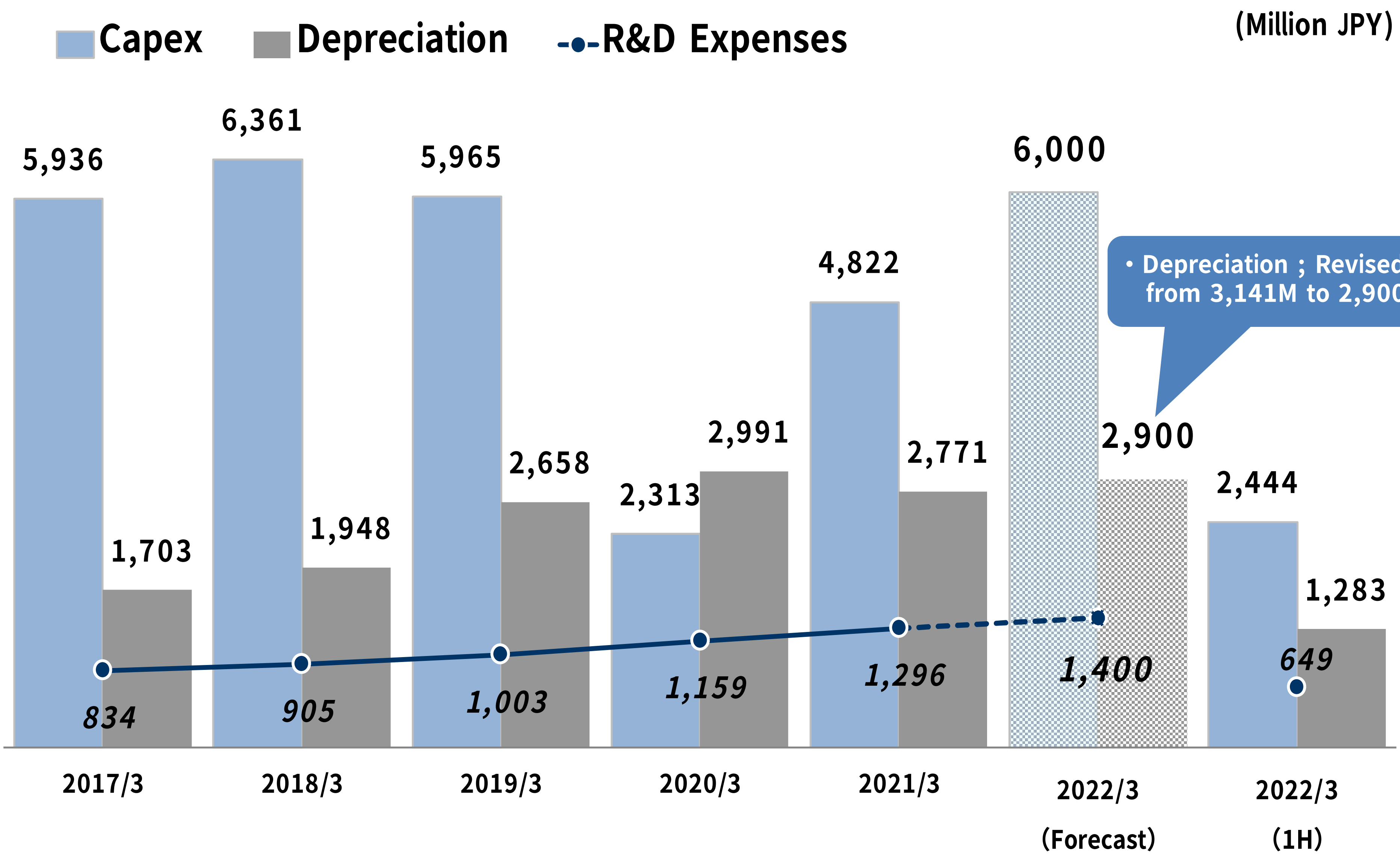
SC & FPD Net Sales



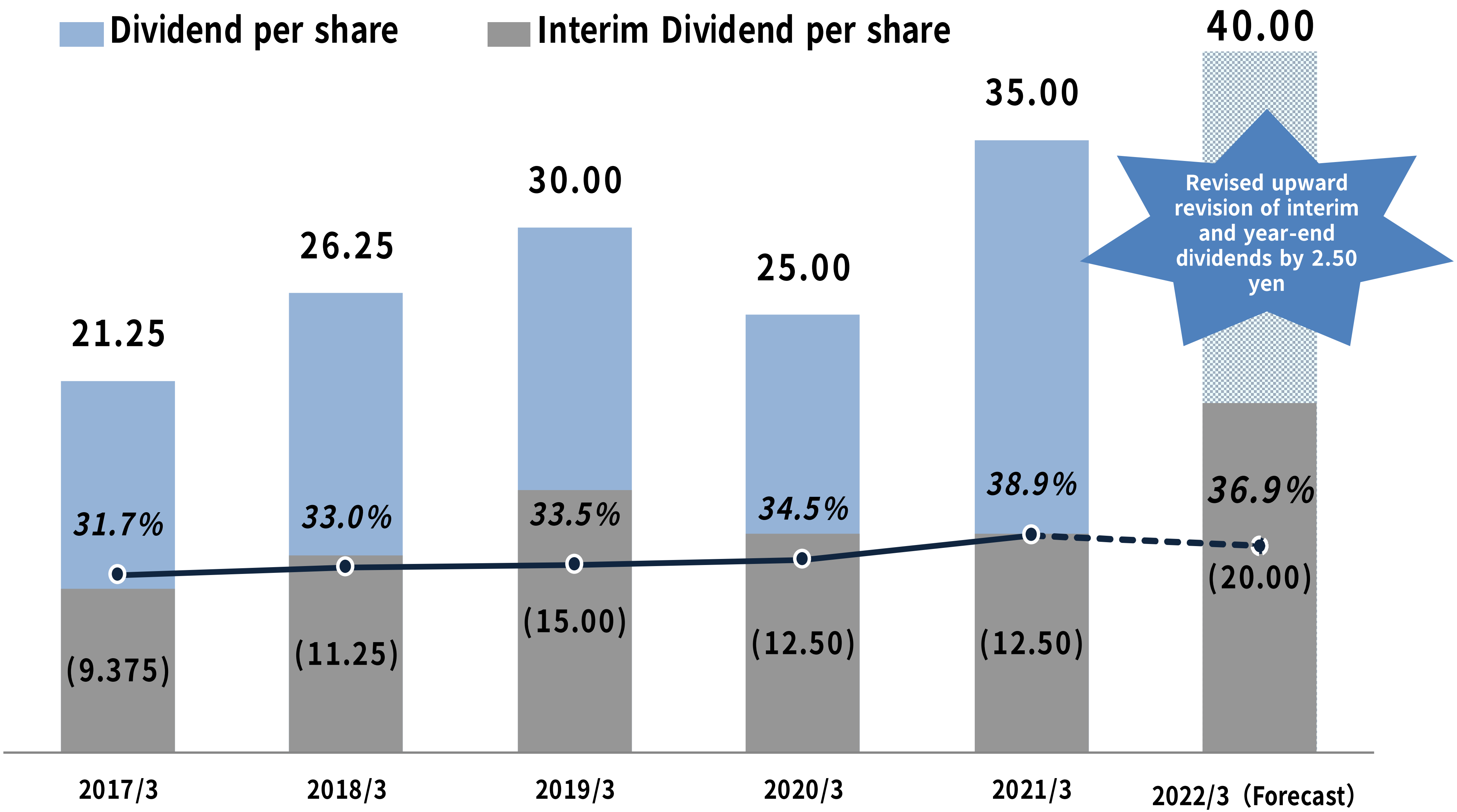
Non-SC & FPD Net Sales



Capex・Depreciation・R&D Expenses

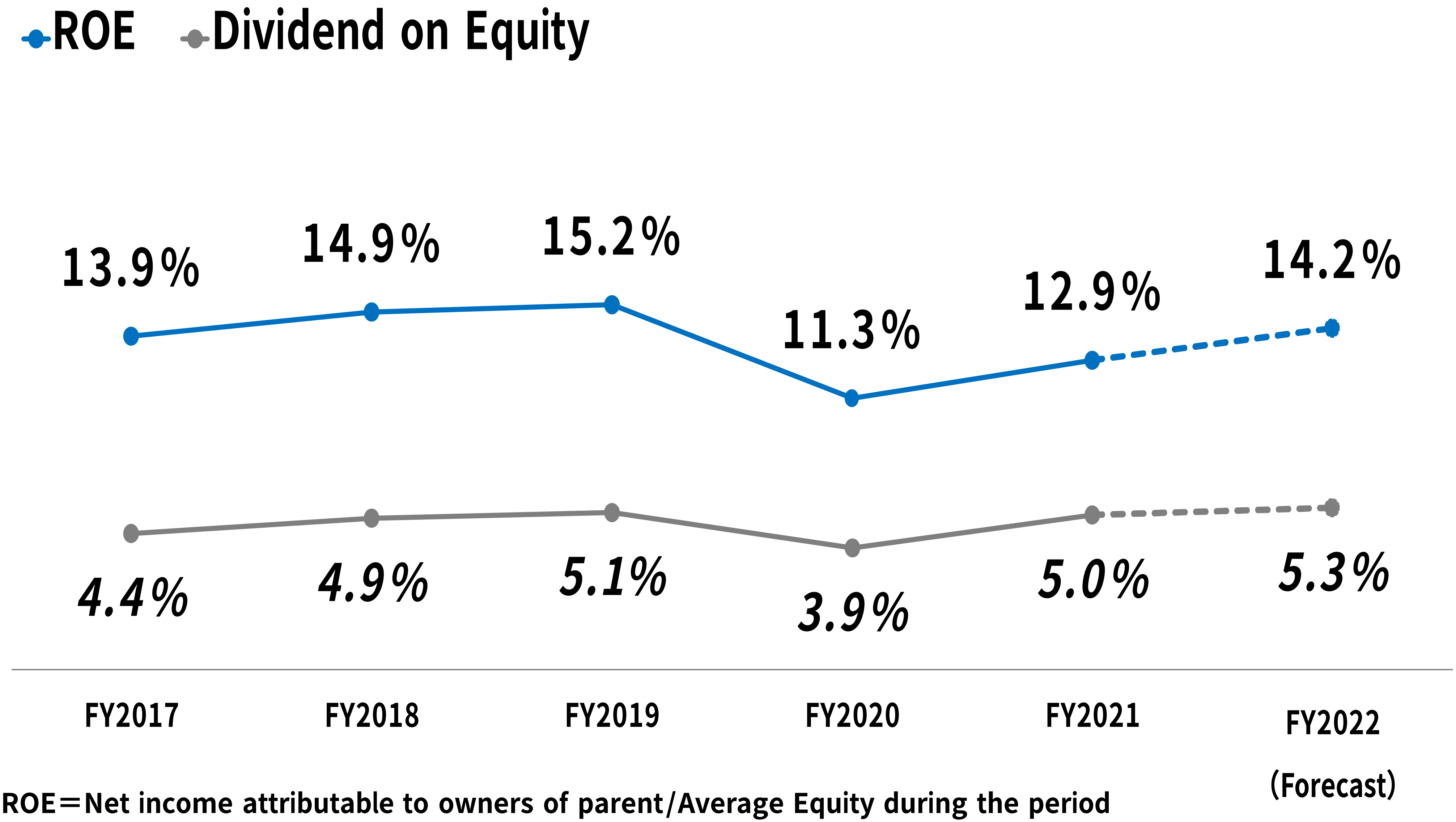


Dividends



(Note) Dividend per share for the FY2017 has been converted to a figure that takes into account the stock split.

ROE・Dividend on Equity



ROE＝Net income attributable to owners of parent/Average Equity during the period

Dividend on Equity＝Dividend per share/Average Net Assets per share during the period

Financial Highlights

(Million JPY)	FY 2017 Result	FY 2018 Result	FY 2019 Result	FY 2020 Result	FY 2021 Result	FY 2022 Forecast
Orders received	29,506	36,851	38,915	38,011	39,021	-
Backlog of Orders	3,983	6,725	6,081	6,195	6,143	-
Net Sales	29,108	34,275	39,742	38,084	39,294	42,500
Operating Profit	5,783	7,270	7,905	6,727	8,890	10,100
Ordinary Profit	5,801	7,363	8,076	6,812	8,914	10,200
Ordinary Profit Ratio	19.9%	21.5%	20.3%	17.9%	22.7%	24.0%
Net income attributable to owners of	4,070	4,836	5,441	4,404	5,463	6,600
Earnings Per Share (EPS)	66.95	79.56	89.51	72.45	89.86	108.54
Total Assets	44,302	52,664	57,278	61,122	64,183	69,185
Equity	30,647	34,174	37,559	40,263	44,201	48,568
Equity ratio	69.1%	64.9%	65.6%	65.9%	68.9%	70.2%
Return on Equity (ROE)	13.9%	14.9%	15.2%	11.3%	12.9%	14.2%
Return on Asset (ROA)	14.1%	15.2%	14.7%	11.5%	14.2%	15.3%
Return on Invested Capital (ROIC)	12.3%	13.6%	13.3%	9.8%	11.9%	12.9%

ROE=Net income attributable 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

Earnings Per Share (EPS) for the FY2017 has been converted to a figure that takes into account the stock split.

Effective from the FY2022, 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.

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