(TSE Prime Market Code 3433)

Comprehensive Manufacture of Advanced Coatings

Financial Summary
FY2021 (April 2021 – March 2022)

5/13/2022

TOCALO Co., Ltd.

1. Overview of Consolidated Results
FY2021(April 2021 – March 2022)

Summary of result FY2021

Highlights

(1) Record high revenues and profit

Continued strong performance in the semiconductor field

Generally favorable results except in the industrial machinery sector

(2) Subsidiaries also increase revenues and profits both in Japan and overseas

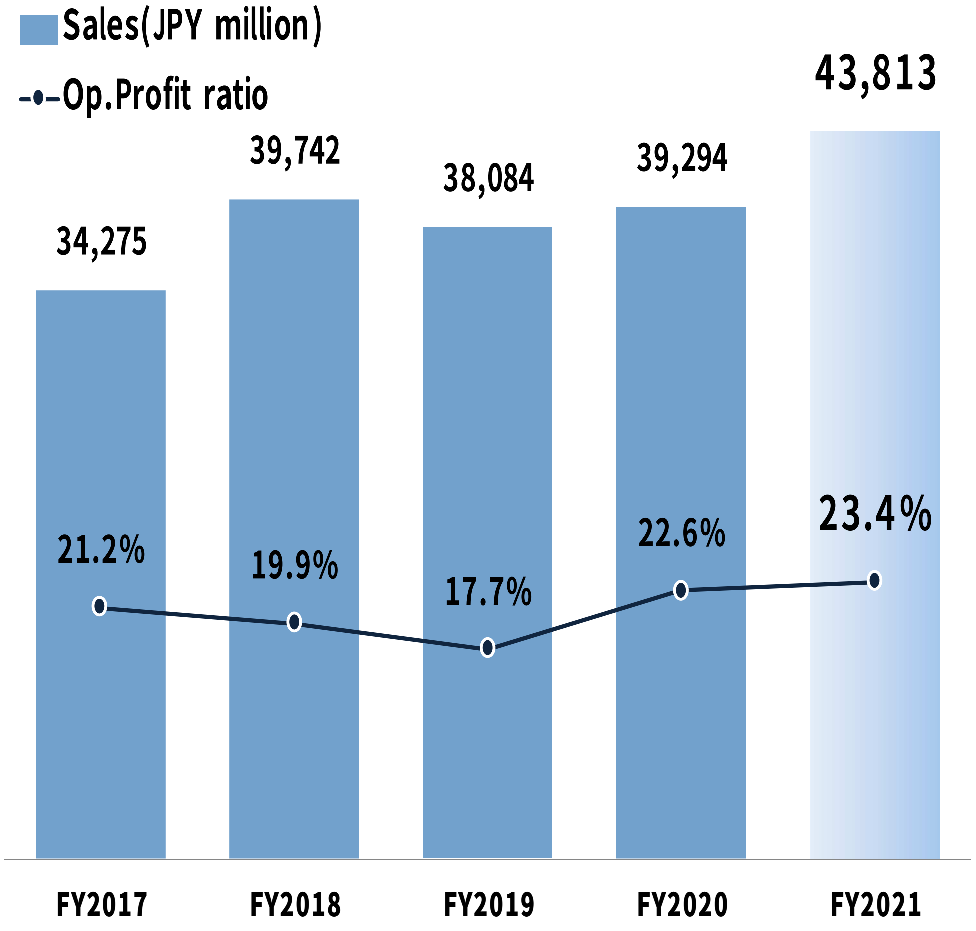
Domestic automotive field remains steady

Strong performance in semiconductor and FPD fields in China and Taiwan

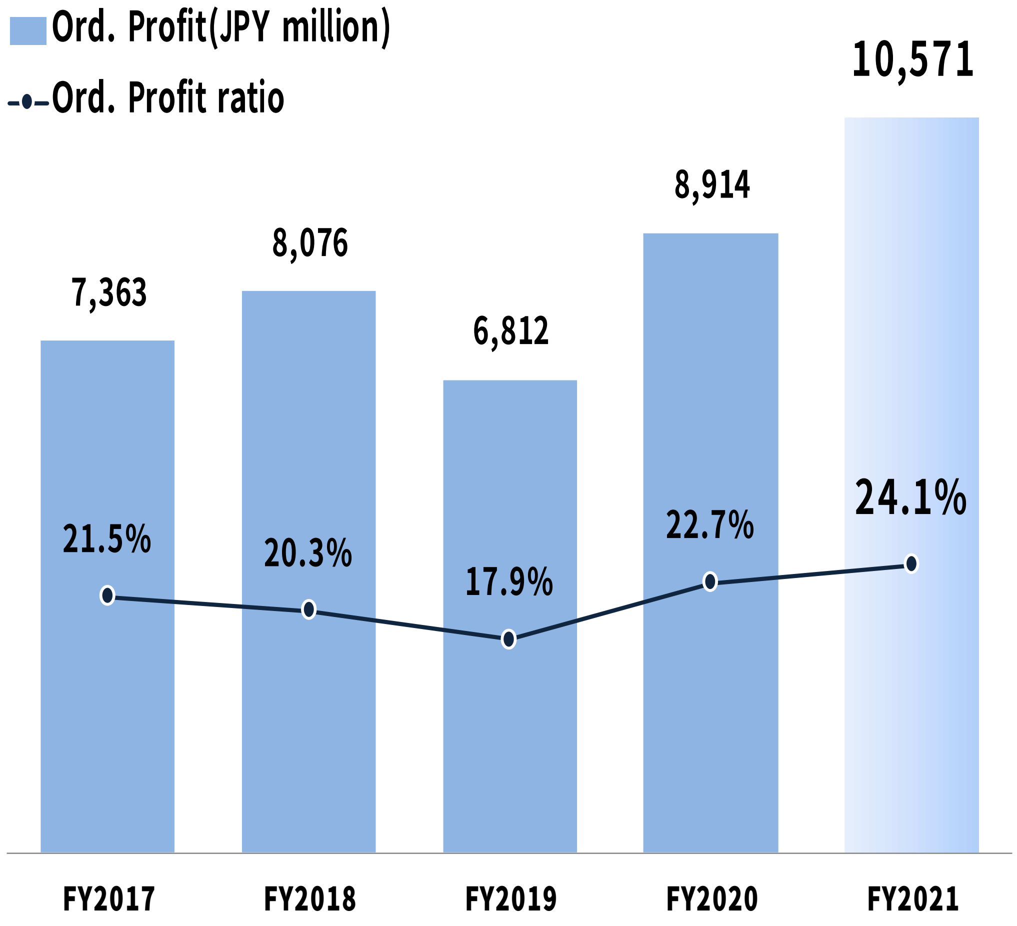
Orders did not recover in China's oil and gas sector

Overview of Consolidated result FY2021

Sales and Operating margin



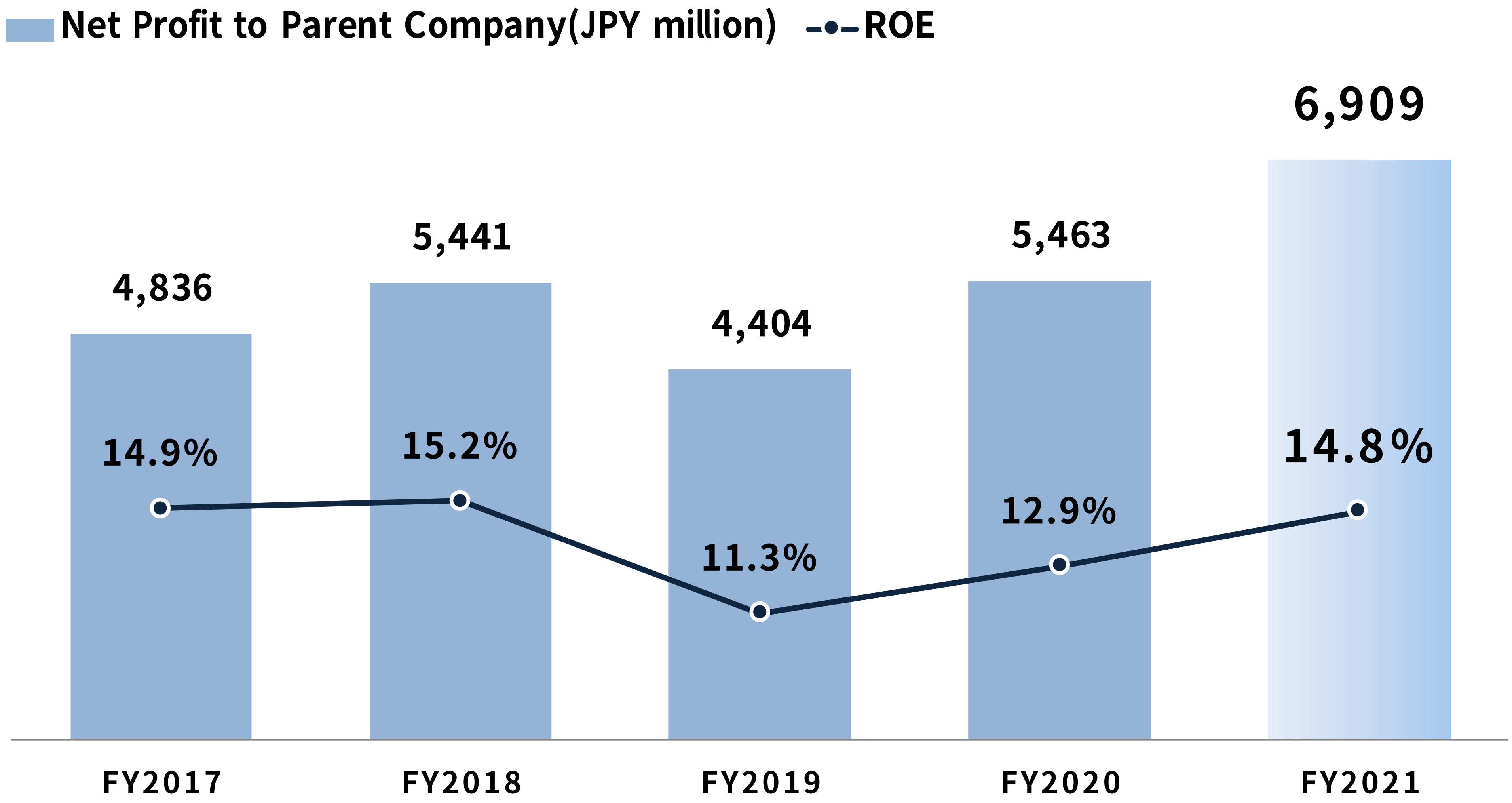
Ordinary Profit and Ordinary Profit ratio



(Note) Effective from the FY2021, 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 result FY2021

Net Profit attribute to Parent Company & ROE



Overview of Consolidated result FY2021

TOCALO

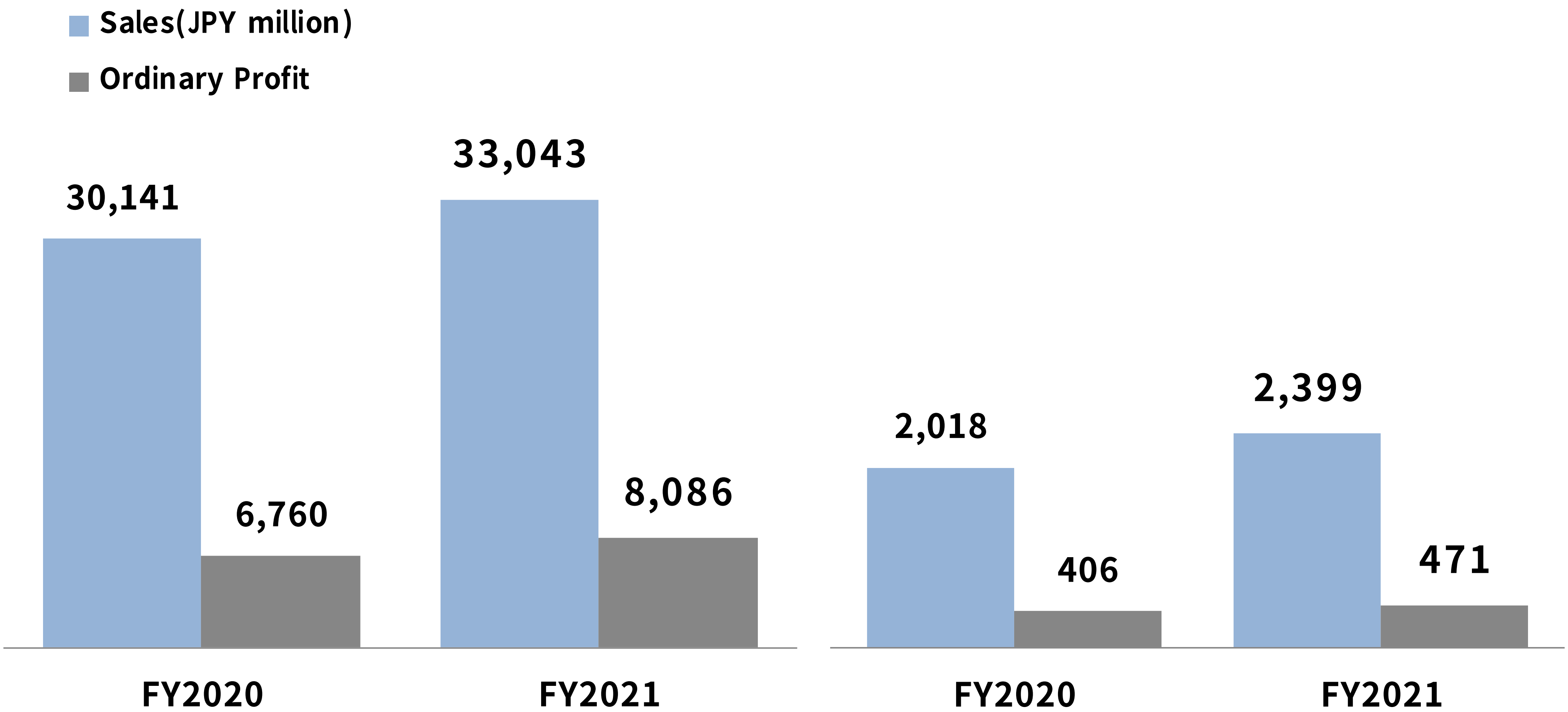
(JPY million)	FY2020		FY2021		Change	
	Result	Ratio	Result	Ratio	Result	Ratio
Net Sales	39,294	100.0%	43,813	100.0%	4,518	11.5%
Thermal Spray	30,141	76.7%	33,043	75.4%	2,902	9.6%
Semicon & FPD	18,176	46.3%	20,643	47.1%	2,467	13.6%
Industrial Parts	3,965	10.1%	3,707	8.5%	△ 258	-6.5%
Iron & Steel	3,166	8.1%	3,450	7.9%	284	9.0%
Others	4,832	12.2%	5,242	11.9%	409	8.5%
Other Surface Modif.	2,112	5.4%	2,502	5.7%	389	18.5%
Domestic Sub.	2,018	5.1%	2,399	5.5%	381	18.9%
Overseas Sub.	4,800	12.2%	5,695	13.0%	895	18.6%
Royalty Income	221	0.6%	171	0.4%	△ 50	-22.7%
Operating Profit	8,890	22.6%	10,255	23.4%	1,365	15.4%
Ordinary Profit	8,914	22.7%	10,571	24.1%	1,656	18.6%
Net Income attribute to owners	5,463	13.9%	6,909	15.8%	1,446	26.5%

(Note) Effective from the FY2021, 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 Spraying Tocalo

Domestic Subsidiary

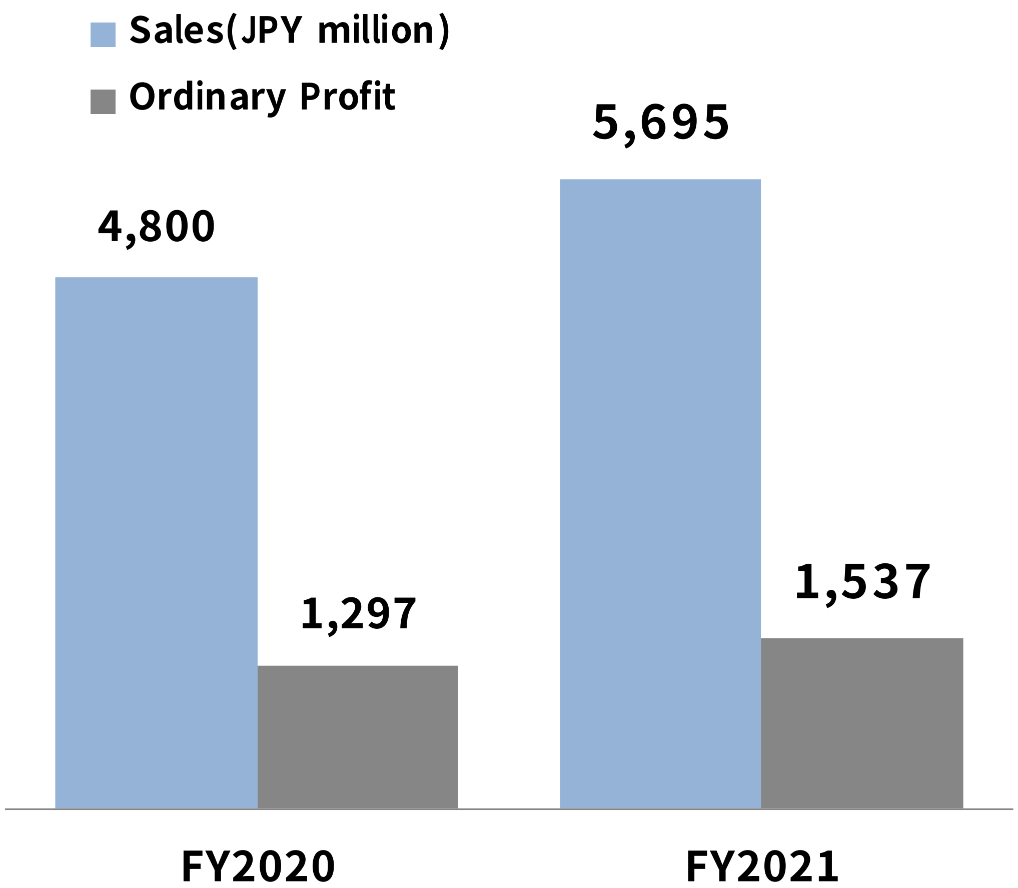


Sales in the industrial machinery field declined, but revenues and profits increased due to growth in the semiconductor and FPD fields.

Orders for cutting tools for automobile parts and construction machinery manufacturers remained strong, resulting in higher sales and profits.

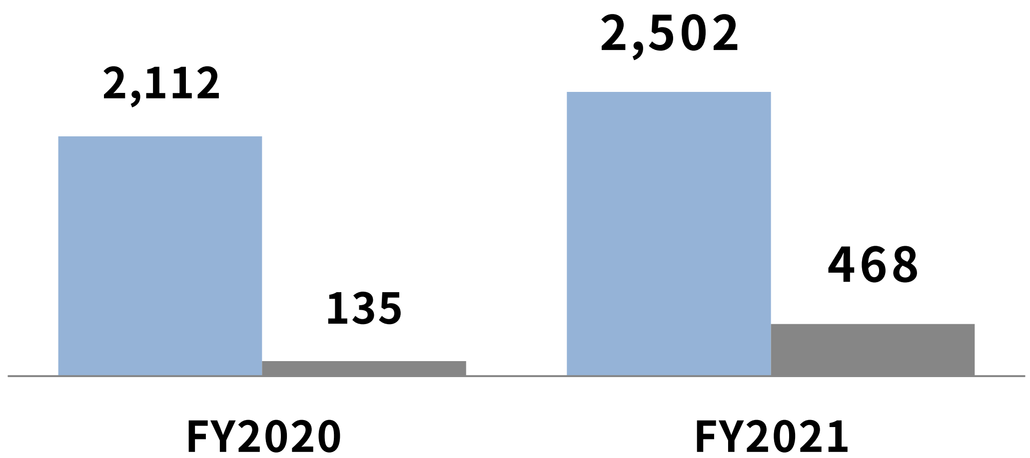
Segment Information

Overseas Subsidiary



Revenues and profits increased due to strong sales of semiconductors and FPDs and a recovery trend in the steel field.

Other Surface Modification



Orders for agricultural machinery parts are on the rise, resulting in higher revenues and profits

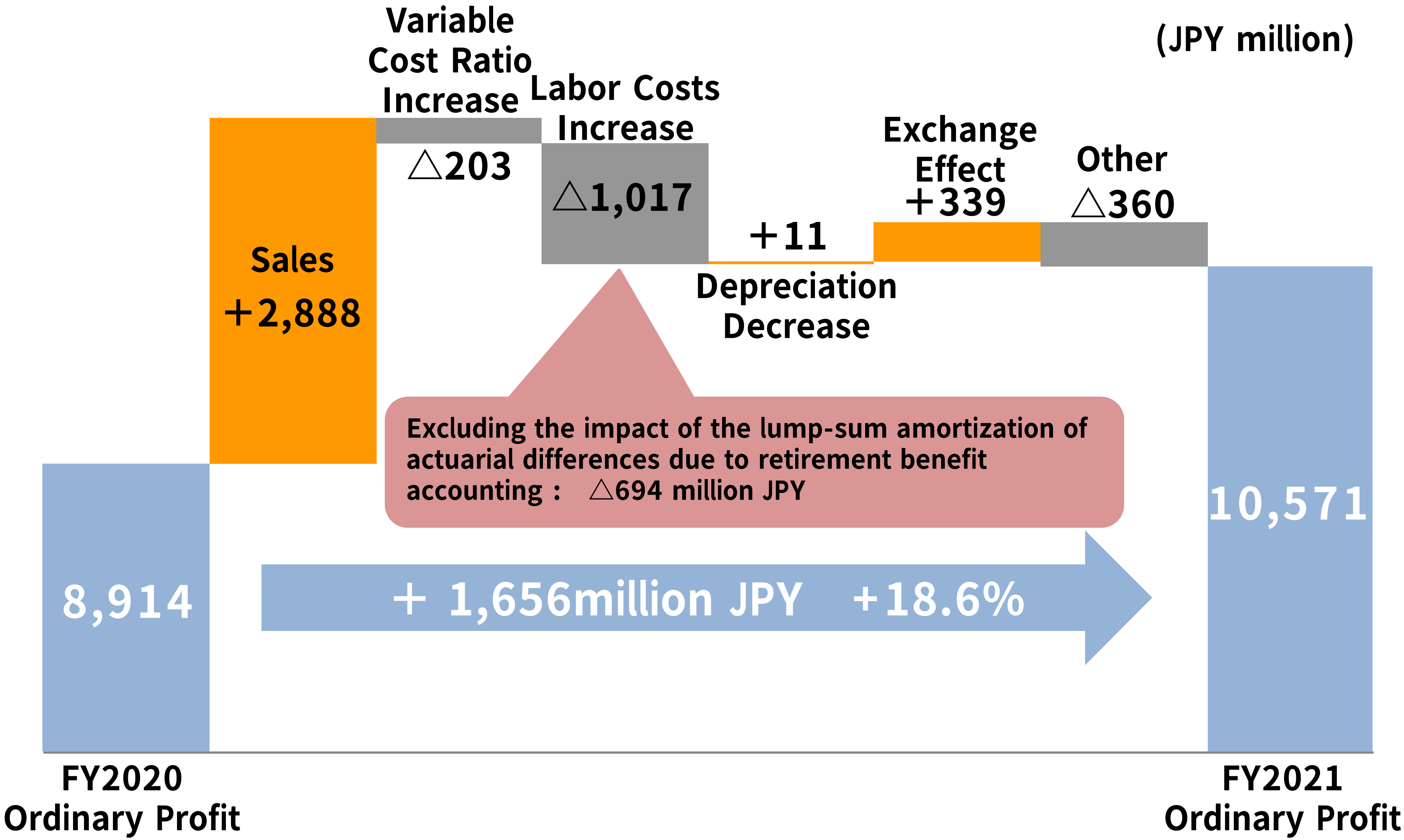
Segment Information

(JPY million)	FY2020		FY2021		Change			
					Net Sales		Segment P/L	
	Net Sales	P/L	Net Sales	P/L	Amount	Ratio	Amount	Ratio
Thermal Spray TOCALO	30,141	6,760	33,043	8,086	2,902	9.6%	1,325	19.6%
Domestic Sub.	2,018	406	2,399	471	381	18.9%	65	16.0%
Overseas Sub.	4,800	1,297	5,695	1,537	895	18.6%	240	18.5%
Other Surface Modifi.	2,112	135	2,502	468	389	18.5%	332	244.8%
Total	39,073	8,600	43,642	10,564	4,569	11.7%	1,963	22.8%

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

Analysis of Ordinary P/L Change

(JPY million)



Financial Position

(JPY million)	FY2020 4Q	FY2021 4Q
Total Assets	64,183	69,517
Equity	44,201	49,099
Equity ratio	68.9%	70.6%
Interest-bearing debt	6,031	4,249

- Total assets increased 5,334 million yen from the end of the previous period（Increase in tangible fixed assets 2,145 million yen)
- Equity ratio increased 1.7 points from the previous fiscal year to 70.6%
- Interest-bearing debt decreased by 1,781 million yen from the end of the previous fiscal year (no new borrowing)

Cash Flow

(JPY million)	FY2020	FY2021
Operating CF	10,588	9,873
Investment CF	△ 4,615	△ 5,044
Financial CF	△ 3,798	△ 4,547
Cash Balance	18,672	19,141

- Free Cash Flow FY2021（Operating ＣＦ＋Investment ＣＦ） +4,800million JPY
- Investment ＣＦ／Acquisition of tangible assets

  Previous term：△4,300million JPY　This term：△4,500million JPY
- Financial ＣＦ／Dividends paid

  Previous term：△1,500million JPY　This term：△2,500million JPY

Capital Investment

FY2021 Result

Capital investment amount 4,385million JPY

TOCALO 3,282million JPY

Kurashiki factory new construction and relocation related 1,300million JPY
New building construction in Tokyo Plant 1,200million JPY
Akashi Harima Plant Introduction of SC related equipment
Introduction of next-generation coating to develop equipment etc.

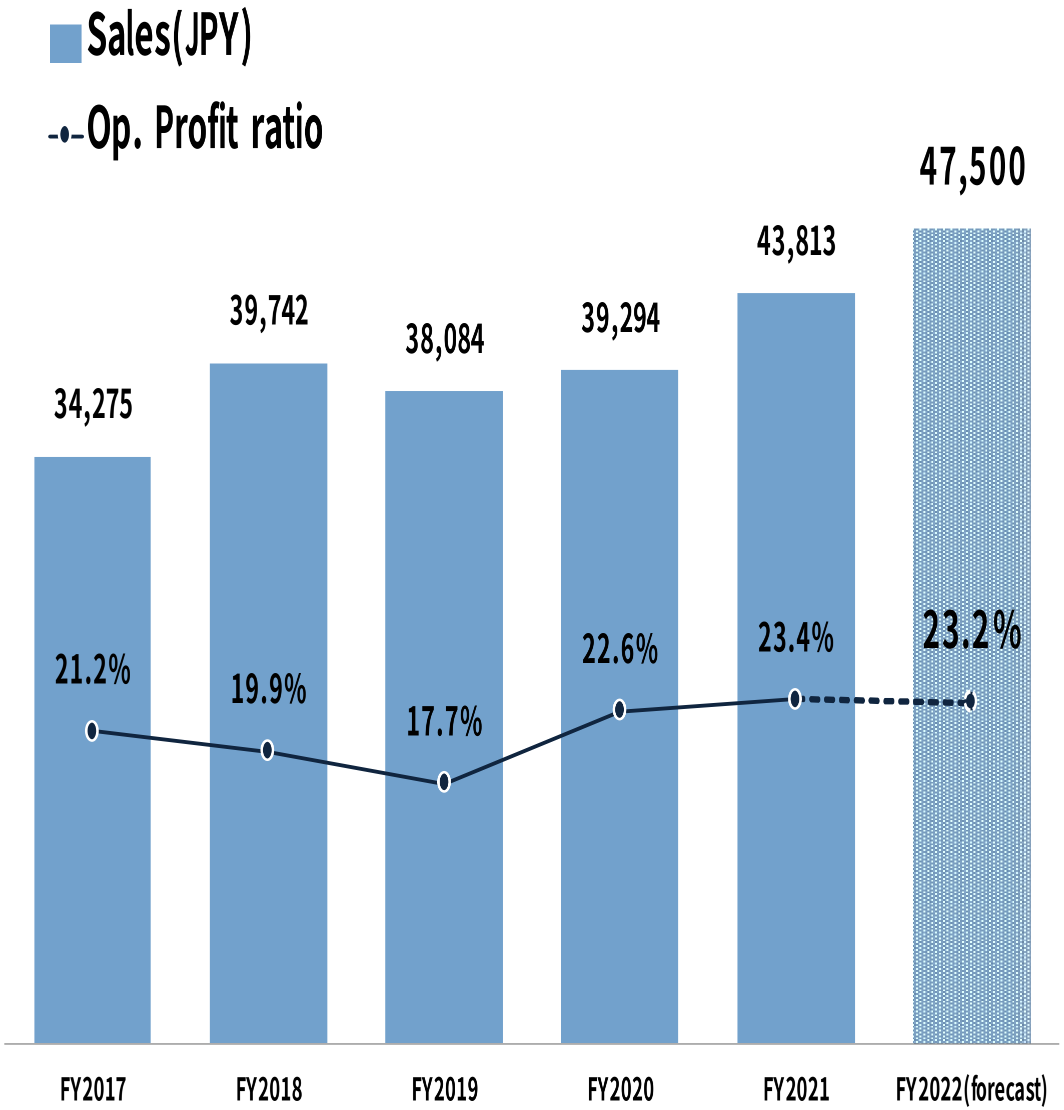
Domestic Subsidiary
Mainly new PVD equipment related 284million JPY

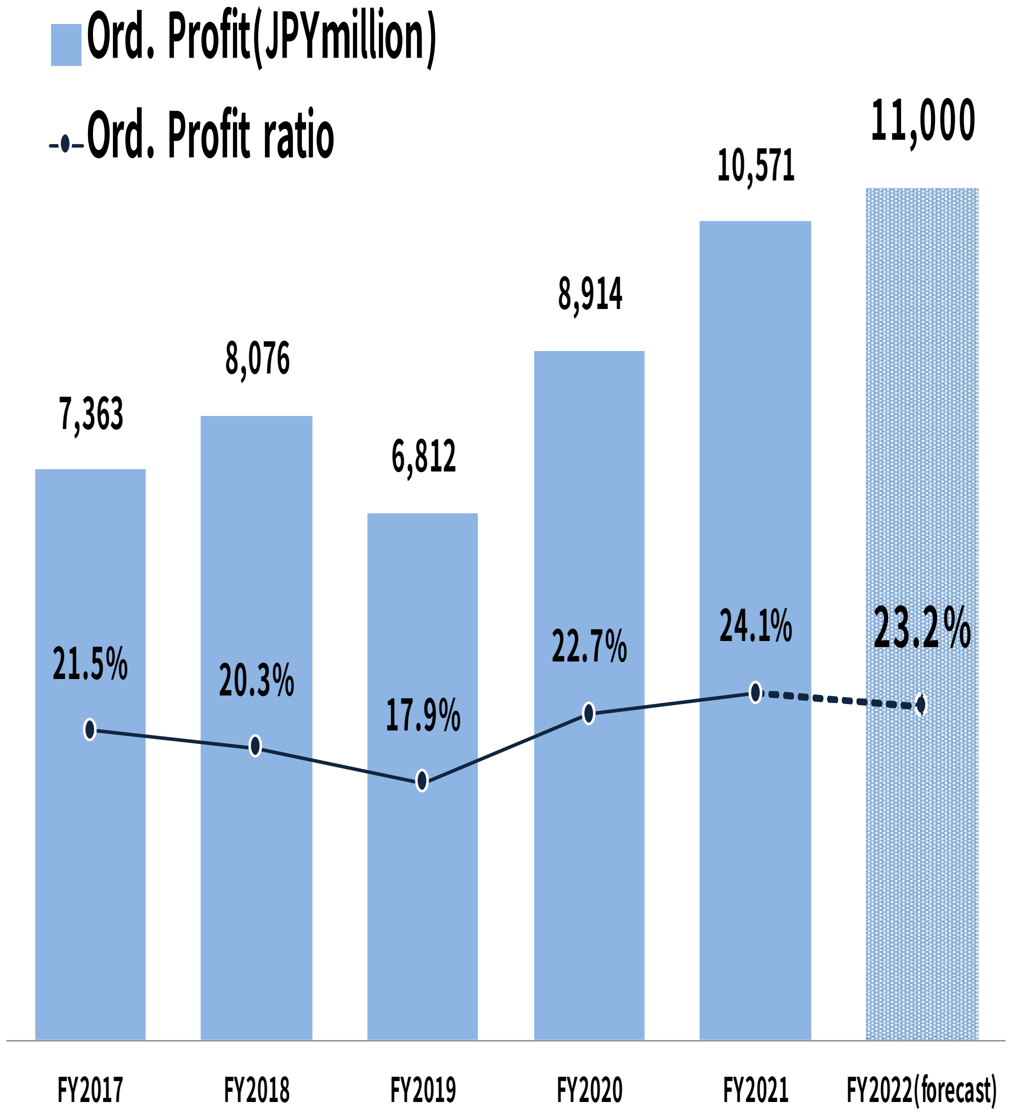
Overseas Subsidiary
Mainly SC & FPD fields in Taiwan 818million JPY

<Kurashiki New Plant>

2．Forecast of FY2022

Forecast of FY2022





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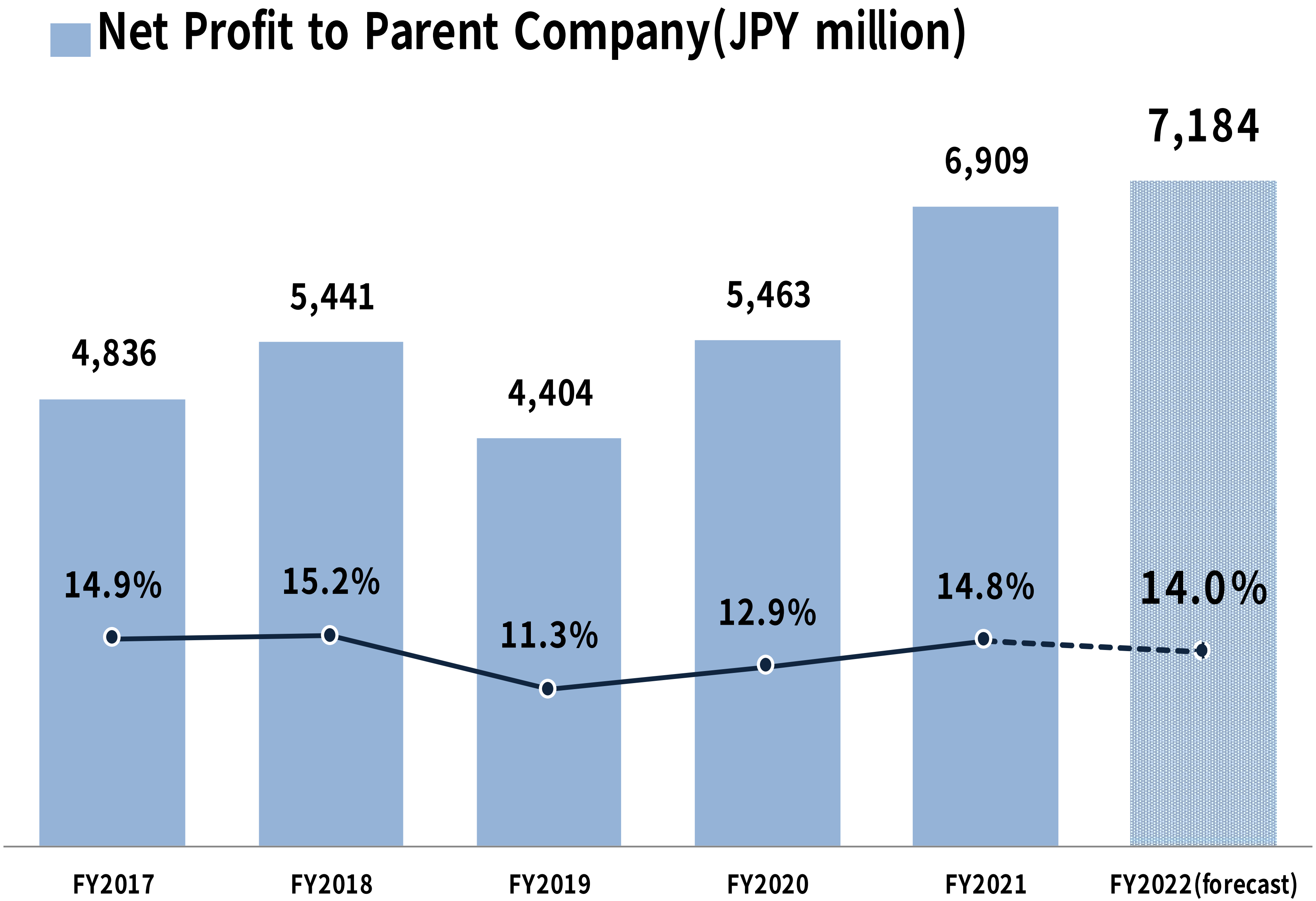
Forecast of FY2022



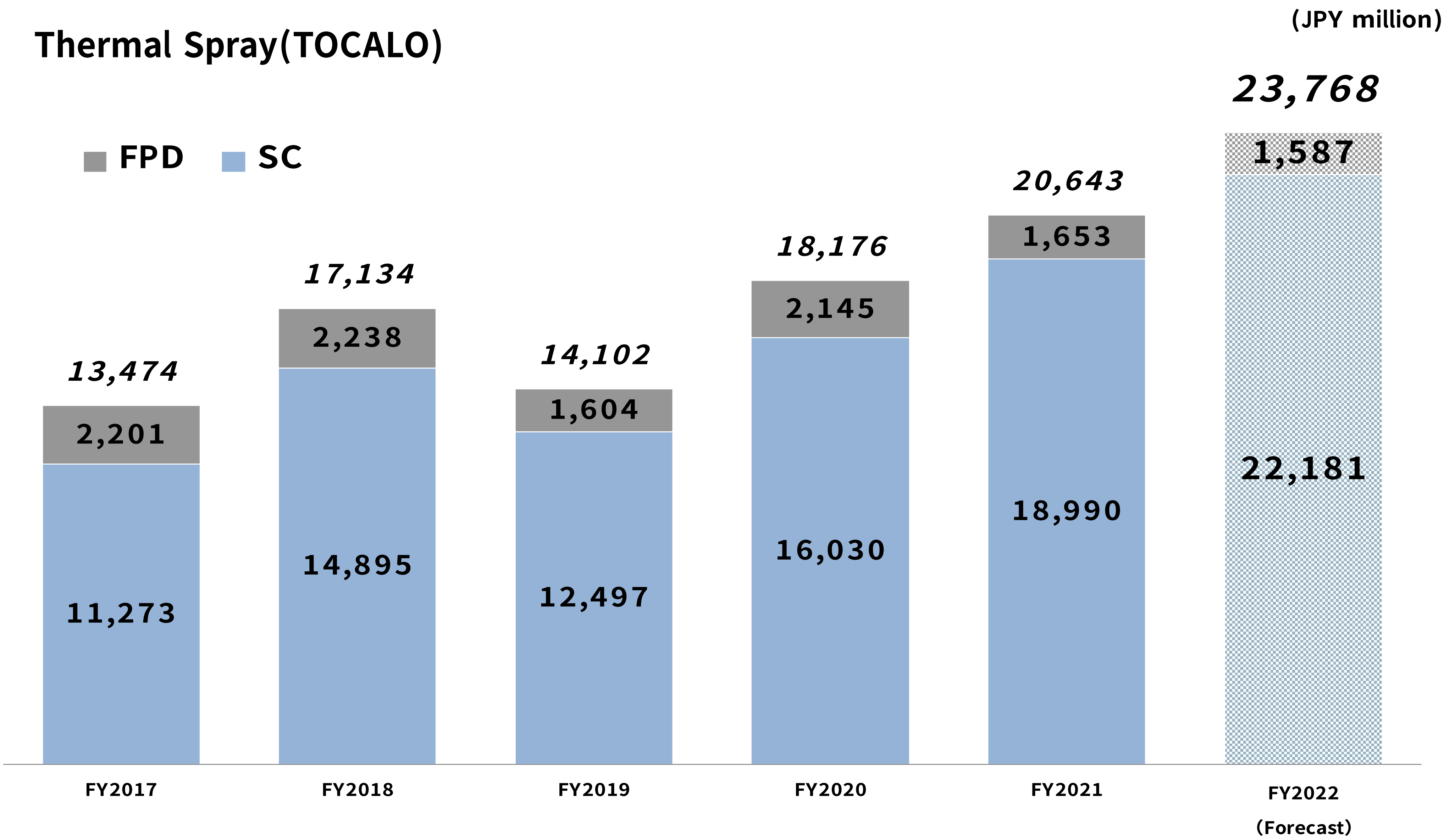
Forecast of FY2022

(JPY million)	FY2021		FY2022		Change	
	Result	Ratio	Forecast	Ratio	Amount	Ratio
Net Sales	43,813	100.0%	47,500	100.0%	3,686	8.4%
Thermal Spray	33,043	75.4%	36,496	76.8%	3,452	10.4%
Semi-con,FPD	20,643	47.1%	23,768	50.0%	3,124	15.1%
Industrial Parts	3,707	8.5%	3,742	7.9%	34	0.9%
Iron & Steel	3,450	7.9%	3,639	7.7%	188	5.5%
Others	5,242	11.9%	5,347	11.2%	104	2.0%
Other Surface Md.	2,502	5.7%	2,595	5.5%	92	3.7%
Domestic Sub.	2,399	5.5%	2,528	5.3%	128	5.3%
Overseas Sub.	5,695	13.0%	5,701	12.0%	5	0.1%
Royalty Income etc.	171	0.4%	180	0.4%	8	5.2%
Operational Profit	10,255	23.4%	11,000	23.2%	744	7.3%
Ordinary Profit	10,571	24.1%	11,000	23.2%	428	4.1%
Net Profit attribute to Parent Company	6,909	15.8%	7,184	15.1%	274	4.0%

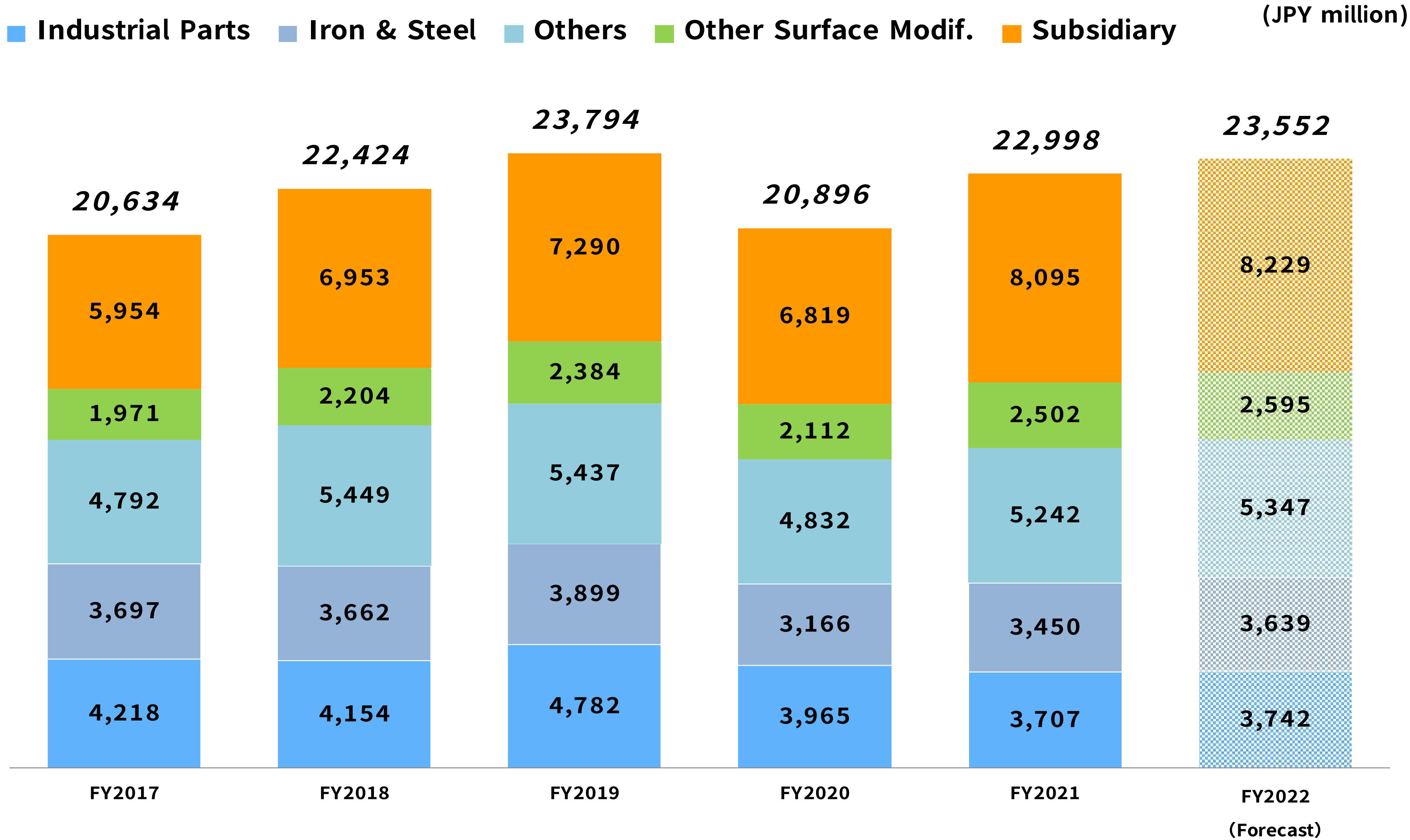
(Note) Effective from the FY2021, the classification of Royalty Income has been changed from non-operating income to net sales.

SC & FPD Net Sales

Thermal Spray(TOCALO)

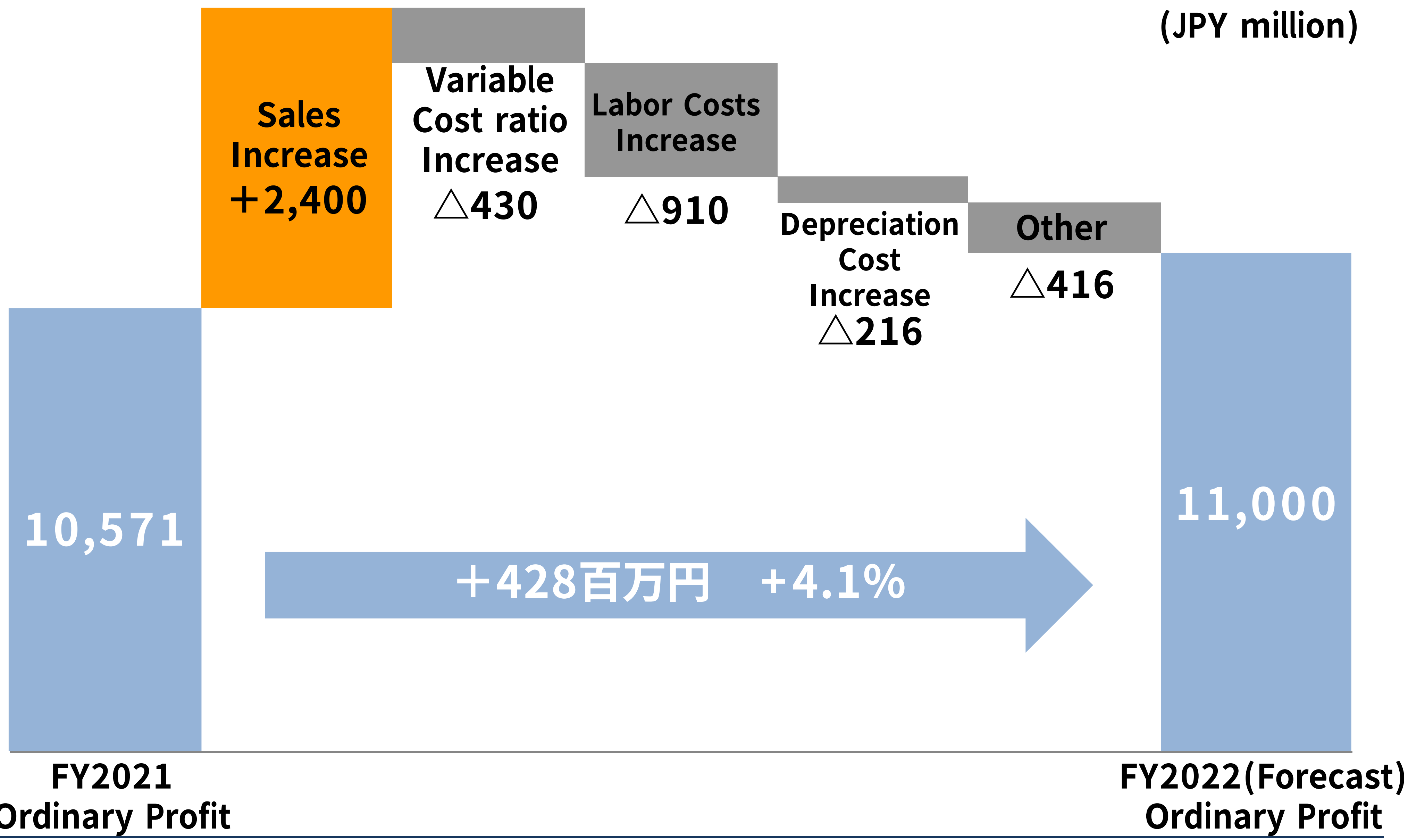


Non-SC & FPD Net Sales

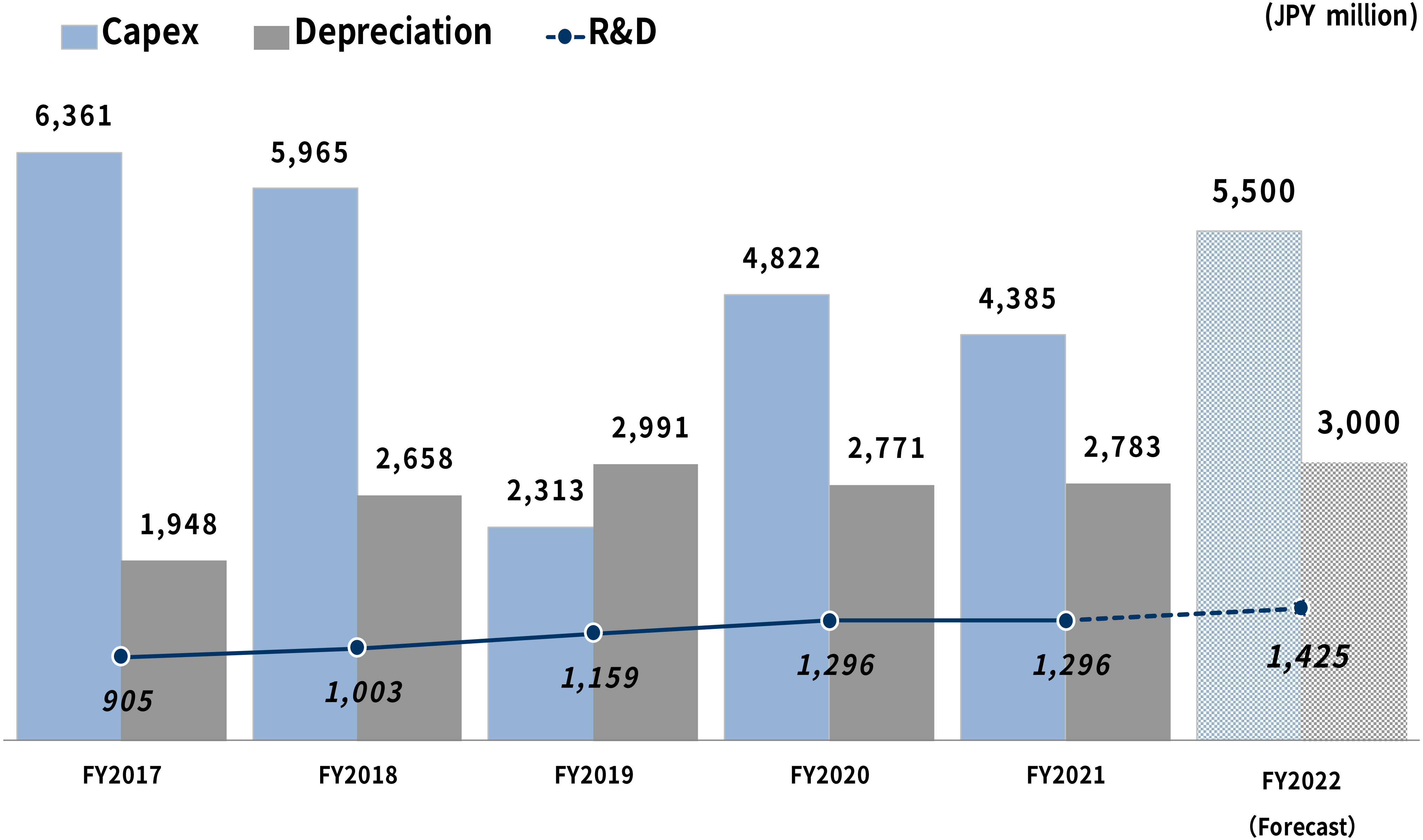


(Note) Royalty Income is not included in the Segment Net Sales.

Analysis of Ordinary P/L Change Forecast of FY2022



Capex･Depreciation･R&D Expenses



Capital investment plan

FY2022 Estimated amount 5,500million JPY

TOCALO

Mainly Tokyo・Akashi・kitakyusyu

Production capacity expansion, etc. 3,500million JPY

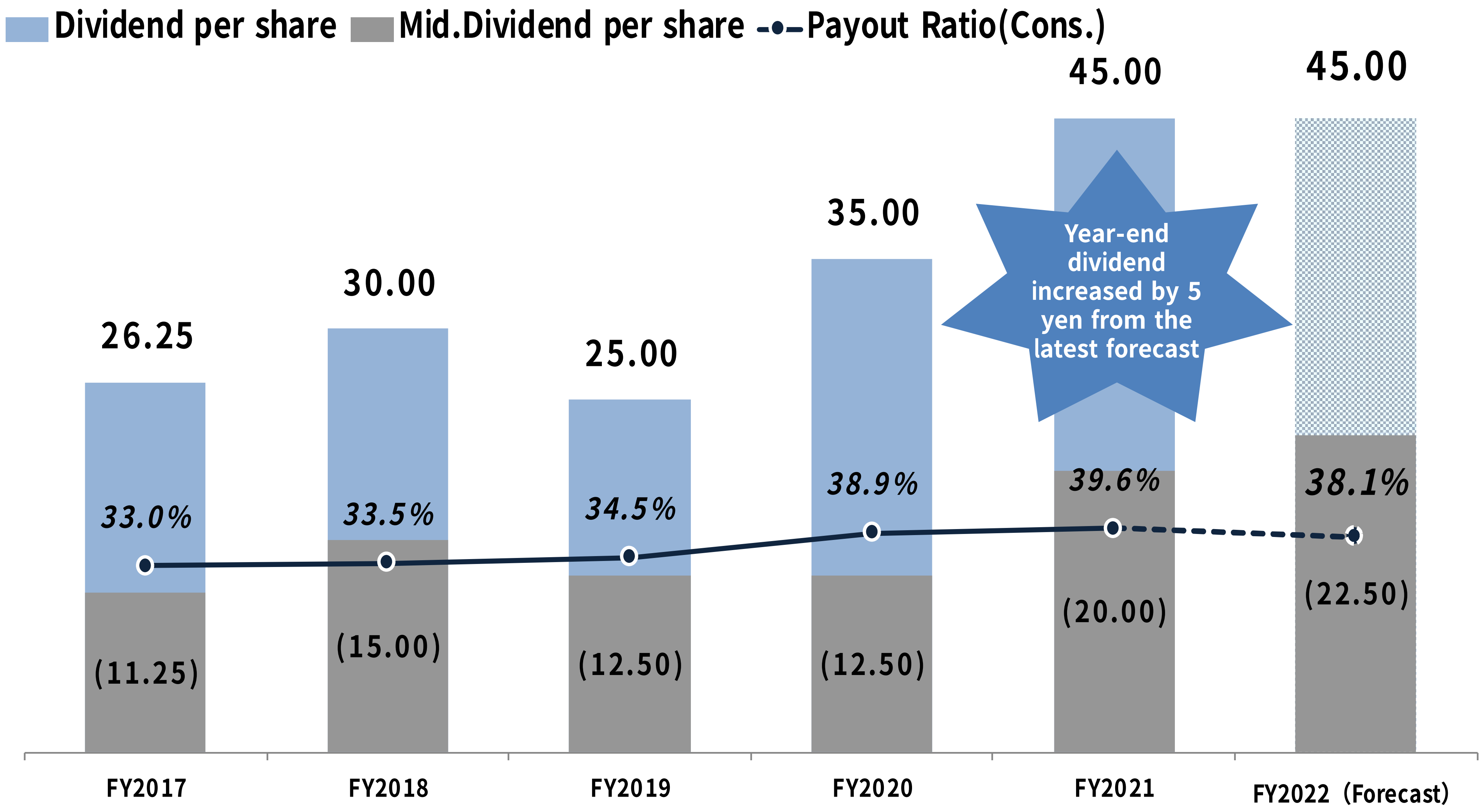
Domestic Subsidiary

Production capacity expansion, etc. 200million JPY

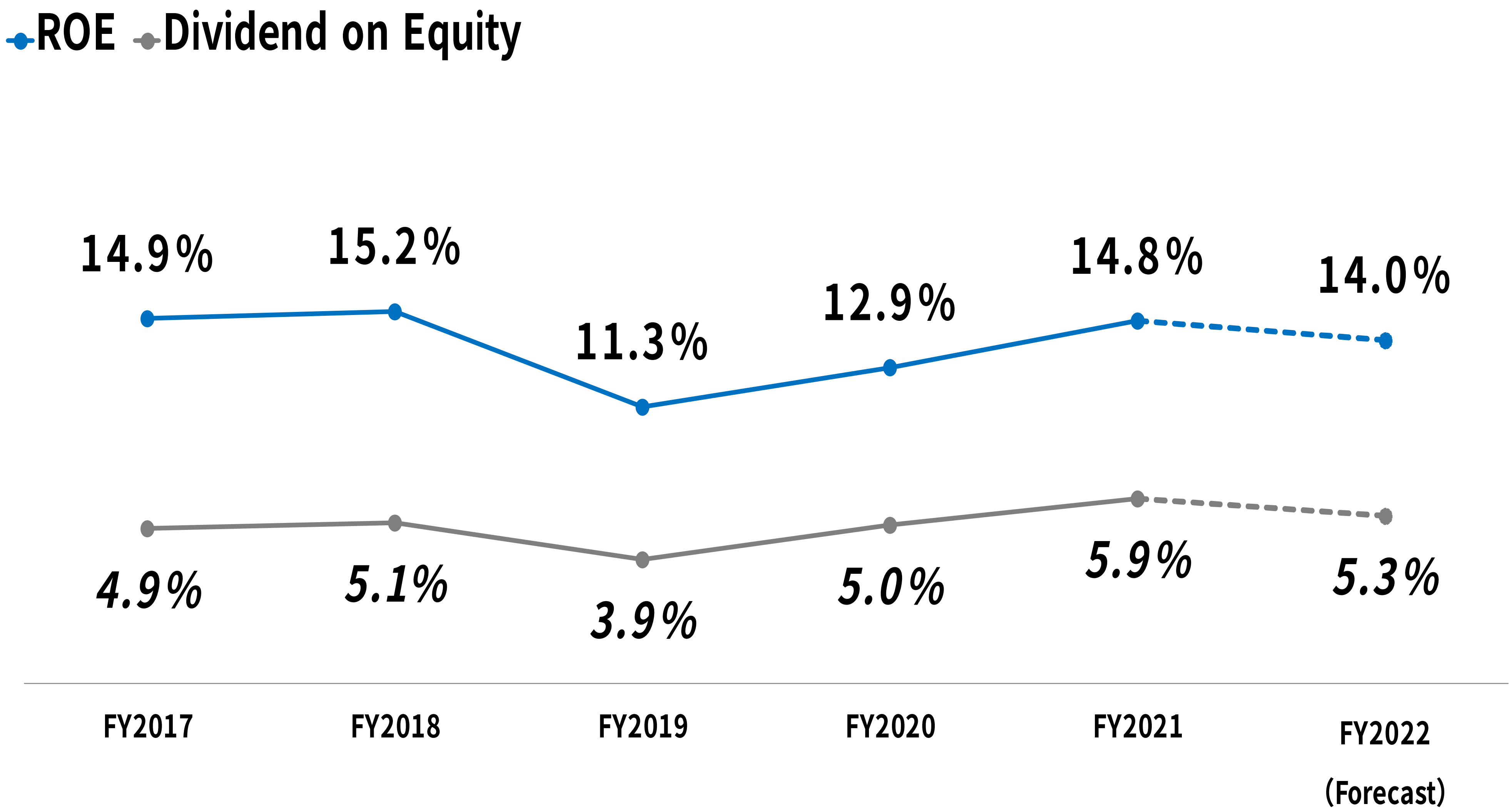
Overseas Subsidiary

New plant construction in Taiwan etc. 1,800million JPY

Dividends


Dividend per share
Mid.Dividend per share
Payout Ratio(Cons.)
26.25
30.00
25.00
35.00
45.00
45.00
33.0%
33.5%
34.5%
38.9%
39.6%
38.1%
(11.25)
(15.00)
(12.50)
(12.50)
(20.00)
(22.50)
Year-end dividend increased by 5 yen from the latest forecast
FY2017
FY2018
FY2019
FY2020
FY2021
FY2022 (Forecast)

ROE・Dividend on Equity



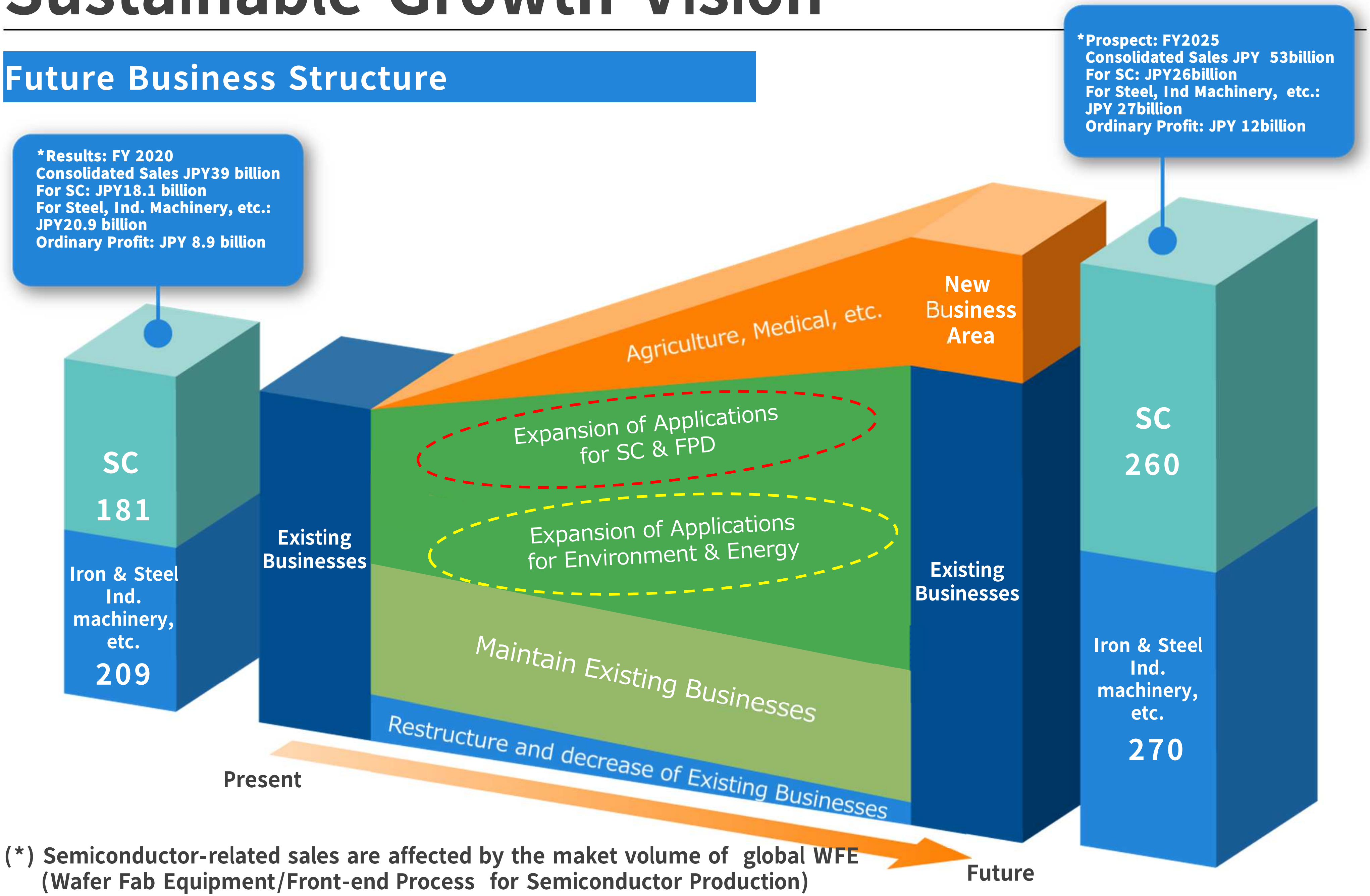
ROE ＝ Net income attribute to owners of parent/Average Equity during the period

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

3．Progress of Medium-term Management Plan

Sustainable Growth Vision

Future Business Structure

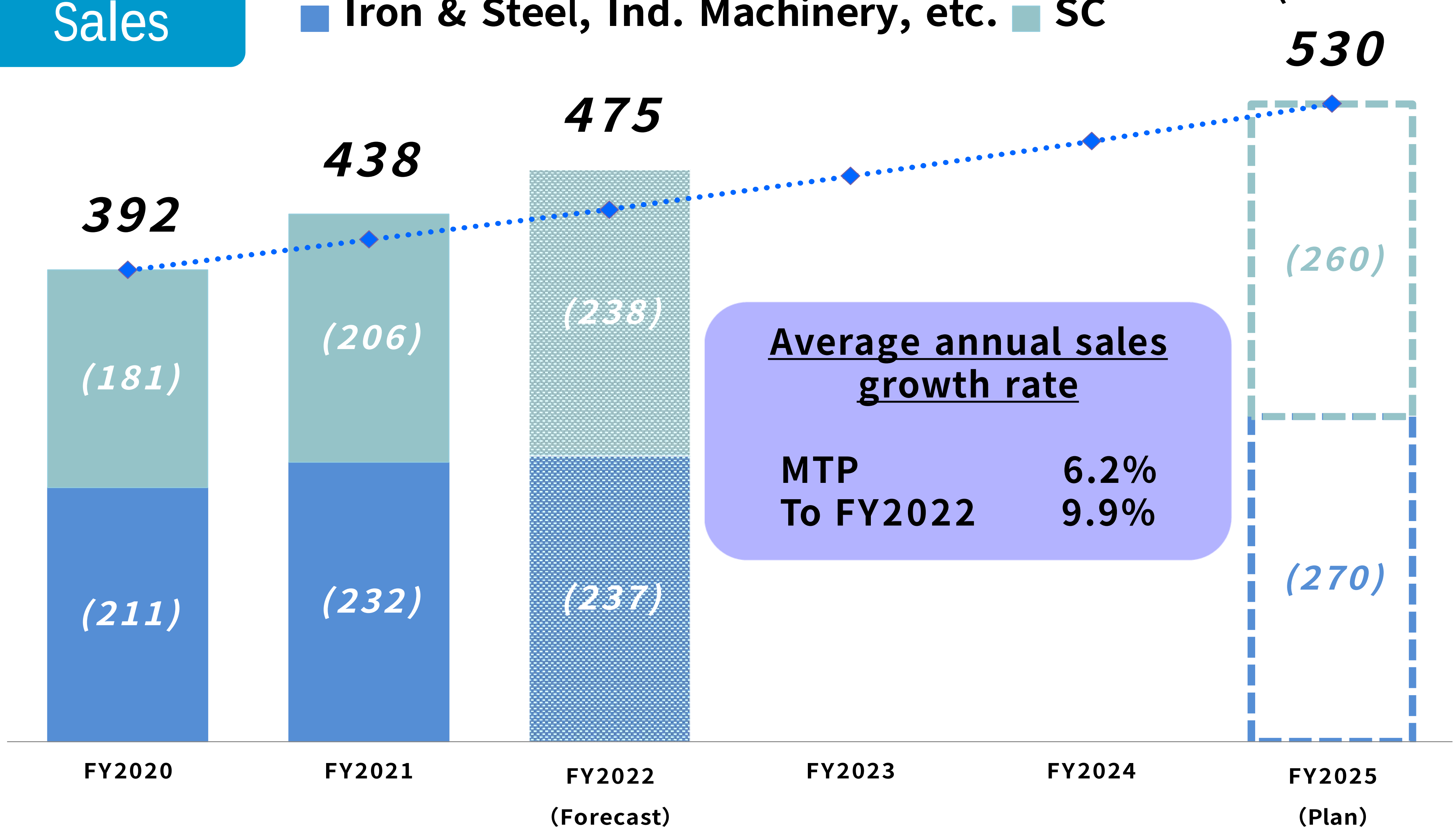


(*) Semiconductor-related sales are affected by the maket volume of global WFE (Wafer Fab Equipment/Front-end Process for Semiconductor Production)

Progress of Medium-term Management Plan

Sales

(JPY billion)



Average annual sales growth rate

MTP	6.2%
To FY2022	9.9%

(Note) Effective from the FY2022, the classification of Royalty Income has been changed from non-operating income to net sales, 200 million yen of Royalty income for FY2021/3 is included in net sales of Iron & Steel, Ind. Machinery, etc.

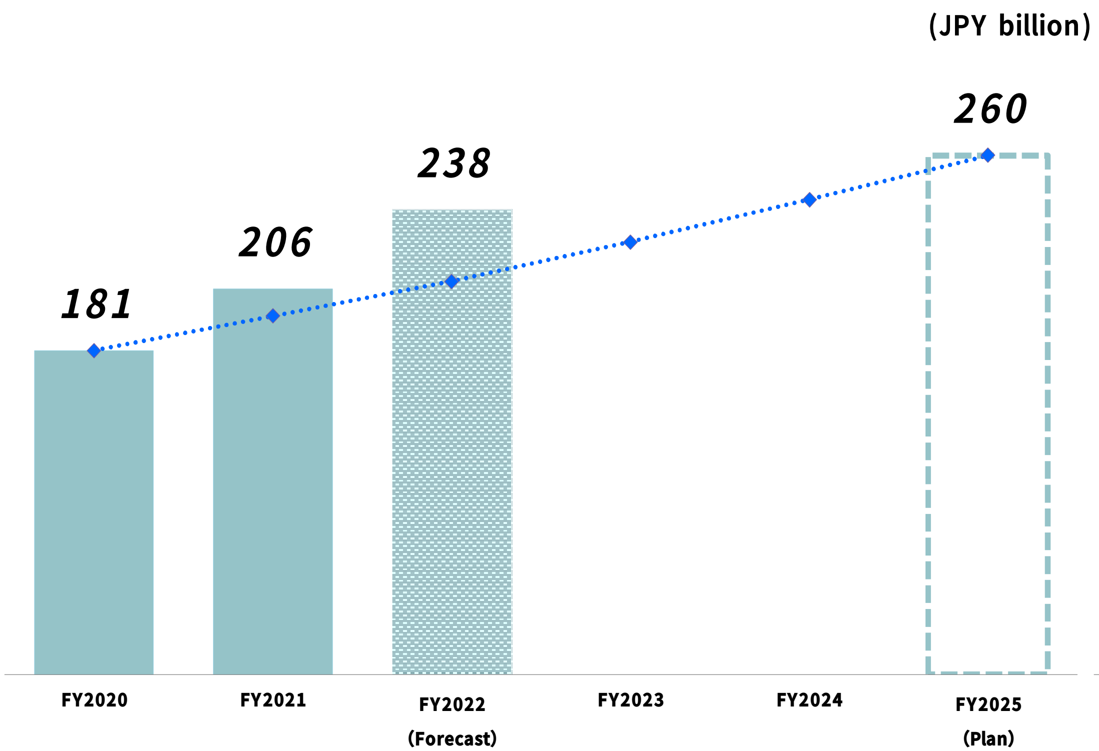
Progress of Medium-term Management Plan

TOCALO

Sales of Semi-con

Average annual sales growth rate

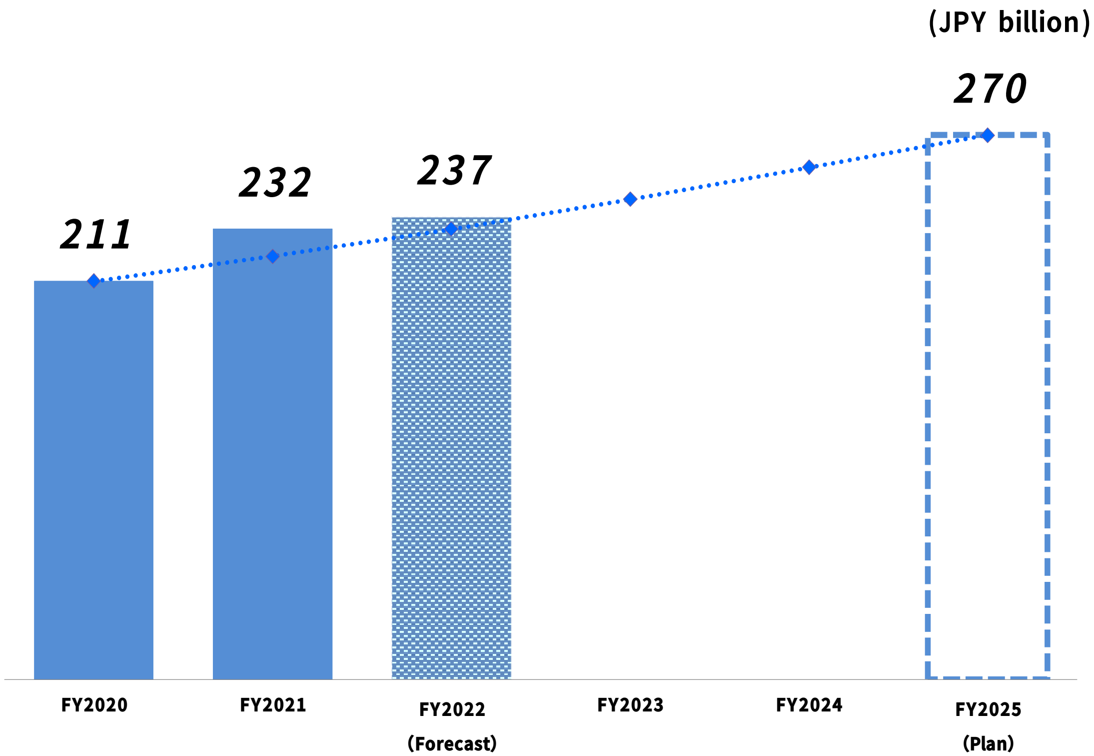
MTP	7.4%
To FY2022	14.4%



Sales of Iron & Steel, Ind. machinery

Average annual sales growth rate

MTP	5.0%
To FY2022	6.0%



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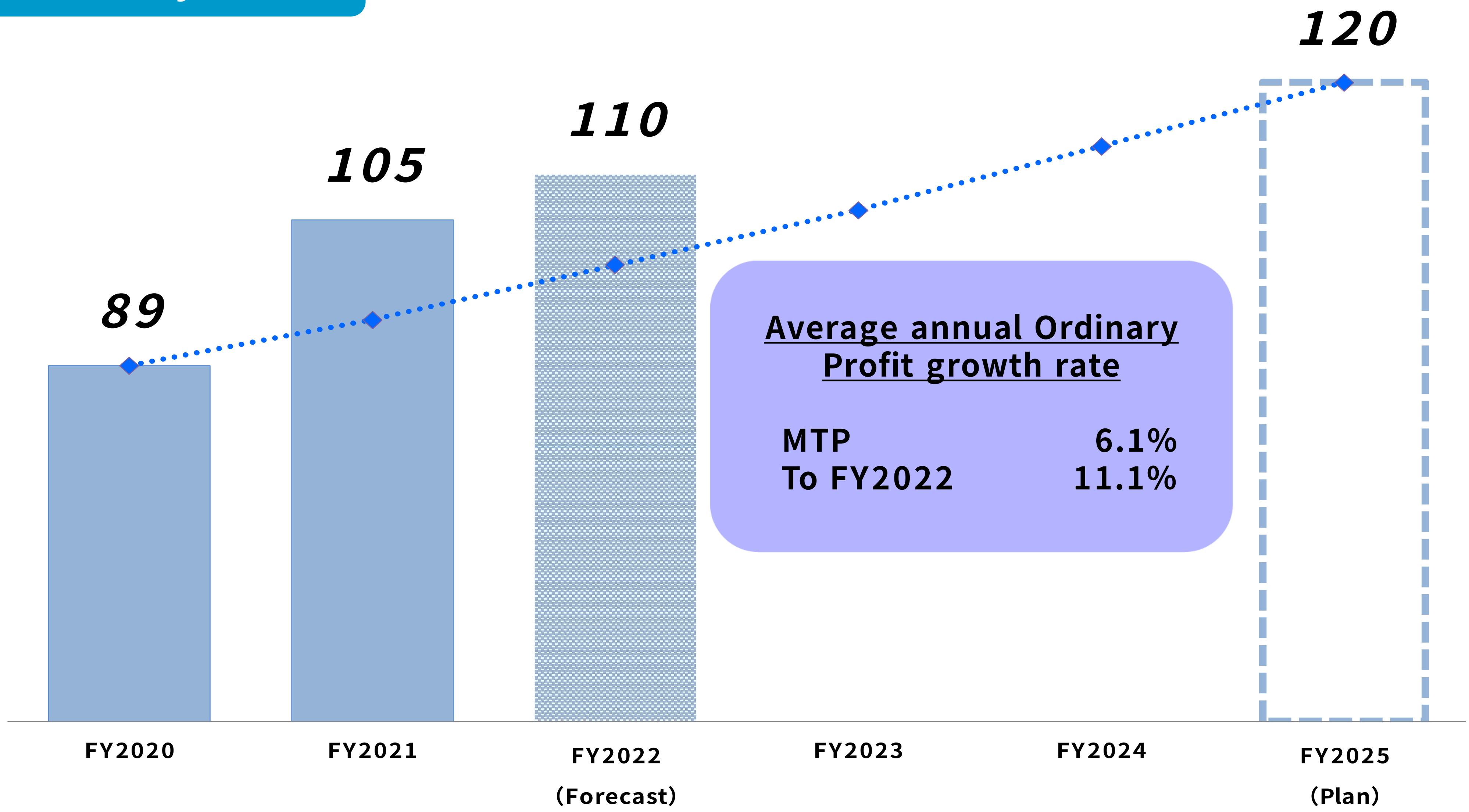
Progress of Medium-term Management Plan

Ordinary Profit

(JPY billion)



Average annual Ordinary Profit growth rate

MTP	6.1%
To FY2022	11.1%

Finance and Shareholder Returns FY2021

TOCALO

<Maintaining Strong Financial Solidity>

- Maintain Capital Ratio (Approx. 70%) (No-Debt Management)

Capital adequacy ratio 70.6%

<Maintaining High Profitability>

ROE 14.8%

- Maintain ROE (Return On Equity) (Target: 15%)
- Maintain Ordinary Profit Ratio (Target: 20%)
- Maintain and Improve EPS (Earnings Per Share)

Ordinary Profit ratio 24.1%

EPS 113.62円 (FY2021 89.86円)

<Dividend Payout Ratio>

- Pay stable dividends targeting more than 1/3 of net profit
- Maintain DOE (Dividend On Equity Ratio) (Target:5%)

Dividend payout ratio 39.6%

DOE 5.9%

Capex, R&D Expenses

FY2021

TOCALO

<Capital Expenditures>

Continuous invest to maintain technological superiority and improvements

Total JPY25-35 billion (JPY5-7 billion/year)

Capex 4,385million JPY

For mass production of semiconductor components, new technology processes, production efficiency and others.

<R&D Expenses + Technology Development Expenses>

R&D Expenses: Maintain approx. 3% of consolidated sales

Ratio of R&D expenses to net sales 3.0%

Technology Development Expenses:

Continuous investment in production technology divisions at each plant

Ratio of Technology Development Expenses 2.0%

Environmental Initiatives

FY2021

Research Started

- Electricity consumption
  42,492MWh（FY2021 39,824 MWh)
- Electricity consumption per million yen of sales
  1.16MWh（FY2021 1.21MWh)

<Reduction of Environmental Impact>

- For Zero Greenhouse Gas Emissions
  - Consider coating method without using fossil fuel
  - Reduce electric power consumption by improving manufacturing processes
  - Utilization of Renewable Energy

Tokyo, Akashi, Kobe, and Kitakyushu plants to switch entirely or partially to renewable energy sources

※Target: 46% reduction in greenhouse gas emissions by the end of FY2030 compared to FY2013 (Government target)
(2 years preparation period from 2021 to 2022)

- Prevention of Water and Air Pollution

  Assess the status and improve situations at all processes of our business activities.

Working on understanding the situation.

Reference

TOCALO Co., Ltd.

Financial Highlights

TOCALO

(million JPY)	FY2017 Result	FY2018 Result	FY2019 Result	FY2020 Result	FY2021 Result	FY2022 Forecast
Orders received	36,851	38,915	38,011	39,021	45,394	-
Backlog of Orders	6,725	6,081	6,195	6,143	7,896	-
Net Sales	34,275	39,742	38,084	39,294	43,813	47,500
Operating Profit	7,270	7,905	6,727	8,890	10,255	11,000
Ordinary Profit	7,363	8,076	6,812	8,914	10,571	11,000
Ordinary Profit Ratio	21.5%	20.3%	17.9%	22.7%	24.1%	23.2%
Net income attribute to owners of parent	4,836	5,441	4,404	5,463	6,909	7,184
Earnings Per Share (EPS)	79.56	89.51	72.45	89.86	113.62	118.12
Total Assets	52,664	57,278	61,122	64,183	69,517	75,203
Equity	34,174	37,559	40,263	44,201	49,099	53,394
Equity ratio	64.9%	65.6%	65.9%	68.9%	70.6%	71.0%
Return on Equity (ROE)	14.9%	15.2%	11.3%	12.9%	14.8%	14.0%
Return on Asset (ROA)	15.2%	14.7%	11.5%	14.2%	15.8%	15.2%
ROIC	13.6%	13.3%	9.8%	11.9%	13.0%	13.1%

ROE＝Net income attributable to owners of parent/Average Equity during the period、ROA＝Ordinary Profit/Average Total Assets during the period

ROIC (Return On Invested Capital)＝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