(TSE Prime Market Code 3433)

Comprehensive Manufacture of Advanced Coatings

Financial Summary
FY2022 (April 2022 – March 2023)

5/16/2023

TOCALO Co., Ltd.

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1. Overview of Consolidated Results FY2022

Summary of result FY2022

Highlights

(1) Record high revenues and profit for the second consecutive fiscal year

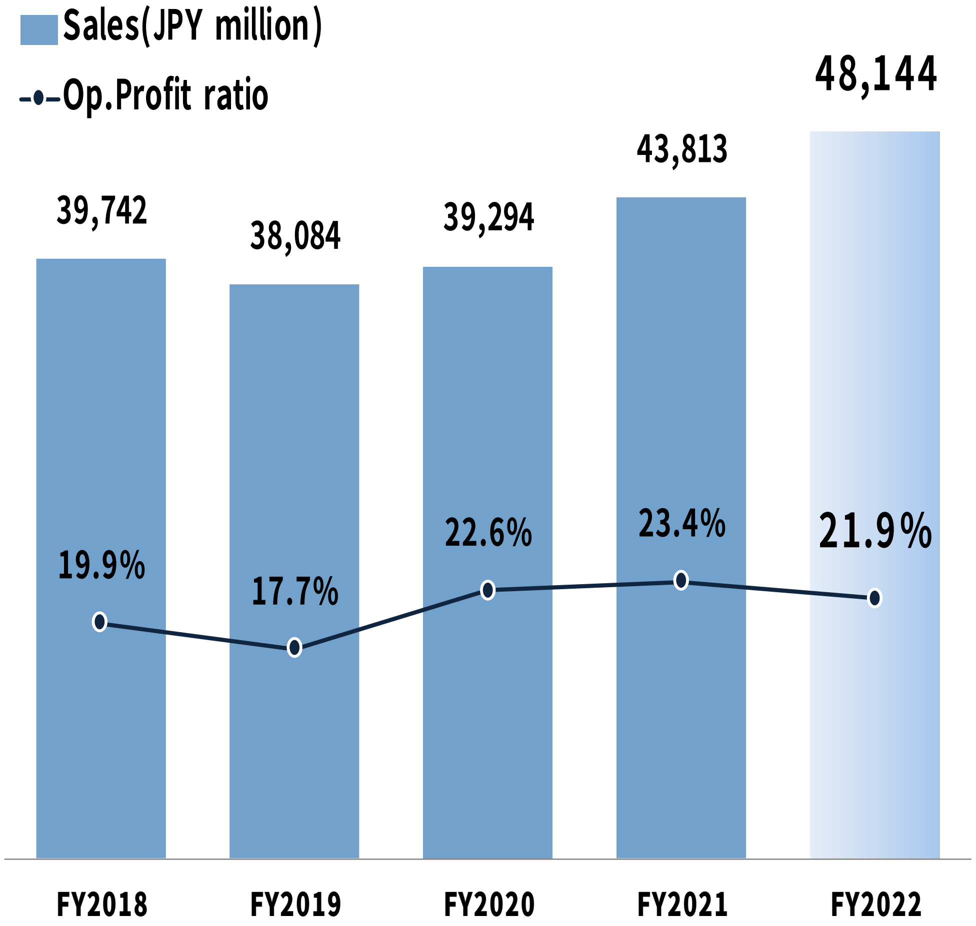
Due to increase in sales in the SC & FPD fields. Progress in other segment was generally in line with expectations.

(2) Overseas Subsidiaries Increase in revenues and profit

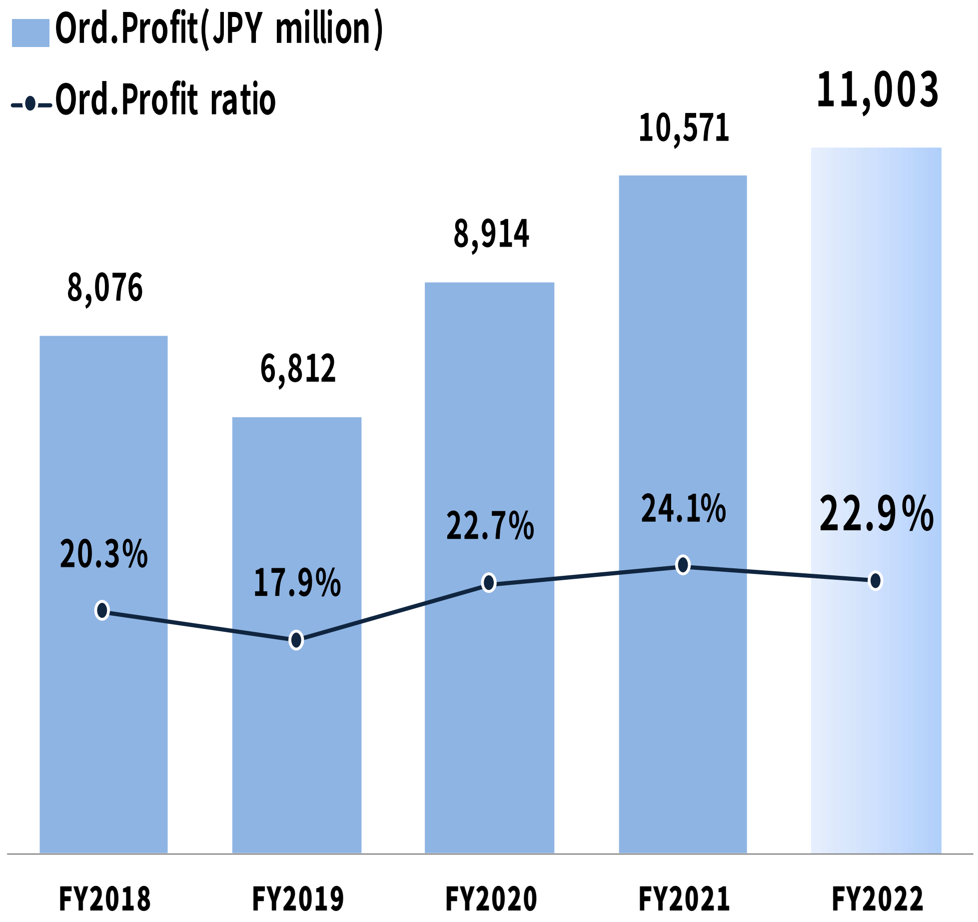
Orders for SC and steel-related products remained steady in China and Taiwan.

Overview of Consolidated result FY2022

Sales and Operating Profit ratio



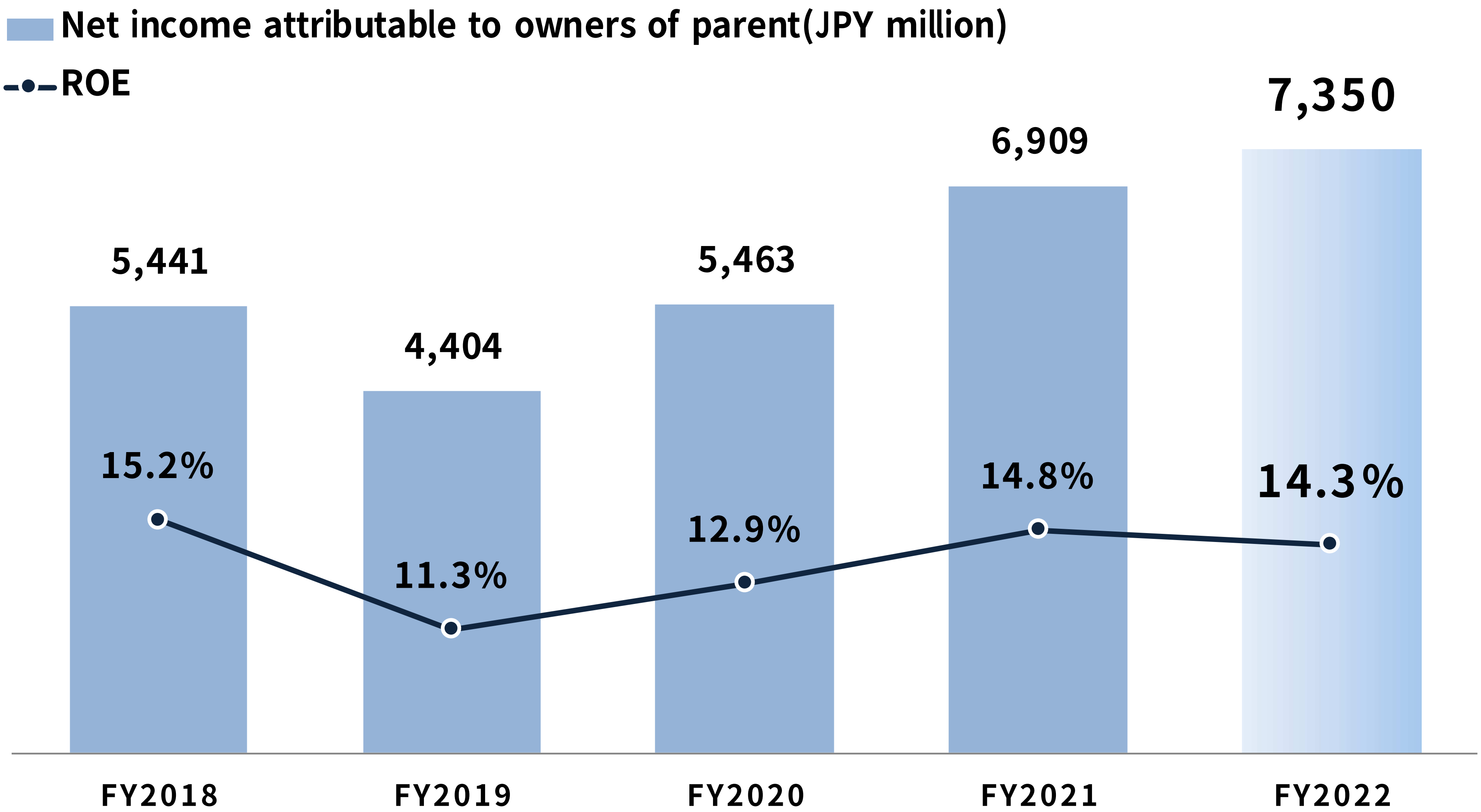
Ordinary Profit and Ordinary Profit ratio



(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 FY2022

Net income attributable to owners of parent & ROE

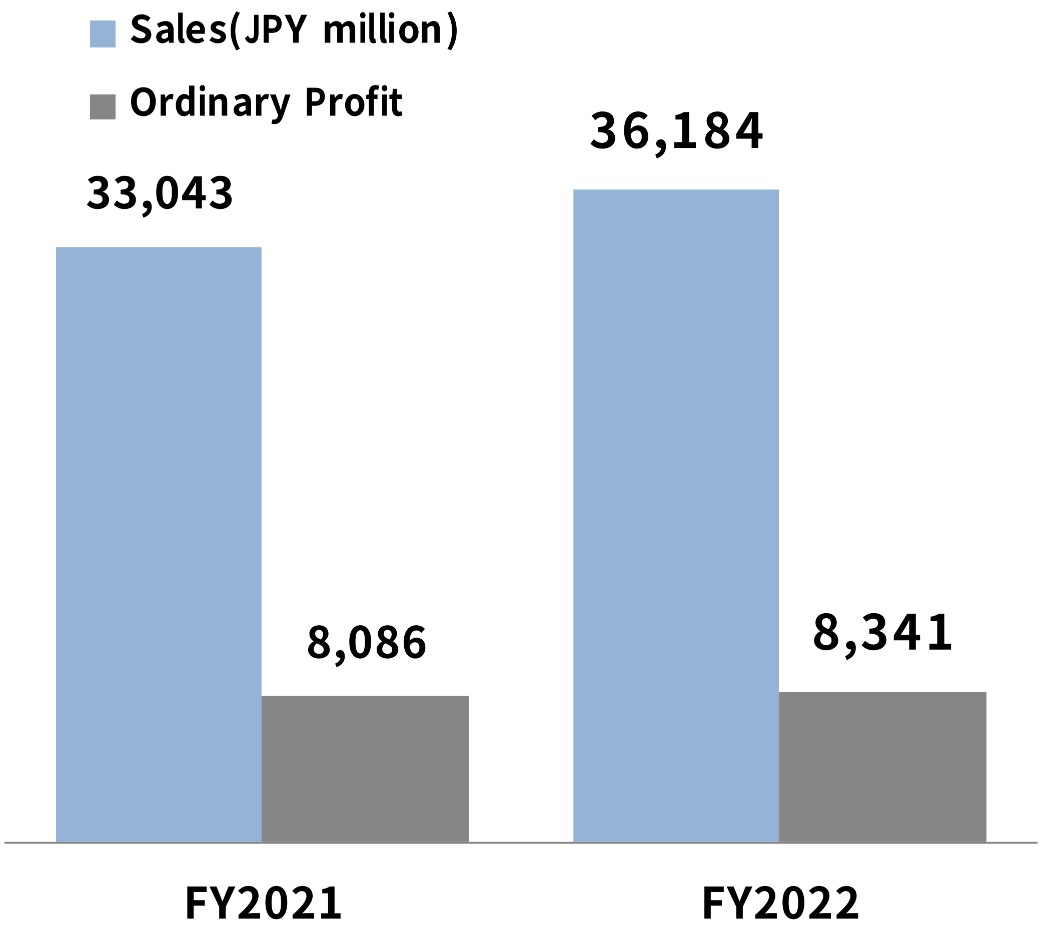


Overview of Consolidated result FY2022

(JPY million)	FY2021		FY2022		Change	
	Result	Ratio	Result	Ratio	Amount	Ratio
Net Sales	43,813	100.0%	48,144	100.0%	4,330	9.9%
Thermal Spray	33,043	75.4%	36,184	75.2%	3,140	9.5%
Semicon & FPD	20,643	47.1%	23,260	48.3%	2,616	12.7%
Industrial Parts	3,707	8.5%	3,802	7.9%	95	2.6%
Iron & Steel	3,450	7.9%	3,582	7.4%	131	3.8%
Others	5,242	11.9%	5,539	11.6%	296	5.7%
Other Surface Modif.	2,502	5.7%	2,745	5.6%	242	9.7%
Domestic Sub.	2,399	5.5%	2,414	5.0%	14	0.6%
Overseas Sub.	5,695	13.0%	6,622	13.8%	926	16.3%
Royalty Income	171	0.4%	177	0.4%	6	3.7%
Operating Profit	10,255	23.4%	10,558	21.9%	302	2.9%
Ordinary Profit	10,571	24.1%	11,003	22.9%	432	4.1%
Net income attributable to owners of parent	6,909	15.8%	7,350	15.3%	441	6.4%

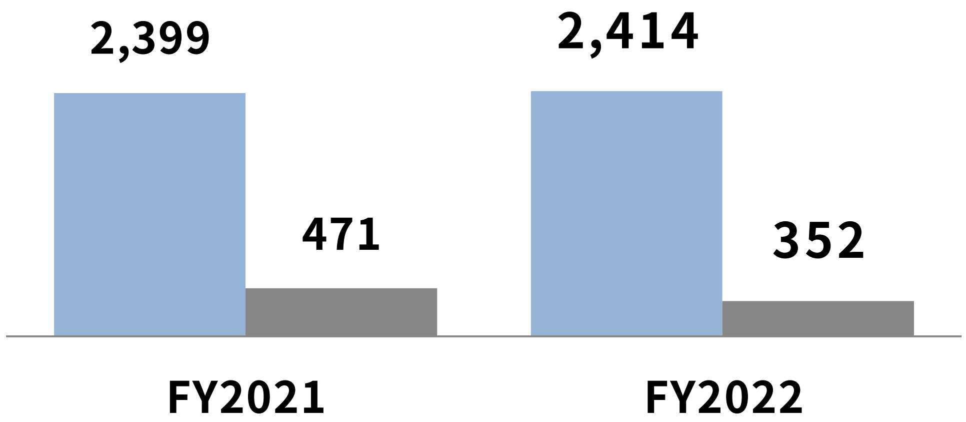
Segment Information

Thermal Spraying Tocalo



Revenues and profit increased due to growth in the SC and FPD fields, as well as in the steel, industrial machinery, and environment/energy fields.

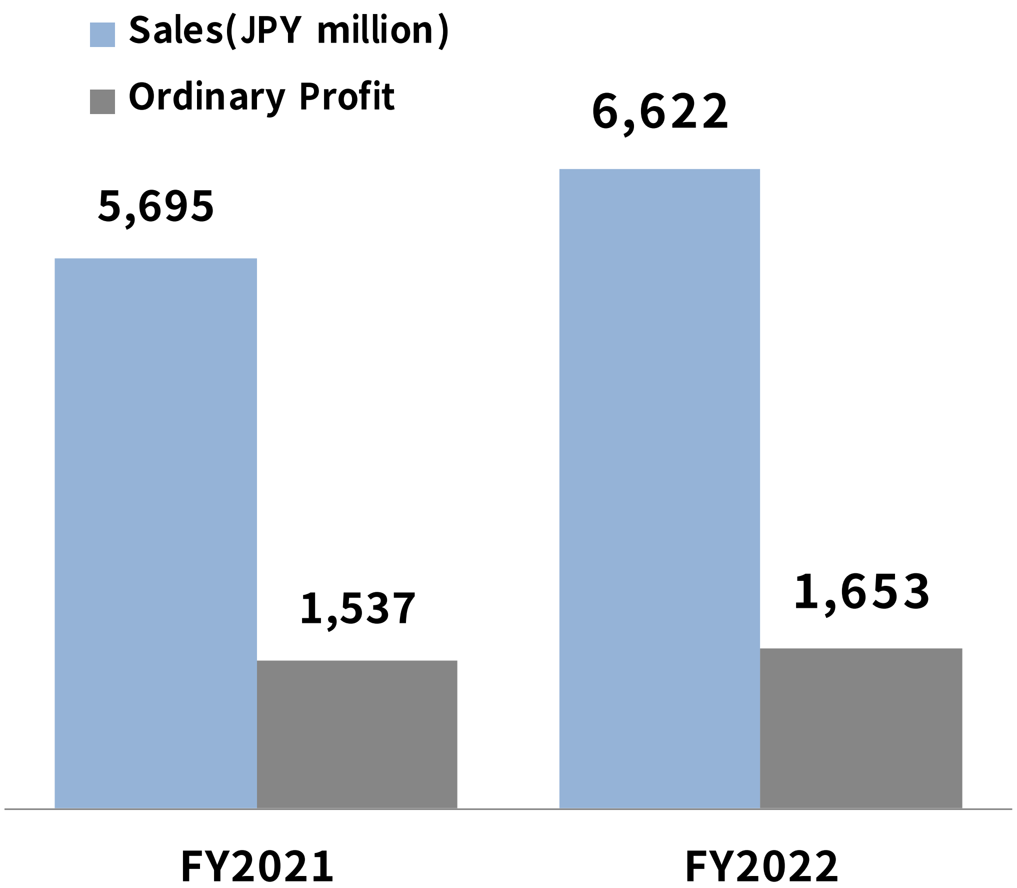
Domestic Subsidiary



Revenues and profit increased but profits decreased due to stagnant production at domestic automakers caused by SC shortages and soaring power costs.

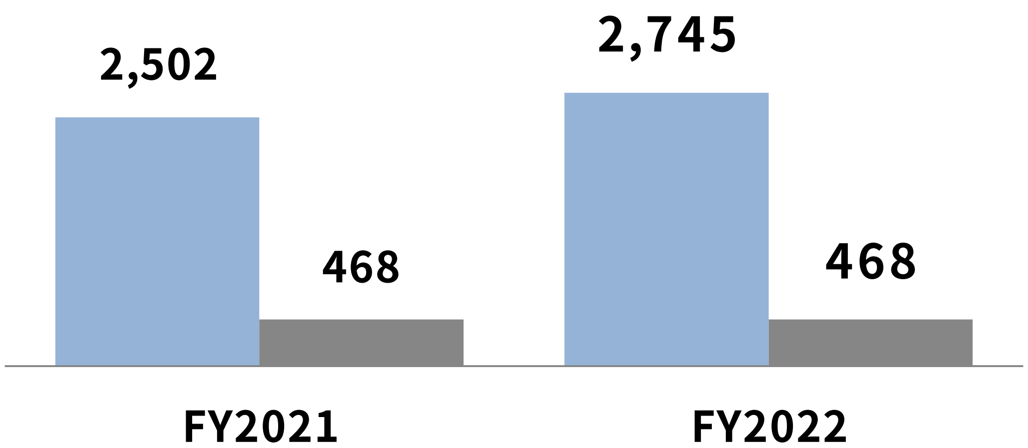
Segment Information

Overseas Subsidiary



Revenues and profit increased due to strong orders for SC-related and steel-related products in China and Taiwan

Other Surface Modification



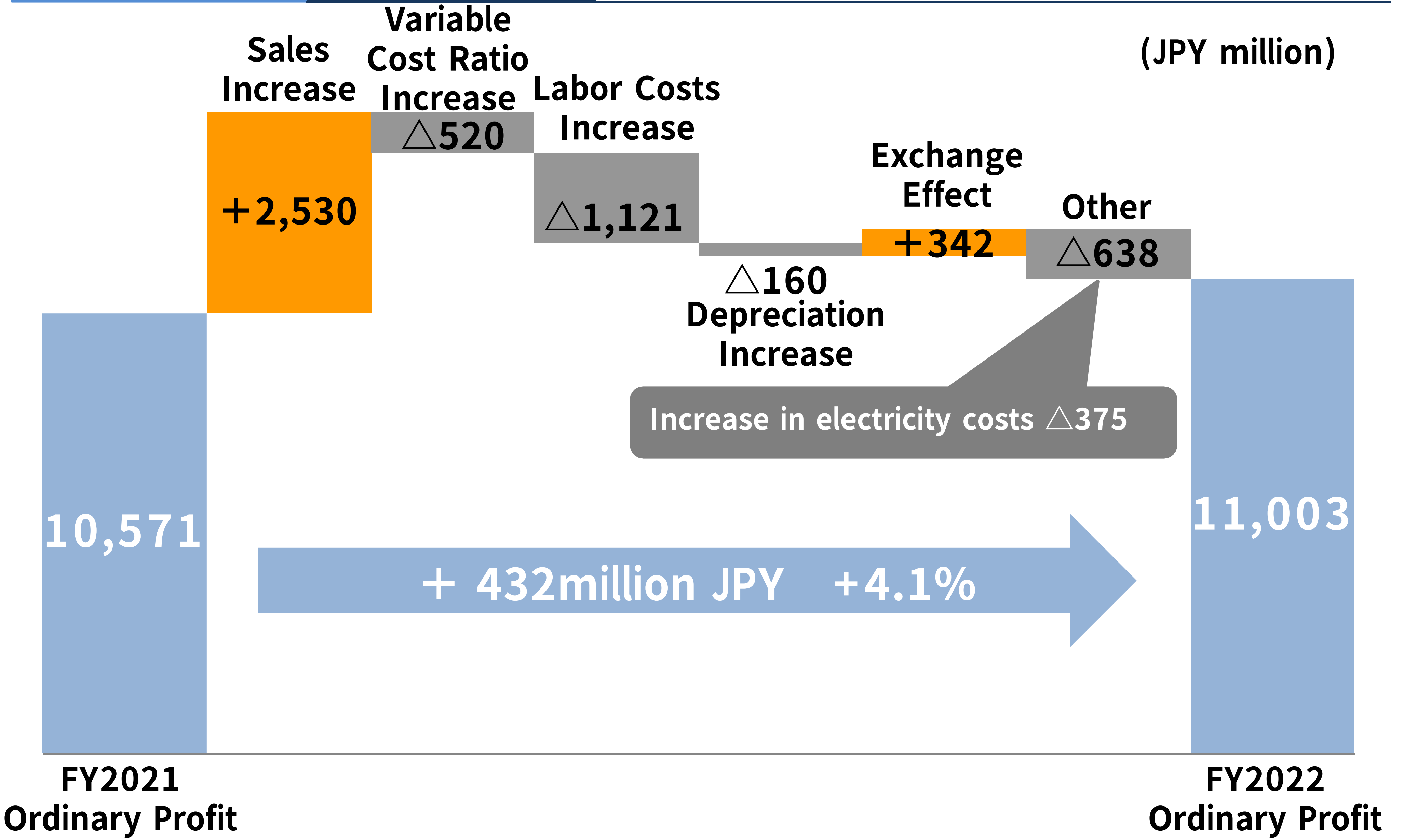
Increase due to upward trend in orders for agricultural machinery parts, etc.

Segment Information

(JPY million)	FY2021		FY2022		Change			
					Net Sales		Segment P/L	
	Net Sales	P/L	Net Sales	P/L	Amount	Ratio	Amount	Ratio
Thermal Spray TOCALO	33,043	8,086	36,184	8,341	3,140	9.5%	254	3.1%
Domestic Sub.	2,399	471	2,414	352	14	0.6%	△119	-25.2%
Overseas Sub.	5,695	1,537	6,622	1,653	926	16.3%	115	7.5%
Other Surface Modifi.	2,502	468	2,745	468	242	9.7%	0	0.0%
Total	43,642	10,564	47,966	10,815	4,324	9.9%	251	2.4%

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

Analysis of Ordinary P/L Change



Financial Position

(JPY million)	FY2021 4Q	FY2022 4Q
Total Assets	69,517	74,263
Equity	49,099	53,839
Equity ratio	70.6%	72.5%
Interest-bearing debt	4,249	2,802

- Total assets increased by 4,746 million yen from the end of the previous fiscal year (current assets +2,460 million yen, fixed assets +2,280 million yen)
- Equity ratio increased 1.9 points from the previous fiscal year to 72.5%
- Interest-bearing debt decreased by 1,447 million yen from the end of the previous fiscal year (no new borrowing)

Cash Flow

(JPY million)	FY2021	FY2022
Operating CF	9,873	9,894
Investment CF	△ 5,044	△ 5,094
Financial CF	△ 4,547	△ 4,561
Cash Balance	19,141	19,520

- Free Cash Flow FY2022 （Operating ＣＦ＋Investment ＣＦ） +4,800million JPY
- Investment ＣＦ／Acquisition of tangible assets
  Previous term：△4,500million JPY　This term：△4,600million JPY
- Financial ＣＦ／Dividends paid
  Previous term：△2,500million JPY　This term：△2,800million JPY

Capital Investment

TOCALO

FY2022 Result

Capital investment amount 4,855million JPY

TOCALO 3,431million JPY

Tokyo Plant(Suzumi) and Kobe Plant
Plant site acquisition 1,600 million JPY

Installation of SC related equipment in Tokyo, Akashi, Kitakyushu and other locations.
Purchase of next-generation coating development equipment.

Domestic Subsidiary

Mainly new PVD equipment 182million JPY

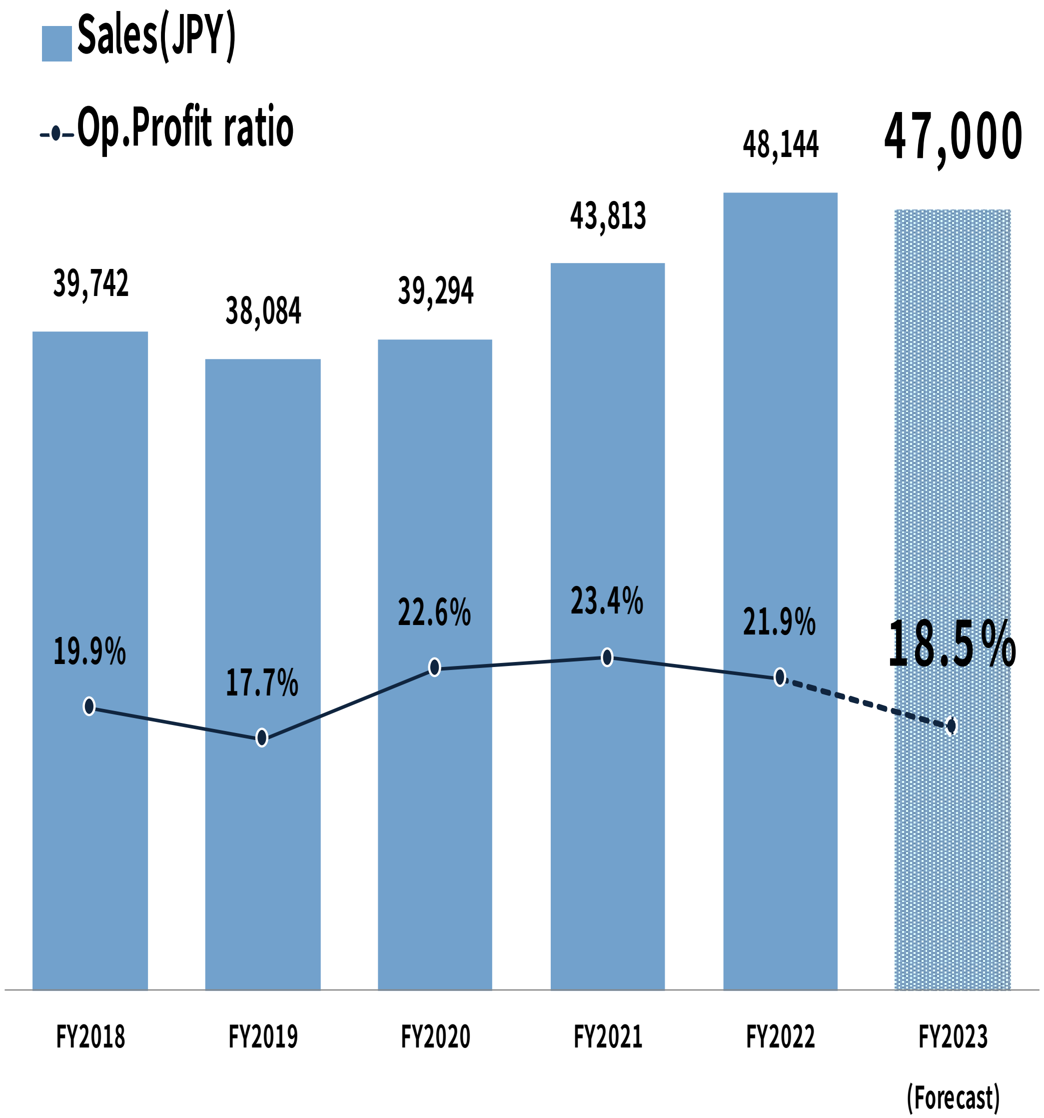
Overseas Subsidiary

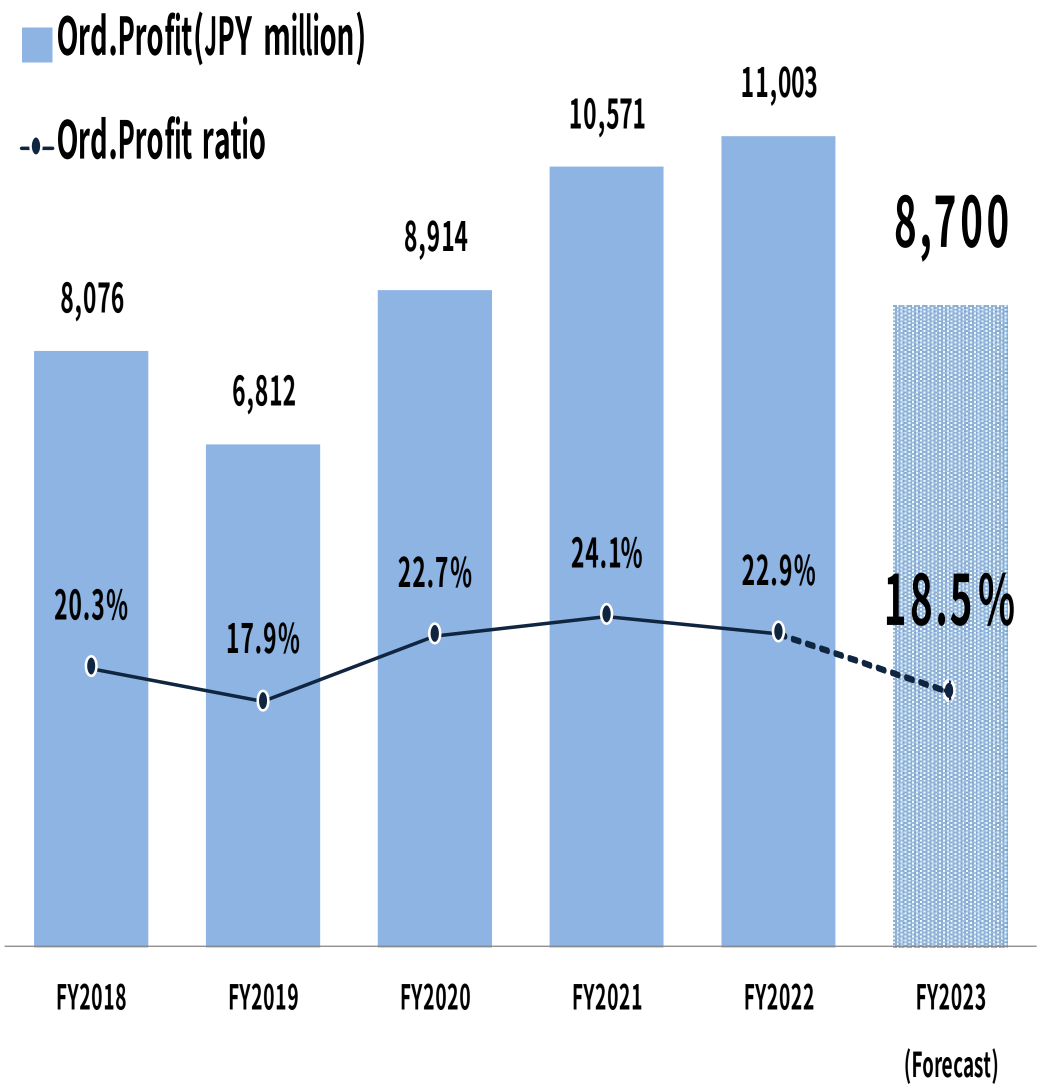
Mainly SC & FPD fields (in Taiwan) 1,240million JPY

2．Forecast of FY2023

TOCALO Co., Ltd.

Forecast of FY2023





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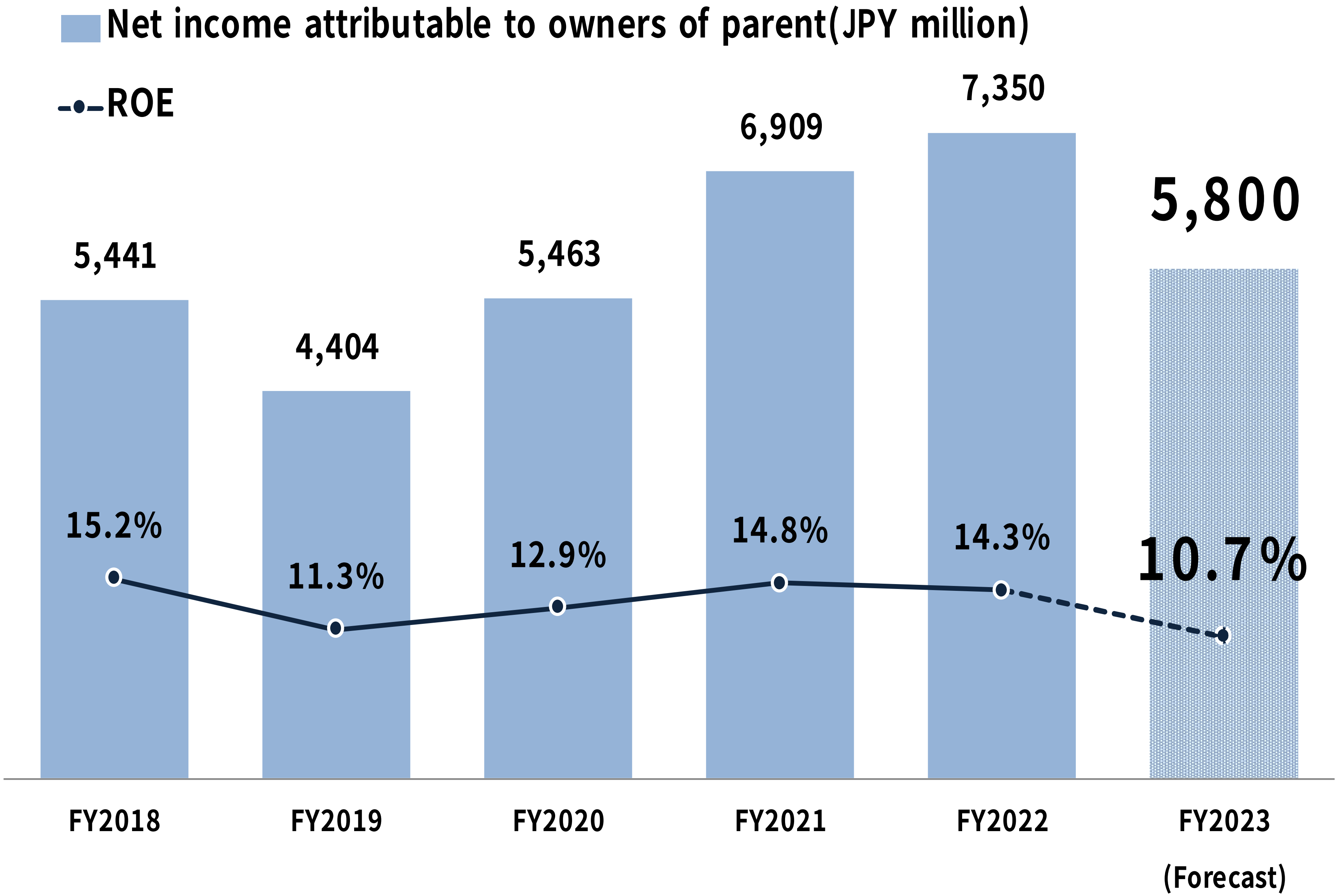
Forecast of FY2023



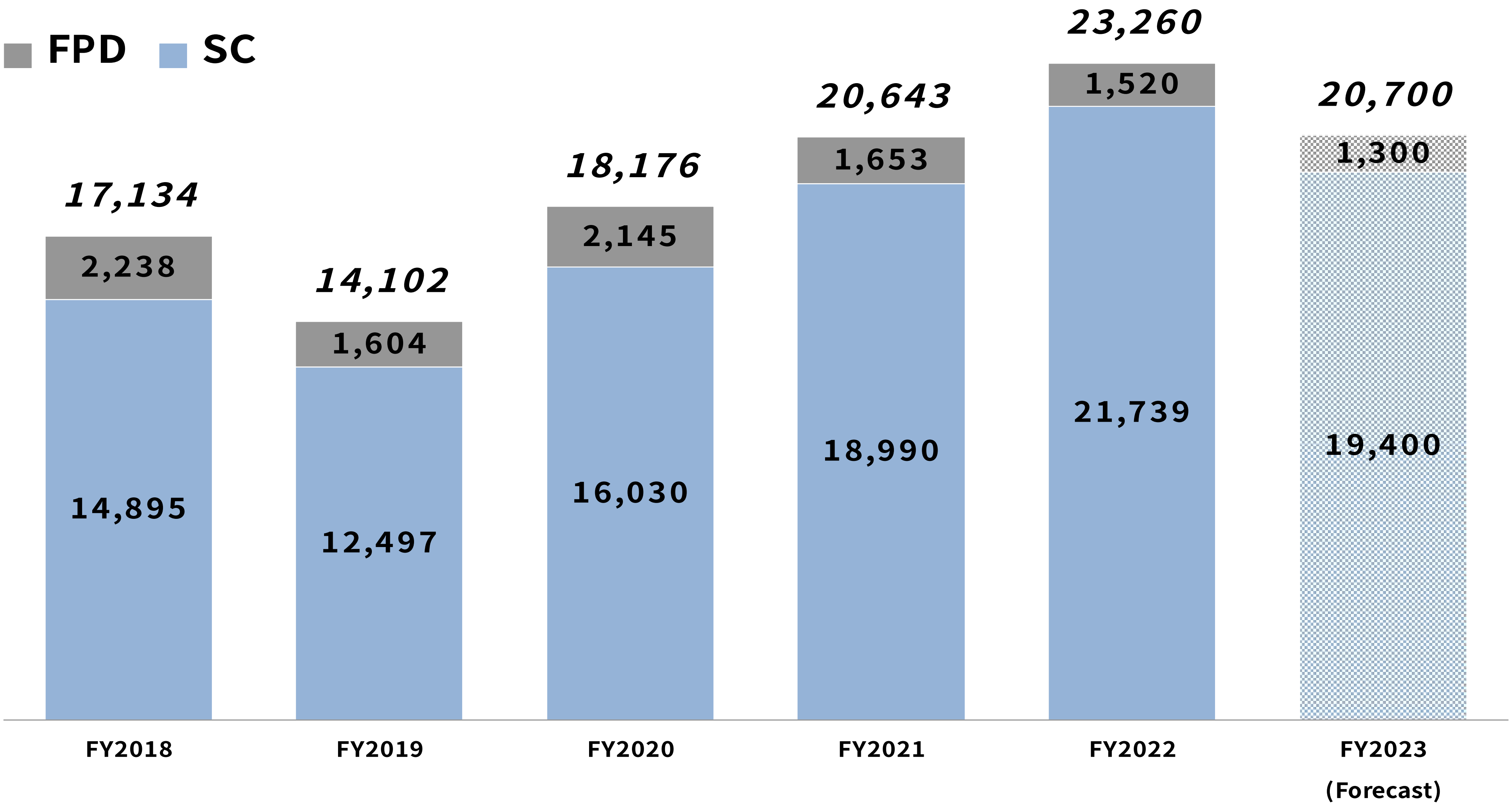
Forecast of FY2023

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

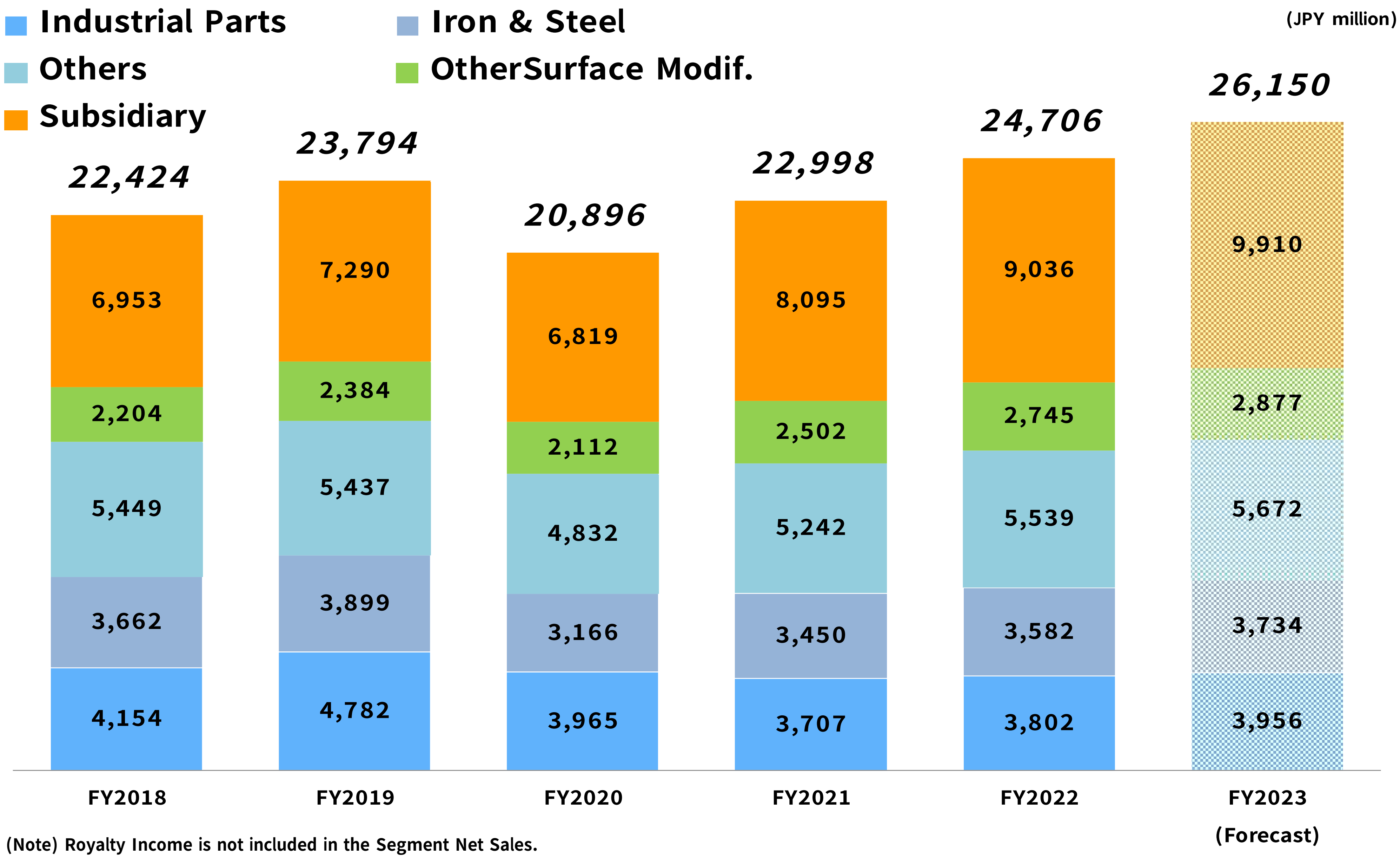
SC & FPD Net Sales

Thermal Spray(TOCALO)

(JPY million)

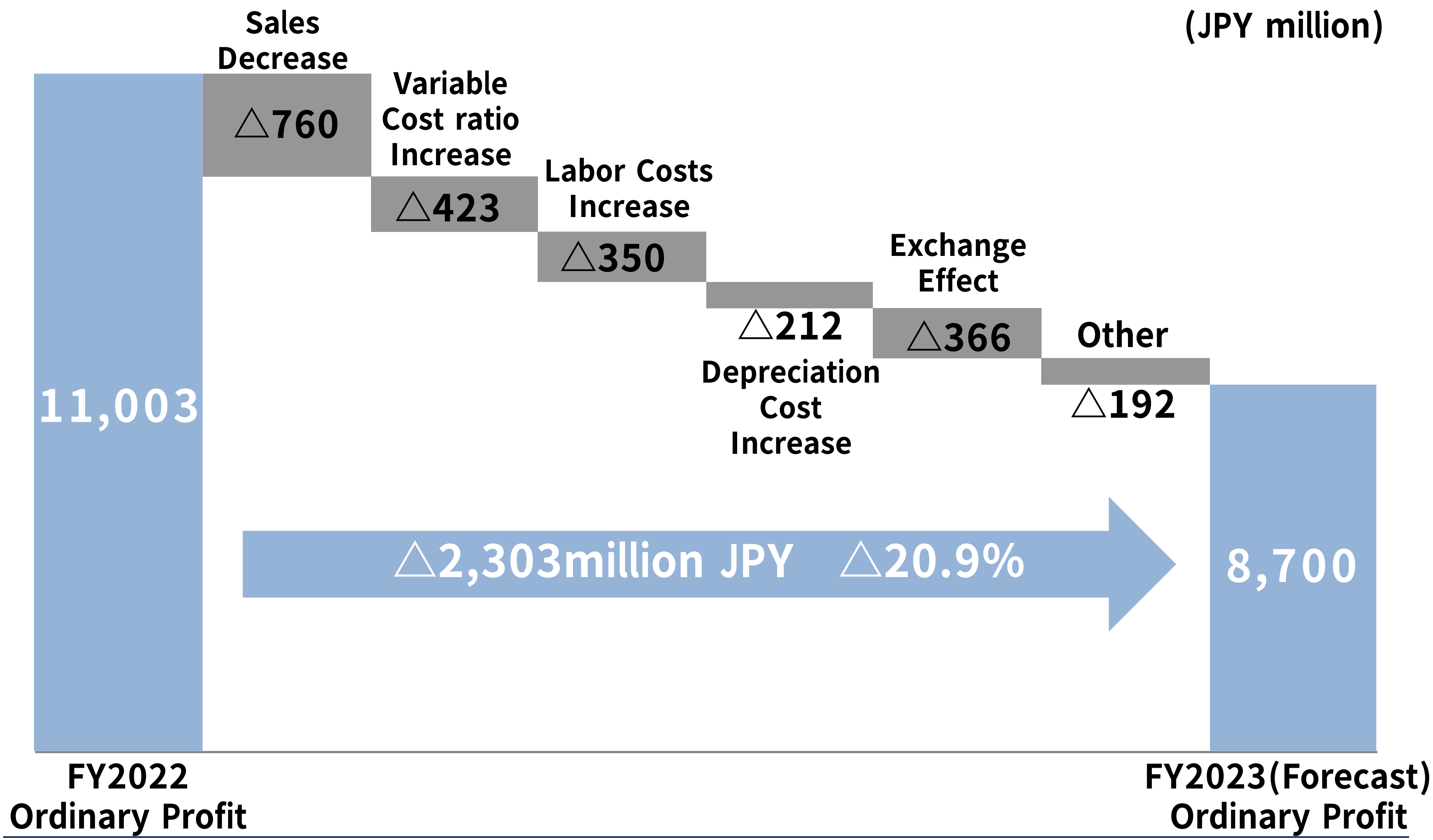


Non-SC & FPD Net Sales

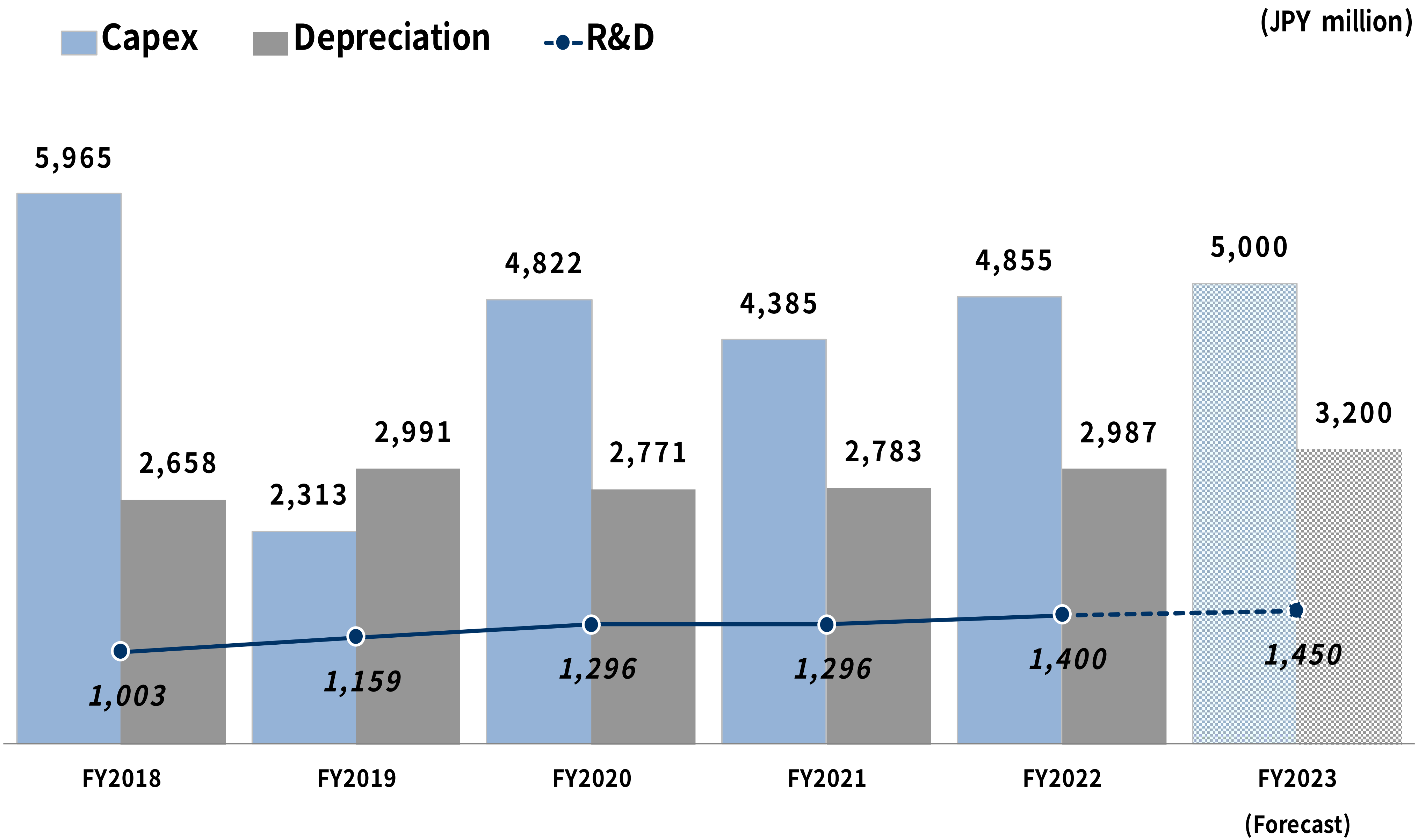


(Note) Royalty Income is not included in the Segment Net Sales.

Analysis of Ordinary P/L Change Forecast of FY2023



Capex･Depreciation･R&D Expenses



Capital Investment Plan

FY2023 Estimated amount 5,000million JPY

TOCALO

Mainly Tokyo, Akashi, Kitakyusyu Plant

Increase capacity and efficiency, etc. 2,600million JPY

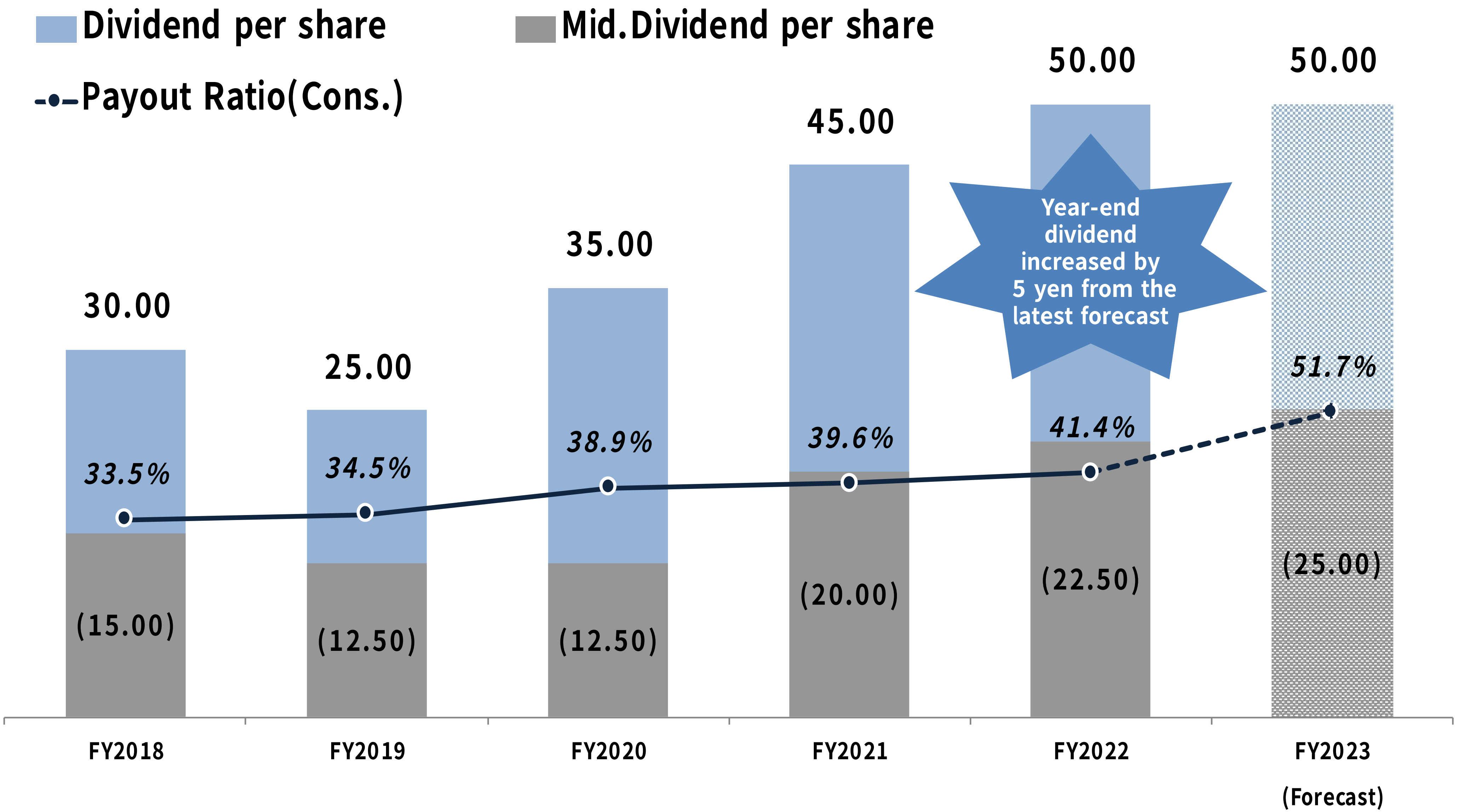
Domestic Subsidiary

Production capacity expansion, etc. 300million JPY

Overseas Subsidiary

New plant construction in Taiwan etc. 2,100million JPY

Dividends


Dividend per share
Mid.Dividend per share
Payout Ratio(Cons.)
30.00
25.00
35.00
45.00
50.00
50.00
Year-end dividend increased by 5 yen from the latest forecast
33.5%
34.5%
38.9%
39.6%
41.4%
51.7%
(15.00)
(12.50)
(12.50)
(20.00)
(22.50)
(25.00)
FY2018
FY2019
FY2020
FY2021
FY2022
FY2023
(Forecast)

Acquisition and Cancellation of treasury stock

Plans to acquire up to 2,000 million yen of treasury stock

● Type of shares to be acquired	Common stock of the Company
● Total number of shares that can be acquired	2,000,000 Shares (upper limit) (Percentage of total shares issued excluding treasury stock 3.29%)
● Total acquisition price of shares	2,000million JPY (upper limit)
● Acquisition period	5/11/2023~12/22/2023

Canceled 2,000,000 shares of treasury stock

● Type of shares to be canceled	Common stock of the Company
● Total number of shares to be canceled	2,000,000 Shares (Percentage of total issued shares before cancellation 3.16%)
● Planned cancellation date	5/31/2023
● Total number of shares outstanding after cancellation	61,200,000 Shares

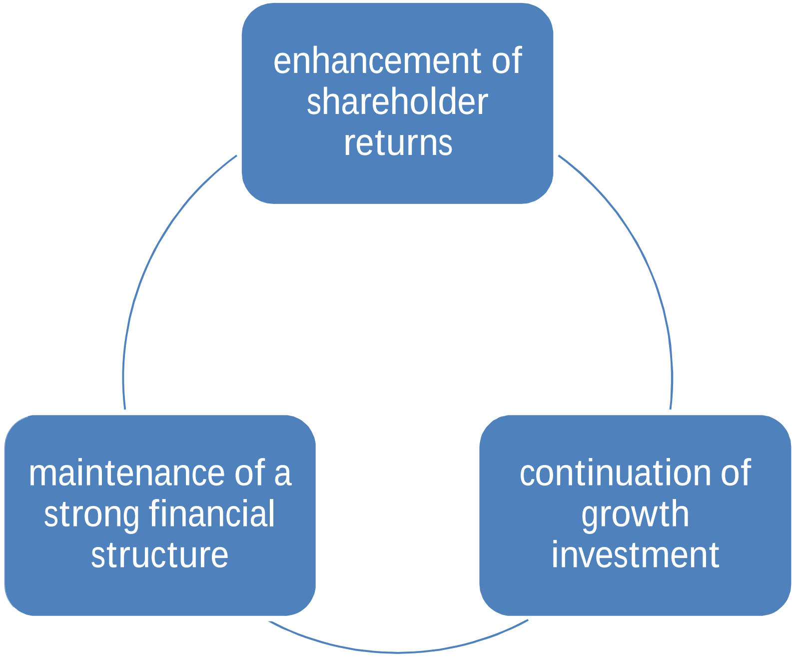
Shareholder Return Policy

- This Company regards the return of profits to shareholders as an important management policy, and actively strives to enhance shareholder returns through the distribution of results backed by business performance.

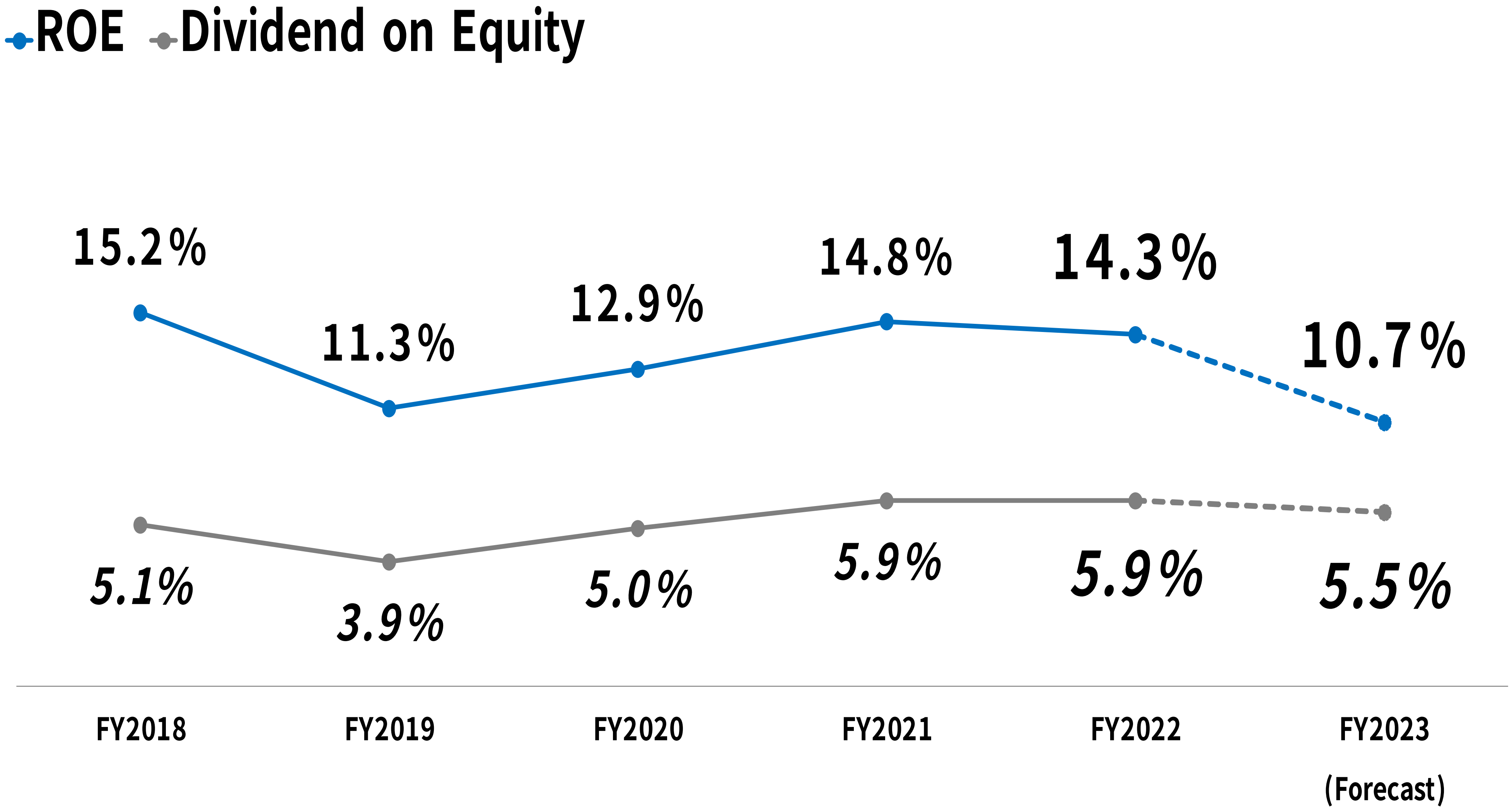
  Conventionally, emphasized the continuation of stable dividends with a target of 1/3 or more of profits

  ⇒ In the future, we will aim for around 50% of profits in order to further enhance

- We will also be acquired or cancel treasury stock appropriately as necessary based on the balance between "enhancement of shareholder returns", "continuation of growth investment" and "maintenance of a strong financial structure".



ROE・Dividend on Equity



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

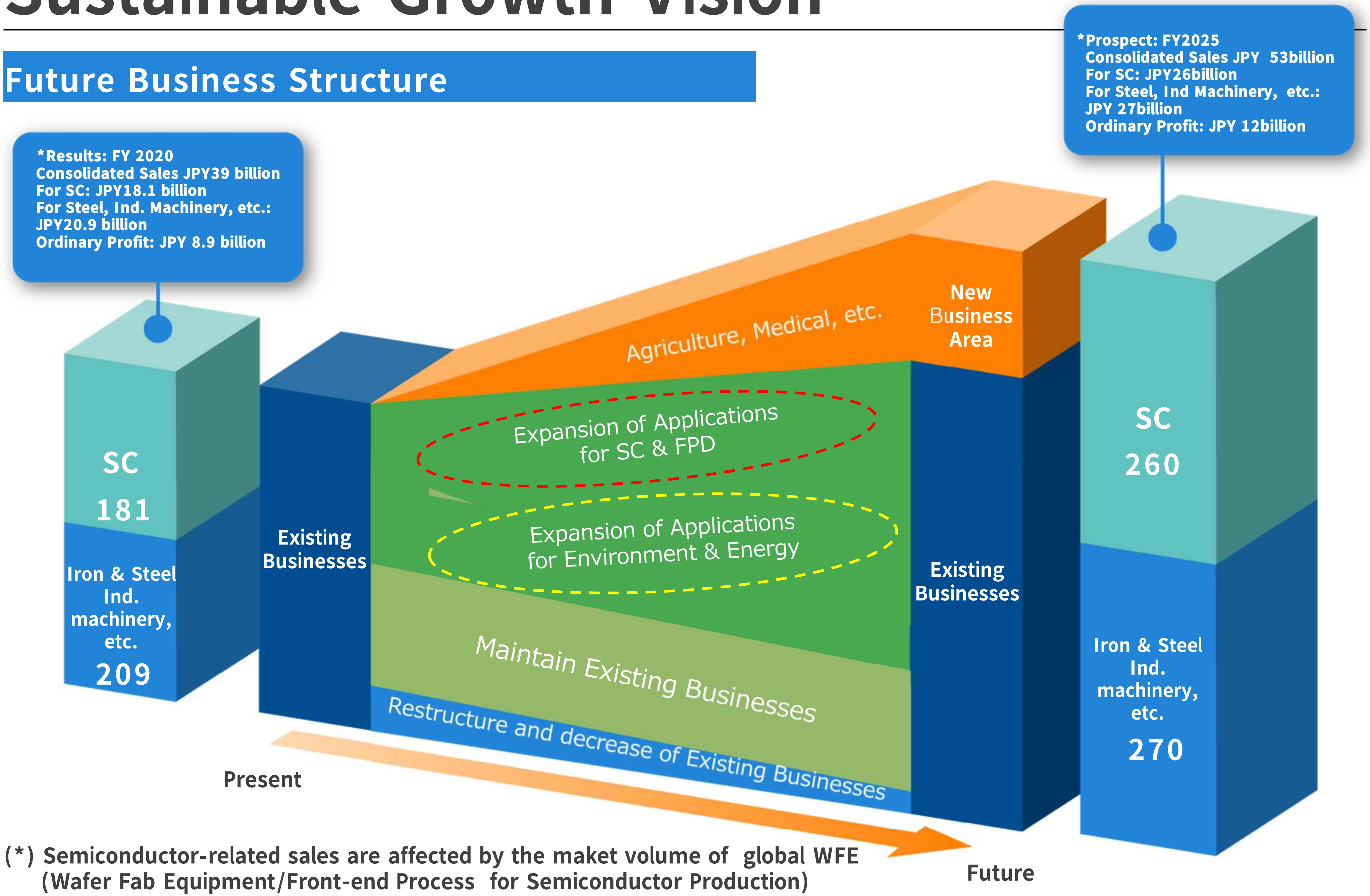
Dividend on Equity ＝ Dividend per share/Average Net assets per share during the period

3． Progress of Medium-term Management Plan

TOCALO Co., Ltd.

Sustainable Growth Vision

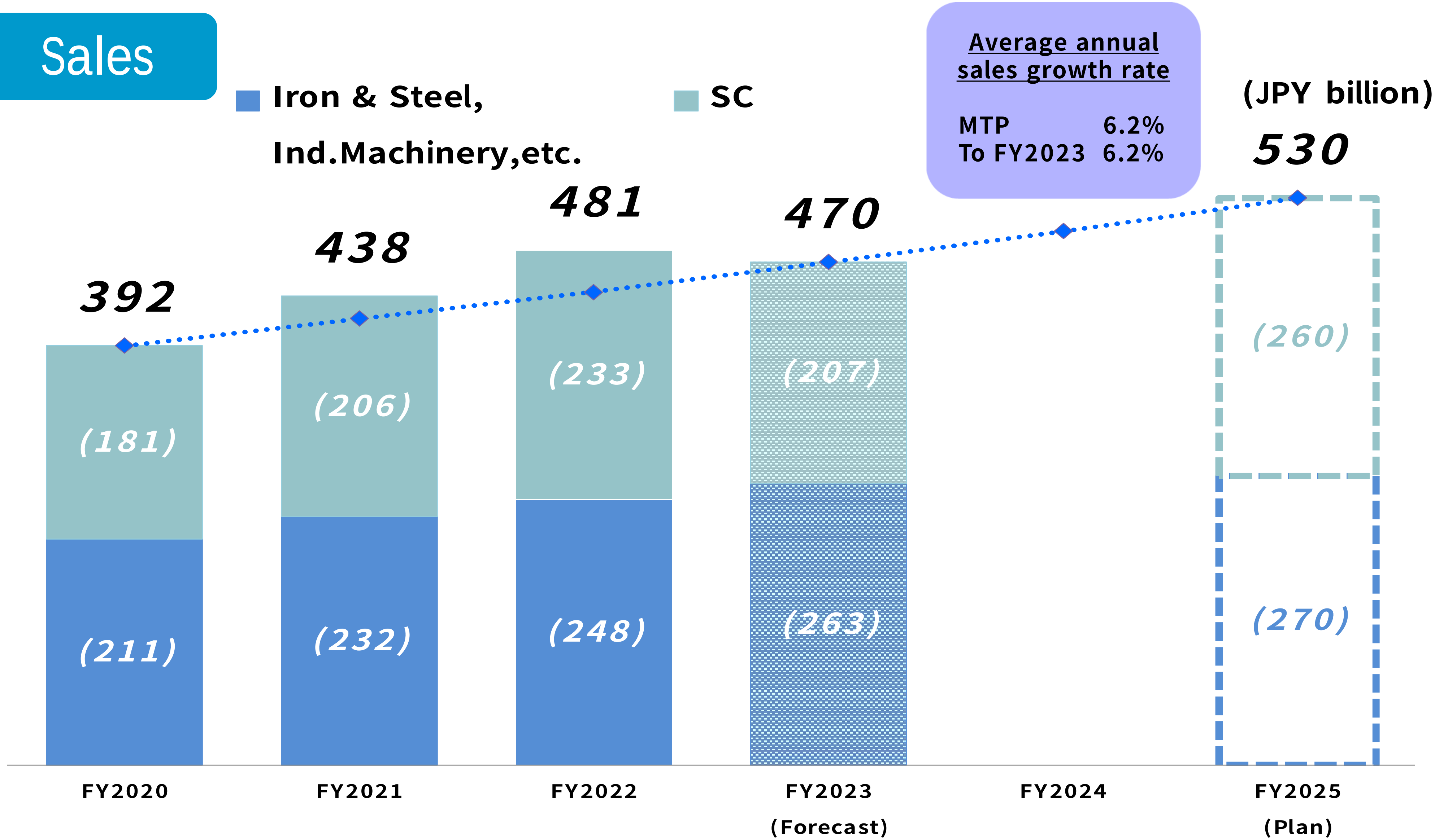
Future Business Structure



(*) 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



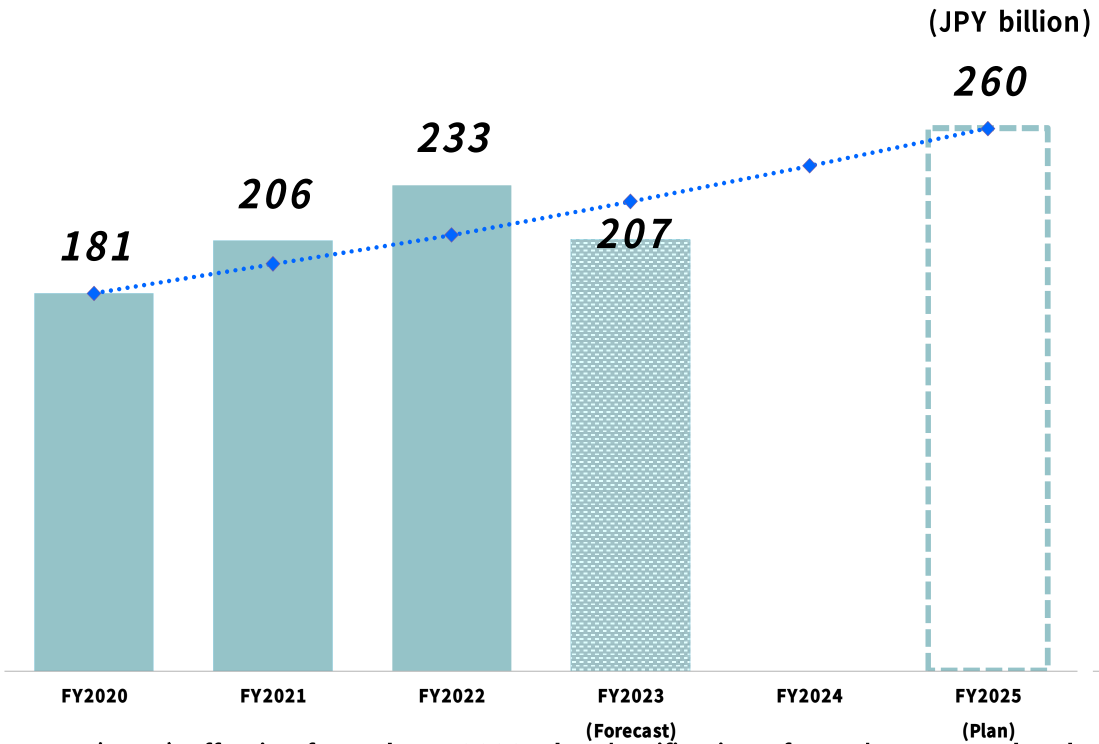
(Note) Effective from the FY2022, the classification of Royalty Income has been changed from non-operating income to net sales, 200 million yen of Royalty income for FY2021/3 is included in net sales of Iron & Steel, Ind. Machinery, etc.

Progress of Medium-term Management Plan

Sales of Semi-con

Average annual sales growth rate

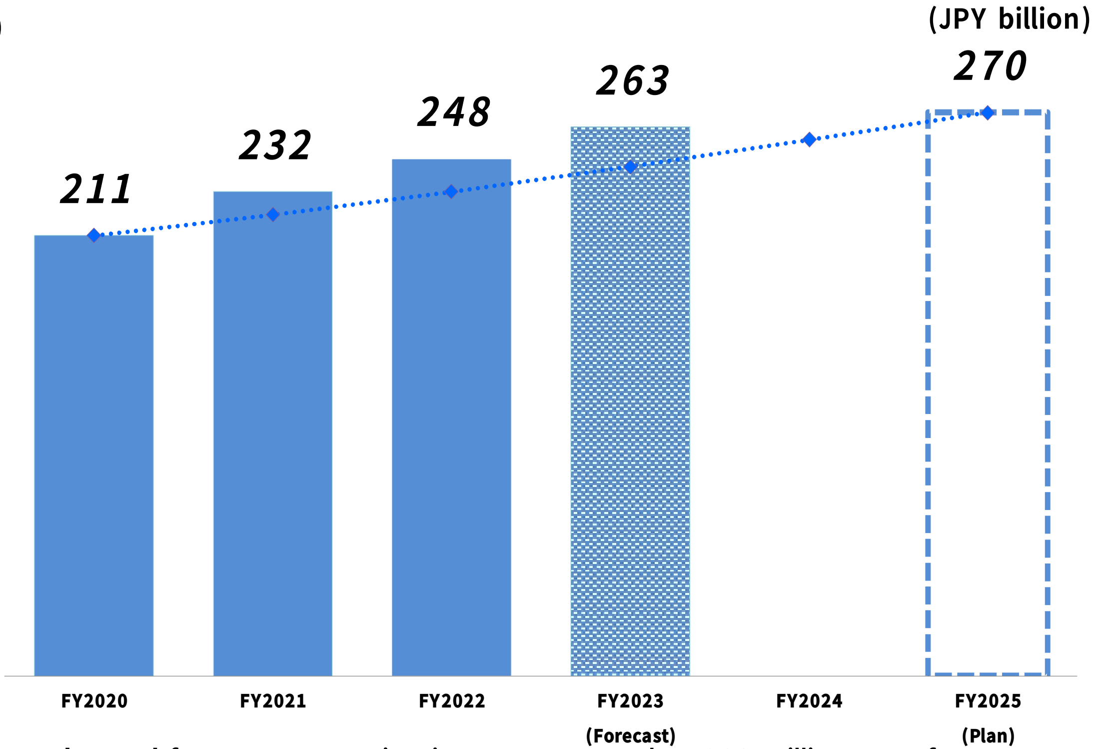
MTP	7.4%
To FY2023	4.4%



Sales of Iron & Steel, Ind. machinery

Average annual sales growth rate

MTP	5.0%
To FY2023	7.6%



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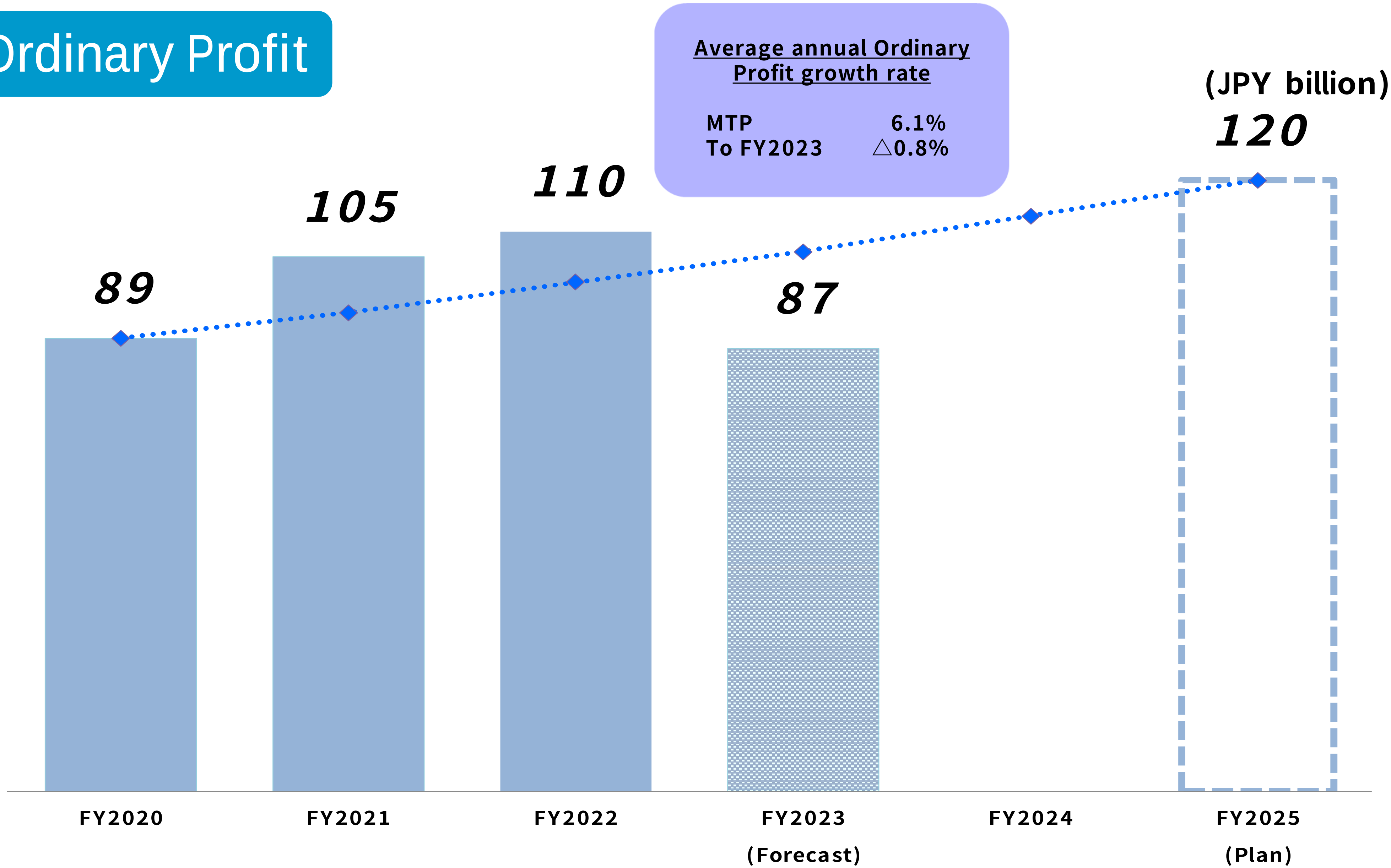
Progress of Medium-term Management Plan

Ordinary Profit



Finance and Shareholder Returns FY2022

TOCALO

＜Maintaining Strong Financial Solidity＞

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

Capital adequacy ratio 72.5%

＜Maintaining High Profitability＞

ROE 14.3%

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

Ordinary Profit ratio 22.9%

EPS 120.83円
(FY2021 113.62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 41.4%

DOE 5.9%

Capex, R&D Expenses

FY2022

<Capital Expenditures>

Continuous invest to maintain technological superiority and improvements

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

Capex 4,855million 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 2.9%

Technology Development Expenses:

Continuous investment in production technology divisions at each plant

Ratio of Technology Development Expenses 1.8%

Environmental Initiatives

FY2022

TOCALO

<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

Ongoing research

- Electricity consumption
  42,892MWh (FY2021 42,492 MWh)
- Electricity consumption per million yen of sales
  1.07MWh (FY2021 1.16MWh)

Percentage of renewable energy in electricity consumption 62.9% (TOCALO)

※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)

GHG emissions (TOCALO Scope1,2)
FY2013 14,736 t-CO2
FY2022 7,000±α t-CO2
⇒ 52% reduction compared to FY2013
Target achieved

- Prevention of Water and Air Pollution

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

Working on understanding the situation.

Utilization of solar power generation (Kurashiki Plant)

In-house power generation contributes to reducing CO_2 emissions

In May 2022, solar panels will be installed at the Kurashiki Plant (our first full-scale in-house power generation plant)

FY2022 Power generation 313,293 kWh
(equivalent to 23% of electricity consumption at the Kurashiki Plant)

Solar panels at the Kurashiki Plant

Change of Representative Directors (Change of President)

Change of Representative Director (scheduled for June 23, 2023)

(1) Reason for the change

To further strengthen and enhance the management structure for sustainable growth by changing the generation of directors in order to respond flexibly and promptly to changes in the business environment surrounding the Company's group.

(2) Details of the change

Name	New Position	Current Position
Noriyuki Mifune	Representative Director and Chairman of the Board	Representative Director, President and Executive Officer
Kazuya Kobayashi	Representative Director, President and Executive Officer	Managing Executive Officer

Financial Highlights

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

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

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