(TSE Prime Market Code 3433)

New possibilities for a bright future

Financial Summary (3Q FY2023)

1/31/2024

トーカロ株式会社

Overview of Consolidated Results 3Q FY2023

- As adjustments in the semiconductor field continue, net sales decreased by 4.4% year-on-year
- Ordinary profit decreased by 22.5% year-on-year due to a change in the sales mix and an increase in personnel costs and R&D expenses, etc.

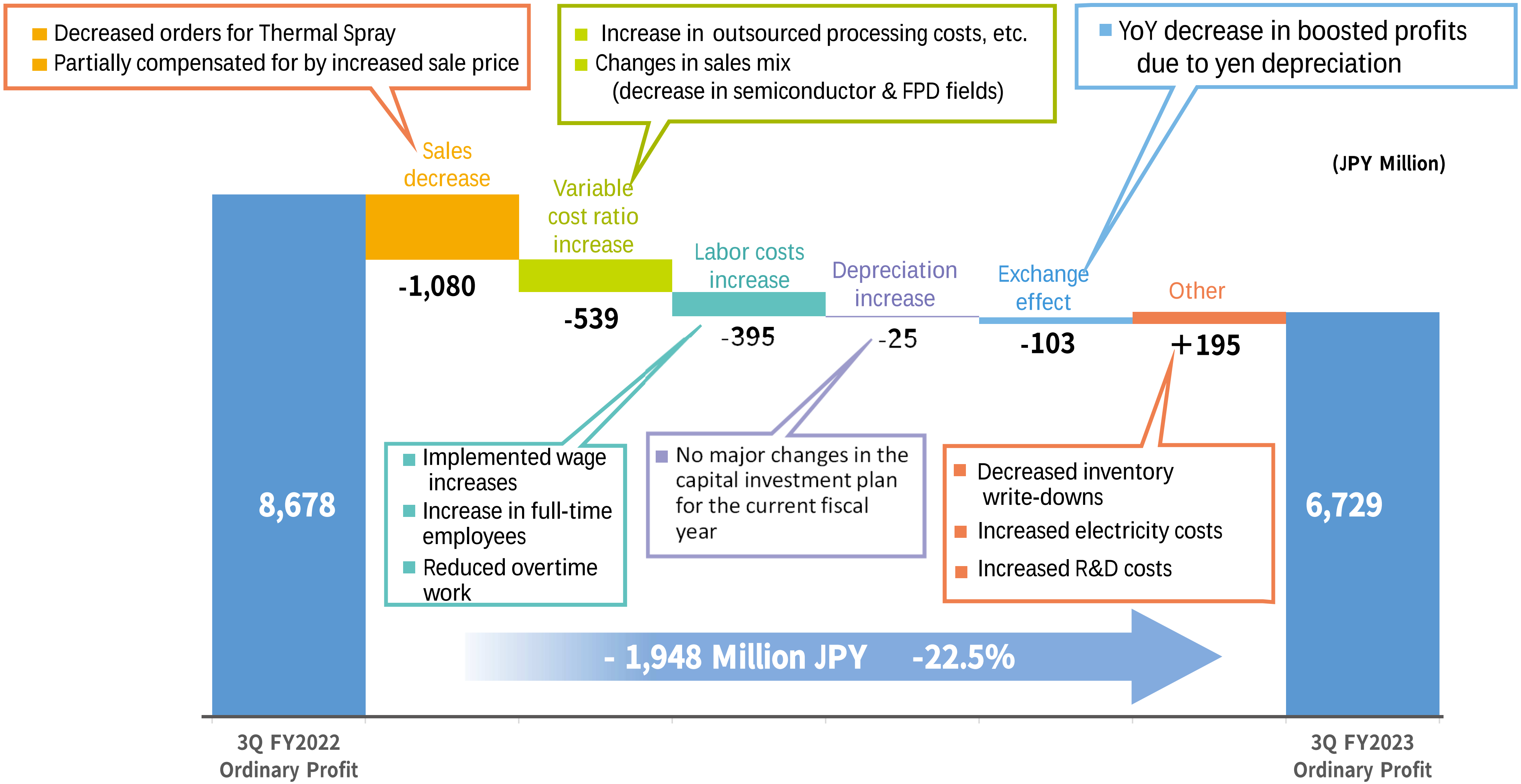
(JPY Million)	3Q FY2022		3Q FY2023		Change	
	Result	Ratio	Result	Ratio	Amount	%
Net Sales	36,424	100.0%	34,804	100.0%	-1,620	-4.4%
Operating Profit	8,224	22.6%	6,404	18.4%	-1,819	-22.1%
Ordinary Profit	8,678	23.8%	6,729	19.3%	-1,948	-22.5%
Net Income Attributed to Owners of Parent	5,669	15.6%	4,280	12.3%	-1,389	-24.5%
Earnings Per Share (EPS)	93.20JPY	—	71.19JPY	—	-22.01JPY	—

3Q FY2023 Net Sales (by Segment)

- Thermal Spray (TOCALO), the largest segment, decreased due to a decline in the semiconductor & FPD field
  Although some outlooks are optimistic, full-scale recovery in the semiconductor field will take some time
- Other segments performed well, including other surface modifications, where demand for agricultural machinery parts increased

(JPY Million)	3Q FY2022		3Q FY2023		Change	
	Result	Ratio	Result	Ratio	Amount	%
Net Sales	36,424	100.0%	34,804	100.0%	-1,620	-4.4%
Thermal Spray (TOCALO)	27,615	75.8%	25,294	72.7%	-2,321	-8.4%
Semicon & FPD	17,810	48.9%	14,511	41.7%	-3,299	-18.5%
Industrial Parts	2,950	8.1%	3,743	10.8%	793	26.9%
Iron & Steel	2,606	7.2%	2,563	7.4%	-43	-1.7%
Others	4,247	11.6%	4,475	12.8%	227	5.4%
Other Surface Modif.	2,060	5.7%	2,286	6.6%	225	10.9%
Domestic Sub.	1,820	5.0%	1,859	5.3%	38	2.1%
Overseas Sub.	4,814	13.2%	5,291	15.2%	477	9.9%
Royalty Income	113	0.3%	72	0.2%	-40	-35.8%

Analysis of Ordinary P/L Change



Segment Information

- For Thermal Spray (TOCALO), profits significantly decreased due to a decrease in sales in the semiconductor field
- At Domestic Subsidiaries, profits grew due to a recovery in orders for mainstay cutting tools
- At Overseas Subsidiaries, although semiconductor-related sales were sluggish, other sales performed well

(JPY Million)	3Q FY2022		3Q FY2023		Change			
					Net Sales		Segment P/L	
	Net Sales	P/L	Net Sales	P/L	Amount	%	Amount	%
Thermal Spray (TOCALO)	27,615	6,623	25,294	4,693	-2,321	-8.4%	-1,930	-29.1%
Domestic Sub.	1,820	276	1,859	420	38	2.1%	143	52.0%
Overseas Sub.	4,814	1,235	5,291	1,378	477	9.9%	143	11.6%
Other Surface Modif.	2,060	359	2,286	410	225	10.9%	51	14.3%
Total	36,311	8,494	34,731	6,903	-1,579	-4.4%	-1,591	-18.7%

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

Consolidated Forecast FY2023

[No revisions to the forecast announced on May 10, 2023]

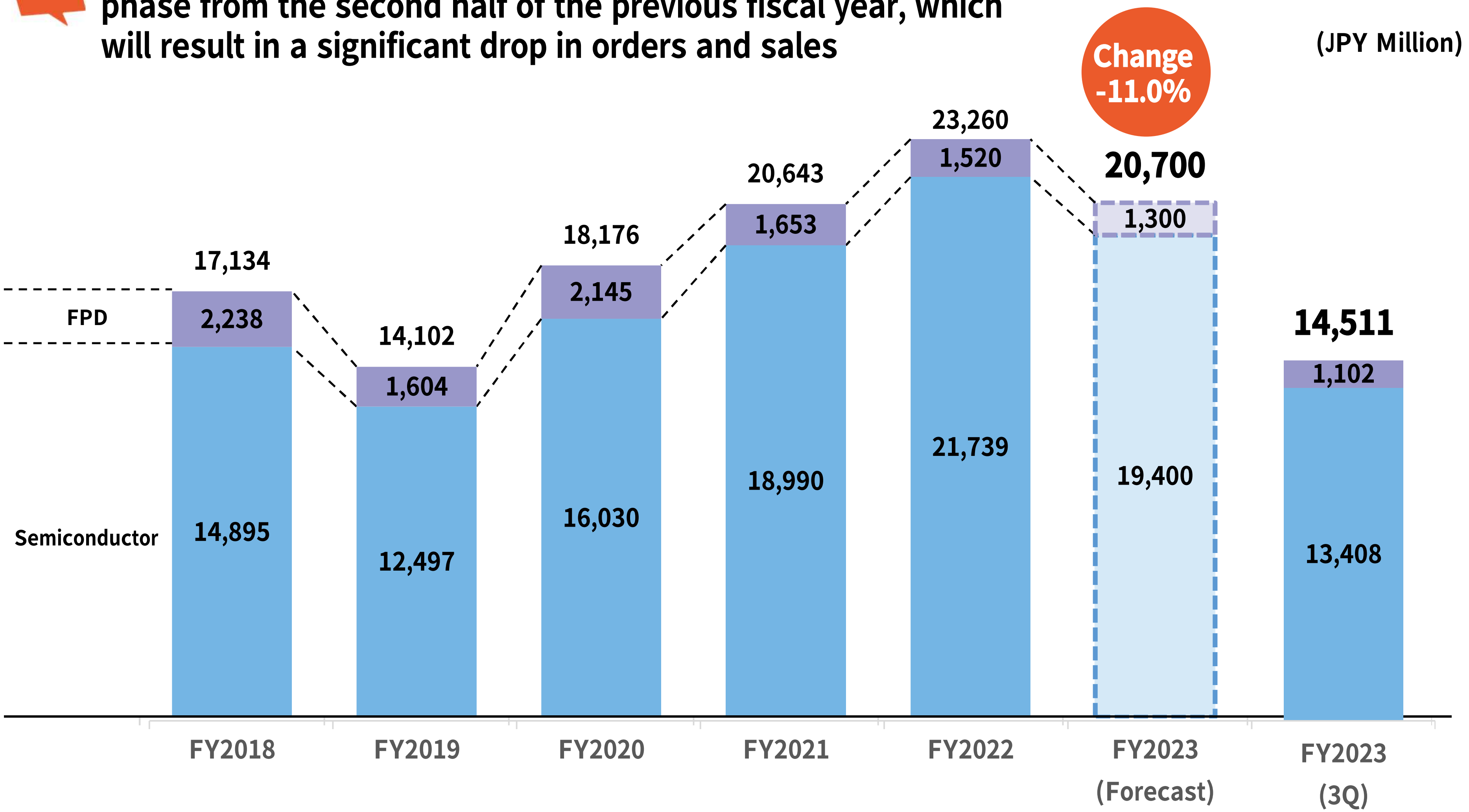
(JPY Million)	FY2022		FY2023		Change	
	Result	Ratio	Result	Ratio	Amount	%
Net Sales	48,144	100.0%	47,000	100.0%	-1,144	-2.4%
Thermal Spray (TOCALO)	36,184	75.2%	34,063	72.5%	-2,121	-5.9%
Semicon & FPD	23,260	48.3%	20,700	44.0%	-2,560	-11.0%
Industrial Parts	3,802	7.9%	3,956	8.4%	154	4.1%
Iron & Steel	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%
Operating 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 Attributed to Owners of Parent	7,350	15.3%	5,800	12.3%	-1,550	-21.1%
Earnings Per Share (EPS)	120.83JPY	—	96.70JPY	—	-24.13JPY	—
Return on Equity (ROE)	14.3%	—	10.7%	—	-3.6pt	—

3Q FY2023 Progress Rate

(JPY Million)	3Q FY2023		FY2023		Progress Rate
	Result	Ratio	Forecast	Ratio	
Net Sales	34,804	100.0%	47,000	100.0%	74.1%
■ Thermal Spray (TOCALO)	25,294	72.7%	34,063	72.5%	74.3%
Semicon & FPD	14,511	41.7%	20,700	44.0%	70.1%
Industrial Parts	3,743	10.8%	3,956	8.4%	94.6%
Iron & Steel	2,563	7.4%	3,734	7.9%	68.7%
Others	4,475	12.8%	5,672	12.2%	78.9%
■ Other Surface Modif.	2,286	6.6%	2,877	6.1%	79.5%
■ Domestic Sub.	1,859	5.3%	2,656	5.7%	70.0%
■ Overseas Sub.	5,291	15.2%	7,254	15.4%	72.9%
Royalty Income	72	0.2%	150	0.3%	48.5%
Operating Profit	6,404	18.4%	8,700	18.5%	73.6%
Ordinary Profit	6,729	19.3%	8,700	18.5%	77.3%
Net Income Attributed to Owners of Parent	4,280	12.3%	5,800	12.3%	73.8%
Earnings Per Share (EPS)	71.19JPY	—	96.70JPY	—	73.6%

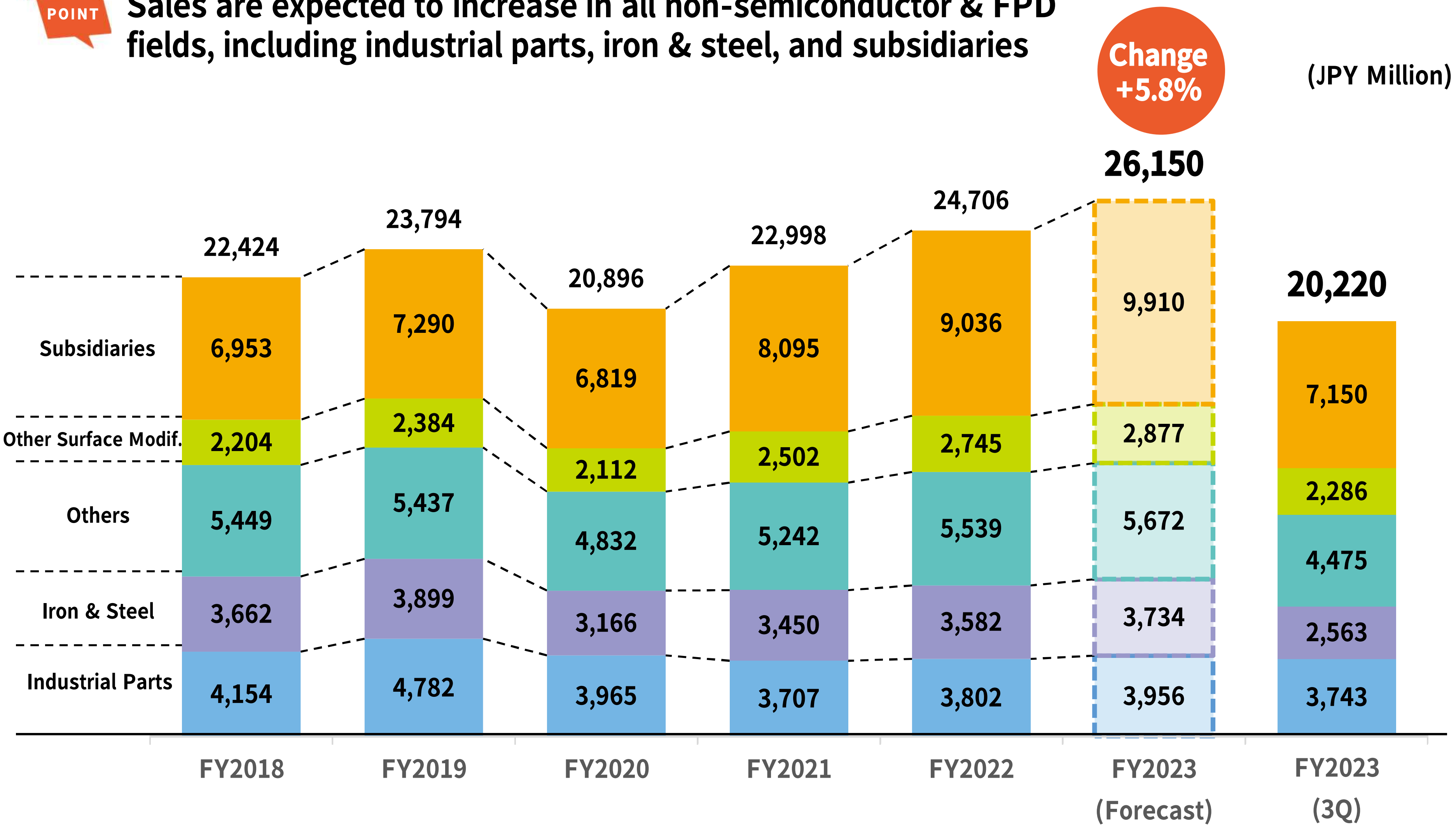
Semiconductor & FPD Net Sales

POINT The semiconductor industry entered a temporary adjustment phase from the second half of the previous fiscal year, which will result in a significant drop in orders and sales



Non-Semiconductor & FPD Net Sales

POINT Sales are expected to increase in all non-semiconductor & FPD fields, including industrial parts, iron & steel, and subsidiaries



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

Financial Position

- Total assets decreased 1,926 million JPY from the end of the previous period (decrease in cash and deposits by 4,065 million JPY)
- Equity ratio increased 1.5 points from the end of the previous period to 74.0%
- Interest-bearing debt decreased by 620 million JPY from the end of the previous period

(JPY Million)	FY2022		FY2023
	3Q	2H	3Q
Total Assets	73,570	74,263	72,337
Equity	52,578	53,839	53,533
Equity Ratio	71.5%	72.5%	74.0%
Interest-bearing Debt	3,164	2,802	2,182

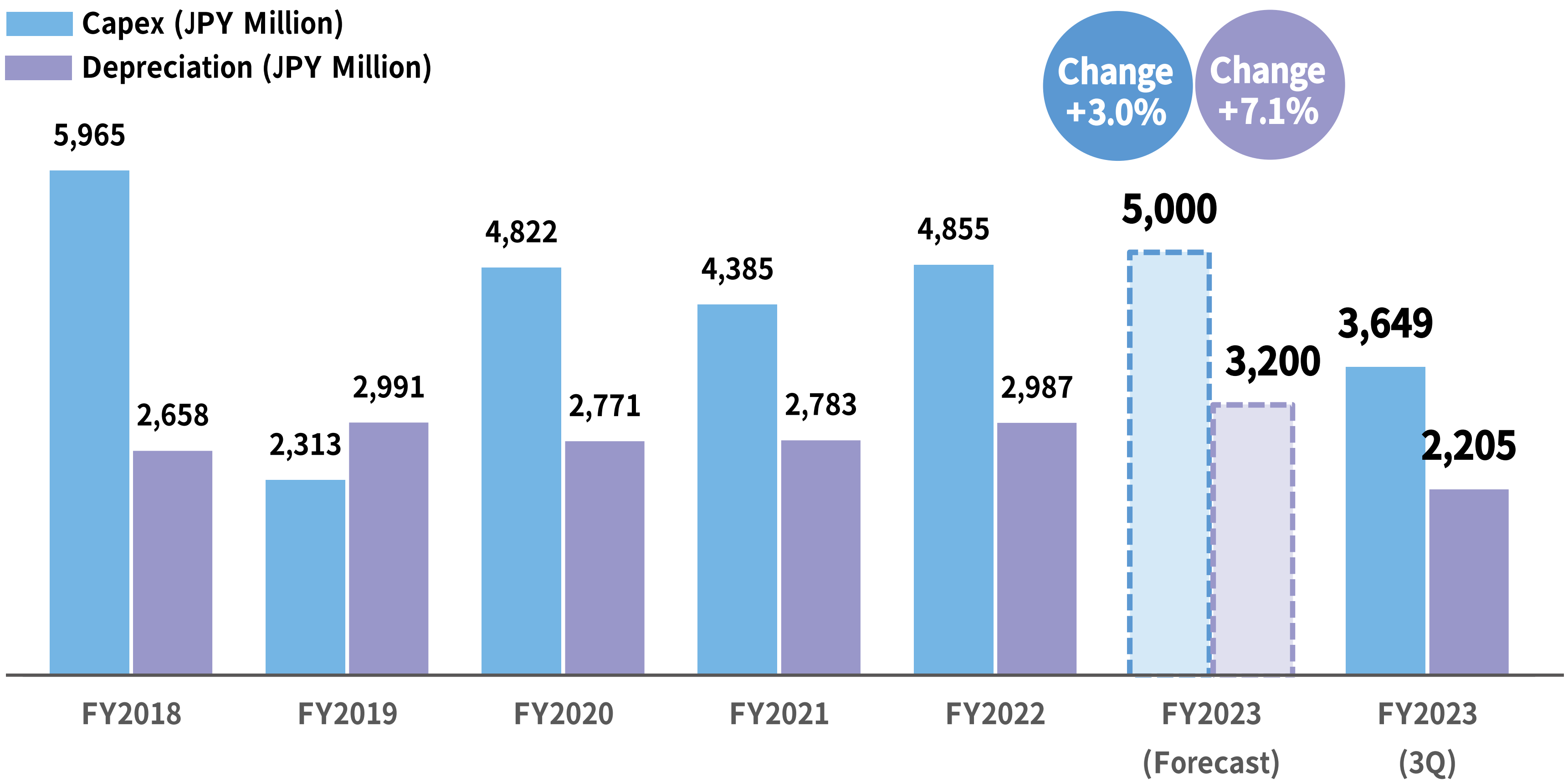
Capital Investment and Depreciation

TOCALO

POINT

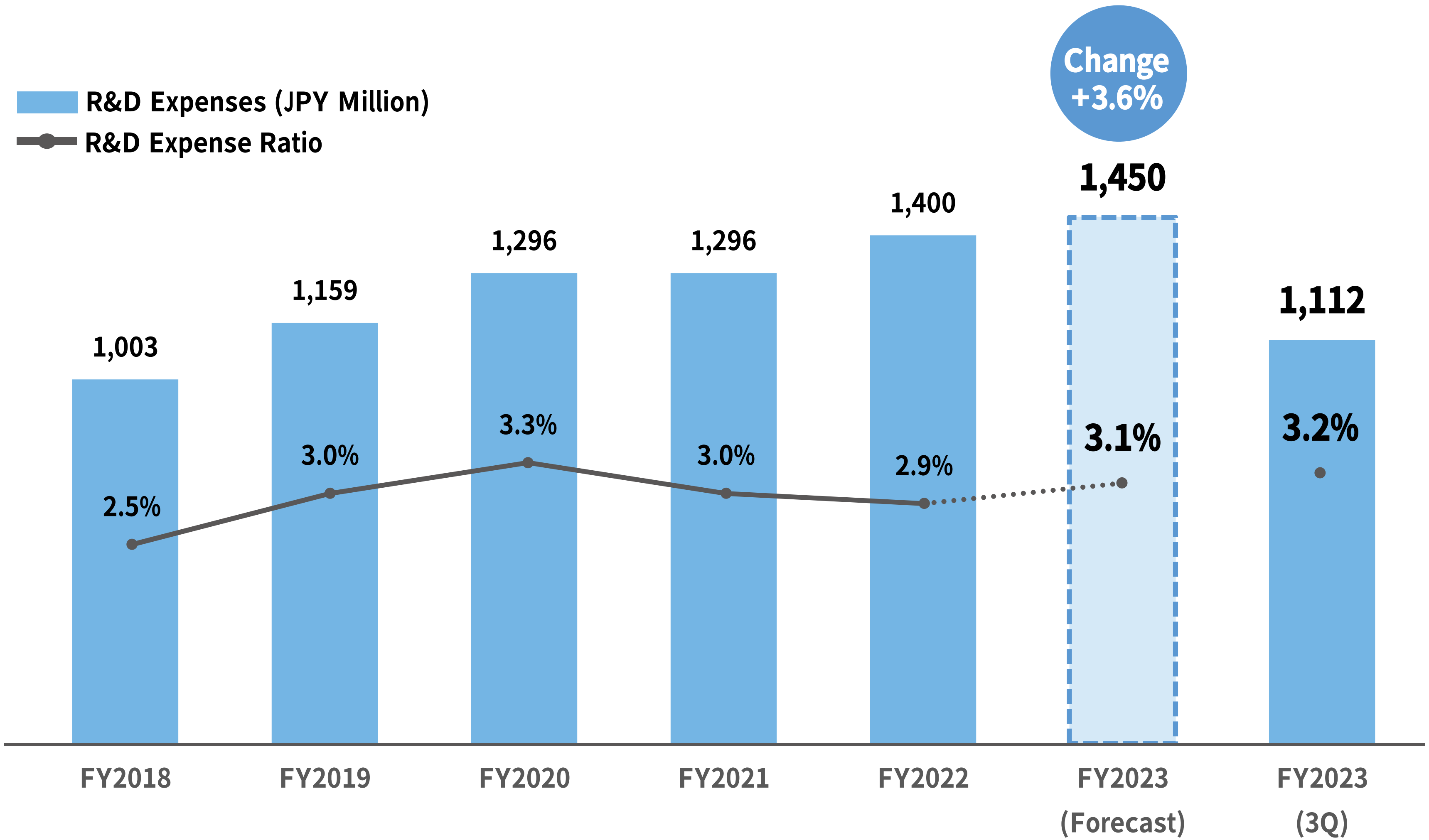
Planned capex for FY2023: 5,000 Million JPY

• TOCALO	2,600 Million JPY:	Strengthening and streamlining production systems, primarily at the Tokyo, Akashi, and Kitakyushu plants
• Domestic Subsidiaries	300 Million JPY:	Increasing production capacity, etc.
• Overseas Subsidiaries	2,100 Million JPY:	Constructing a new plant at TOCALO & HAN TAI TW Co., Ltd. (Taiwan)



R&D Expenses

POINT R&D expenses will be maintained at around 3% of consolidated net sales

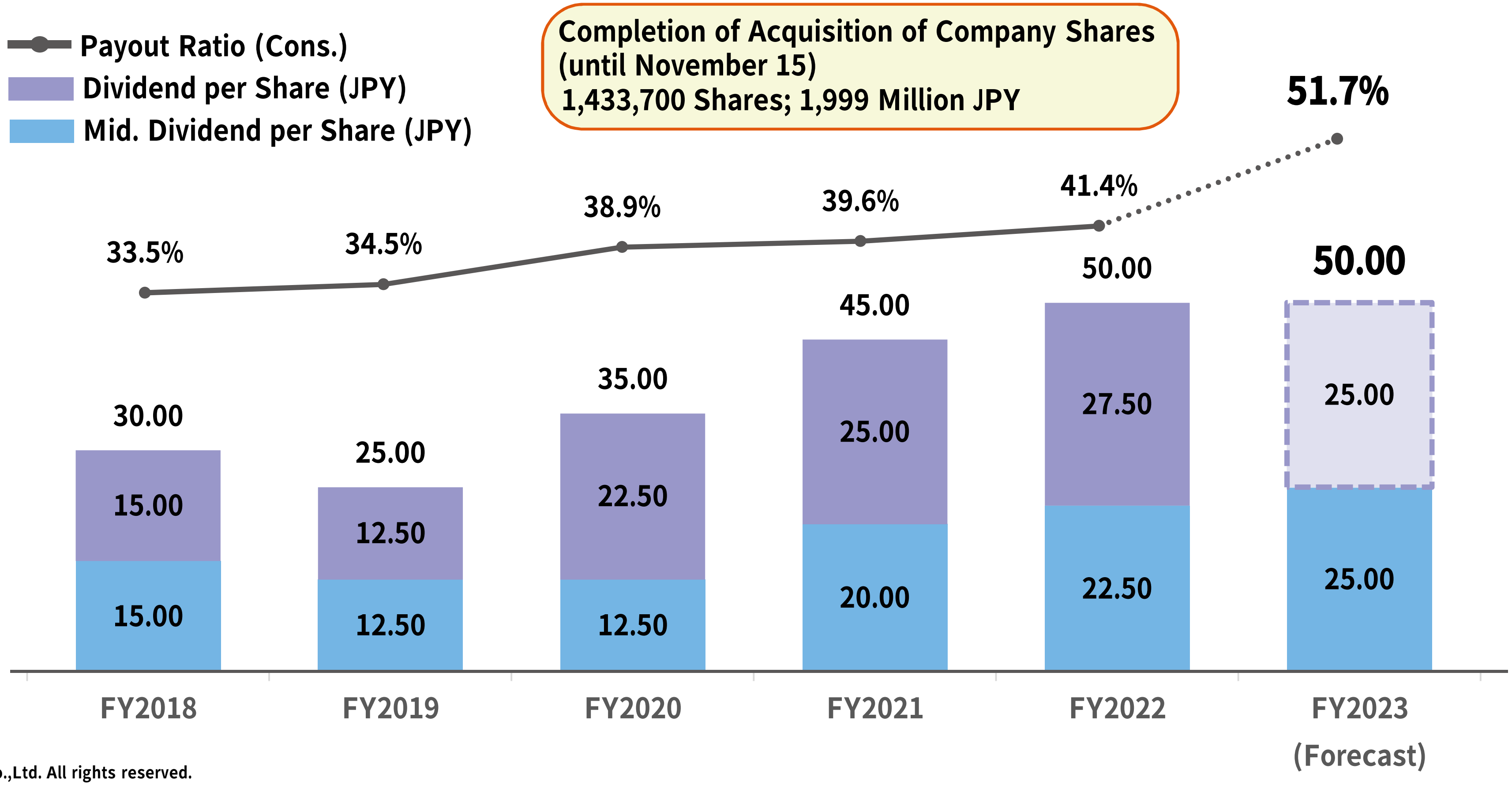


Dividends

POINT An annual dividend of 50JPY is planned for FY2023 (a dividend payout ratio of 51.7%)

Shareholder Return Policy

- Aiming for a dividend payout ratio of around 50% to further enhance shareholder returns
- Acquisition and retirement of outstanding company shares will also be implemented in a timely and appropriate manner, taking into consideration the business environment and the Company's financial position



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 Attributed to Owners of Parent	5,441	4,404	5,463	6,909	7,350	5,800
Earnings Per Share (EPS)	89.51JPY	72.45JPY	89.86JPY	113.62JPY	120.83JPY	96.70JPY
Total Assets	57,278	61,122	64,183	69,517	74,263	74,900
Equity	37,559	40,263	44,201	49,099	53,839	55,000
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 Assets (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%

(Note) ROE＝Net income attribute 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.
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.

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