(TSE Prime Market Code 3433)

New possibilities for a bright future

Financial Summary (1Q FY2024)

7/31/2024

TOCALO トーカロ株式会社

Overview of Consolidated Results 1Q FY2024

- Net sales increased 9.1% year-on-year as inventory adjustments in the semiconductor field came to an end and orders began to recover
- Ordinary profit increased 22.8% year-on-year due to changes in sales composition and the impact of the weak yen (ordinary profit ratio rose to 22.7%)

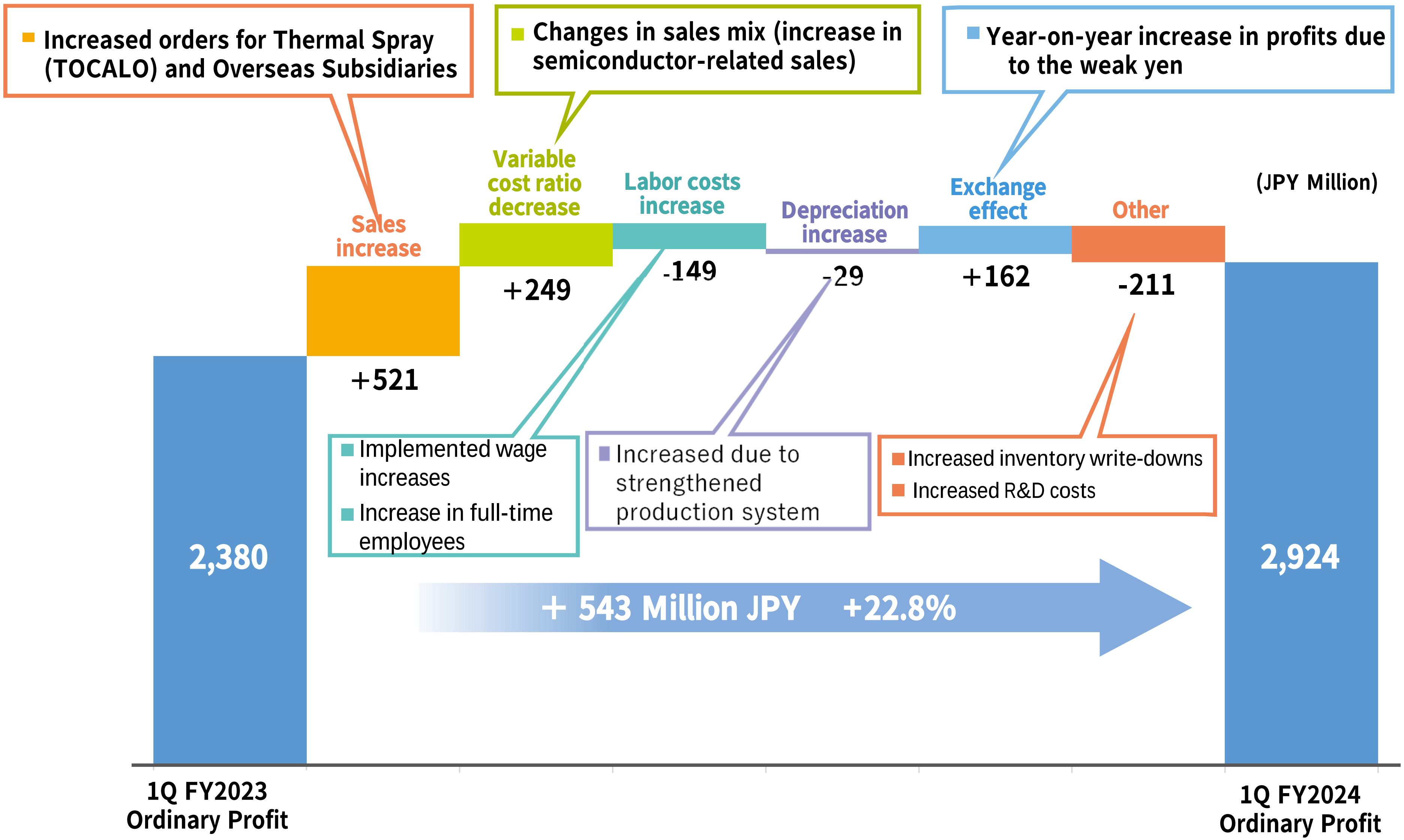
(JPY Million)	FY2023 1Q		FY2024 1Q		Change	
	Result	Ratio	Result	Ratio	Amount	%
Net Sales	11,787	100.0%	12,864	100.0%	1,077	9.1%
Operating Profit	2,268	19.2%	2,687	20.9%	418	18.4%
Ordinary Profit	2,380	20.2%	2,924	22.7%	543	22.8%
Net Income Attributable to Owners of Parent	1,539	13.1%	1,886	14.7%	347	22.6%
Earnings Per Share (EPS)	25.35JPY	—	31.74JPY	—	6.39JPY	—

1Q FY2024 Sales (by Segment)

- The semiconductor and FPD fields recovered at a pace that exceeded our initial expectations, while the industrial parts, iron & steel, and others sectors performed well, and there were increased sales for Thermal Spray (TOCALO), our largest segment
- Our overseas subsidiaries performed well overall, primarily in semiconductor-related areas, resulting in a double-digit increase in sales

(JPY Million)	FY2023 1Q		FY2024 1Q		Change	
	Result	Ratio	Result	Ratio	Amount	%
Net Sales	11,787	100.0%	12,864	100.0%	1,077	9.1%
Thermal Spray (TOCALO)	8,797	74.6%	9,659	75.1%	861	9.8%
Semicon & FPD	5,052	42.9%	5,701	44.3%	649	12.8%
Industrial Parts	1,107	9.4%	1,225	9.5%	117	10.7%
Iron & Steel	844	7.2%	986	7.7%	142	16.9%
Others	1,792	15.1%	1,745	13.6%	-47	-2.7%
Other Surface Modif.	745	6.4%	717	5.6%	-27	-3.7%
Domestic Sub.	623	5.3%	609	4.7%	-13	-2.2%
Overseas Sub.	1,607	13.6%	1,861	14.5%	253	15.8%
Royalty Income	14	0.1%	17	0.1%	2	18.8%

Analysis of Ordinary P/L Change



Segment Information

- Thermal Spray (TOCALO) had increased sales and profits due to the recovery of the semiconductor field
- Domestic subsidiaries had lower sales and profits due to the impact of a decline in automobile production on their mainstay cutting tools
- Overseas subsidiaries had strong sales overall, particularly in semiconductor-related products. Profits significantly increased due in part to foreign exchange effects from the weak yen

(JPY Million)	FY2023 1Q		FY2024 1Q		Change			
					Net Sales		Segment P/L	
	Net Sales	P/L	Net Sales	P/L	Amount	%	Amount	%
Thermal Spray (TOCALO)	8,797	1,787	9,659	2,217	861	9.8%	429	24.0%
Domestic Sub.	623	114	609	98	-13	-2.2%	-16	-14.1%
Overseas Sub.	1,607	376	1,861	547	253	15.8%	170	45.3%
Other Surface Modif.	745	130	717	118	-27	-3.7%	-12	-9.6%
Total	11,772	2,410	12,847	2,981	1,074	9.1%	571	23.7%

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

Consolidated Forecast FY2024

[No revisions to the forecast announced on May 9, 2024]

(JPY Million)	FY2023		FY2024		Change	
	Resullt	Ratio	Forecast	Ratio	Amount	%
Net Sales	46,735	100.0%	51,000	100.0%	4,264	9.1%
Thermal Spray (TOCALO)	33,859	72.4%	37,632	73.8%	3,773	11.1%
Semicon & FPD	19,557	41.8%	23,005	45.1%	3,447	17.6%
Industrial Parts	4,923	10.5%	4,603	9.0%	-320	-6.5%
Iron & Steel	3,651	7.8%	4,037	7.9%	385	10.6%
Others	5,727	12.3%	5,987	11.8%	260	4.6%
Other Surface Modif.	3,019	6.5%	2,738	5.4%	-281	-9.3%
Domestic Sub.	2,457	5.3%	2,708	5.3%	250	10.2%
Overseas Sub.	7,257	15.5%	7,771	15.2%	513	7.1%
Royalty Income	141	0.3%	150	0.3%	8	5.8%
Operating Profit	9,197	19.7%	10,500	20.6%	1,302	14.2%
Ordinary Profit	9,662	20.7%	10,500	20.6%	837	8.7%
Net Income Attributed to Owners of Parent	6,326	13.5%	6,880	13.5%	553	8.7%
Earnings Per Share (EPS)	105.53JPY	―	115.75JPY	―	10.22JPY	―
Return on Equity (ROE)	11.6%	―	12.0%	―	0.4pt	―

1Q FY2024 Progress Rate

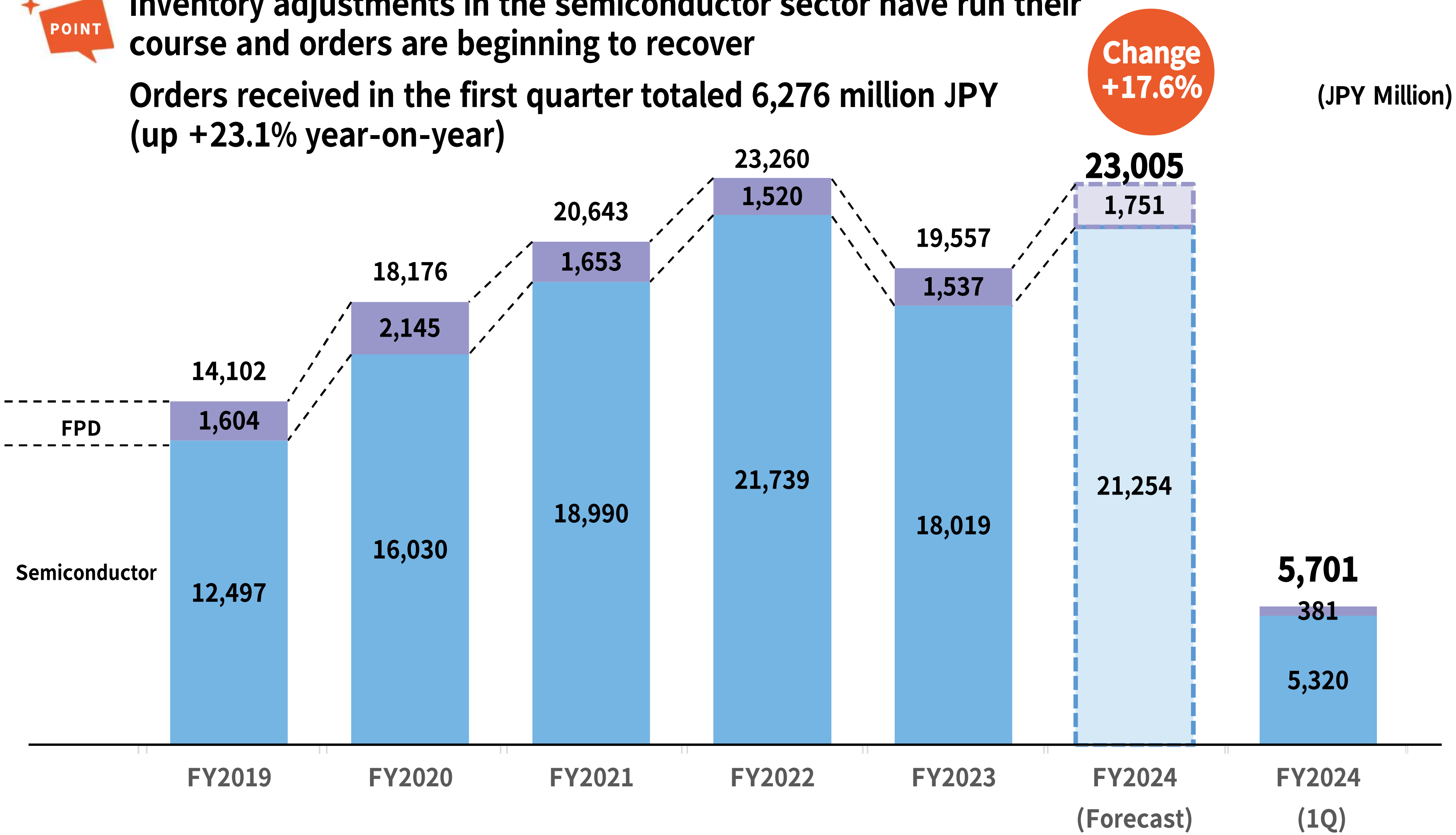
(JPY Million)	FY2024 1Q		FY2024		Progress Rate
	Result	Ratio	Forecast	Ratio	
Net Sales	12,864	100.0%	51,000	100.0%	25.2%
Thermal Spray (TOCALO)	9,659	75.1%	37,632	73.8%	25.7%
Semicon & FPD	5,701	44.3%	23,005	45.1%	24.8%
Industrial Parts	1,225	9.5%	4,603	9.0%	26.6%
Iron & Steel	986	7.7%	4,037	7.9%	24.4%
Others	1,745	13.6%	5,987	11.8%	29.1%
Other Surface Modif.	717	5.6%	2,738	5.4%	26.2%
Domestic Sub.	609	4.7%	2,708	5.3%	22.5%
Overseas Sub.	1,861	14.5%	7,771	15.2%	23.9%
Royalty Income	17	0.1%	150	0.3%	11.4%
Operating Profit	2,687	20.9%	10,500	20.6%	25.6%
Ordinary Profit	2,924	22.7%	10,500	20.6%	27.9%
Net Income Attributed to Owners of Parent	1,886	14.7%	6,880	13.5%	27.4%
Earnings Per Share (EPS)	31.74JPY	—	115.75JPY	—	27.4%

Semiconductor & FPD Net Sales

POINT

Inventory adjustments in the semiconductor sector have run their course and orders are beginning to recover

Orders received in the first quarter totaled 6,276 million JPY (up +23.1% year-on-year)

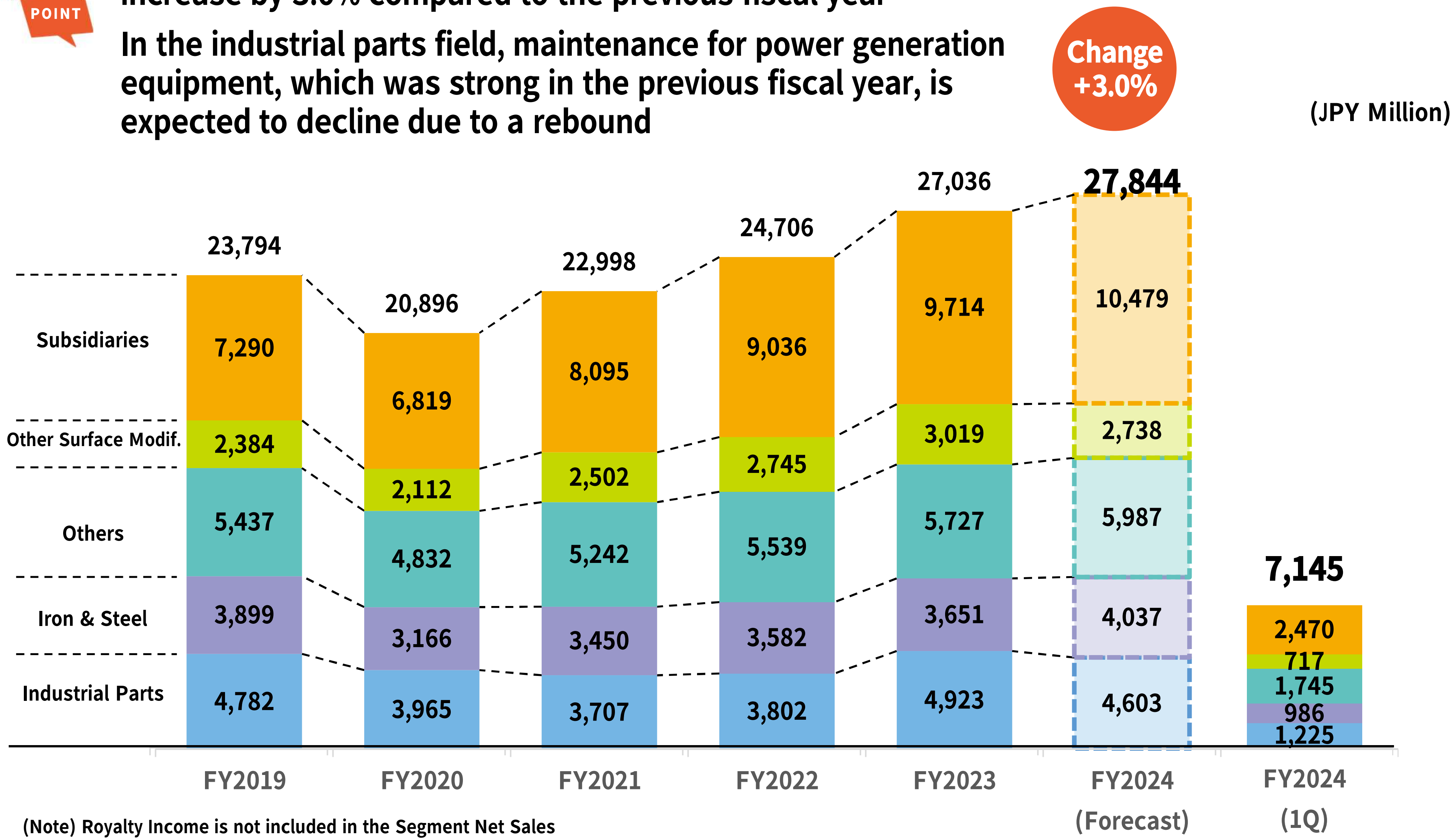


Non-Semiconductor & FPD Net Sales

POINT

Net sales in non-semiconductor & FPD fields, are expected to increase by 3.0% compared to the previous fiscal year

In the industrial parts field, maintenance for power generation equipment, which was strong in the previous fiscal year, is expected to decline due to a rebound



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

Financial Position

- Total assets increased by 644 million JPY from the end of the previous fiscal year (fixed assets increased by 1,049 million JPY)
- Equity ratio is 71.2%, unchanged from the end of the previous fiscal year
- Interest-bearing debt decreased by 307 million JPY from the end of the previous period

(JPY Million)	FY2023		FY2024
	1Q	4Q	1Q
Total Assets	73,260	77,940	78,584
Equity	53,267	55,460	55,970
Equity Ratio	72.7%	71.2%	71.2%
Interest-bearing Debt	2,572	5,002	4,694

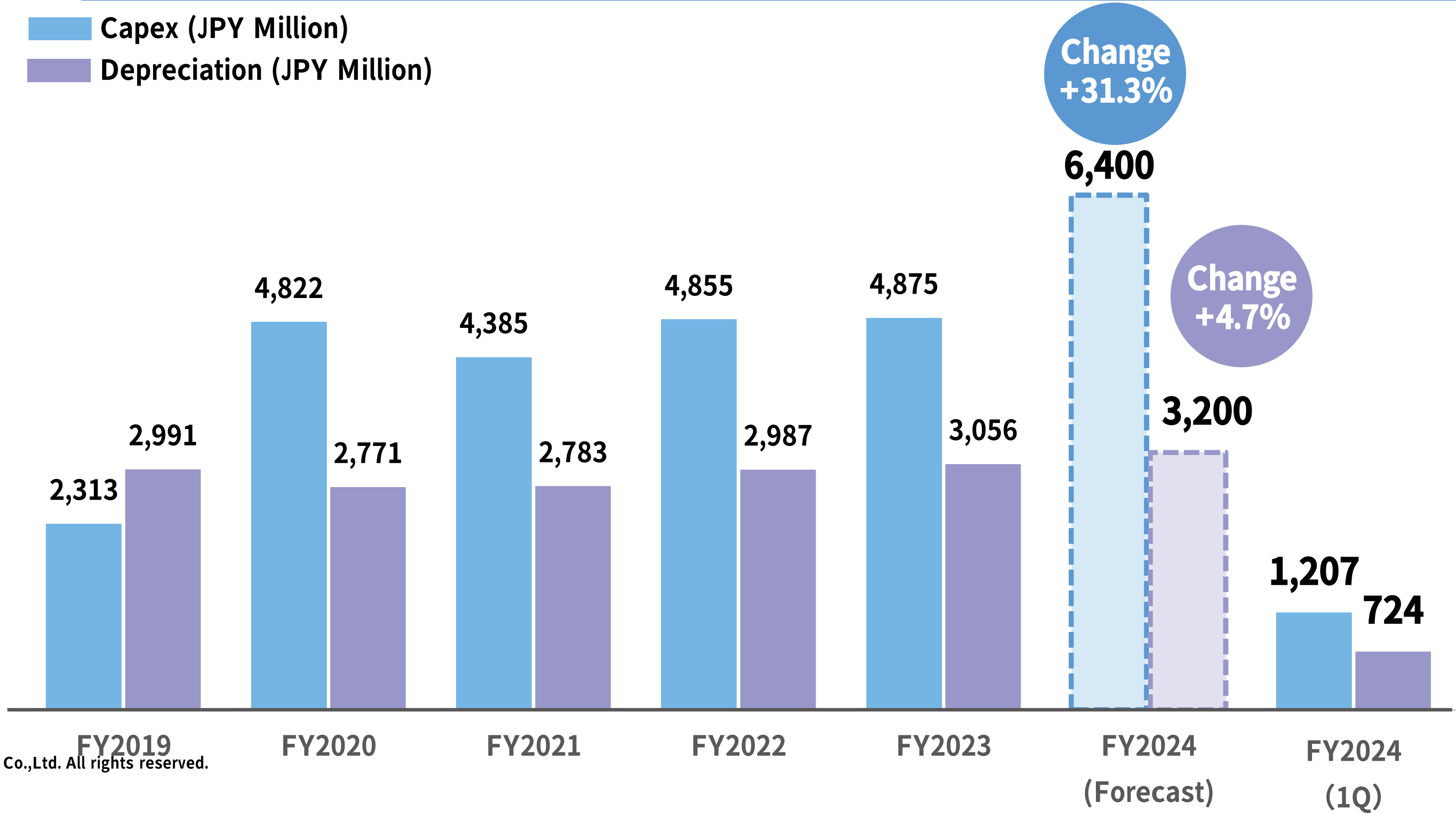
Capital Investment Plan and Depreciation

TOCALO

Planned capex for FY2024: 6,400 Million JPY

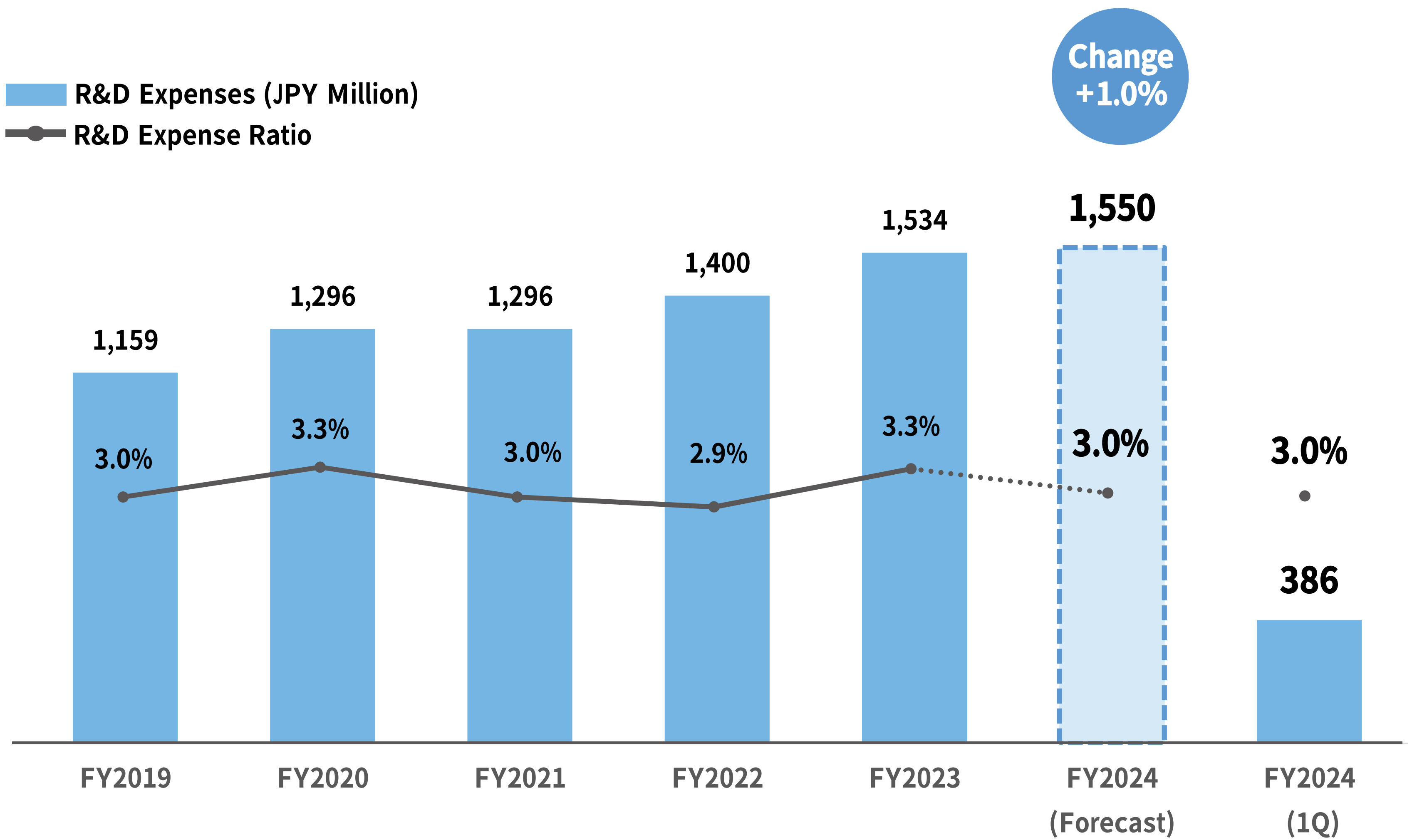
POINT

- Tocalo 5,000 million JPY: Construction of new buildings at the Kobe Plant, increasing production and production efficiency, and strengthening research facilities, etc.
- Domestic Subsidiaries 400 million JPY: Increasing production capacity, etc.
- Overseas Subsidiaries 1,000 million JPY: Launch of new factories at TOCALO & HAN TAI (Kunshan) and at TOCALO & HAN TAI (Taiwan)



R&D Expenses

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



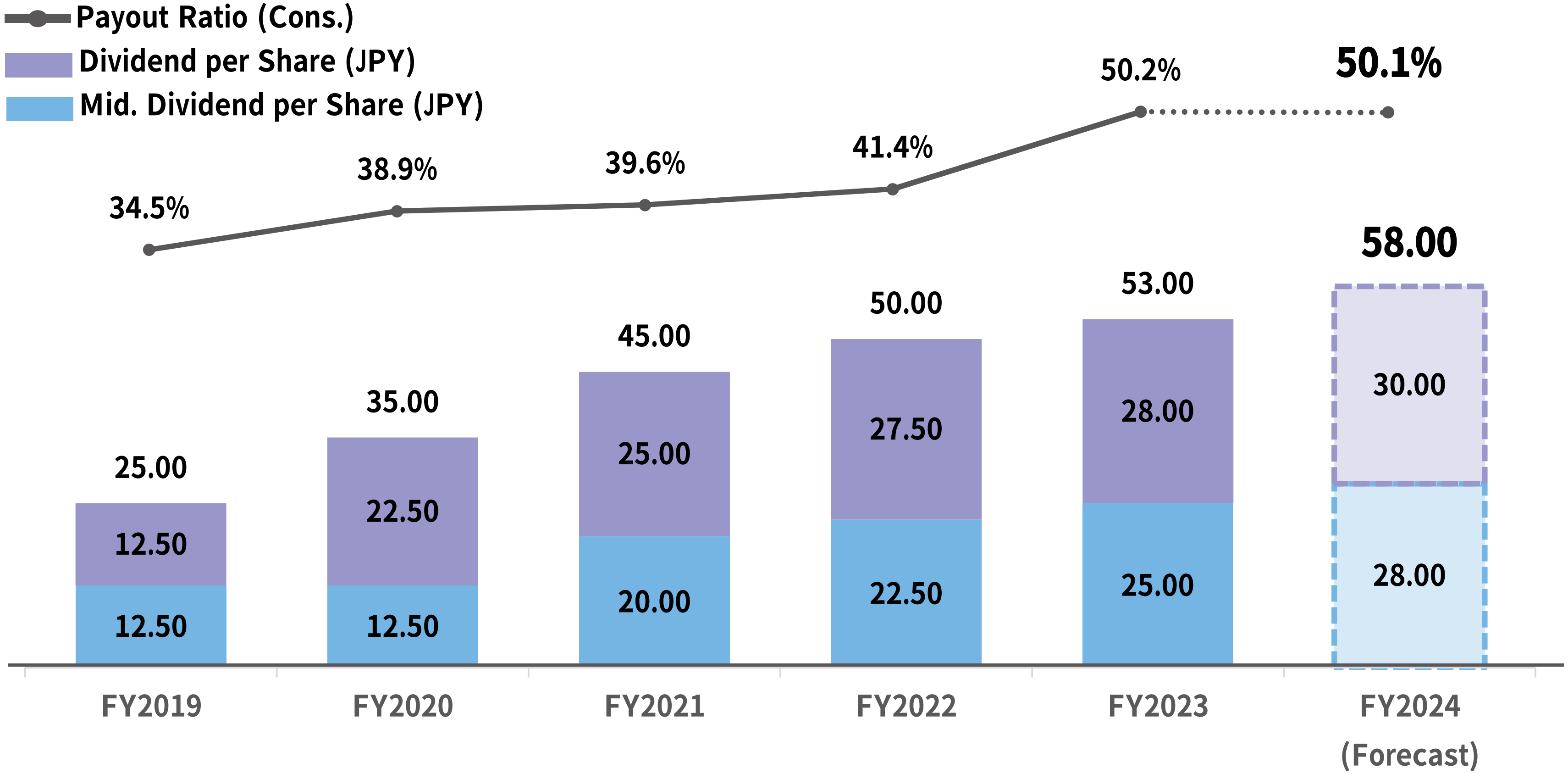
Dividends

First quarter earnings per share (EPS) was 31.74 JPY. An increase to our dividend will also be considered depending on future trends.

POINT

Shareholder Return Policy

- We are targeting a consolidated dividend payout ratio of around 50%, and a dividend on equity (DOE) ratio of at least 5%
- Acquisition of treasury stock will also be flexibly conducted, taking into consideration the business environment and the company's financial situation



Financial Highlights

(Million JPY)	FY2019 Result	FY2020 Result	FY2021 Result	FY2022 Result	FY2023 Result	FY2024 Forecast
Orders Received	38,011	39,021	45,394	48,419	47,505	—
Backlog of Orders	6,195	6,143	7,896	8,349	9,260	—
Net Sales	38,084	39,294	43,813	48,144	46,735	51,000
Operating Profit	6,727	8,890	10,255	10,558	9,197	10,500
Ordinary Profit	6,812	8,914	10,571	11,003	9,662	10,500
Ordinary Profit Ratio	17.9%	22.7%	24.1%	22.9%	20.7%	20.6%
Net Income Attributed to Owners of Parent	4,404	5,463	6,909	7,350	6,326	6,880
Earnings Per Share (EPS)	72.45JPY	89.86JPY	113.62JPY	120.83JPY	105.53JPY	115.75JPY
Total Assets	61,122	64,183	69,517	74,263	77,940	83,500
Equity	40,263	44,201	49,099	53,839	55,460	59,300
Equity Ratio	65.9%	68.9%	70.6%	72.5%	71.2%	71.0%
Return on Equity (ROE)	11.3%	12.9%	14.8%	14.3%	11.6%	12.0%
Return on Assets (ROA)	11.5%	14.2%	15.8%	15.3%	12.7%	13.0%
Return on Invested Capital (ROIC)	9.8%	11.9%	13.0%	12.5%	10.2%	11.0%

(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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