(TSE Prime Market Code 3433)

New possibilities for a bright future

# Financial Summary (1H FY2024)

11/11/2024

Kazuya Kobayashi
Representative Director, President, and Executive Officer

TOCALO トーカロ株式会社

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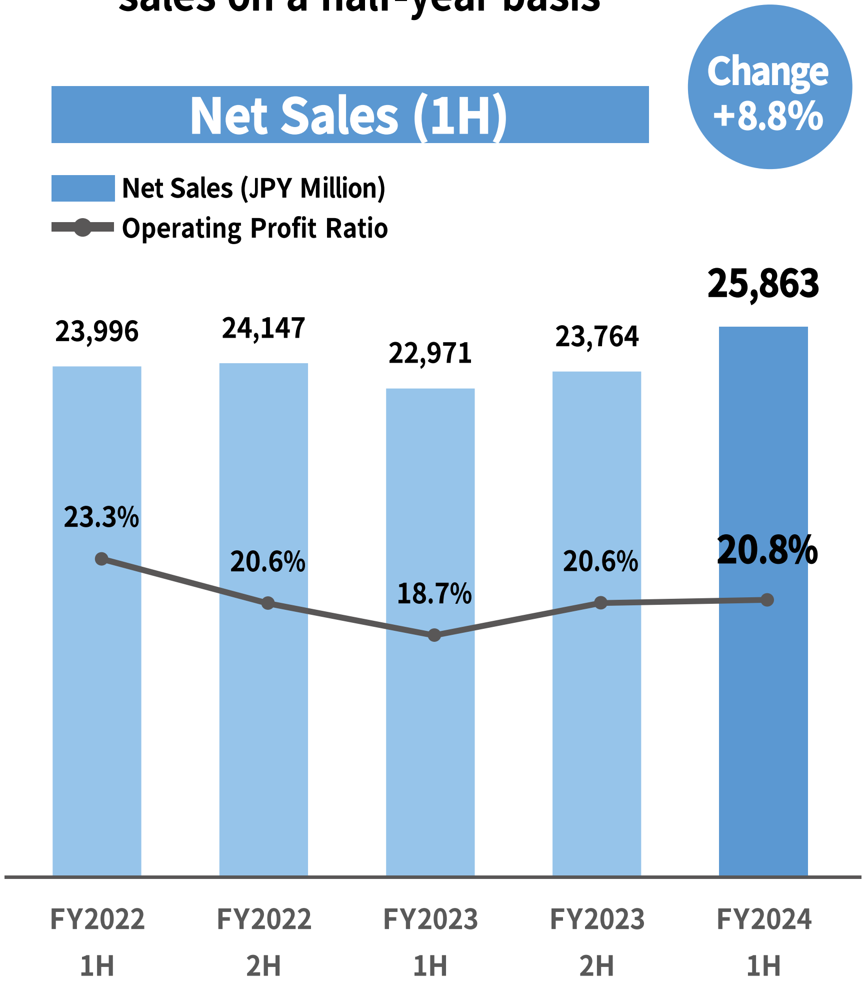
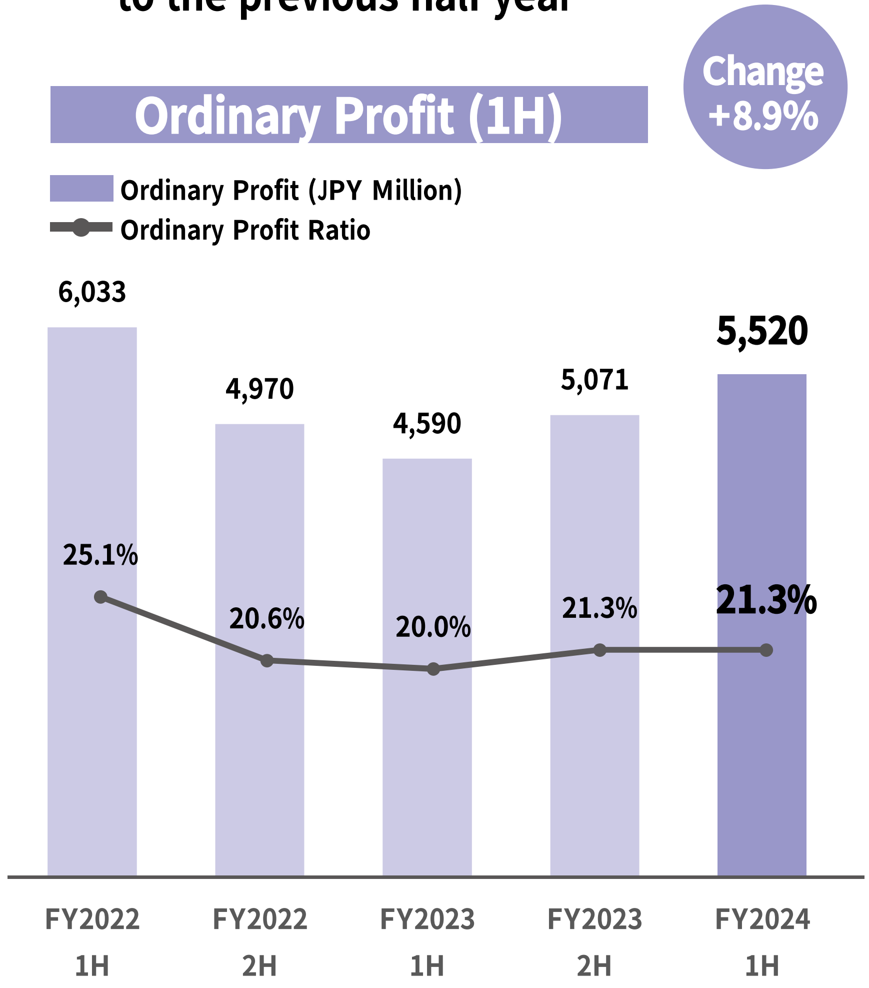
# 1. Overview of Consolidated Results 1H FY2024

# Highlights of Consolidated Results 1H FY2024

POINT
The semiconductor field performed well, achieving record-high net sales on a half-year basis




POINT
Ordinary profit also exceeded initial forecasts, increasing by 8.9% compared to the previous half year



# Overview of Consolidated Results 1H FY2024

- As orders in the semiconductor field increase, production capacity is also gradually being increased, with net sales increasing by 12.6% year-on-year
- Ordinary profit increased by 20.3% year-on-year due to increased sales in the highly profitable semiconductor field

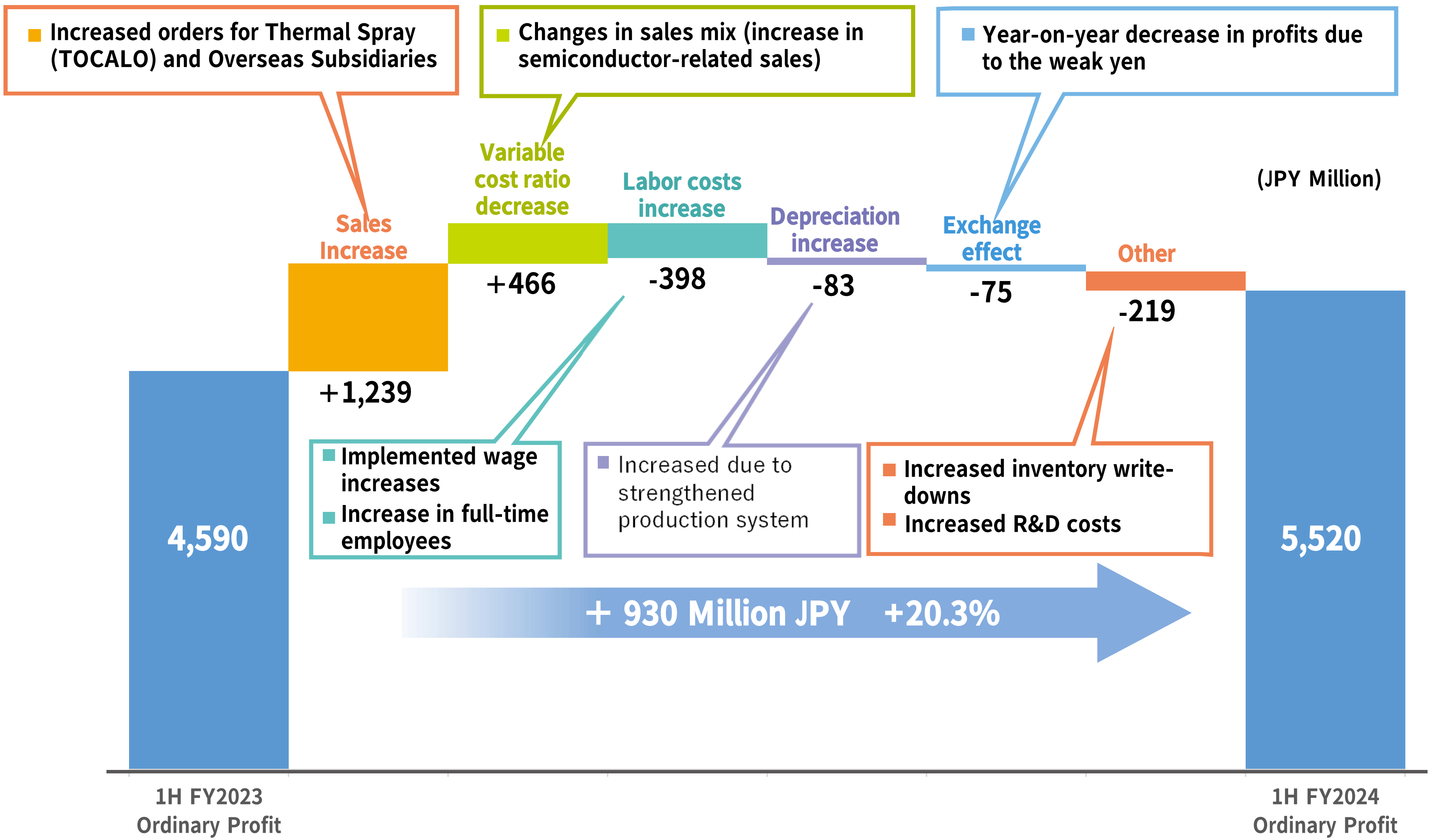
| (JPY Million) | 1H FY2023 | | 1H FY2024 | | Change | |
|---|---|---|---|---|---|---|
| | Result | Ratio | Result | Ratio | Amount | % |
| Net Sales | 22,971 | 100.0% | 25,863 | 100.0% | 2,891 | 12.6% |
| Operating Profit | 4,295 | 18.7% | 5,383 | 20.8% | 1,087 | 25.3% |
| Ordinary Profit | 4,590 | 20.0% | 5,520 | 21.3% | 930 | 20.3% |
| Net Income Attributable to Owners of Parent | 2,985 | 13.0% | 3,556 | 13.8% | 570 | 19.1% |
| Earnings Per Share (EPS) | 49.42JPY | — | 59.83JPY | — | 10.41JPY | — |

# 1H FY2024 Net Sales (by Segment)

- Thermal Spray (TOCALO), our largest segment, increased by 15.4% year-on-year due to strong performance in all fields
- Other surface modifications saw decreased sales due to customer inventory adjustments for agricultural machinery parts
- Overseas subsidiaries performed well, primarily in semiconductor-related areas, and increased by 13.7% year-on-year

| (JPY Million) | 1H FY2023 | | 1H FY2024 | | Change | |
|---|---|---|---|---|---|---|
| | Result | Ratio | Result | Ratio | Amount | % |
| Net Sales | 22,971 | 100.0% | 25,863 | 100.0% | 2,891 | 12.6% |
| Thermal Spray (TOCALO) | 16,748 | 72.9% | 19,325 | 74.7% | 2,577 | 15.4% |
| Semicon & FPD | 9,737 | 42.4% | 11,395 | 44.1% | 1,657 | 17.0% |
| Industrial Parts | 2,224 | 9.7% | 2,370 | 9.2% | 145 | 6.5% |
| Iron & Steel | 1,746 | 7.6% | 2,029 | 7.8% | 283 | 16.2% |
| Others | 3,039 | 13.2% | 3,530 | 13.6% | 490 | 16.1% |
| Other Surface Modif. | 1,515 | 6.6% | 1,381 | 5.4% | -134 | -8.9% |
| Domestic Sub. | 1,230 | 5.4% | 1,191 | 4.6% | -38 | -3.1% |
| Overseas Sub. | 3,422 | 14.9% | 3,890 | 15.0% | 467 | 13.7% |
| Royalty Income | 54 | 0.2% | 73 | 0.3% | 19 | 35.2% |

# Analysis of Ordinary P/L Change

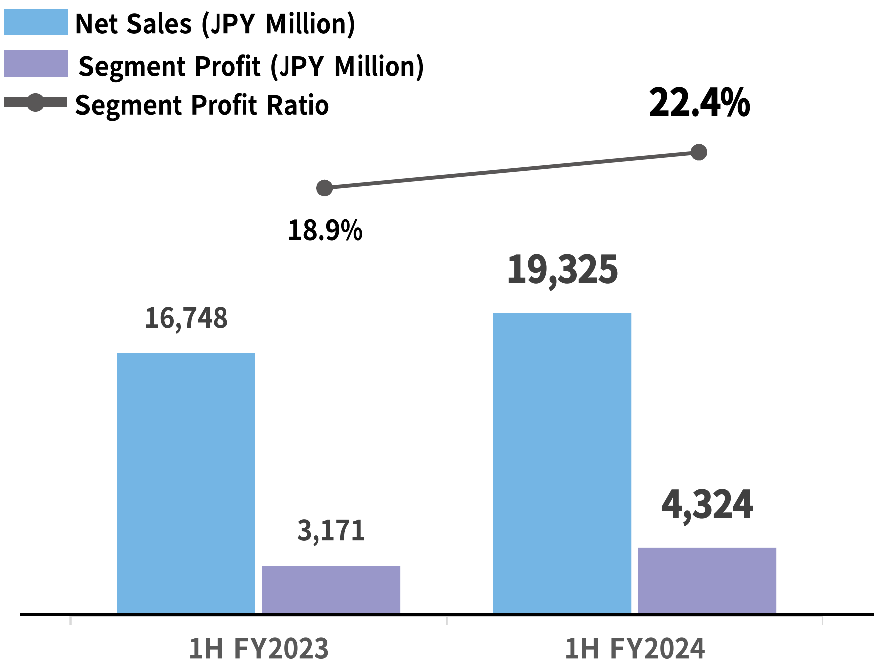


# 1H FY2024 Consolidated Results by Segment

## Thermal Spray (TOCALO)

Sales and profits increased due to good performance in the semiconductor and FPD fields, as well as in the industrial parts, iron & steel, and other fields

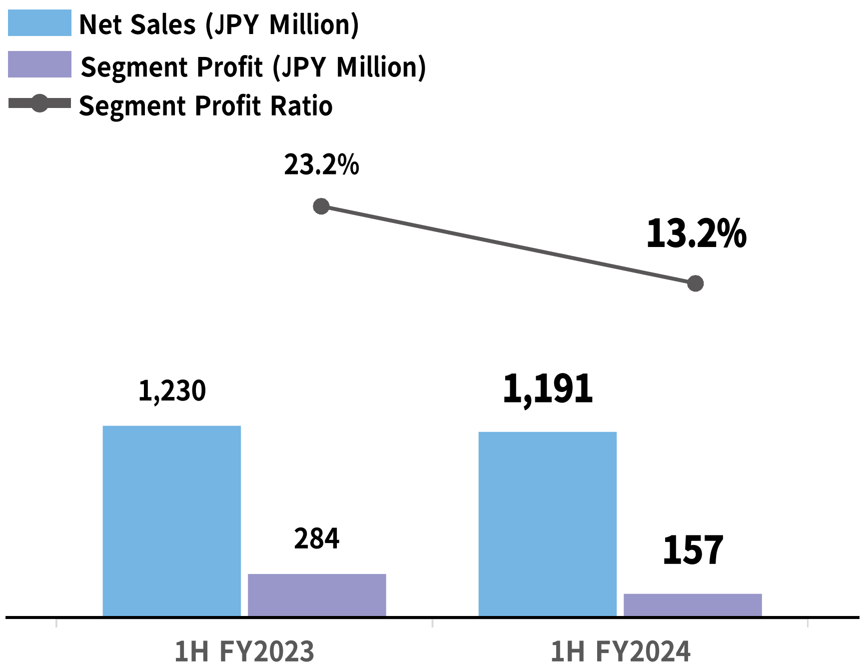
| YoY Change Ratio | | |
|---|---|---|
| | Net Sales | +15.4% |
| | Segment Profit | +36.4% |




## Domestic Sub.

Sales and profits decreased due to sluggish orders for cutting tools, caused by stagnation in automobile production

| YoY Change Ratio | | |
|---|---|---|
| | Net Sales | -3.1% |
| | Segment Profit | -44.7% |



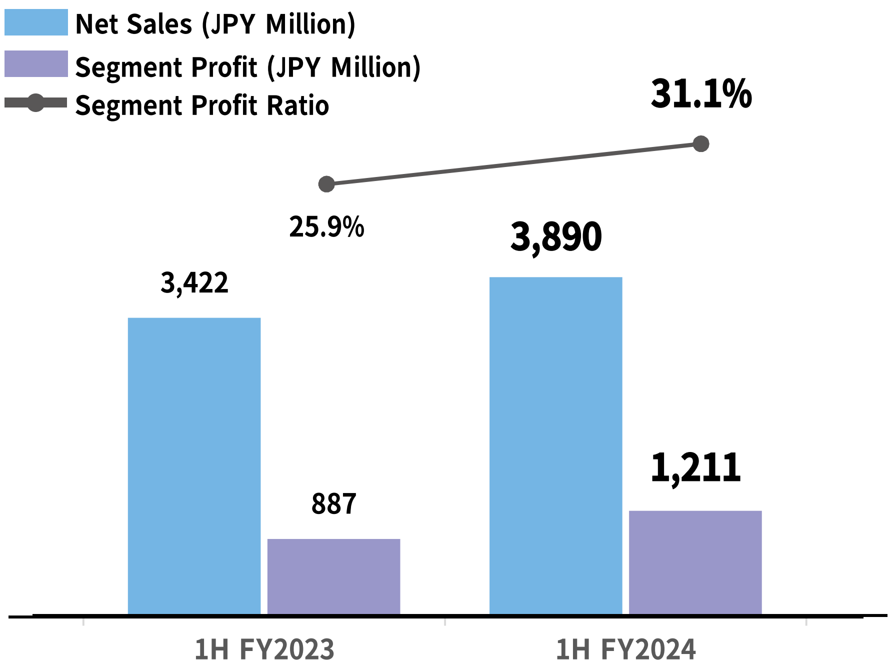
# 1H FY2024 Consolidated Results by Segment

## Overseas Sub.

Sales growth, mainly in semiconductor-related products, and the weak yen also contributed to increased sales and profits

**YoY Change Ratio**

Net Sales ........ +13.7%
Segment Profit ........ +36.5%

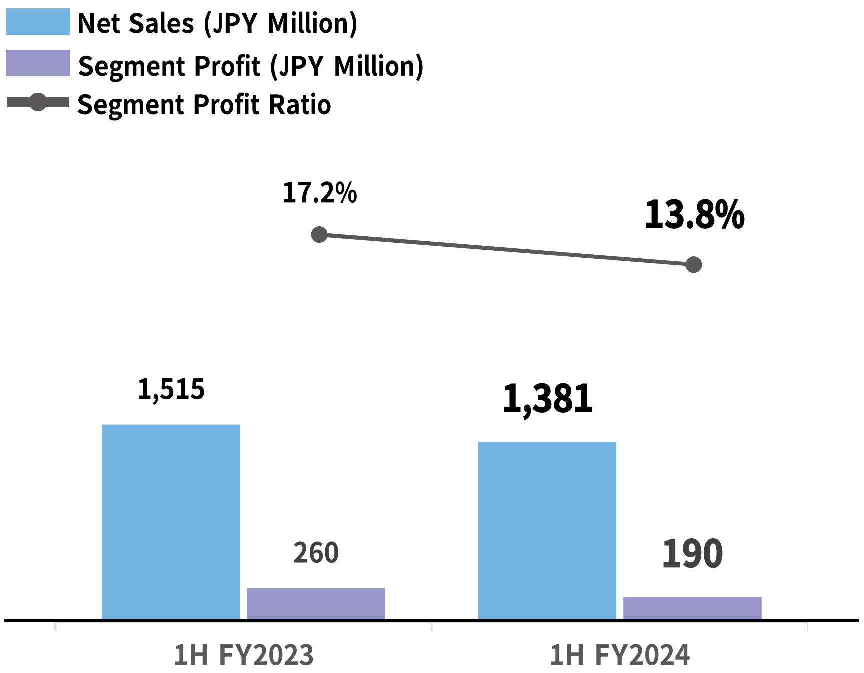



## Other Surface Modif.

Orders decreased for agricultural machinery parts due to customer inventory adjustments, which resulted in decreased sales and profits

**YoY Change Ratio**

Net Sales ........ -8.9%
Segment Profit ........ -26.7%



# Segment Information

TOCALO

- Thermal Spray (TOCALO) and Overseas Subsidiaries saw significant increases in profits due to sales growth, primarily in semiconductor-related products
- Domestic Subsidiaries and Other Surface Modifications saw a decline in orders for their main products, which led to a decline in profit ratios

| (JPY Million) | 1H FY2023 | | 1H FY2024 | | Change | | | |
|---|---|---|---|---|---|---|---|---|
| | | | | | Net Sales | | Segment P/L | |
| | Net Sales | P/L | Net Sales | P/L | Amount | % | Amount | % |
| Thermal Spray (TOCALO) | 16,748 | 3,171 | 19,325 | 4,324 | 2,577 | 15.4% | 1,153 | 36.4% |
| Domestic Sub. | 1,230 | 284 | 1,191 | 157 | -38 | -3.1% | -127 | -44.7% |
| Overseas Sub. | 3,422 | 887 | 3,890 | 1,211 | 467 | 13.7% | 323 | 36.5% |
| Other Surface Modif. | 1,515 | 260 | 1,381 | 190 | -134 | -8.9% | -69 | -26.7% |
| Total | 22,917 | 4,604 | 25,789 | 5,884 | 2,872 | 12.5% | 1,279 | 27.8% |

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

# Financial Position

- Total assets decreased by 200 million JPY from the end of the previous period (cash and deposits: -3,100 million JPY, fixed assets: +2,700 million JPY)
- Equity ratio increased by 3.6 points from the end of the previous period to 74.8%
- Interest-bearing debt decreased by 400 million JPY from the end of the previous period

| (JPY Million) | FY2023 | | FY2024 |
|---|---|---|---|
| | 1H | 2H | 1H |
| Total Assets | 75,226 | 77,940 | 77,687 |
| Equity | 54,186 | 55,460 | 58,072 |
| Equity Ratio | 72.0% | 71.2% | 74.8% |
| Interest-bearing Debt | 2,358 | 5,002 | 4,582 |

# Cash Flow

- Free Cash Flow (Operating CF + Investment CF) -700 million JPY
- Investment CF/Acquisition of tangible fixed assets
  Previous term: -1,600 million JPY　Current term: -2,800 Million JPY
  Acquisition and share acquisition
  Previous term: —　Current term: -1,200 million JPY (made TERADA KOSAKUSHO Co., Ltd. and a Thai JV into fully owned subsidiaries)
- Financial CF/Dividends paid
  Previous term: -1,600 million JPY　Current term: -1,600 million JPY
  Acquisition and disposal of treasury shares
  Previous term: -1,400 million JPY　Current term: —

| (JPY Million) | FY2023 1H | FY2024 1H |
|---|---|---|
| Operating CF | 4,422 | 2,696 |
| Investment CF | -1,294 | -3,404 |
| Financial CF | -3,803 | -2,546 |
| Cash Balance | 18,995 | 16,594 |

# 2. Consolidated Forecast FY2024

# Outlook for Net Sales and Ordinary Profit

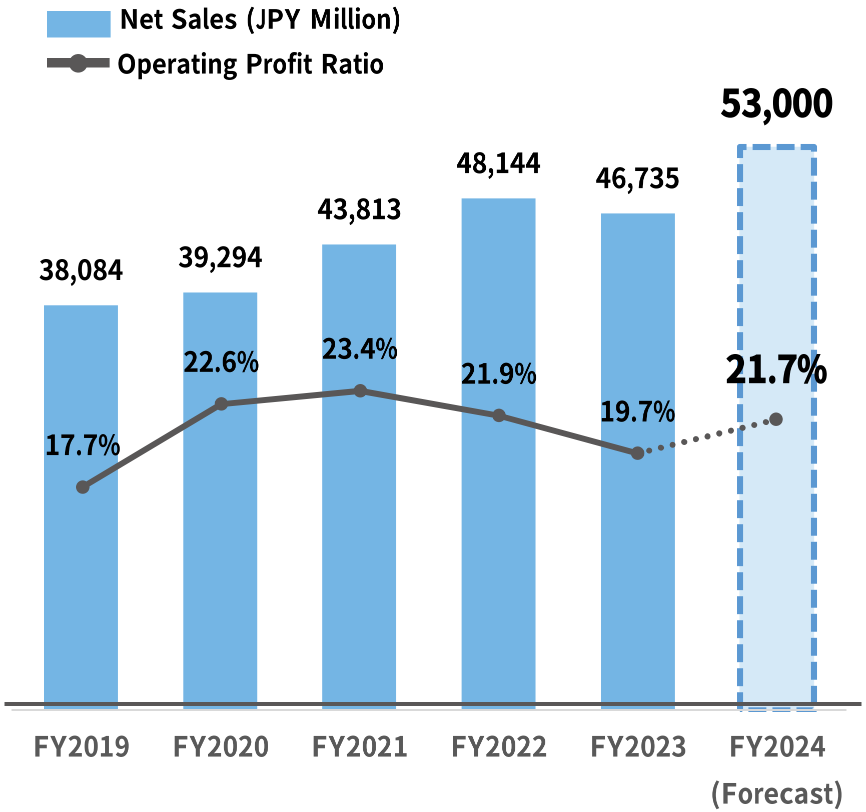
## [Revisions to the forecast announced on May 9, 2024]

POINT Strong orders are expected, primarily for semiconductor-related products

POINT Operating profit is expected to reach a new record high due to recovery of the semiconductor field

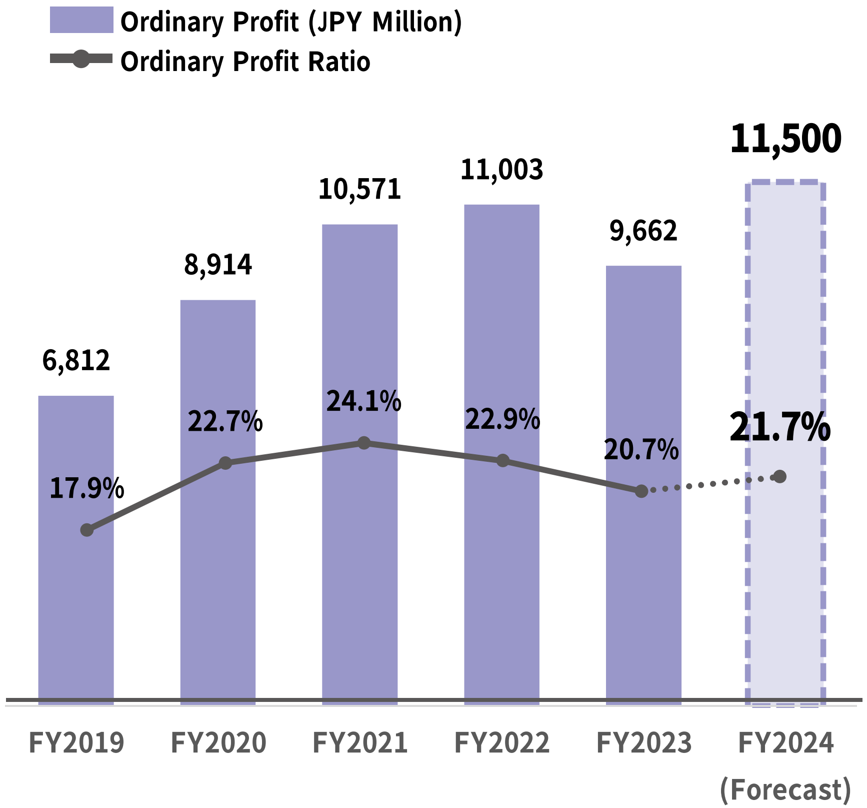
### Net Sales

Change +13.4%




### Ordinary Profit

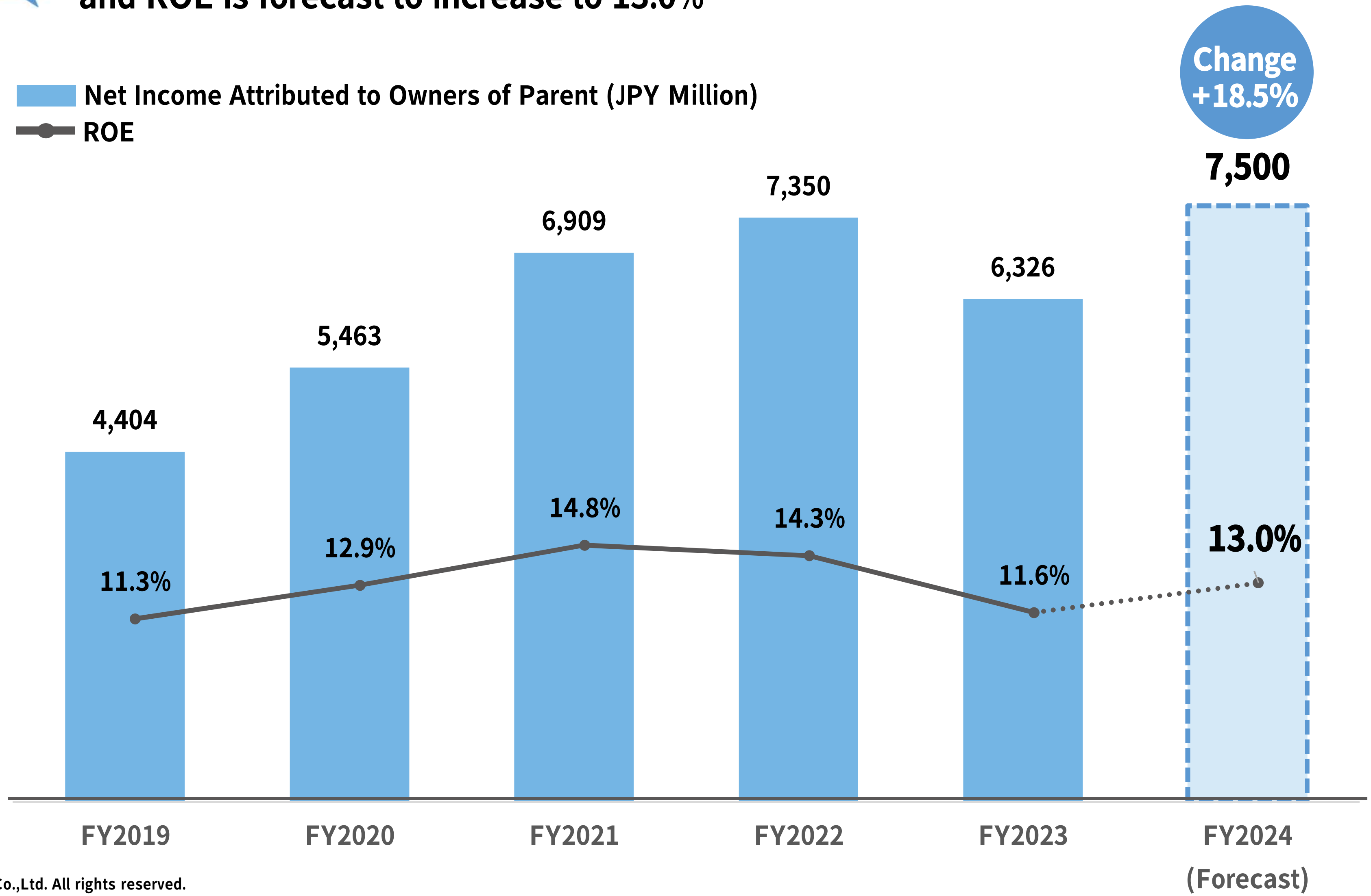
Change +19.0%



# Outlook for Net Income Attributed to Owners of Parent and ROE

POINT

**Net income attributed to owners of parent is forecast to increase by 18.5% year-on-year, and ROE is forecast to increase to 13.0%**



# Consolidated Forecast FY2024
## (Overview of Revisions)

| (JPY Million) | FY2024 | | | | Increase/decrease vs. May forecast | |
|---|---|---|---|---|---|---|
| | May forecast | Ratio | Revised forecast | Ratio | Amount | % |
| Net Sales | 51,000 | 100.0% | 53,000 | 100.0% | 2,000 | 3.9% |
| Thermal Spray (TOCALO) | 37,632 | 73.8% | 38,315 | 72.3% | 682 | 1.8% |
| Semicon & FPD | 23,005 | 45.1% | 23,795 | 44.9% | 790 | 3.4% |
| Industrial Parts | 4,603 | 9.0% | 4,640 | 8.8% | 37 | 0.8% |
| Iron & Steel | 4,037 | 7.9% | 3,950 | 7.5% | -87 | -2.2% |
| Others | 5,987 | 11.8% | 5,930 | 11.1% | -57 | -1.0% |
| Other Surface Modif. | 2,738 | 5.4% | 2,760 | 5.2% | 22 | 0.8% |
| Domestic Sub. | 2,708 | 5.3% | 2,775 | 5.2% | 67 | 2.5% |
| Overseas Sub. | 7,771 | 15.2% | 9,000 | 17.0% | 1,229 | 15.8% |
| Royalty Income | 150 | 0.3% | 150 | 0.3% | 0 | -0.1% |
| Operating Profit | 10,500 | 20.6% | 11,500 | 21.7% | 1,000 | 9.5% |
| Ordinary Profit | 10,500 | 20.6% | 11,500 | 21.7% | 1,000 | 9.5% |
| Net Income Attributed to Owners of Parent | 6,880 | 13.5% | 7,500 | 14.2% | 620 | 9.0% |
| Earnings Per Share (EPS) | 115.75JPY | — | 126.16JPY | — | 10.41JPY | — |
| Return on Equity (ROE) | 12.0% | — | 13.0% | — | 1.0pt | — |

# Consolidated Forecast FY2024
## (Compared to the Previous Period)

| (JPY Million) | FY2023 | | FY2024 | | Change | |
|---|---|---|---|---|---|---|
| | Resullt | Ratio | Revised Forecast | Ratio | Amount | % |
| Net Sales | 46,735 | 100.0% | 53,000 | 100.0% | 6,264 | 13.4% |
| Thermal Spray (TOCALO) | 33,859 | 72.4% | 38,315 | 72.3% | 4,455 | 13.2% |
| Semicon & FPD | 19,557 | 41.8% | 23,795 | 44.9% | 4,237 | 21.7% |
| Industrial Parts | 4,923 | 10.5% | 4,640 | 8.8% | -283 | -5.8% |
| Iron & Steel | 3,651 | 7.8% | 3,950 | 7.5% | 298 | 8.2% |
| Others | 5,727 | 12.3% | 5,930 | 11.1% | 202 | 3.5% |
| Other Surface Modif. | 3,019 | 6.5% | 2,760 | 5.2% | -259 | -8.6% |
| Domestic Sub. | 2,457 | 5.3% | 2,775 | 5.2% | 317 | 12.9% |
| Overseas Sub. | 7,257 | 15.5% | 9,000 | 17.0% | 1,742 | 24.0% |
| Royalty Income | 141 | 0.3% | 150 | 0.3% | 8 | 5.7% |
| Operating Profit | 9,197 | 19.7% | 11,500 | 21.7% | 2,302 | 25.0% |
| Ordinary Profit | 9,662 | 20.7% | 11,500 | 21.7% | 1,837 | 19.0% |
| Net Income Attributed to Owners of Parent | 6,326 | 13.5% | 7,500 | 14.2% | 1,173 | 18.5% |
| Earnings Per Share (EPS) | 105.53JPY | — | 126.16JPY | — | 20.63JPY | — |
| Return on Equity (ROE) | 11.6% | — | 13.0% | — | 1.4pt | — |

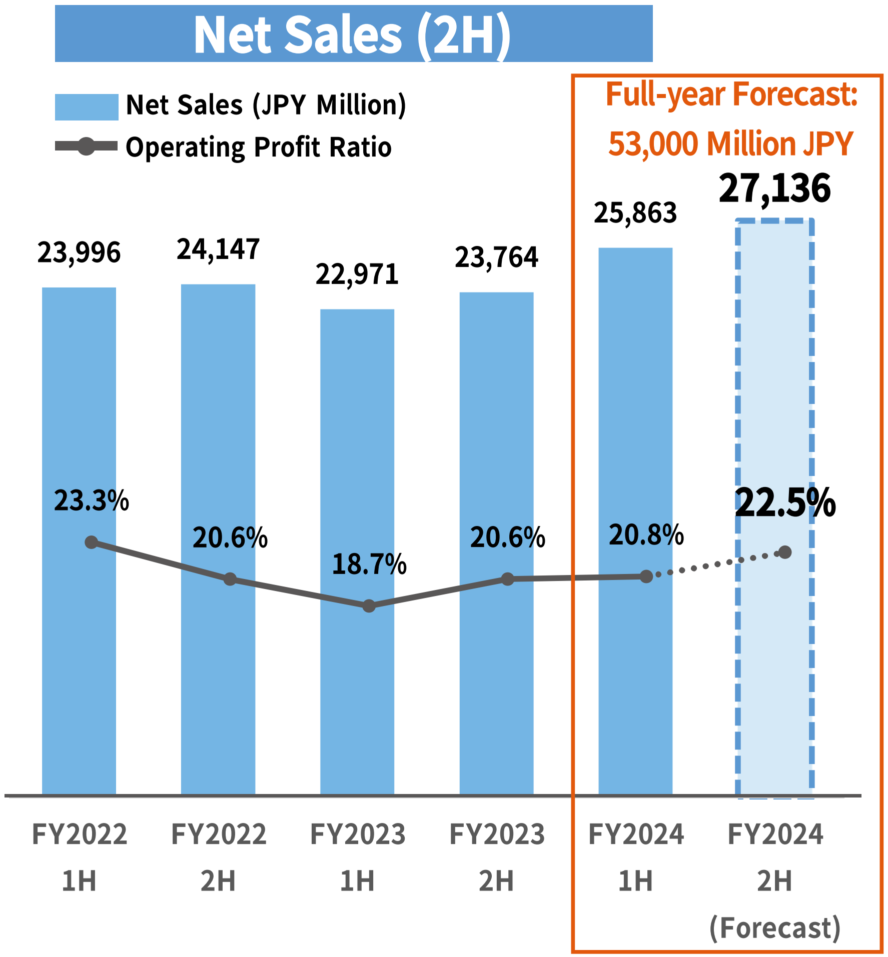
# 1H FY2024 Progress Rate

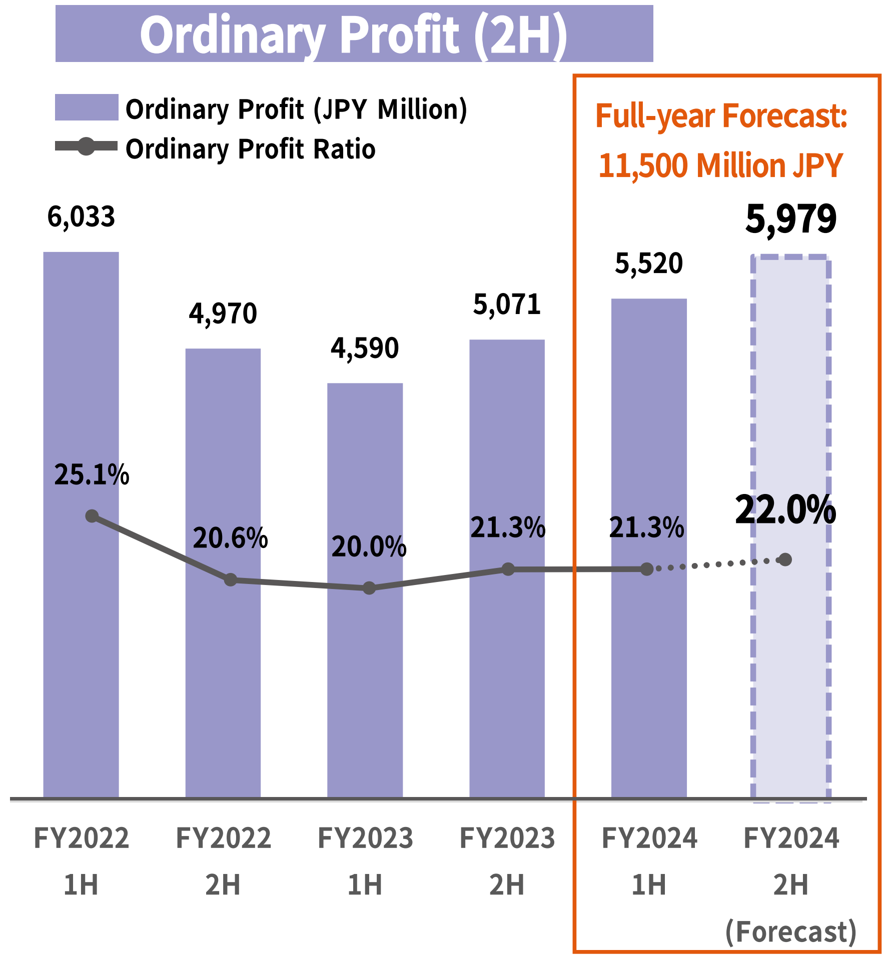
| (JPY Million) | 1H FY2024 | | FY2024 | | Progress Rate |
|---|---|---|---|---|---|
| | Result | Ratio | Revised Forecast | Ratio | |
| Net Sales | 25,863 | 100.0% | 53,000 | 100.0% | 48.8% |
| ■ Thermal Spray (TOCALO) | 19,325 | 74.7% | 38,315 | 72.3% | 50.4% |
| Semicon & FPD | 11,395 | 44.1% | 23,795 | 44.9% | 47.9% |
| Industrial Parts | 2,370 | 9.2% | 4,640 | 8.8% | 51.1% |
| Iron & Steel | 2,029 | 7.8% | 3,950 | 7.5% | 51.4% |
| Others | 3,530 | 13.6% | 5,930 | 11.1% | 59.5% |
| ■ Other Surface Modif. | 1,381 | 5.4% | 2,760 | 5.2% | 50.1% |
| ■ Domestic Sub. | 1,191 | 4.6% | 2,775 | 5.2% | 42.9% |
| ■ Overseas Sub. | 3,890 | 15.0% | 9,000 | 17.0% | 43.2% |
| Royalty Income | 73 | 0.3% | 150 | 0.3% | 49.1% |
| Operating Profit | 5,383 | 20.8% | 11,500 | 21.7% | 46.8% |
| Ordinary Profit | 5,520 | 21.3% | 11,500 | 21.7% | 48.0% |
| Net Income Attributed to Owners of Parent | 3,556 | 13.8% | 7,500 | 14.2% | 47.4% |
| Earnings Per Share (EPS) | 59.83JPY | — | 126.16JPY | — | 47.4% |

# Forecast 2H FY2024

POINT Orders are expected to become even stronger in the second half of the year, primarily for semiconductor-related products

POINT Operating profit in the second half of the year will approach 6,000 million JPY, the highest ever on a half-year basis

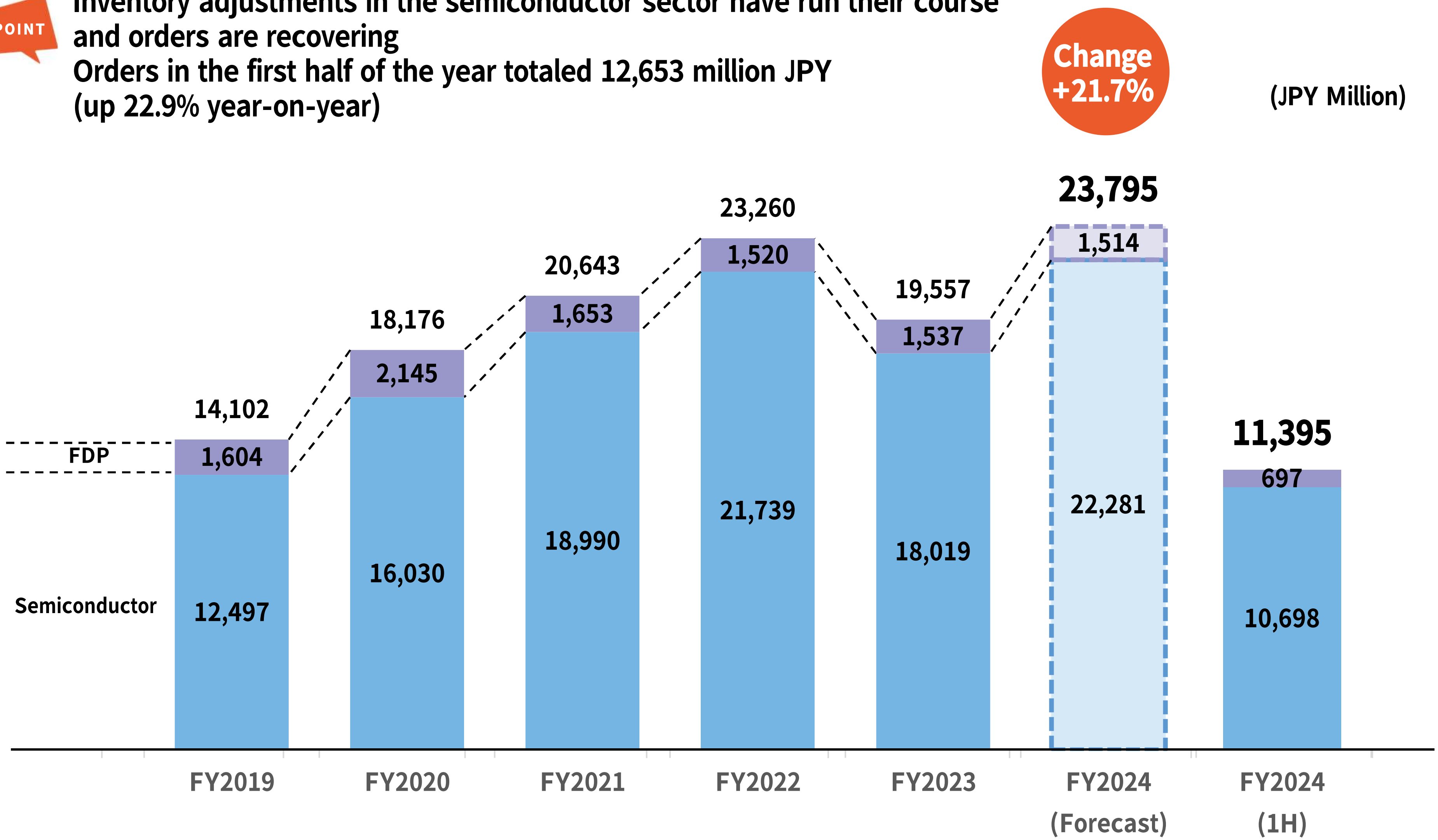


# Semiconductor & FPD Net Sales

POINT

Inventory adjustments in the semiconductor sector have run their course and orders are recovering
Orders in the first half of the year totaled 12,653 million JPY (up 22.9% year-on-year)



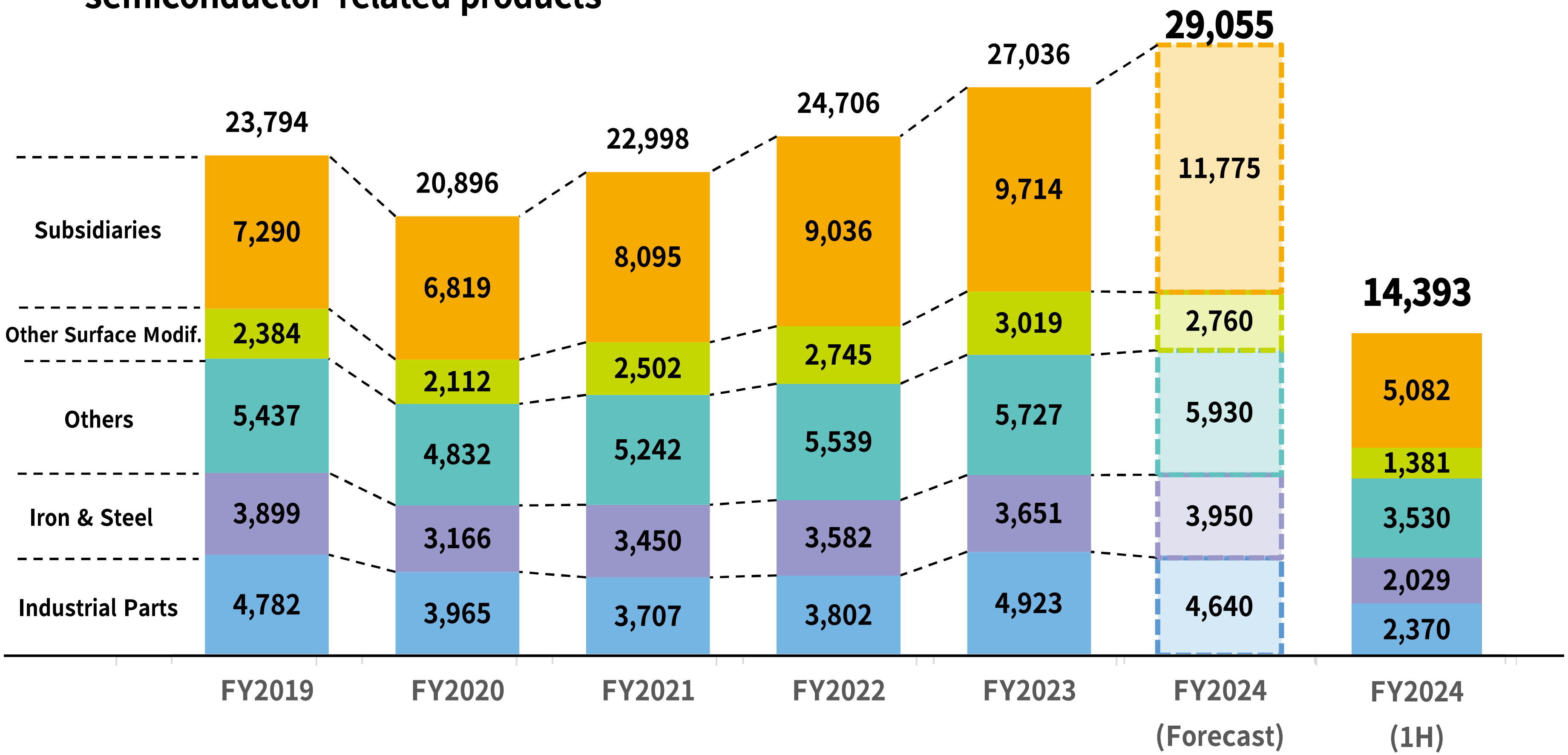
# Non-Semiconductor & FPD Net Sales

POINT

**Net sales in non-semiconductor & FPD fields are expected to increase by 7.5% compared to the previous fiscal year**
**Subsidiaries are expected to see significant growth, mainly in semiconductor-related products**

Change +7.5%

(JPY Million)




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

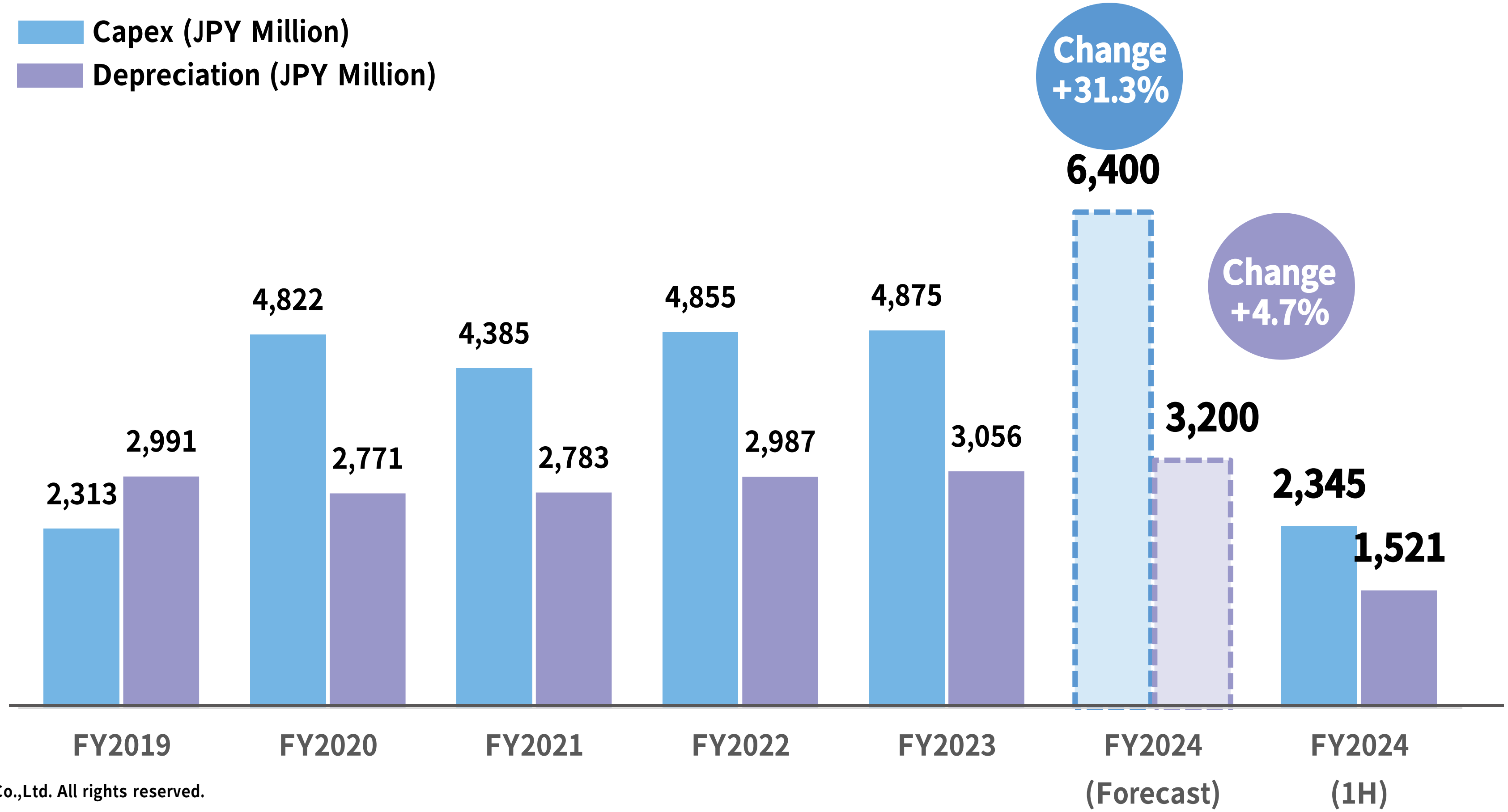
# Capital Investment and Depreciation

TOCALO

POINT

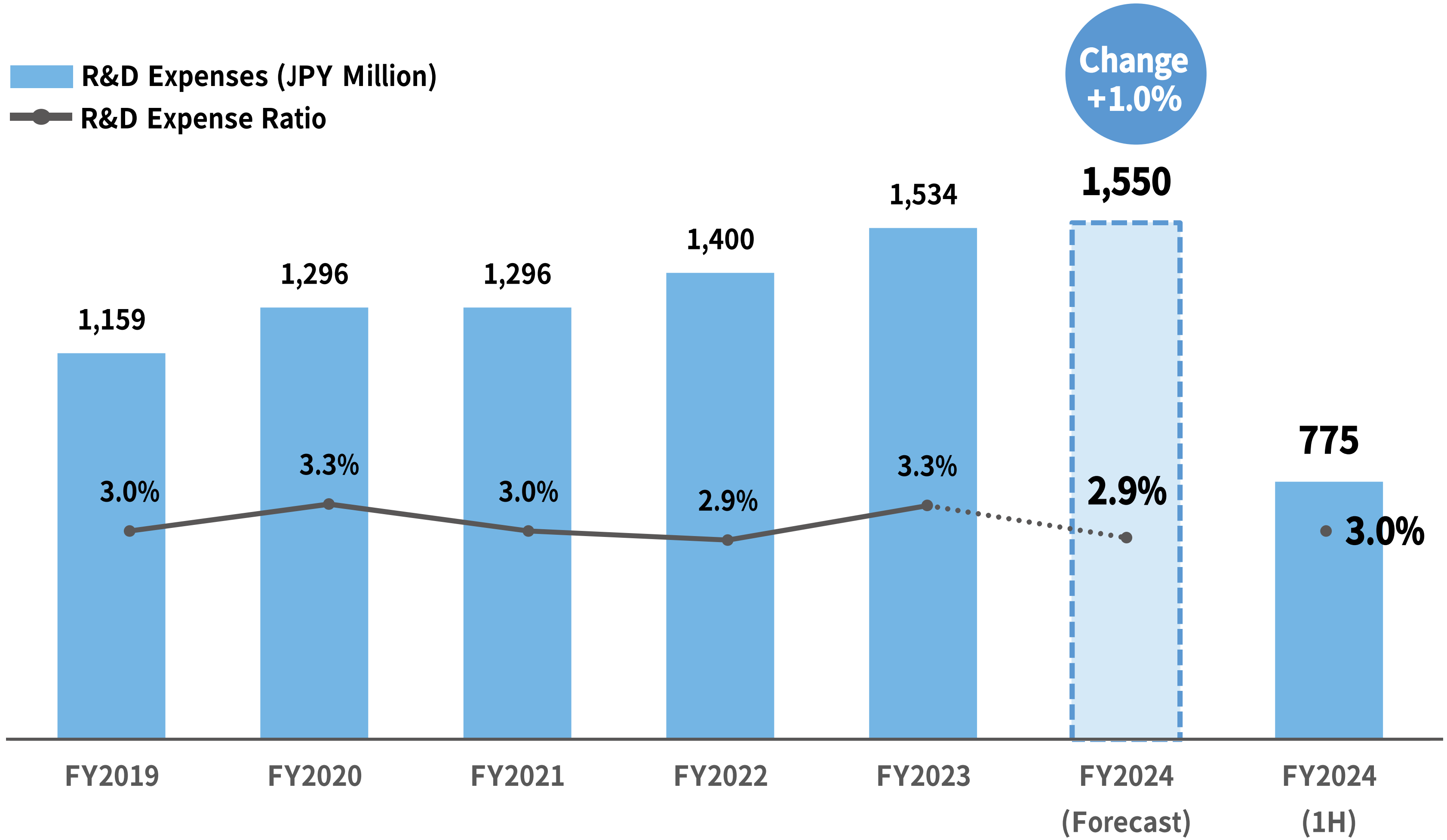
**Planned capex for FY2024: 6,400 Million JPY**

- 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



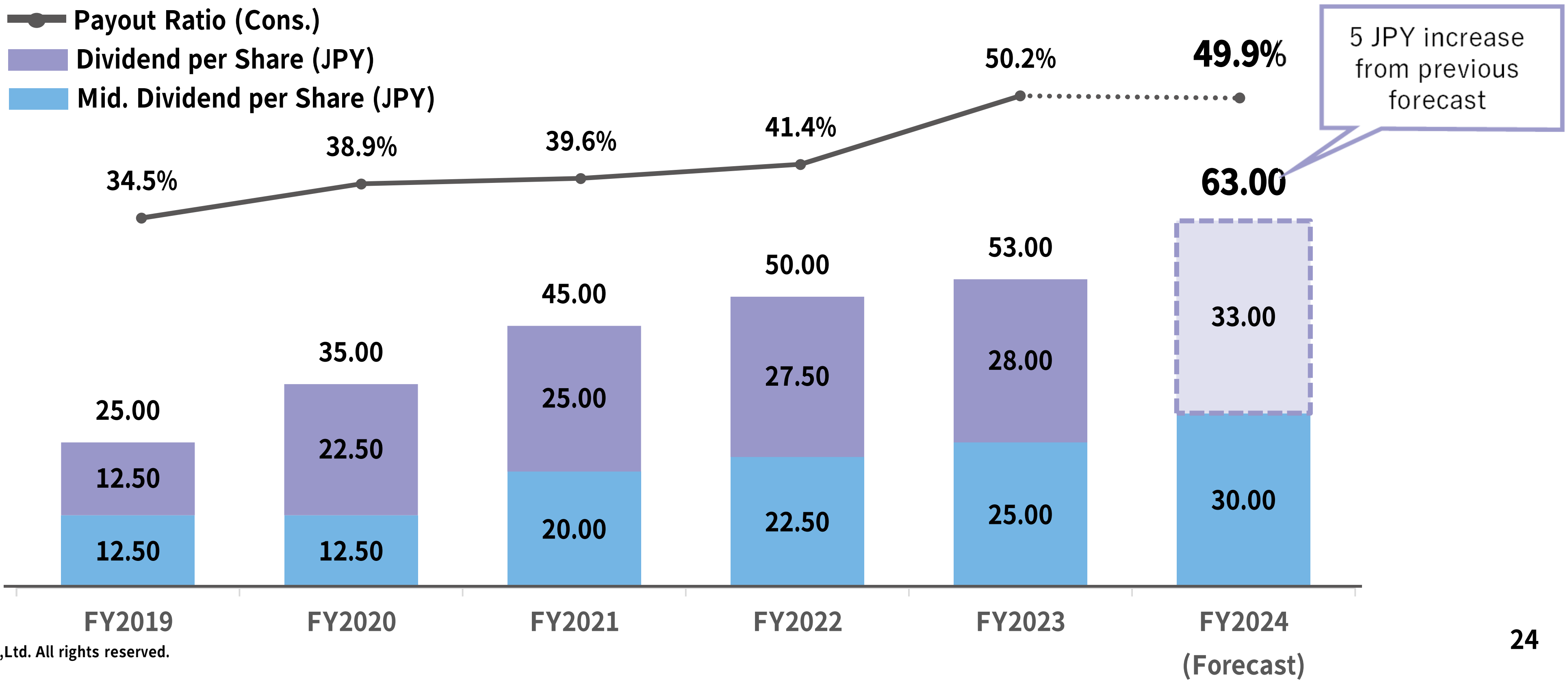
# Dividends

POINT

**An annual dividend of 63 JPY is planned for FY2024 (a dividend payout ratio of 49.9%), an increase of 5 JPY from the previous forecast**

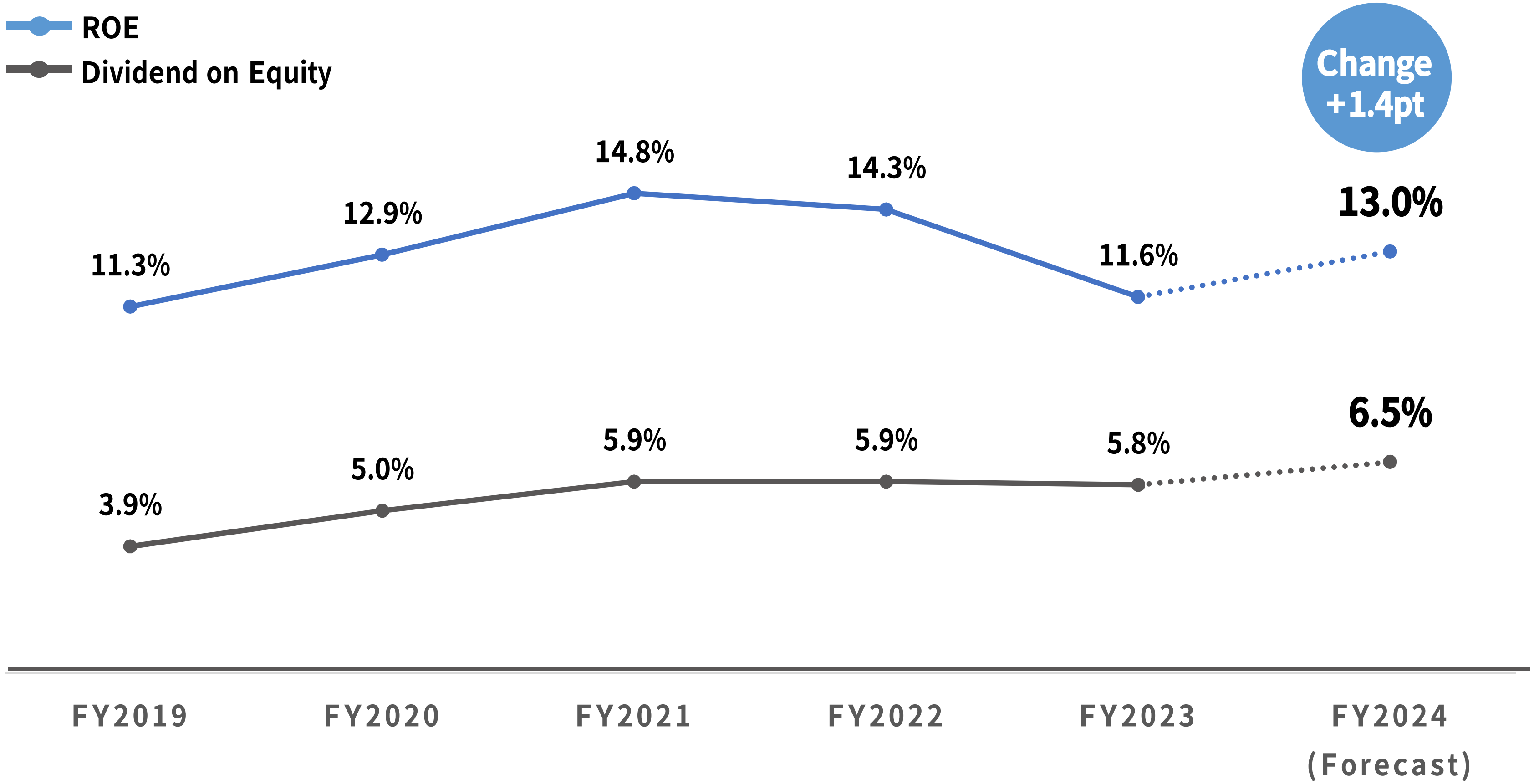
## Shareholder Return Policy

- 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



# ROE and DOE

POINT Due to improvements in ROE (Return on Equity), DOE (Dividend on Equity) is expected to be 6.5%




* ROE (Return on Equity) = Net income / Average equity during the period

* DOE (Dividend on Equity) = Dividend per share / Average net assets per share during the period (=ROE × Dividend payout ratio)

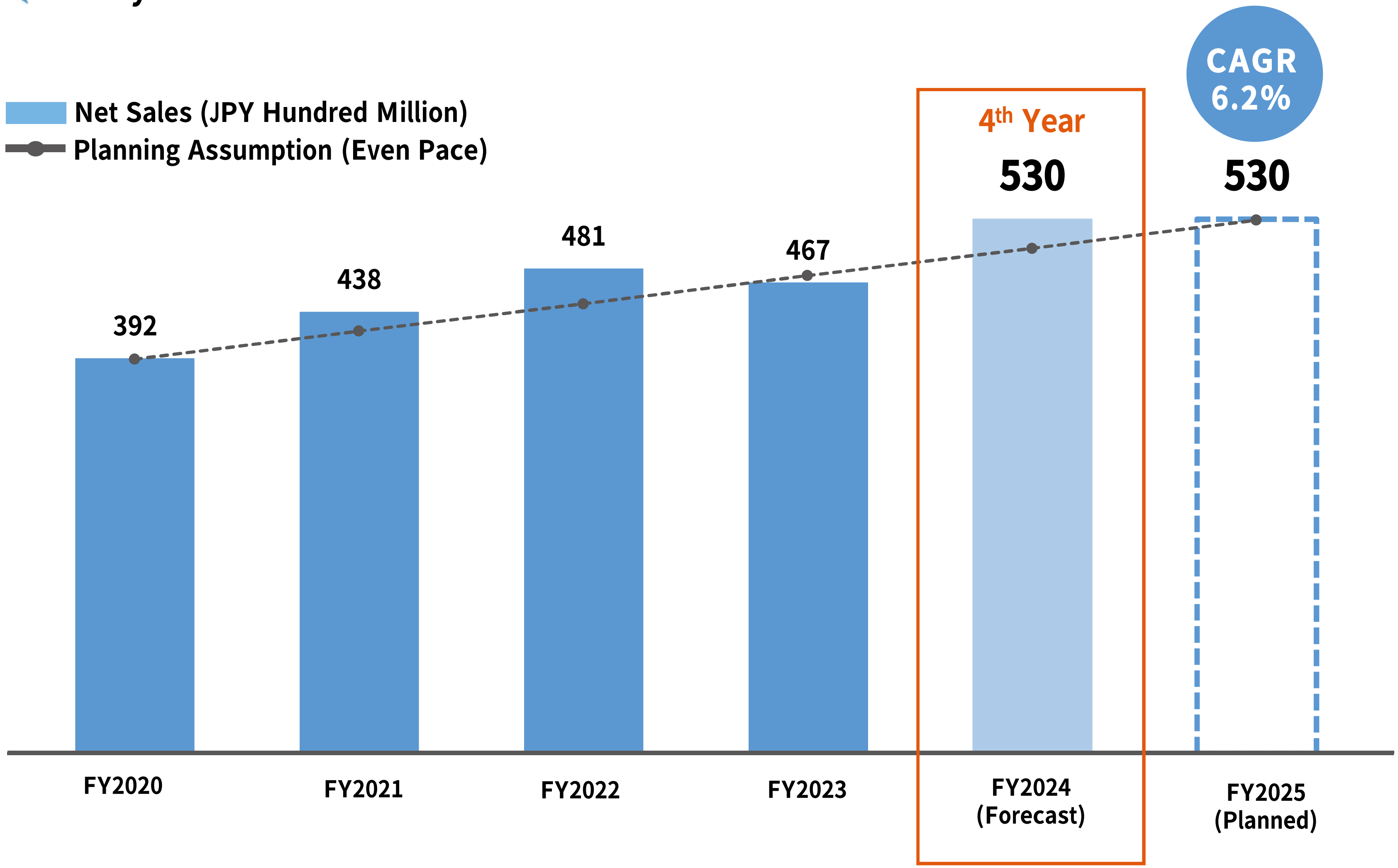
# 3. Progress of Medium-term Management Plan

TOCALO

# Progress of Medium-term Management Plan (Net Sales)

POINT

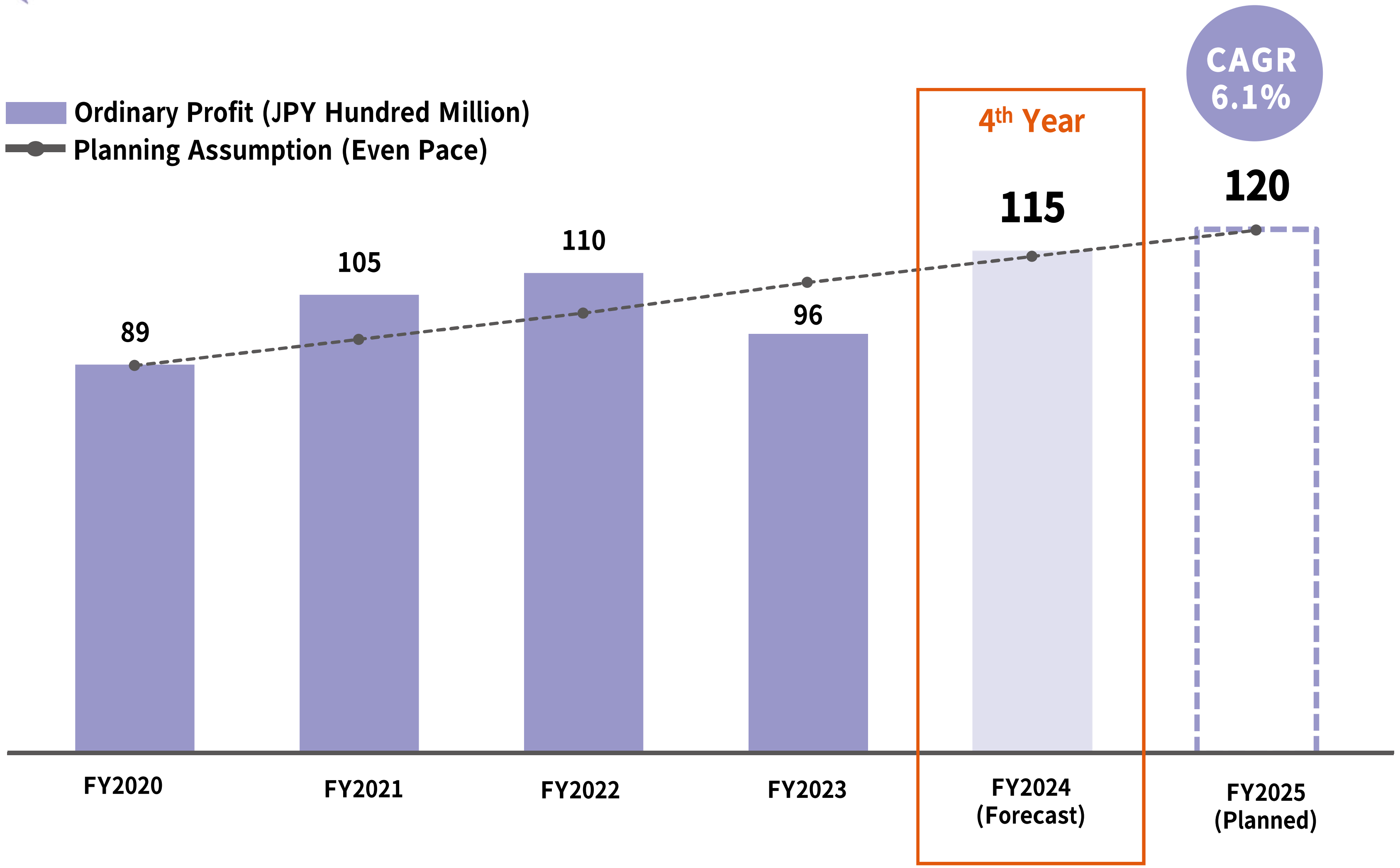
Net sales for FY2024 are expected to reach the medium-term target of 53,000 million JPY one year ahead of schedule



# Progress of Medium-term Management Plan (Ordinary Profit)

POINT

**Ordinary profit forecast for FY2024 is expected to recover to the planned level**
**The medium-term target of 12,000 million JPY is within reach for the next fiscal year**



# 4. Topics

# Thai JV Becomes a Wholly Owned Subsidiary

## New Company Name: TOCALO Surface Technology (Thailand) Co., Ltd.

- In October 2012, we established a joint venture, NEIS & TOCALO (Thailand), with Neis Co., Ltd. (a welding-related business) and entered the Thai thermal spraying processing market (steel and industrial machinery fields)
- In June 2024, we acquired the additional 51% of shares held by Neis Co., Ltd., making the joint venture into a wholly owned subsidiary so as to focus management resources on the thermal spraying processing business and expand operations
- In July 2024, we changed the company's name and increased capital by 70 million THB (approximately 300 million JPY)
- Currently, a new factory is under construction (started in August 2024, with completion expected in October 2025 and the start of operations expected in February 2026)

### Most recent operating results

| | Fiscal year ending December 2023 |
|---|---|
| Net assets | 158 million THB |
| Total assets | 170 million THB |
| Net sales | 79 million THB |
| Operating profit | 3 million THB |
| Ordinary profit | 3 million THB |
| Net income | 2 million THB |

1 THB (Thai Baht) = approx. 4.5 JPY

# Acquired All Shares of TERADA KOSAKUSHO Co., Ltd.

TOCALO

- In August 2024, we acquired all shares of TERADA KOSAKUSHO Co., Ltd. (a machining business), and made it into a subsidiary
- TERADA KOSAKUSHO has outstanding machining technologies that are capable of manufacturing precision parts using a variety of materials
- By combining their technologies with our surface modification technologies, we anticipate being able to further enhance the value we provided to our customers
- Moving forward, we plan to start personnel exchanges and explore technical cooperation (such as machining before and after thermal spraying) as well as material production

**Most recent operating results**

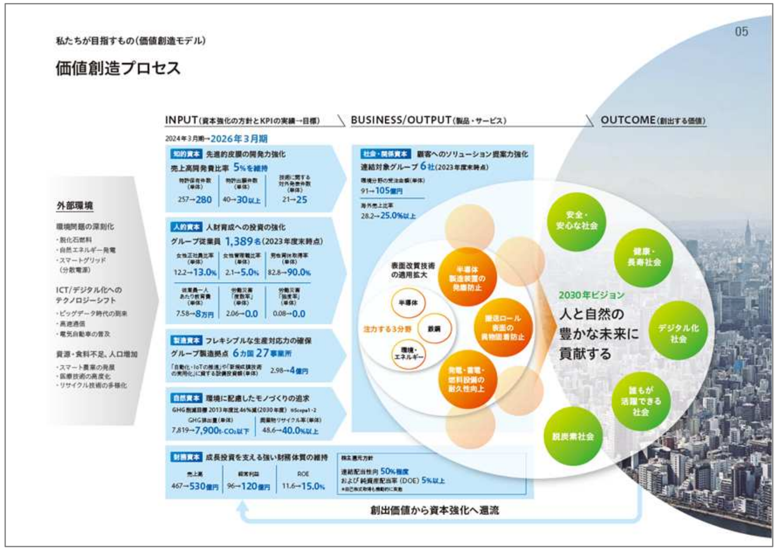
| | Fiscal year ending July 2023 |
|---|---|
| Net assets | 469 million JPY |
| Total assets | 806 million JPY |
| Net sales | 408 million JPY |
| Operating profit | 92 million JPY |
| Ordinary profit | 107 million JPY |
| Net income | 78 million JPY |

# Publication of Our First Integrated Report

We published our first integrated report on October 31.

We strengthen and leverage non-financial capital (such as human resources, intellectual property, manufacturing facilities, and environmental measures) to create better products and services. Through this process, we aim to achieve sustainable growth, "Contributing to a bright future for people and nature," and we have included the status of these efforts in the report.





# Financial Highlights

TOCALO

| (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 | 53,000 |
| Operating Profit | 6,727 | 8,890 | 10,255 | 10,558 | 9,197 | 11,500 |
| Ordinary Profit | 6,812 | 8,914 | 10,571 | 11,003 | 9,662 | 11,500 |
| Ordinary Profit Ratio | 17.9% | 22.7% | 24.1% | 22.9% | 20.7% | 21.7% |
| Net Income Attributed to Owners of Parent | 4,404 | 5,463 | 6,909 | 7,350 | 6,326 | 7,500 |
| Earnings Per Share (EPS) | 72.45JPY | 89.86JPY | 113.62JPY | 120.83JPY | 105.53JPY | 126.16JPY |
| Total Assets | 61,122 | 64,183 | 69,517 | 74,263 | 77,940 | 83,600 |
| Equity | 40,263 | 44,201 | 49,099 | 53,839 | 55,460 | 60,200 |
| Equity Ratio | 65.9% | 68.9% | 70.6% | 72.5% | 71.2% | 72.0% |
| Return on Equity (ROE) | 11.3% | 12.9% | 14.8% | 14.3% | 11.6% | 13.0% |
| Return on Assets (ROA) | 11.5% | 14.2% | 15.8% | 15.3% | 12.7% | 14.2% |
| Return on Invested Capital (ROIC) | 9.8% | 11.9% | 13.0% | 12.5% | 10.2% | 11.9% |

(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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