



## Financial Announcement for 2nd Quarter of the Year Ending March 2018 [Japan standard] (Consolidated)

November 1, 2017

Company name TOLI Corporation Stock Exchanges: Tokyo Stock Exchange  
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 Representative (Position) President and Representative Director (Name) Motohiro Nagashima  
 Official responsible (Position) Executive Officer (Name) Yoza Araki TEL 06-6494-6691  
 for inquiries General Manager, Accounting and Finance Department

Scheduled date for submission of quarterly reports November 9, 2017 Scheduled date for start of dividend payments November 29, 2017

Creation of supplementary explanatory materials for the quarterly financial announcements: None  
 Holding of a briefing on the quarterly results: None

(Amounts of less than 1 million yen are rounded off)

### 1. Consolidated results for 2nd quarter of the year ending March 2018 (April 1, 2017 to September 30, 2017)

#### (1) Consolidated results (cumulative) (% indicates change for the quarter against the same quarter in the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2nd quarter for year ending March 2018	42,205	(1.1)	1,123	(4.7)	1,249	3.0	829	6.6
2nd quarter for year ended March 2017	42,663	0.4	1,179	19.9	1,212	11.4	778	25.2

(Note) Comprehensive income 2nd quarter for year ending March 2018 1,005 million yen (12.9%)  
 2nd quarter for year ended March 2017 890 million yen (30.6%)

	Net quarterly profit per share	Diluted quarterly net profit per share after adjustment
	Yen	Yen
2nd quarter for year ending March 2018	13.45	-
2nd quarter for year ended March 2017	12.62	-

#### (2) Consolidated assets

	Total assets	Net assets	Capital-to-asset ratio
	Million yen	Million yen	%
2nd quarter for year ending March 2018	73,932	34,072	45.9
Year ended March 2017	75,498	33,555	44.2

(Reference) Equity capital 2nd quarter for year ending March 2018 33,917 million yen Year ended March 2017 33,376 million yen

### 2. Dividend payments

	Annual dividend				
	End 1st quarter	End 2nd quarter	End 3rd quarter	End of year	Total
Year ended March 2017	-	2.00	-	8.00	10.00
Year ending March 2018	-	2.00	-	8.00	10.00
Year ending March 2018 (forecast)	-	-	-	8.00	10.00

(Note) Adjustment from most recently published dividend forecast: none

### 3. Consolidated forecasts for year ending March 2018 (April 1, 2017 to March 31, 2018)

(% indicates rate of change from previous term)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full term	93,000	1.7	3,900	(8.2)	4,000	(8.4)	2,650	(12.6)	42.96

(Note) Adjustment from most recently published performance projections: yes

\* Notes

- (1) Significant changes to subsidiaries during the consolidated cumulative term for this quarter (changes for a specified subsidiary entailing a change in the scope of consolidation): None
- (2) Application of specific accounting procedure for creation of quarterly consolidated financial statement: None
- (3) Changes in accounting policies, changes in accounting estimates, representation of amendments
- [1] Changes in accounting policies accompanying revisions to accounting standards: None
- [2] Changes to accounting policies other than [1]: None
- [3] Changes in accounting estimates: None
- [4] Representation of amendments: None

(4) Number of outstanding shares (ordinary shares)

[1] Number of outstanding shares at end of year (including treasury shares)	Q2 for year ending March 2018	66,829,249 shares	Year ended March 2017	66,829,249 shares
[2] Number of shares in treasury shares at end of year	Q2 for year ending March 2018	5,139,175 shares	Year ended March 2017	5,138,586 shares
[3] Average number of shares during the term (quarterly cumulative)	Q2 for year ending March 2018	61,690,355 shares	Q2 for year ended March 2017	61,692,159 shares

\* Quarterly Financial Announcement is out of the scope of quarterly review.

\* Explanation of the appropriate use of performance projections and other special instructions

Descriptions related to the future described in this material, such as performance projections, are based on certain presumptions considering information currently obtained and reasonably judged, and do not constitute a promise from us related to their achievement. Further, the actual results may differ greatly due to a wide variety of factors. For details, such as assumptions of financial forecast and cautions when using the financial forecast, please refer to "1. Qualitative Information Regarding Quarterly Results – (3) Explanation Concerning Future Predictive Information, such as Consolidated Forecasts" on page 3 of the attachment.

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## 1. Qualitative information regarding quarterly results

### (1) Explanation of the management performance

During the first six months of the consolidated period under review, the Japanese economy continued to show a modest recovery against the backdrop of improvements in corporate earnings and the employment environment. There were concerns, however, about uncertainty regarding overseas economies and the impact of political changes, and the outlook for Japan's economy remains uncertain. In the interior industry, demand for hotels and accommodation has been favorable due to the inbound consumption effect, and there have been growing expectations for large-scale reconstruction properties mainly in metropolitan areas. However, the management environment remained difficult due to the weakness in total demand for interior materials for newly constructed buildings and major raw material prices that have been escalating since the spring this year due to the rise in prices of oil and naphtha since autumn 2016.

Amidst such circumstances, the TOLI Group, in the final year of Phase I of the “SHINKA-100” medium term business plan, strove to improve profitability by releasing original products and conducting flexible sales promotions, while reducing manufacture-related costs and selling, general and administrative expenses.

As a result, net sales for the 2nd quarter consolidated cumulative period under review amounted to 42,205 million yen (a decrease of 1.1% compared to the same period of the previous year), operating income reached 1,123 million yen (a decrease of 4.7% compared to the same period of the previous year), ordinary income was 1,249 million yen (an increase of 3.0% compared to the same period of the previous year), and profit attributable to owners of parent for the quarter totaled 829 million yen (an increase of 6.6% compared to the same period of the previous year).

Business performance by segment for each business area was as follows. This information includes business between segments.

#### <Product business>

For vinyl flooring, “ROYAL Series” of vinyl floor tiles, which were given a new design in the previous year, and “NS 800” non-slip vinyl floor sheet for open corridors of apartment buildings penetrated the market and performed strongly. Sales of “FLOORLEUM PREMIER NW Series” of vinyl floor sheet which was renewed in May this year have grown steadily since its launch and contributed to the expansion of the market of “NW Series” which does not require waxing maintenance for a long time. In the area of carpets, whereas demand for roll carpet mainly for hotels continued to be favorable, demand for tile carpet for offices was sluggish. Among wallpaper materials, sales of “Wall Paper 1000 conforming to non-combustible material”, general-use grade “VS” and non-flammable finishing material “REAL DECO” continued favorably. Regarding curtains, although “CONTRACT CURTAIN” and “PLUS BONHEUR” performed steady, the Group struggled in the housing market and sales decreased from the same period of the previous year. The result of this was that net sales for the product business were 25,646 million yen (decrease of 2.1% compared to the same period of the previous year), and the segment income was 1,204 million yen (increase of 16.5% compared to the same period of the previous year).

#### <Interior Wholesaling and Installation Business>

While the Group strove to expand sales of window-related products including “elure” curtains for housing which were released in June this year, demand for interior materials including floor materials for the non-housing market was lackluster, resulting in a decrease from the same period of the previous year in total. The results were net sales of 27,260 million yen (down 0.7% from the same period of the previous year) in the interior wholesaling and installation business, with segment income of 200 million yen (down 40.1% from the same period of the previous year).

### (2) Explanation of the financial situation

Total assets by the end of the 2nd quarter consolidated accounting period, with the reduction in accounts receivables - trade due to seasonal changes, was down by 1,566 million yen compared to the end of the previous term, to 73,932 million yen.

Liabilities, with the decrease in notes and accounts payable - trade, decreased by 2,083 million yen in comparison to the end of the previous term to 39,859 million yen.

Net assets, with the increase in retained earnings, increased by 516 million yen compared to the end of the previous term to 34,072 million yen.

## (3) Explanation concerning future predictive information, such as consolidated forecasts

In terms of future prospects, while we expect to see greater demand for interior materials for the preparation of the Tokyo Olympic and Paralympic Games in 2020, concerns over rising labor costs and increasing logistics costs due to a labor shortage make the outlook for the business environment uncertain. Under such circumstances, with a view to achieving the targets of the final year of Phase I of the “SHINKA-100” medium term business plan, the TOLI Group will work to promote its growth strategy. It will do this by focusing on promoting “New GA-100 Series” which will be released in autumn this year as an epoch-making product in the history of general-use tile carpet and new designs of “ROYAL STONE MORE LUMINOUS” uniquely designed print tiles, accelerating their market penetration, and making continuous efforts to develop high value-added products and improve marketing capabilities.

The consolidated forecasts have been partially revised from the performance projections published on May 9, 2017. Consolidated net sales have been revised downward compared with the previous forecasts in light of the actual results for the first six months of the consolidated period. Consolidated operating income, consolidated ordinary income and consolidated profit attributable to owners of parent remain unchanged from the previous forecasts on the assumption that the Group will work to expand sales of high value-added products and further reduce manufacturing-related costs.

## Revision to the consolidated earnings forecasts for the fiscal year ending March 31, 2018 (April 1, 2017 to March 31, 2018)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Profit per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecasts (A)	94,000	3,900	4,000	2,650	42.96
Revised forecasts (B)	93,000	3,900	4,000	2,650	42.96
Change (B-A)	(1,000)	-	-	-	-
Percentage of change (%)	(1.1)	-	-	-	-
(Reference) Actual earnings results of the previous fiscal year (fiscal year ended March 31, 2017)	91,466	4,249	4,367	3,031	49.14

## 2. Quarterly consolidated financial statement and Major Notes

## (1) Quarterly consolidated balance sheet

(Million yen)

	Previous consolidated fiscal year (March 31, 2017)	2nd quarter consolidated accounting period (September 30, 2017)
<b>Assets</b>		
Current assets		
Cash and deposits	10,413	10,855
Notes and accounts receivable - trade	27,046	22,848
Merchandise and finished goods	6,933	7,924
Work in process	1,108	1,278
Raw materials and supplies	1,443	1,542
Deferred tax assets	475	457
Other	863	1,209
Allowance for doubtful accounts	(224)	(153)
<b>Total current assets</b>	<b>48,059</b>	<b>45,963</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,148	6,105
Machinery, equipment and vehicles, net	2,115	2,626
Tools, furniture and fixtures, net	235	286
Land	9,075	9,110
Construction in progress	696	682
Other, net	67	72
<b>Total property, plant and equipment</b>	<b>18,339</b>	<b>18,884</b>
Intangible assets		
Software	234	227
Other	494	562
<b>Total intangible assets</b>	<b>728</b>	<b>790</b>
Investments and other assets		
Investment securities	5,693	5,902
Deferred tax assets	435	377
Other	2,372	2,136
Allowance for doubtful accounts	(130)	(122)
<b>Total investments and other assets</b>	<b>8,370</b>	<b>8,294</b>
<b>Total non-current assets</b>	<b>27,438</b>	<b>27,968</b>
<b>Total assets</b>	<b>75,498</b>	<b>73,932</b>

(Million yen)

	Previous consolidated fiscal year (March 31, 2017)	2nd quarter consolidated accounting period (September 30, 2017)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	22,809	21,320
Short-term loans payable	1,550	950
Income taxes payable	933	474
Accrued expenses	1,580	1,454
Provision for bonuses	797	777
Other	2,215	2,439
<b>Total current liabilities</b>	<b>29,886</b>	<b>27,416</b>
Non-current liabilities		
Long-term loans payable	5,305	5,805
Provision for environmental measures	27	27
Net defined benefit liability	4,094	4,124
Other	2,628	2,486
<b>Total non-current liabilities</b>	<b>12,056</b>	<b>12,443</b>
<b>Total liabilities</b>	<b>41,943</b>	<b>39,859</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,855	6,855
Capital surplus	6,423	6,423
Retained earnings	19,377	19,720
Treasury shares	(1,121)	(1,121)
<b>Total shareholders' equity</b>	<b>31,534</b>	<b>31,877</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,029	2,167
Foreign currency translation adjustment	-	(1)
Remeasurements of defined benefit plans	(187)	(126)
<b>Total accumulated other comprehensive income</b>	<b>1,841</b>	<b>2,039</b>
<b>Non-controlling interests</b>	<b>178</b>	<b>154</b>
<b>Total net assets</b>	<b>33,555</b>	<b>34,072</b>
<b>Total liabilities and net assets</b>	<b>75,498</b>	<b>73,932</b>

## (2) Quarterly consolidated statement of income and consolidated statement of comprehensive income

(Quarterly consolidated statement of income)

(2nd quarter consolidated cumulative period)

(Million yen)

	Previous 2nd quarter consolidated cumulative period (April 1, 2016 - September 30, 2016)	2nd quarter consolidated cumulative period (April 1, 2017 - September 30, 2017)
Net sales	42,663	42,205
Cost of sales	30,425	30,131
Gross profit	12,238	12,073
Selling, general and administrative expenses	11,059	10,950
Operating income	1,179	1,123
Non-operating income		
Interest income	2	1
Dividend income	69	85
Purchase discounts	40	40
Dividend income of insurance	57	47
Other	77	71
Total non-operating income	246	246
Non-operating expenses		
Interest expenses	46	42
Sales discounts	68	67
Foreign exchange losses	71	-
Other	26	10
Total non-operating expenses	213	120
Ordinary income	1,212	1,249
Extraordinary losses		
Loss on retirement of non-current assets	9	21
Total extraordinary losses	9	21
Net quarterly profit before taxes and other adjustments	1,202	1,227
Income taxes - current	394	430
Income taxes - deferred	20	(9)
Total income taxes	414	421
Net profit for this quarter	788	806
Profit (loss) attributable to non-controlling interests	9	(22)
Profit attributable to owners of parent	778	829



(Quarterly consolidated statement of comprehensive income)  
 (2nd quarter consolidated cumulative period)

(Million yen)

	Previous 2nd quarter consolidated cumulative period (April 1, 2016 - September 30, 2016)	2nd quarter consolidated cumulative period (April 1, 2017 - September 30, 2017)
Net Profit for this quarter	788	806
Other comprehensive income		
Valuation difference on available-for-sale securities	24	138
Foreign currency translation adjustment	-	(0)
Remeasurements of defined benefit plans, net of tax	78	61
Total other comprehensive income	102	199
Quarterly comprehensive income	890	1,005
Comprehensive income attributable to:		
Quarterly comprehensive income attributable to owners of parent	881	1,028
Quarterly comprehensive income attributable to non-controlling interests	9	(22)

## (3) Quarterly consolidated statement of cash flows

(Million yen)

	Previous 2nd quarter consolidated cumulative period (April 1, 2016 - September 30, 2016)	2nd quarter consolidated cumulative period (April 1, 2017 - September 30, 2017)
<b>Cash flows from operating activities</b>		
Net quarterly profit before taxes and other adjustments	1,202	1,227
Depreciation	632	646
Loss on retirement of non-current assets	9	21
Increase (decrease) in allowance for doubtful accounts	(41)	(78)
Increase (decrease) in net defined benefit liability	(10)	29
Interest and dividend income	(71)	(87)
Interest expenses	46	42
Decrease (increase) in notes and accounts receivable - trade	5,070	4,257
Decrease (increase) in inventories	(540)	(1,238)
Increase (decrease) in notes and accounts payable - trade	(2,520)	(1,611)
Other, net	(168)	(461)
<b>Subtotal</b>	<b>3,608</b>	<b>2,748</b>
Interest and dividend income received	71	87
Interest expenses paid	(46)	(43)
Income taxes paid	(833)	(833)
<b>Cash flows from operating activities</b>	<b>2,800</b>	<b>1,959</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,027)	(759)
Purchase of intangible assets	(130)	(129)
Purchase of investment securities	(3)	(3)
Payments of loans receivable	(3)	(15)
Collection of loans receivable	13	7
Other, net	19	107
<b>Cash flows from investing activities</b>	<b>(1,131)</b>	<b>(792)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	300	-
Proceeds from long-term loans payable	1,105	1,300
Repayments of long-term loans payable	(1,700)	(1,400)
Cash dividends paid	(555)	(493)
Other, net	(220)	(233)
<b>Cash flows from financing activities</b>	<b>(1,070)</b>	<b>(827)</b>
Effect of exchange rate change on cash and cash equivalents	(49)	0
Net increase (decrease) in cash and cash equivalents	549	341
Cash and cash equivalents at beginning of year	8,955	10,353
Increase in cash and cash equivalents from newly consolidated subsidiary	-	100
<b>Cash and cash equivalents at end of quarter</b>	<b>9,505</b>	<b>10,795</b>

(4) Notes on quarterly consolidated financial statement

(Notes on the assumption of the company as a going concern)

There are no relevant items.

(Notes when there are significant changes in amounts of equity)

There are no relevant items.

(Segment information, etc.)

Disclosure of sales and profit (loss) for each reportable segment

Previous 2nd quarter consolidated cumulative period (April 1, 2016 – September 30, 2016)

(Million yen)

	Reporting segment			Adjustment (Note) 1	Quarterly consolidated statement of income (Note) 2
	Product business	Interior wholesaling and installation business	Subtotal		
Net sales					
Sales to external customers	15,394	27,269	42,663	-	42,663
Internal sales or transfers among segments	10,808	185	10,994	(10,994)	-
Total	26,202	27,455	53,657	(10,994)	42,663
Segment income	1,033	334	1,367	(155)	1,212

(Notes) 1 The adjustment of segment profit of -155 million yen is due to the elimination of transactions between segments.

2 Segment income has been adjusted with ordinary income in the quarterly consolidated statement of income.

2nd quarter consolidated cumulative period (April 1, 2017 – September 30, 2017)

(Million yen)

	Reporting segment			Adjustment (Note) 1	Quarterly consolidated statement of income (Note) 2
	Product business	Interior wholesaling and installation business	Subtotal		
Net sales					
Sales to external customers	15,109	27,096	42,205	-	42,205
Internal sales or transfers among segments	10,537	163	10,701	(10,701)	-
Total	25,646	27,260	52,906	(10,701)	42,205
Segment income	1,204	200	1,404	(154)	1,249

(Notes) 1 The adjustment of segment profit of -154 million yen is due to the elimination of transactions between segments.

2 Segment income has been adjusted with ordinary income in the quarterly consolidated statement of income.