



## Financial Announcement for 2nd Quarter of the Year Ending March 2017 [Japan standard] (Consolidated)

November 4, 2016

Company name TOLI Corporation Stock Exchanges: Tokyo Stock Exchange  
 Code number 7971 URL <http://www.toli.co.jp>  
 Representative (Position) President and Representative Director (Name) Motohiro Nagashima  
 Official responsible (Position) Executive Officer (Name) Yozo Araki TEL 06-6494-6691  
 for inquiries General Manager, Accounting and  
 Finance Department

Scheduled date for submission of quarterly reports November 9, 2016 Scheduled date for start of dividend payments November 30, 2016

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 2017 (April 1, 2016 to September 30, 2016)

#### (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 2017	42,663	0.4	1,179	19.9	1,212	11.4	778	25.2
2nd quarter for year ended March 2016	42,473	1.3	983	79.4	1,088	69.0	621	76.5

(Note) Comprehensive income 2nd quarter for year ending March 2017 890 million yen (30.6%)  
 2nd quarter for year ended March 2016 681 million yen (-0.8%)

	Net quarterly profit per share	Diluted quarterly net profit per share after adjustment
	Yen	Yen
2nd quarter for year ending March 2017	12.62	-
2nd quarter for year ended March 2016	10.07	-

#### (2) Consolidated assets

	Total assets	Net assets	Capital-to-asset ratio
	Million yen	Million yen	%
2nd quarter for year ending March 2017	69,248	30,656	44.0
Year ended March 2016	72,923	30,323	41.4

(Reference) Equity capital 2nd quarter for year ending March 2017 30,488 million yen Year ended March 2016 30,162 million yen

### 2. Dividend payments

	Annual dividend				
	End 1st quarter	End 2nd quarter	End 3rd quarter	End of year	Total
Year ended March 2016	-	0.00	-	9.00	9.00
Year ending March 2017	-	2.00	-	-	-
Year ending March 2017 (forecast)	-	-	-	7.00	9.00

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

### 3. Consolidated forecasts for year ending March 2017 (April 1, 2016 to March 31, 2017)

(% 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	92,300	0.5	4,400	15.0	4,450	13.9	3,000	23.9	48.63

(Note) Adjustment from most recently published performance projections: none

\* 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 statements: None
- (3) Changes in accounting policies, changes in accounting estimates, representation of amendments
- [1] Changes in accounting policies accompanying revisions to accounting standards: Yes
- [2] Changes to accounting policies other than [1]: None
- [3] Changes in accounting estimates: None
- [4] Representation of amendments: None
- (Note) For details, refer to "2. Items regarding summary information (notes) (3) Changes in accounting policies, changes in accounting estimates, representation of amendments" on page 3 of the supplementary material.

(4) Number of outstanding shares (ordinary shares)

[1] Number of outstanding shares at end of year (including treasury shares)	Q2 for year ending March 2017	66,829,249 shares	Year ended March 2016	66,829,249 shares
[2] Number of shares in treasury shares at end of year	Q2 for year ending March 2017	5,137,628 shares	Year ended March 2016	5,136,563 shares
[3] Average number of shares during the term (quarterly cumulative)	Q2 for year ending March 2017	61,692,159 shares	Q2 for year ended March 2016	61,699,440 shares

\* Statement concerning the implementation of quarterly review procedures

This quarterly financial announcement is not subject to the quarterly review procedures based on the Financial Instruments and Exchange Act and the point the quarterly financial announcement was disclosed, the review procedures for quarterly financial statements based on the Financial Instruments and Exchange Act were not completed.

\* 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.

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## 1. Qualitative information regarding quarterly results

### (1) Explanation of the management performance

During the 2nd quarter consolidated cumulative period under review, Japan's economy continued to follow a recovery track. Some sectors of the economy showed signs of weakness, however, including a decline in corporate earnings due to the appreciation of the yen and the end of an inbound consumption effect. In addition, because sluggish stock prices and a slowdown in the global economy led to a deterioration of business confidence, the outlook for Japan's economy remains uncertain. In the interior industry, although renewal demand continued to be robust, mainly in areas related to hotels and offices, the market environment continued to be challenging due to the ongoing weakness of construction starts.

Amidst such circumstances, the TOLI Group strove to develop original products and propose new ideas and products to customers, with a view to creating new demand. As a result, net sales for the 2nd quarter consolidated cumulative period under review amounted to 42,663 million yen (an increase of 0.4% compared to the same period of the previous year). On the profit front, as a result of falling raw material costs and manufacturing expenses, as well as expanding sales of high value-added products, operating income reached 1,179 million yen (an increase of 19.9% compared to the same period of the previous year), ordinary income was 1,212 million yen (an increase of 11.4% compared to the same period of the previous year), and profit attributable to owners of parent for the quarter totaled 778 million yen (an increase of 25.2% 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, while the "NW Series," which does not require waxing maintenance for a long period, including such products as "MATURE NW" and "NONWAXLEUM NW" vinyl sheets, continued to perform favorably, demand from medical and welfare facilities was sluggish. In the area of carpets, sales of "Fabric Floor" carpet tiles for housing performed steadily. Among wallpaper materials, sales of the "Power 1000" vinyl wallpaper series, which was launched in October 2015, grew strongly. Regarding curtains, although the Group tried to expand sales by introducing "PLUS BONHEUR 2016-2019" in June 2016, the recovery of demand in the housing market remained lackluster, and sales decreased from the same period of the previous year. The result of this was that net sales for the product business were 26,202 million yen (decrease of 0.7% compared to the same period of the previous year), and the segment income was 1,033 million yen (increase of 27.8% compared to the same period of the previous year).

#### <Interior Wholesaling and Installation Business>

In the interior wholesale business, purchase sales of interior hardware centering on blinds, etc., increased in line with the recovery trend observed in the previous year. On the other hand, sales of the installation business declined because orders for large-scale properties were limited compared to the same period in the previous year. The results were net sales of 27,455 million yen (up 0.4% from the same period of the previous year) in the interior wholesaling and installation business, with segment income of 334 million yen (down 15.6% from the same period of the previous year), which was affected primarily by an increase in selling, general and administrative expenses.

### (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 3,674 million yen compared to the end of the previous term, to 69,248 million yen.

Liabilities, with the decrease in notes and accounts payable - trade, decreased by 4,008 million yen in comparison to the end of the previous term to 38,592 million yen.

Net assets, with the increase in retained earnings, increased by 333 million yen compared to the end of the previous term to 30,656 million yen.

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

Concerning future prospects, while we expect Japan's economy to remain on a gradual recovery track, fluctuations in the costs of major raw materials and energy costs make the outlook for the business environment uncertain. Under such circumstances, the TOLI Group will work to promote its growth strategy by improving products, as well as its technical and development prowess and marketing capabilities, based on the "SHINKA-100" medium-term business plan.

The consolidated forecasts are unchanged from the performance projections published on October 27, 2016.

2. Items regarding summary information (notes)

- (1) Changes in important subsidiaries during consolidated cumulative term for this quarter

There are no relevant items.

- (2) Application of specific accounting procedure for creation of quarterly consolidated financial statements

There are no relevant items.

- (3) Changes in accounting policies, changes in accounting estimates, representation of amendments

Changes in accounting policies

(Application of the Practical Solution on a Change in Depreciation Method due to Tax Reform 2016)

Pursuant to an amendment to the Corporation Tax Act, the Company applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (Practical Issue Task Force (PITF) No. 32, June 17, 2016) from the first quarter of the current fiscal year. Accordingly, the Company changed the depreciation method for buildings and structures acquired on and after April 1, 2016 from the fixed rate method to the straight-line method.

The effect of this change in accounting policies on the quarterly consolidated financial statements for the 2nd quarter consolidated cumulative period is immaterial.

- (4) Additional information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016) from the beginning of the first quarter of the current fiscal year.

## 3. Quarterly consolidated financial statements

## (1) Quarterly consolidated balance sheets

(Million yen)

	Previous consolidated fiscal year (March 31, 2016)	2nd quarter consolidated accounting period (September 30, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	8,299	9,565
Notes and accounts receivable - trade	27,288	22,225
Securities	716	-
Merchandise and finished goods	6,895	7,182
Work in process	1,164	1,383
Raw materials and supplies	1,425	1,459
Deferred tax assets	479	441
Other	790	1,111
Allowance for doubtful accounts	(261)	(230)
Total current assets	46,797	43,138
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,141	6,158
Machinery, equipment and vehicles, net	2,313	2,200
Tools, furniture and fixtures, net	216	211
Land	9,073	9,073
Construction in progress	290	325
Other, net	84	73
Total property, plant and equipment	18,120	18,043
Intangible assets		
Software	318	286
Other	66	161
Total intangible assets	384	447
Investments and other assets		
Investment securities	4,604	4,649
Deferred tax assets	753	726
Other	2,413	2,382
Allowance for doubtful accounts	(150)	(139)
Total investment and other assets	7,621	7,619
Total non-current assets	26,126	26,110
Total assets	72,923	69,248

(Million yen)

	Previous consolidated fiscal year (March 31, 2016)	2nd quarter consolidated accounting period (September 30, 2016)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	22,911	20,391
Short-term loans payable	1,980	1,980
Income taxes payable	873	453
Accrued expenses	1,593	1,461
Provision for bonuses	750	761
Other	2,492	1,874
<b>Total current liabilities</b>	<b>30,601</b>	<b>26,922</b>
Non-current liabilities		
Long-term loans payable	5,300	5,005
Net defined benefit liability	4,082	4,071
Other	2,617	2,592
<b>Total non-current liabilities</b>	<b>11,999</b>	<b>11,669</b>
<b>Total liabilities</b>	<b>42,600</b>	<b>38,592</b>
Net assets		
Shareholders' equity		
Capital stock	6,855	6,855
Capital surplus	6,423	6,423
Retained earnings	17,024	17,247
Treasury shares	(1,120)	(1,121)
<b>Total shareholders' equity</b>	<b>29,182</b>	<b>29,405</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,288	1,313
Remeasurements of defined benefit plans	(308)	(230)
<b>Total accumulated other comprehensive income</b>	<b>979</b>	<b>1,082</b>
<b>Non-controlling interests</b>	<b>160</b>	<b>168</b>
<b>Total net assets</b>	<b>30,323</b>	<b>30,656</b>
<b>Total liabilities and net assets</b>	<b>72,923</b>	<b>69,248</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, 2015 - September 30, 2015)	2nd quarter consolidated cumulative period (April 1, 2016 - September 30, 2016)
Net sales	42,473	42,663
Cost of sales	30,756	30,425
Gross profit	11,717	12,238
Selling, general and administrative expenses	10,733	11,059
Operating income	983	1,179
Non-operating income		
Interest income	2	2
Dividend income	92	69
Purchase discounts	40	40
Dividend income of insurance	42	57
Other	81	77
Total non-operating income	258	246
Non-operating expenses		
Interest expenses	53	46
Sales discounts	65	68
Foreign exchange losses	7	71
Other	27	26
Total non-operating expenses	153	213
Ordinary income	1,088	1,212
Extraordinary losses		
Loss on retirement of non-current assets	55	9
Loss on valuation of investment securities	94	-
Total extraordinary losses	150	9
Net quarterly profit before taxes and other adjustments	938	1,202
Income taxes - current	331	394
Income taxes - deferred	21	20
Total income taxes	353	414
Net profit for this quarter	584	788
Profit (loss) attributable to non-controlling interests	(36)	9
Profit attributable to owners of parent	621	778



(Quarterly consolidated statement of comprehensive income)

(2nd quarter consolidated cumulative period)

(Million yen)

	Previous 2nd quarter consolidated cumulative period (April 1, 2015 - September 30, 2015)	2nd quarter consolidated cumulative period (April 1, 2016 - September 30, 2016)
Net Profit for this quarter	584	788
Other comprehensive income		
Valuation difference on available-for-sale securities	46	24
Remeasurements of defined benefit plans, net of tax	51	78
Total other comprehensive income	97	102
Quarterly comprehensive income	681	890
Comprehensive income attributable to:		
Quarterly comprehensive income attributable to owners of parent	718	881
Quarterly comprehensive income attributable to non- controlling interests	(36)	9

## (3) Quarterly consolidated statements of cash flows

(Million yen)

	Previous 2nd quarter consolidated cumulative period (April 1, 2015 - September 30, 2015)	2nd quarter consolidated cumulative period (April 1, 2016 - September 30, 2016)
<b>Cash flows from operating activities</b>		
Net quarterly profit before taxes and other adjustments	938	1,202
Depreciation	605	632
Loss on retirement of non-current assets	55	9
Loss (gain) on valuation of investment securities	94	-
Increase (decrease) in allowance for doubtful accounts	(24)	(41)
Increase (decrease) in net defined benefit liability	(70)	(10)
Interest and dividend income	(94)	(71)
Interest expenses	53	46
Decrease (increase) in notes and accounts receivable - trade	5,000	5,070
Decrease (increase) in inventories	(256)	(540)
Increase (decrease) in notes and accounts payable - trade	(3,270)	(2,520)
Other, net	(165)	(168)
Subtotal	2,867	3,608
Interest and dividend income received	94	71
Interest expenses paid	(56)	(46)
Income taxes paid	(744)	(833)
Cash flows from operating activities	2,161	2,800
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,180)	(1,027)
Purchase of intangible assets	(38)	(130)
Purchase of investment securities	(2)	(3)
Payments of loans receivable	(3)	(3)
Collection of loans receivable	25	13
Other, net	(67)	19
Cash flows from investing activities	(1,267)	(1,131)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	-	300
Proceeds from long-term loans payable	1,000	1,105
Repayments of long-term loans payable	(1,000)	(1,700)
Cash dividends paid	(431)	(555)
Other, net	(203)	(220)
Cash flows from financing activities	(635)	(1,070)
Effect of exchange rate change on cash and cash equivalents	(1)	(49)
Net increase (decrease) in cash and cash equivalents	256	549
Cash and cash equivalents at beginning of year	8,276	8,955
Cash and cash equivalents at end of quarter	8,532	9,505

## (4) Notes on quarterly consolidated financial statements

(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, 2015 – September 30, 2015)

(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	15,315	27,157	42,473	-	42,473
Internal sales or transfers among segments	11,073	192	11,266	(11,266)	-
Total	26,389	27,350	53,739	(11,266)	42,473
Segment income	808	395	1,204	(115)	1,088

(Notes) 1 The adjustment of segment profit of -115 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, 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.