



## Financial Announcement for 2nd Quarter of the Year Ending March 2019 [Japan standard] (Consolidated)

November 2, 2018

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

Scheduled date for submission November 9, 2018 Scheduled date for start of dividend payments November 28, 2018  
 of quarterly reports  
 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 2019 (April 1, 2018 to September 30, 2018)

(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 2019	41,734	(1.1)	301	(73.1)	459	(63.2)	223	(73.1)
2nd quarter for year ended March 2018	42,205	(1.1)	1,123	(4.7)	1,249	3.0	829	6.6

(Note) Comprehensive income 2nd quarter for year ending March 2019 (12) million yen (-%)  
2nd quarter for year ended March 2018 1,005 million yen (12.9%)

	Net quarterly profit per share		Diluted quarterly net profit per share after adjustment	
	Yen		Yen	
2nd quarter for year ending March 2019	3.62		-	
2nd quarter for year ended March 2018	13.45		-	

### (2) Consolidated assets

	Total assets		Net assets		Capital-to-asset ratio	
	Million yen		Million yen		%	
2nd quarter for year ending March 2019	73,218		35,386		48.1	
Year ended March 2018	77,703		35,894		45.9	

(Reference) Equity capital 2nd quarter for year ending March 2019 35,187 million yen Year ended March 2018 35,703 million yen

### 2. Dividend payments

	Annual dividend				
	End 1st quarter	End 2nd quarter	End 3rd quarter	End of year	Total
	Yen		Yen		Yen
Year ended March 2018	-	2.00	-	8.00	10.00
Year ending March 2019	-	2.00	-	-	-
Year ending March 2019 (forecast)	-	-	-	8.00	10.00

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

### 3. Consolidated forecasts for year ending March 2019 (April 1, 2018 to March 31, 2019)

(% 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	91,500	0.2	2,350	(33.3)	2,500	(32.1)	1,500	(39.5)	24.32	

(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 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 2019	66,829,249 shares	Year ended March 2018	66,829,249 shares
[2] Number of shares in treasury shares at end of year	Q2 for year ending March 2019	5,140,377 shares	Year ended March 2018	5,140,316 shares
[3] Average number of shares during the term (quarterly cumulative)	Q2 for year ending March 2019	61,688,915 shares	Q2 for year ended March 2018	61,690,355 shares

\* Quarterly Financial Announcement is out of the scope of quarterly review by a certified public accountant or an audit corporation.

\* 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 4 of the attachment.

○ Contents of the supplementary materials

1. Qualitative information regarding quarterly results .....	2
(1) Explanation of the management performance .....	2
(2) Explanation of the financial situation .....	3
(3) Explanation concerning future predictive information, such as consolidated forecasts .....	4
2. Quarterly consolidated financial statement and Major Notes .....	5
(1) Quarterly consolidated balance sheet .....	5
(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income .....	7
Quarterly consolidated statement of income	
2nd quarter consolidated cumulative period .....	7
Quarterly consolidated statement of comprehensive income	
2nd quarter consolidated cumulative period .....	8
(3) Quarterly consolidated statement of cash flows .....	9
(4) Notes on quarterly consolidated financial statement .....	10
(Notes on the assumption of the company as a going concern) .....	10
(Notes when there are significant changes in amounts of equity) .....	10
(Additional information) .....	10
(Segment information, etc.) .....	10

## 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 robust corporate earnings and improvement in the employment environment. Yet economic uncertainty prevailed due to the growing trade tensions between the U.S. and China, changes in the financial and capital markets, and other causes for concern. The construction industry, with which the TOLI Group has strong ties, did not show strong demand overall for interior materials due primarily to the downward trend in new housing construction although it is expected to boom as large redevelopment projects mainly in urban areas start kicking in. Hikes in primary raw material prices due to rising prices of crude oil and naphtha as well as higher logistics costs resulting from the labor shortage also made for a tough operating environment.

Amidst such circumstances, the TOLI Group kicked off Phase II (FY2018 – FY2020) of its medium-term business plan “SHINKA-100” in April of this year and is implementing key strategies with a focus on the three “SHINKAs” (i.e., evolution, deepening, and stable value). During the first six months of the consolidated period under review, we developed and launched a full lineup of “HITOE Granza” and “HITOE Fine” products, the first Japan-made homogeneous vinyl floor sheets featuring premium designs, as part of our efforts to enhance our technological and product capabilities. We also revised the selling prices of our products in June of this year in response to rising prices of our primary raw materials and logistics costs. While these developments only had a limited effect on improving profitability in the first six months of the consolidated period under review, we will continue to work on increasing market penetration and bolstering our business foundation.

As a result, net sales amounted to 41,734 million yen (a decrease of 1.1% compared to the same period of the previous year), operating income reached 301 million yen (a decrease of 73.1% compared to the same period of the previous year), ordinary income was 459 million yen (a decrease of 63.2% compared to the same period of the previous year), and profit attributable to owners of parent for the quarter totaled 223 million yen (a decrease of 73.1% 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, we focused on actively marketing “Floorleum Plane NW,” “Floorleum Marble NW,” and “HITOE” launched in the first quarter and received positive feedback from various users. On the downside, demand for vinyl flooring products was weak in their key markets, such as the medical and welfare facility market as well as retail market, and overall vinyl flooring sales declined year on year.

In the area of carpets, growing demand related to new construction and renovation in the office market kept tile carpet sales up. Sales of “GA-100T” launched last fall, in particular, grew steadily as its excellent design that makes it more than a general-purpose product received high marks, driving overall sales of the “GA-100 Series,” our key product line-up.

Overall sales of wall covering materials and curtains dropped year on year due to stagnant sales of products for the housing sector, such as the general-use grade “VS” and curtains, although sales of “Power 1000” remained strong in the non-residential sector.

The result of this was that net sales for the product business were 25,029 million yen (a decrease of 2.4% compared to the same period of the previous year), and the segment income was 432 million yen (a decrease of 64.1% compared to the same period of the previous year).

#### <Interior Wholesaling and Installation Business>

The interior wholesaling business saw weak sales of window-related products, such as curtain rails and blinds. On the bright side, TOLI (Shanghai) Corporation, our sales subsidiary in China, enjoyed steady sales growth.

The installation business sales remained strong as they did last fiscal year thanks to its efforts to enhance its marketing capability by leveraging the Group’s installation expertise.

The results were net sales of 27,430 million yen (up 0.6% from the same period of the previous year) in the interior wholesaling and installation business, with segment income of 167 million yen (down 16.3% from the same period of the previous year).

(2) Explanation of the financial situation

(i) Financial position

<Assets>

Current assets by the end of the 2nd quarter consolidated accounting period were down by 4,433 million yen compared to the end of the previous fiscal year, to 44,193 million yen. This is due mainly to the reduction in accounts receivables - trade due to seasonal changes. Non-current assets were down by 51 million yen compared to the end of the previous fiscal year, to 29,025 million yen.

As a result, total assets were down by 4,484 million yen compared to the end of the previous fiscal year, to 73,218 million yen.

<Liabilities>

Current liabilities by the end of the 2nd quarter consolidated accounting period decreased by 4,322 million yen in comparison to the end of the previous fiscal year to 25,297 million yen. This is due mainly to the decrease in notes and accounts payable - trade due to seasonal changes. Non-current liabilities increased 345 million yen in comparison to the end of the previous fiscal year to 12,533 million yen.

As a result, total liabilities down by 3,977 million yen compared to the end of the previous fiscal year, to 37,831 million yen.

<Net assets>

Net assets by the end of the 2nd quarter consolidated accounting period decreased by 507 million yen in comparison to the end of the previous fiscal year to 35,386 million yen. This is due mainly to a decrease in valuation difference on available-for-sale securities as well as a decrease in retained earnings as a result of a dividend payment.

(ii) Cash flows

Cash and cash equivalents by the end of the 2nd quarter consolidated accounting period increased 740 million yen compared to the end of the previous fiscal year to finish at 9,916 million yen (10,795 million yen for the previous 2nd quarter consolidate cumulative period).

(Cash flows from operating activities)

Cash flows from operating activities ended with income of 2,513 million yen (income of 1,959 million yen for the same period of the previous year). Income increased compared to the same period of the previous year due to a further decrease in accounts receivable, etc.

(Cash flows from investing activities)

Cash flows from investing activities ended with outgoings of 962 million yen (outgoings of 792 million yen for the same period of the previous year). Expenditure increased compared to the same period of the previous year mainly because other investing activities turned from proceeds to payments despite a decrease in expenditure on the purchase of intangible assets.

(Cash flows from financing activities)

Cash flows from financing activities ended with outgoings of 838 million yen (outgoings of 827 million yen for the same period of the previous year). Expenditure was up compared to the same period of the previous year due to an increase in other payments, etc.

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

In terms of future prospects, we expect new construction to be somewhat slow overall due to the stagnant housing market and the labor shortage although we see some positive signs, such as the delivery of materials for large-scale redevelopment projects peaking mainly in the Tokyo metropolitan area. There is also a risk that the prices of our primary raw materials will rise again due to hikes in crude oil and naphtha prices, which is likely to keep the earnings environment bleak.

Amid these circumstances, the TOLI Group will steadily implement its key strategies under the “SHINKA-100” medium-term business plan as it moves ahead toward the “100th anniversary of its foundation” in fiscal 2019 and make group-wide efforts to pursue growth strategies and strengthen its business foundation with an eye on achieving the goals set for fiscal 2020, the final year of the plan’s second phase.

No revision has been made to the full-year consolidated performance forecast, which was announced on October 26, 2018 in “Notice on Revisions to the Performance Forecast.”

\* The earnings forecasts provided above are based on the information available as of the time of presentation, and actual business performance figures etc. may differ from the projections due to various factors.

## 2. Quarterly consolidated financial statement and Major Notes

## (1) Quarterly consolidated balance sheet

(Million yen)

	Previous consolidated fiscal year (March 31, 2018)	2nd quarter consolidated accounting period (September 30, 2018)
<b>Assets</b>		
Current assets		
Cash and deposits	9,253	9,989
Notes and accounts receivable - trade	28,054	22,057
Merchandise and finished goods	7,629	8,406
Work in process	1,312	1,216
Raw materials and supplies	1,538	1,813
Other	903	765
Allowance for doubtful accounts	(65)	(55)
Total current assets	48,626	44,193
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,043	5,914
Machinery, equipment and vehicles, net	2,618	2,725
Tools, furniture and fixtures, net	326	292
Land	9,088	9,088
Construction in progress	621	904
Other, net	74	62
Total property, plant and equipment	18,771	18,989
Intangible assets		
Software	178	143
Other	1,315	1,366
Total intangible assets	1,494	1,510
Investments and other assets		
Investment securities	6,121	5,748
Deferred tax assets	678	765
Other	2,103	2,115
Allowance for doubtful accounts	(93)	(103)
Total investments and other assets	8,810	8,525
Total non-current assets	29,076	29,025
Total assets	77,703	73,218

(Million yen)

	Previous consolidated fiscal year (March 31, 2018)	2nd quarter consolidated accounting period (September 30, 2018)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	23,748	20,735
Short-term loans payable	1,020	420
Income taxes payable	582	200
Accrued expenses	1,671	1,395
Provision for bonuses	783	755
Other	1,813	1,790
<b>Total current liabilities</b>	<b>29,619</b>	<b>25,297</b>
Non-current liabilities		
Long-term loans payable	5,705	6,205
Provision for environmental measures	27	27
Net defined benefit liability	4,028	3,996
Other	2,427	2,304
<b>Total non-current liabilities</b>	<b>12,188</b>	<b>12,533</b>
<b>Total liabilities</b>	<b>41,808</b>	<b>37,831</b>
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,855	6,855
Capital surplus	6,426	6,426
Retained earnings	21,247	20,976
Treasury shares	(1,122)	(1,122)
<b>Total shareholders' equity</b>	<b>33,406</b>	<b>33,136</b>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,330	2,060
Foreign currency translation adjustment	1	(1)
Remeasurements of defined benefit plans	(35)	(7)
<b>Total accumulated other comprehensive income</b>	<b>2,296</b>	<b>2,050</b>
<b>Non-controlling interests</b>	<b>190</b>	<b>199</b>
<b>Total net assets</b>	<b>35,894</b>	<b>35,386</b>
<b>Total liabilities and net assets</b>	<b>77,703</b>	<b>73,218</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, 2017 - September 30, 2017)	2nd quarter consolidated cumulative period (April 1, 2018 - September 30, 2018)
Net sales	42,205	41,734
Cost of sales	30,131	30,316
Gross profit	12,073	11,418
Selling, general and administrative expenses	10,950	11,116
Operating income	1,123	301
Non-operating income		
Interest income	1	2
Dividend income	85	76
Purchase discounts	40	40
Dividend income of insurance	47	46
Other	71	99
Total non-operating income	246	265
Non-operating expenses		
Interest expenses	42	38
Sales discounts	67	61
Other	10	6
Total non-operating expenses	120	107
Ordinary income	1,249	459
Extraordinary losses		
Loss on retirement of non-current assets	21	60
Loss on valuation of investment securities	–	5
Total extraordinary losses	21	66
Net quarterly profit before taxes and other adjustments	1,227	393
Income taxes - current	430	138
Income taxes - deferred	(9)	21
Total income taxes	421	160
Net profit for this quarter	806	233
Profit (loss) attributable to non-controlling interests	(22)	10
Profit attributable to owners of parent	829	223

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

(Million yen)

	Previous 2nd quarter consolidated cumulative period (April 1, 2017 - September 30, 2017)	2nd quarter consolidated cumulative period (April 1, 2018 - September 30, 2018)
Net Profit for this quarter	806	233
Other comprehensive income		
Valuation difference on available-for-sale securities	138	(271)
Foreign currency translation adjustment	(0)	(2)
Remeasurements of defined benefit plans, net of tax	61	27
Total other comprehensive income	199	(246)
Quarterly comprehensive income	1,005	(12)
Comprehensive income attributable to:		
Quarterly comprehensive income attributable to owners of parent	1,028	(22)
Quarterly comprehensive income attributable to non- controlling interests	(22)	9

## (3) Quarterly consolidated statement of cash flows

(Million yen)

	Previous 2nd quarter consolidated cumulative period (April 1, 2017 - September 30, 2017)	2nd quarter consolidated cumulative period (April 1, 2018 - September 30, 2018)
<b>Cash flows from operating activities</b>		
Net quarterly profit before taxes and other adjustments	1,227	393
Depreciation	646	749
Loss on retirement of non-current assets	21	60
Loss (gain) on valuation of investment securities	-	5
Increase (decrease) in allowance for doubtful accounts	(78)	0
Increase (decrease) in net defined benefit liability	29	(31)
Interest and dividend income	(87)	(79)
Interest expenses	42	38
Decrease (increase) in notes and accounts receivable - trade	4,257	5,983
Decrease (increase) in inventories	(1,238)	(958)
Increase (decrease) in notes and accounts payable - trade	(1,611)	(3,005)
Other, net	(461)	(184)
Subtotal	2,748	2,971
Interest and dividend income received	87	79
Interest expenses paid	(43)	(38)
Income taxes paid	(833)	(498)
Cash flows from operating activities	1,959	2,513
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(759)	(768)
Purchase of intangible assets	(129)	(19)
Purchase of investment securities	(3)	(22)
Payments of loans receivable	(15)	(3)
Collection of loans receivable	7	9
Other, net	107	(159)
Cash flows from investing activities	(792)	(962)
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans payable	1,300	700
Repayments of long-term loans payable	(1,400)	(800)
Cash dividends paid	(493)	(493)
Other, net	(233)	(245)
Cash flows from financing activities	(827)	(838)
Effect of exchange rate change on cash and cash equivalents	0	28
Net increase (decrease) in cash and cash equivalents	341	740
Cash and cash equivalents at beginning of year	10,353	9,176
Increase in cash and cash equivalents from newly consolidated subsidiary	100	-
Cash and cash equivalents at end of quarter	10,795	9,916

## (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.

(Additional information)

(Application of the Partial Amendments to Accounting Standard for Tax Effect Accounting, Etc.)

Since the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018), etc. were applied to our financial reporting beginning in the first quarter of this consolidated fiscal period, deferred tax assets are shown under investments and other assets while deferred tax liabilities are shown under non-current liabilities.

(Segment information, etc.)

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

Previous 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 income 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.

2nd quarter consolidated cumulative period (April 1, 2018 – September 30, 2018)

(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	14,480	27,253	41,734	–	41,734
Internal sales or transfers among segments	10,548	176	10,724	(10,724)	–
Total	25,029	27,430	52,459	(10,724)	41,734
Segment income	432	167	600	(140)	459

(Notes) 1 The adjustment of segment income of -140 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.