



Financial Announcement for 2nd Quarter of the Year Ending March 2020 [Japan standard] (Consolidated)

November 1, 2019

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) Yozo Araki TEL 06-6494-6691
 for inquiries Deputy Manager, Administration
 Headquarters and General Manager,
 Accounting and Finance Department

Scheduled date for submission November 12, 2019 Scheduled date for start of dividend payments November 29, 2019
 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 2020 (April 1, 2019 to September 30, 2019)

(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 2020	43,972	5.4	353	17.2	504	9.6	572	156.5
2nd quarter for year ended March 2019	41,734	(1.1)	301	(73.1)	459	(63.2)	223	(73.1)

(Note) Comprehensive income 2nd quarter for year ending March 2020 476 million yen (-%)
 2nd quarter for year ended March 2019 (12) million yen (-%)

	Net quarterly profit per share		Diluted quarterly net profit per share after adjustment	
	Yen		Yen	
2nd quarter for year ending March 2020	9.28		-	
2nd quarter for year ended March 2019	3.62		-	

(2) Consolidated assets

	Total assets		Net assets		Capital-to-asset ratio	
	Million yen		Million yen		%	
2nd quarter for year ending March 2020	75,509		36,020		47.4	
Year ended March 2019	77,654		36,042		46.1	

(Reference) Equity capital 2nd quarter for year ending March 2020 35,814 million yen Year ended March 2019 35,833 million yen

2. Dividend payments

	Annual dividend				
	End 1st quarter	End 2nd quarter	End 3rd quarter	End of year	Total
Year ended March 2019	-	2.00	-	8.00	10.00
Year ending March 2020	-	5.00			
Year ending March 2020 (forecast)			-	8.00	13.00

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

Breakdown of the dividend for the end of the 2nd quarter of the fiscal year ending March 2020:

Ordinary dividend 2.00 yen, Commemorative dividend 3.00 yen

For details, see "Notice Concerning the '100th Anniversary' Commemorative Dividend" announced on May 8, 2019.

3. Consolidated forecasts for year ending March 2020 (April 1, 2019 to March 31, 2020)

(% 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	94,000	4.0	2,400	20.5	2,600	15.9	1,950	44.9	31.61

(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 2020	66,829,249 shares	Year ended March 2019	66,829,249 shares
[2] Number of shares in treasury shares at end of year	Q2 for year ending March 2020	5,141,227 shares	Year ended March 2019	5,140,738 shares
[3] Average number of shares during the term (quarterly cumulative)	Q2 for year ending March 2020	61,688,293 shares	Q2 for year ended March 2019	61,688,915 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 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 robust capital investment, improvement in the employment and earnings environments, and other factors. Yet economic uncertainty prevailed due to the global economy's uncertain future caused by the growing trade tensions between the U.S. and China, unstable Middle East situation, etc.

The construction industry, with which the TOLI Group has strong ties, is expected to benefit from more hotel-related demand, driven by inbound tourism, while large redevelopment projects mainly in urban areas have started kicking in although there are some construction delays due to labor shortages and the like.

Amid such circumstances, the TOLI Group has implemented key strategies with a focus on the three "SHINKAs" (i.e., evolution, deepening, and stable value) under Phase II (FY2018 – FY2020) of its medium-term business plan "SHINKA-100." The consolidated financial results for the first six months of the period under review (the second year of Phase II) show net sales of 43,972 million yen (an increase of 5.4% compared to the same period of the previous year), operating income of 353 million yen (an increase of 17.2% compared to the same period of the previous year), ordinary income of 504 million yen (an increase of 9.6% compared to the same period of the previous year), and profit attributable to owners of parent of 572 million yen (an increase of 156.5% compared to the same period of the previous year) due mainly to the posting of gain on sales of non-current assets accompanied by the head office relocation of a sales subsidiary.

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

<Product business>

Product business net sales amounted to 26,353 million yen (an increase of 5.3% compared to the same period of the previous year) as a result of market penetration of new products released in the previous year and active sales promotions focusing on new products launched during the period under review.

Regarding vinyl flooring, "HITOE," a vinyl floor sheet, and "Floorleum NW," which were launched in the previous year, have been adopted in a variety of business sectors including medical and educational facilities, and sales of "Loose Lay Tile," a non-adhesion type vinyl floor tile released in the period under review, and "ROYAL Series" have increased.

In the area of carpets, sales of "GA-100 Series," our key tile carpet product, remained strong amid robust office demand. In addition, sales of roll carpets increased, boosted by growing hotel demand.

Sales of wall covering materials were continuously driven by those of "VS" and "Power 1000," highly functional, well-designed vinyl wallpapers.

Sales of curtains increased as a whole as we focused on sales promotions of "fufu," a new comprehensive sample book released in May, and received positive feedback from various users regarding this book.

The result of this was that all net sales of these main four business areas surpassed those for the same period of the previous year.

The segment income was 374 million yen (a decrease of 13.5% compared to the same period of the previous year) due mainly to increases in depreciation expenses and sales promotion expenses incurred in connection with new product launch and product revision and discontinuation, although we revised sales prices, improved the operational efficiency through the renewal of the core system, and reduced manufacturing costs.

<Interior wholesaling and installation business>

Sales of the interior wholesaling business remained strong as we received growing orders for floor materials, carpets, etc. against the backdrop of solid office and hotel demand and strengthened the sales promotions of window-related products such as curtain rails and blinds. The installation business sales increased thanks to large orders, etc. mainly in urban areas. The result was net sales of 28,462 million yen (an increase of 3.8% compared to the same period of the previous year) in the interior wholesaling and installation business.

The segment income was 274 million yen (an increase of 63.8% compared to the same period of the previous year) due to increased sales and revised sales prices although sales promotion and sample book expenses incurred in connection with strengthened sales promotion activities increased.

(2) Explanation of the financial situation

(i) Financial position

<Assets>

Current assets at the end of the 2nd quarter consolidated accounting period were down by 1,642 million yen compared to the end of the previous fiscal year, to 45,907 million yen. This was mainly because we reduced notes and accounts receivable - trade by actively collecting trade receivables that increased during the fourth quarter of the previous year. Non-current assets were down by 502 million yen compared to the end of the previous fiscal year, to 29,601 million yen. This was due mainly to the sales of land, buildings, etc. accompanied by the head office relocation of a sales subsidiary.

As a result, total assets were down by 2,145 million yen compared to the end of the previous fiscal year, to 75,509 million yen.

<Liabilities>

Current liabilities at the end of the 2nd quarter consolidated accounting period decreased by 1,322 million yen in comparison to the end of the previous fiscal year to 29,238 million yen. This was mainly because we reduced notes and accounts payable - trade by actively paying trade payables that increased during the fourth quarter of the previous year. Non-current liabilities were down by 800 million yen compared to the end of the previous fiscal year, to 10,250 million yen.

As a result, total liabilities were down by 2,123 million yen compared to the end of the previous fiscal year, to 39,488 million yen.

<Net assets>

Net assets at the end of the 2nd quarter consolidated accounting period decreased by 21 million yen in comparison to the end of the previous fiscal year to 36,020 million yen. This was due mainly to a decrease in valuation difference on available-for-sale securities despite an increase in retained earnings.

(ii) Cash flows

Cash and cash equivalents at the end of the 2nd quarter consolidated cumulative period increased 1,693 million yen compared to the end of the previous fiscal year to finish at 9,442 million yen (9,916 million yen at the end of the previous 2nd quarter consolidated cumulative period).

(Cash flows from operating activities)

Cash flows from operating activities ended with income of 2,762 million yen (income of 2,513 million yen for the same period of the previous year). Income increased compared to the same period of the previous year due mainly to a decrease in payments of notes and accounts payable - trade.

(Cash flows from investing activities)

Cash flows from investing activities ended with outgoings of 305 million yen (outgoings of 962 million yen for the same period of the previous year). Expenditure decreased compared to the same period of the previous year due mainly to increased proceeds from sales of property, plant and equipment.

(Cash flows from financing activities)

Cash flows from financing activities ended with outgoings of 748 million yen (outgoings of 838 million yen for the same period of the previous year). Expenditure was down compared to the same period of the previous year due mainly to changes in long-term loans payable.

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

No revision has been made to the consolidated performance forecast, which was announced on October 25, 2019.

2. Quarterly consolidated financial statement and major notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Previous consolidated fiscal year (March 31, 2019)	2nd quarter consolidated accounting period (September 30, 2019)
Assets		
Current assets		
Cash and deposits	7,825	9,518
Notes and accounts receivable - trade	27,065	22,615
Merchandise and finished goods	8,414	8,872
Work in process	1,187	1,427
Raw materials and supplies	1,660	1,782
Other	1,453	1,737
Allowance for doubtful accounts	(56)	(46)
Total current assets	47,550	45,907
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,119	6,463
Machinery, equipment and vehicles, net	2,878	2,780
Tools, furniture and fixtures, net	400	388
Land	9,556	9,029
Construction in progress	1,048	786
Other, net	60	65
Total property, plant and equipment	20,063	19,512
Intangible assets		
Software	1,543	1,499
Other	107	52
Total intangible assets	1,650	1,552
Investments and other assets		
Investment securities	5,237	5,243
Deferred tax assets	912	934
Other	2,339	2,459
Allowance for doubtful accounts	(99)	(100)
Total investments and other assets	8,390	8,536
Total non-current assets	30,104	29,601
Total assets	77,654	75,509

(Million yen)

	Previous consolidated fiscal year (March 31, 2019)	2nd quarter consolidated accounting period (September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	23,098	21,274
Short-term loans payable	2,070	3,070
Income taxes payable	355	362
Accrued expenses	1,704	1,562
Provision for bonuses	761	738
Provision for environmental measures	7	-
Other	2,562	2,230
Total current liabilities	30,560	29,238
Non-current liabilities		
Long-term loans payable	4,555	3,555
Net defined benefit liability	3,881	3,865
Other	2,614	2,829
Total non-current liabilities	11,051	10,250
Total liabilities	41,612	39,488
Net assets		
Shareholders' equity		
Capital stock	6,855	6,855
Capital surplus	6,426	6,426
Retained earnings	21,975	22,054
Treasury shares	(1,122)	(1,122)
Total shareholders' equity	34,135	34,214
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,748	1,658
Foreign currency translation adjustment	(3)	(6)
Remeasurements of defined benefit plans	(46)	(51)
Total accumulated other comprehensive income	1,698	1,600
Non-controlling interests	208	205
Total net assets	36,042	36,020
Total liabilities and net assets	77,654	75,509

(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, 2018 - September 30, 2018)	2nd quarter consolidated cumulative period (April 1, 2019 - September 30, 2019)
Net sales	41,734	43,972
Cost of sales	30,316	31,899
Gross profit	11,418	12,072
Selling, general and administrative expenses	11,116	11,719
Operating income	301	353
Non-operating income		
Interest income	2	2
Dividend income	76	98
Purchase discounts	40	39
Dividend income of insurance	46	40
Other	99	106
Total non-operating income	265	287
Non-operating expenses		
Interest expenses	38	37
Sales discounts	61	64
Foreign exchange losses	-	28
Other	6	6
Total non-operating expenses	107	136
Ordinary income	459	504
Extraordinary income		
Gain on sales of non-current assets	-	986
Total extraordinary income	-	986
Extraordinary losses		
Loss on retirement of non-current assets	60	18
Loss on reduction of non-current assets	-	592
Loss on valuation of investment securities	5	-
Total extraordinary losses	66	611
Net quarterly profit before taxes and other adjustments	393	879
Income taxes - current	138	286
Income taxes - deferred	21	19
Total income taxes	160	305
Net profit for this quarter	233	573
Profit attributable to non-controlling interests	10	0
Profit attributable to owners of parent	223	572

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

(Million yen)

	Previous 2nd quarter consolidated cumulative period (April 1, 2018 - September 30, 2018)	2nd quarter consolidated cumulative period (April 1, 2019 - September 30, 2019)
Net profit for this quarter	233	573
Other comprehensive income		
Valuation difference on available-for-sale securities	(271)	(89)
Foreign currency translation adjustment	(2)	(2)
Remeasurements of defined benefit plans, net of tax	27	(5)
Total other comprehensive income	(246)	(97)
Quarterly comprehensive income	(12)	476
Comprehensive income attributable to:		
Quarterly comprehensive income attributable to owners of parent	(22)	475
Quarterly comprehensive income attributable to non- controlling interests	9	1

(3) Quarterly consolidated statement of cash flows

(Million yen)

	Previous 2nd quarter consolidated cumulative period (April 1, 2018 - September 30, 2018)	2nd quarter consolidated cumulative period (April 1, 2019 - September 30, 2019)
Cash flows from operating activities		
Net quarterly profit before taxes and other adjustments	393	879
Depreciation	749	911
Loss on retirement of non-current assets	60	18
Loss on reduction of non-current assets	–	592
Gain on sales of non-current assets	–	(986)
Loss (gain) on valuation of investment securities	5	–
Increase (decrease) in allowance for doubtful accounts	0	(8)
Increase (decrease) in net defined benefit liability	(31)	(15)
Interest and dividend income	(79)	(101)
Interest expenses	38	37
Decrease (increase) in notes and accounts receivable - trade	5,983	4,447
Decrease (increase) in inventories	(958)	(820)
Increase (decrease) in notes and accounts payable - trade	(3,005)	(1,820)
Other, net	(184)	(251)
Subtotal	2,971	2,882
Interest and dividend income received	79	101
Interest expenses paid	(38)	(37)
Income taxes paid	(498)	(183)
Cash flows from operating activities	2,513	2,762
Cash flows from investing activities		
Purchase of property, plant and equipment	(768)	(1,192)
Proceeds from sales of property, plant and equipment	–	1,241
Purchase of intangible assets	(19)	(260)
Purchase of investment securities	(22)	(104)
Payments of loans receivable	(3)	(9)
Collection of loans receivable	9	6
Other, net	(159)	14
Cash flows from investing activities	(962)	(305)
Cash flows from financing activities		
Proceeds from long-term loans payable	700	200
Repayments of long-term loans payable	(800)	(200)
Cash dividends paid	(493)	(493)
Other, net	(245)	(254)
Cash flows from financing activities	(838)	(748)
Effect of exchange rate change on cash and cash equivalents	28	(14)
Net increase (decrease) in cash and cash equivalents	740	1,693
Cash and cash equivalents at beginning of year	9,176	7,749
Cash and cash equivalents at end of quarter	9,916	9,442

(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, 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.

2nd quarter consolidated cumulative period (April 1, 2019 - September 30, 2019)

(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	15,646	28,325	43,972	–	43,972
Internal sales or transfers among segments	10,706	137	10,843	(10,843)	–
Total	26,353	28,462	54,816	(10,843)	43,972
Segment income	374	274	648	(144)	504

(Notes) 1 The adjustment of segment income of -144 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.