



## Financial Announcement for 2nd Quarter of the Year Ending March 2021 [Japan standard] (Consolidated)

November 2, 2020

Company name TOLI Corporation Stock Exchanges: Tokyo Stock Exchange  
 Code number 7971 URL <https://www.toli.co.jp>  
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 Official responsible (Position) Corporate Officer (Name) Yoza Araki TEL 06-6494-6691  
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 Manager, Accounting and Finance Department  
 Scheduled date for submission of quarterly reports: November 12, 2020  
 Scheduled date for start of dividend payments: —  
 Preparation of supplementary explanatory materials for the quarterly financial announcement: None  
 Holding of a briefing on the quarterly financial announcement: None

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

### 1. Consolidated results for 2nd quarter of the year ending March 2021 (April 1, 2020 to September 30, 2020)

(1) Consolidated results (cumulative) (% shows change for the quarter against the same quarter of 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 2021	38,379	(12.7)	(474)	-	(177)	-	(100)	-
2nd quarter for year ended March 2020	43,972	5.4	353	17.2	504	9.6	572	156.5

(Note) Comprehensive income 2nd quarter for year ending March 2021 15 million yen (-96.8%)  
 2nd quarter for year ended March 2020 476 million yen (-%)

	Profit per share		Profit per share - diluted	
	Yen		Yen	
2nd quarter for year ending March 2021	(1.63)		-	
2nd quarter for year ended March 2020	9.28		-	

### (2) Consolidated assets

	Total assets		Net assets		Capital-to-asset ratio	
	Million yen		Million yen		%	
2nd quarter for year ending March 2021	71,116		35,887		50.1	
Year ended March 2020	78,369		36,363		46.1	

(Reference) Equity capital 2nd quarter for year ending March 2021 35,649 million yen  
 Year ended March 2020 36,124 million yen

### 2. Dividend payments

	Annual dividend				
	End 1st quarter	End 2nd quarter	End 3rd quarter	End of year	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 2020	-	5.00	-	8.00	13.00
Year ending March 2021	-	0.00	-	-	-
Year ending March 2021 (forecast)	-	-	-	8.00	8.00

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

(Note) Breakdown of the dividend for the end of the 2nd quarter of the year ended March 2020:  
 Ordinary dividend 2.00 yen, Commemorative dividend 3.00 yen

### 3. Consolidated forecasts for year ending March 2021 (April 1, 2020 to March 31, 2021)

(% shows 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	85,000	(10.2)	1,000	(58.0)	1,300	(50.8)	850	(58.7)	13.89

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

\* Notes

- (1) Significant changes to subsidiaries during the consolidated cumulative period 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 the end of the term (including treasury shares)	Q2 for year ending March 2021	66,829,249 shares	Year ended March 2020	66,829,249 shares
[2] Number of shares in treasury shares at the end of the term	Q2 for year ending March 2021	5,642,023 shares	Year ended March 2020	5,641,603 shares
[3] Average number of shares during the term (quarterly cumulative)	Q2 for year ending March 2021	61,187,535 shares	Q2 for year ended March 2020	61,688,293 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

The financial forecasts and other descriptions related to future events presented in this document are based on information currently available and certain assumptions judged as reasonable. As such, the financial forecasts and future descriptions are not considered to ensure the fulfillment thereof. Actual financial performance may vary significantly due to various factors. For details, such as assumptions for financial forecasts and cautions when using financial forecasts, 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 face difficult circumstances amid the ongoing impact of the spread of COVID-19, despite some signs of a gradual recovery of economic activity.

In the construction industry, which has deep relations with the TOLI Group's businesses, the number of new construction starts for both residential and non-residential buildings continued to decline. Demand for interior materials was generally weak, and renewal works were canceled or postponed one after another in the wake of the COVID-19 crisis. Furthermore, the earnings environment continued to be harsh due to the impact of rising logistics costs stemming from labor shortages and other factors.

Under such circumstances, the TOLI Group is promoting its six-year medium-term business plan "SHINKA-100" (Phase I: 2015–2017/Phase II: 2018–2020). In the current fiscal year, which is the final year of the six-year period, with three SHINKA (evolution, deepening, and real value) as a priority strategy, our efforts are being directed at reinforcing our core business, expanding our business domain, and building a strong business platform. In addition, we focused on efficient, non-face-to-face promotional activities, such as online meetings for marketing activities and online launches of new products, and started up a joint venture to manufacture and sell vinyl floor tiles in China (Jiangsu Province). Through these initiatives, the Group strived for further growth.

As a result, for the first six months of the consolidated period under review, the Company posted net sales of 38,379 million yen (a decrease of 12.7% compared to the same period of the previous year), operating loss of 474 million yen (compared to operating income of 353 million yen for the same period of the previous year), ordinary loss of 177 million yen (compared to ordinary income of 504 million yen for the same period of the previous year), and loss attributable to owners of parent of 100 million yen (compared to profit attributable to owners of parent of 572 million yen for the same period of the previous year).

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

#### <Product Business>

Sales in all product categories fell below the previous year's levels, as the market cooled sharply due to the spread of COVID-19 and did not fully recover.

Despite such a difficult market environment, in the area of vinyl flooring, vinyl sheets such as "DEODORANT NS TOWARE NW" and the "HITOE" series performed well, following increased sales promotion targeting medical and welfare facilities in particular. In addition, "nesting consumption" increased as a result of restrictions on going out, boosting sales of "LAY Flooring," which can easily be installed for home remodeling projects, as well as cushion floors for homes. As for carpets, sales of tile carpets for contracts were sluggish, reflecting the large impact of canceled office renewal works. On the other hand, sales of residential tile carpets such as "Fabric Floor" increased in the B2C market centered on home centers and online sales.

In terms of wall covering materials and curtains, "VS," a general-purpose type wallpaper released in July, and "fufu," a comprehensive curtain sample book launched in May of last year, increased market penetration. However, sales showed little improvement as the housing market remained weak.

The Company strived to reduce selling, general and administrative expenses in response to various restrictions imposed on its business activities. However, segment income fell due to the effects of rising manufacturing costs stemming from lower factory production levels as well as higher logistics costs.

As a result, the Product Business reported net sales of 23,221 million yen (a decrease of 11.9% compared to the same period of the previous year) and segment loss of 8 million yen (compared to segment income of 374 million yen for the same period of the previous year).

#### <Interior Wholesaling and Installation Business>

The interior wholesale business was largely impacted by fewer small and medium-sized contract projects and the suspension of installation works for such business. Furthermore, purchases and sales of window-related products such as curtains and blinds were sluggish, resulting in lower sales than the previous year. Additionally, TOLI (Shanghai) Corporation, which is responsible for sales in the Chinese market, is still recovering from a temporary suspension of economic activity and suffered a significant drop in sales.

As a result, the Interior Wholesaling and Installation Business reported net sales of 25,179 million yen (a decrease of 11.5% compared to the same period of the previous year) and segment income of 23 million yen (a decrease of 91.6% compared to the same period of the previous year).

(2) Explanation of the financial situation

[1] Financial position

<Assets>

Current assets at the end of the second quarter of the current fiscal year were down by 8,743 million yen compared to the end of the previous fiscal year, to 40,862 million yen. This was mainly because the collection of trade receivables that increased during the fourth quarter of the previous fiscal year progressed. Non-current assets were up by 1,490 million yen compared to the end of the previous fiscal year, to 30,253 million yen. This was mainly due to an increase in investments and other assets resulting from the investment in Jiangsu Changlong Decorative Material Technical Co., Ltd., a joint venture for the manufacture and sales of vinyl floor tiles in China (Jiangsu Province).

As a result, total assets were down by 7,252 million yen compared to the end of the previous fiscal year, to 71,116 million yen.

<Liabilities>

Current liabilities at the end of the second quarter of the current fiscal year were down by 6,524 million yen compared to the end of the previous fiscal year, to 24,001 million yen. This was mainly because the payment of trade payables that increased during the fourth quarter of the previous fiscal year progressed. Non-current liabilities were down by 252 million yen compared to the end of the previous fiscal year, to 11,227 million yen.

As a result, total liabilities were down by 6,776 million yen compared to the end of the previous fiscal year, to 35,228 million yen.

<Net assets>

Net assets at the end of the second quarter of the current fiscal year were down by 475 million yen compared to the end of the previous fiscal year, to 35,887 million yen. This was mainly due to a decrease in retained earnings resulting from dividends paid.

[2] Cash flows

Cash and cash equivalents at the end of the second quarter consolidated cumulative period decreased 1,166 million yen compared to the end of the previous fiscal year to finish at 8,988 million yen (9,442 million yen at the end of the previous second quarter consolidated cumulative period).

(Cash flows from operating activities)

Net cash provided by operating activities came to 1,577 million yen (2,762 million yen for the same period of the previous year). Cash inflows decreased compared to the same period of the previous year due mainly to an increase in payments of notes and accounts payable - trade.

(Cash flows from investing activities)

Net cash used in investing activities came to 1,981 million yen (305 million yen for the same period of the previous year). Cash outflows increased compared to the same period of the previous year due mainly to a decrease in the proceeds from sales of property, plant and equipment as well as payments for investments in capital of the joint venture Jiangsu Changlong Decorative Material Technical Co., Ltd.

(Cash flows from financing activities)

Net cash used in financing activities came to 748 million yen (748 million yen for the same period of the previous year).

(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 28, 2020.

## 2. Quarterly consolidated financial statements and major notes

### (1) Quarterly consolidated balance sheet

(Million yen)

	Previous fiscal year (March 31, 2020)	2nd quarter of the current fiscal year (September 30, 2020)
<b>Assets</b>		
Current assets		
Cash and deposits	10,231	9,079
Notes and accounts receivable - trade	22,360	15,482
Electronically recorded monetary claims	4,918	3,711
Merchandise and finished goods	8,389	8,422
Work in process	1,282	1,381
Raw materials and supplies	1,661	1,699
Other	1,012	1,137
Allowance for doubtful accounts	(249)	(51)
Total current assets	49,606	40,862
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,377	6,551
Machinery, equipment and vehicles, net	3,074	3,086
Tools, furniture and fixtures, net	330	378
Land	9,019	9,019
Construction in progress	967	1,187
Other, net	74	79
Total property, plant and equipment	19,843	20,302
Intangible assets		
Software	1,341	1,194
Other	93	195
Total intangible assets	1,435	1,389
Investments and other assets		
Investment securities	4,286	4,370
Deferred tax assets	1,320	1,347
Other	1,963	3,182
Allowance for doubtful accounts	(87)	(339)
Total investments and other assets	7,483	8,561
Total non-current assets	28,762	30,253
Total assets	78,369	71,116

(Million yen)

	Previous fiscal year (March 31, 2020)	2nd quarter of the current fiscal year (September 30, 2020)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	17,223	13,157
Electronically recorded obligations	5,787	4,489
Short-term loans payable	1,670	1,875
Income taxes payable	769	151
Accrued expenses	1,698	1,470
Provision for bonuses	770	691
Other	2,607	2,165
Total current liabilities	30,525	24,001
Non-current liabilities		
Long-term loans payable	4,955	4,750
Net defined benefit liability	3,845	3,931
Other	2,678	2,545
Total non-current liabilities	11,479	11,227
Total liabilities	42,005	35,228
<b>Net assets</b>		
Shareholders' equity		
Capital stock	6,855	6,855
Capital surplus	6,426	6,426
Retained earnings	23,233	22,643
Treasury shares	(1,271)	(1,271)
Total shareholders' equity	35,243	34,653
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,075	1,190
Foreign currency translation adjustment	(5)	(11)
Remeasurements of defined benefit plans	(188)	(182)
Total accumulated other comprehensive income	880	996
Non-controlling interests	239	237
Total net assets	36,363	35,887
<b>Total liabilities and net assets</b>	<b>78,369</b>	<b>71,116</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, 2019 - September 30, 2019)	2nd quarter consolidated cumulative period (April 1, 2020 - September 30, 2020)
Net sales	43,972	38,379
Cost of sales	31,899	27,624
Gross profit	12,072	10,755
Selling, general and administrative expenses	11,719	11,229
Operating income (loss)	353	(474)
Non-operating income		
Interest income	2	1
Dividend income	98	90
Purchase discounts	39	37
Dividend income of insurance	40	45
Subsidy income	-	164
Other	106	69
Total non-operating income	287	409
Non-operating expenses		
Interest expenses	37	32
Sales discounts	64	62
Other	34	17
Total non-operating expenses	136	111
Ordinary income (loss)	504	(177)
Extraordinary income		
Gain on sales of non-current assets	986	-
Gain on sales of investment securities	-	77
Total extraordinary income	986	77
Extraordinary losses		
Loss on retirement of non-current assets	18	11
Loss on reduction of non-current assets	592	-
Loss on valuation of investment securities	-	7
Total extraordinary losses	611	18
Profit (loss) before income taxes	879	(118)
Income taxes - current	286	61
Income taxes - deferred	19	(78)
Total income taxes	305	(17)
Profit (loss)	573	(100)
Profit (loss) attributable to non-controlling interests	0	(0)
Profit (loss) attributable to owners of parent	572	(100)

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

(Million yen)

	Previous 2nd quarter consolidated cumulative period (April 1, 2019 - September 30, 2019)	2nd quarter consolidated cumulative period (April 1, 2020 - September 30, 2020)
Profit (loss)	573	(100)
Other comprehensive income		
Valuation difference on available-for-sale securities	(89)	115
Foreign currency translation adjustment	(2)	(5)
Remeasurements of defined benefit plans, net of tax	(5)	6
Total other comprehensive income	(97)	115
Comprehensive income	476	15
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	475	15
Comprehensive income attributable to non-controlling interests	1	(0)

## (3) Quarterly consolidated statement of cash flows

(Million yen)

	Previous 2nd quarter consolidated cumulative period (April 1, 2019 - September 30, 2019)	2nd quarter consolidated cumulative period (April 1, 2020 - September 30, 2020)
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	879	(118)
Depreciation	911	925
Loss on retirement of non-current assets	18	11
Loss on reduction of non-current assets	592	-
Loss (gain) on sales of non-current assets	(986)	-
Loss (gain) on sales of investment securities	-	(77)
Loss (gain) on valuation of investment securities	-	7
Increase (decrease) in allowance for doubtful accounts	(8)	53
Increase (decrease) in net defined benefit liability	(15)	85
Interest and dividend income	(101)	(91)
Subsidy income	-	(164)
Interest expenses	37	32
Decrease (increase) in notes and accounts receivable - trade	4,447	7,670
Decrease (increase) in inventories	(820)	(170)
Increase (decrease) in notes and accounts payable - trade	(1,820)	(5,360)
Other	(251)	(762)
Subtotal	2,882	2,040
Interest and dividend income received	101	91
Proceeds from subsidy income	-	164
Interest expenses paid	(37)	(32)
Income taxes paid	(183)	(687)
Net cash provided by (used in) operating activities	2,762	1,577
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,192)	(1,045)
Proceeds from sales of property, plant and equipment	1,241	-
Purchase of intangible assets	(260)	(154)
Purchase of investment securities	(104)	(4)
Proceeds from sales of investment securities	-	159
Payments for investments in capital of subsidiaries and associates	-	(967)
Payments of loans receivable	(9)	(6)
Collection of loans receivable	6	7
Other	14	29
Net cash provided by (used in) investing activities	(305)	(1,981)
<b>Cash flows from financing activities</b>		
Proceeds from long-term loans payable	200	1,200
Repayments of long-term loans payable	(200)	(1,200)
Cash dividends paid	(493)	(489)
Other	(254)	(258)
Net cash provided by (used in) financing activities	(748)	(748)
Effect of exchange rate change on cash and cash equivalents	(14)	(14)
Net increase (decrease) in cash and cash equivalents	1,693	(1,166)
Cash and cash equivalents at beginning of year	7,749	10,155
Cash and cash equivalents at end of quarter	9,442	8,988

(4) Notes on quarterly consolidated financial statements

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

No corresponding items exist.

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

No corresponding items exist.

(Segment information, etc.)

Information on net sales and profit or loss for each reportable segment

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

(Million yen)

	Reporting segment			Adjustment (Note) 1	Value posted in the 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)	-
Subtotal	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.

2nd quarter consolidated cumulative period (From April 1, 2019 - September 31, 2020)

(Million yen)

	Reporting segment			Adjustment (Note) 1	Value posted in the quarterly consolidated statement of income (Note) 2
	Product Business	Interior Wholesaling and Installation Business	Subtotal		
Net sales					
Sales to external customers	13,387	24,992	38,379	-	38,379
Internal sales or transfers among segments	9,834	187	10,022	(10,022)	-
Subtotal	23,221	25,179	48,401	(10,022)	38,379
Segment income (loss)	(8)	23	14	(191)	(177)

(Notes) 1 The adjustment of segment income (loss) of -191 million yen is due to the elimination of transactions between segments.

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