



Financial Announcement for 2nd Quarter of the Year Ending March 2022 [Japan standard] (Consolidated)

November 1, 2021

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Scheduled date for submission of quarterly reports: November 11, 2021

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 2022 (April 1, 2021 to September 30, 2021)

(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 2022	40,225	4.8	(263)	-	(34)	-	(3)	-
2nd quarter for year ended March 2021	38,379	(12.7)	(474)	-	(177)	-	(100)	-

(Note) Comprehensive income 2nd quarter for year ending March 2022 131 million yen (764.7%)

2nd quarter for year ended March 2021 15 million yen (-96.8%)

	Profit per share		Profit per share - diluted	
	Yen	Yen	Yen	Yen
2nd quarter for year ending March 2022	(0.05)	-	-	-
2nd quarter for year ended March 2021	(1.63)	-	-	-

(2) Consolidated assets

	Total assets		Net assets		Capital-to-asset ratio	
	Million yen	Million yen	Million yen	Million yen	%	%
2nd quarter for year ending March 2022	75,202	37,695	37,695	38,087	49.8	49.2
Year ended March 2021	76,817	38,087	38,087	38,087	49.2	49.2

(Reference) Equity capital 2nd quarter for year ending March 2022 37,422 million yen

Year ended March 2021 37,825 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 2021	-	0.00	-	8.00	8.00
Year ending March 2022	-	0.00	-	8.00	8.00
Year ending March 2022 (forecast)	-	-	-	8.00	8.00

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

3. Consolidated forecasts for year ending March 2022 (April 1, 2021 to March 31, 2022)

(% 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	89,000	3.6	1,250	(21.6)	1,550	(23.5)	1,000	(27.9)	16.34

(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: Yes
 - [2] Changes in accounting policies other than [1]: None
 - [3] Changes in accounting estimates: None
 - [4] Representation of amendments: None

(Note) For details, please refer to “2. Quarterly consolidated financial statements and major notes – (4) Notes on quarterly consolidated financial statements (Changes in accounting policies)” on page 9 of the attachment.

(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 2022	66,829,249 shares	Year ended March 2021	66,829,249 shares
[2] Number of shares in treasury shares at the end of the term	Q2 for year ending March 2022	5,642,284 shares	Year ended March 2021	5,642,115 shares
[3] Average number of shares during the term (quarterly cumulative)	Q2 for year ending March 2022	61,187,046 shares	Q2 for year ended March 2021	61,187,535 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 current fiscal year, the Japanese economy continued to be in a difficult situation. This was due to sluggish economic activities and consumer spending with the repeated declaration of states of emergency and implementation of priority preventive measures, although vaccinations to prevent the spread of COVID-19 progressed.

In the construction industry, which has deep relations with the TOLI Group's businesses, the outlook continues to remain uncertain as demand such as for commercial and lodging facilities was sluggish under the COVID-19 pandemic, although signs of a gradual recovery in the number of new construction starts for residential buildings could be seen. The business environment was also extremely difficult in terms of profitability due to the impact of surging prices of major raw materials with the rise in crude oil and naphtha prices.

Under such circumstances, the TOLI Group has been implementing a new medium-term business plan "SHINKA Plus ONE" since April 2021. To realize its long-term vision <TOLI VISION 2030>, the Group is promoting five key strategies: A. Reinforcement of core businesses, B. Expanding the growth of promising business, C. Creation of a fifth business, D. Enhancement of capabilities across the Group, and E. Building a business base that supports growth.

As a result, for the first six months of the current fiscal year, the Company posted net sales of 40,225 million yen (up 4.8% compared with the same period of the previous year), operating loss of 263 million yen (operating loss of 474 million yen for the same period of the previous year), ordinary loss of 34 million yen (ordinary loss of 177 million yen for the same period of the previous year), and loss attributable to owners of parent of 3 million yen (loss attributable to owners of parent of 100 million yen for the same period of the previous year).

From the beginning of the first quarter of the current fiscal year, the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others have been applied. For details, please refer to "2. Quarterly consolidated financial statements and major notes – (4) Notes on quarterly consolidated financial statements (Changes in accounting policies)."

Performance by segment is as follows. This information includes business between segments.

<Product Business>

Sales in the Product Business grew in its key product lines of vinyl flooring materials and carpets in particular, as the Company focused on sales promotion activities that respond to new lifestyles under the COVID-19 pandemic.

In the area of vinyl flooring materials, while sales of vinyl flooring sheets in the general-purpose price range were sluggish due to continuous low demand for medical, welfare and educational facilities, overall sales exceeded those of the same period of the previous year, due in part to growing sales of "Loose Lay Tile LL Free 50NW-EX," a loose lay type vinyl flooring tile, thanks to the recovery in demand for office renewal.

In carpets, sales of carpet tiles "GA-100 Series" and "GA-3600," whose product lineups were reviewed in September 2020, grew significantly as they penetrated the office renewal market. With residential carpet tiles responding to the stay-at-home demand also remaining strong, sales exceeded those of the same period of the previous year.

In wall covering materials, sales were lower compared with the same period of the previous year due to sluggish sales of "POWER1000," although sales of vinyl wallpaper "VS," our mainstay sample book, grew.

As for curtains, sales were lower compared with the same period of the previous year due to sluggish sales of "contract curtains" (partly used as partitions) for use mainly in schools and hospitals, although "fufu," a comprehensive sample book, performed well.

As a result, the Product Business reported net sales of 23,919 million yen (up 3.0% compared with the same period of the previous year).

In terms of income, efforts were made to improve production efficiency and reduce indirect costs over negative factors against earnings resulting from surging prices of key raw materials such as PVC resin and nylon yarn. Certain product prices also have been revised since July. Yet, as a full-scale price revision, including revision of suggested retail prices, will be implemented in late October, the effect of such revision is limited to a certain degree for the period under review. As a result, segment loss of 19 million yen (segment loss of 8 million yen for the same period of the previous year) was reported.

<Interior Wholesaling and Installation Business>

Sales in the Interior Wholesaling and Installation Business exceeded those of the previous year mainly due to the strong

demand for offices in the midst of a recovery from the COVID-19 pandemic. TOLI (SHANGHAI) Corporation reported an increase in both sales and profit due to a recovery in economic activities in China.

As a result, the Interior Wholesaling and Installation Business reported net sales of 26,712 million yen (up 6.1% compared with the same period of the previous year) and segment income of 162 million yen (up 606.6% compared with 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 2,625 million yen compared with the end of the previous fiscal year, to 43,169 million yen. This was mainly due to a decrease in notes and accounts receivable-trade resulting from collection of notes and accounts receivable and others. Non-current assets were up by 1,010 million yen compared with the end of the previous fiscal year, to 32,033 million yen. This increase was mainly due to an increase in construction in progress resulting from the capital investment of a manufacturing subsidiary.

As a result, total assets were down by 1,615 million yen compared with the end of the previous fiscal year, to 75,202 million yen.

<Liabilities>

Current liabilities at the end of the second quarter of the current fiscal year were down by 1,995 million yen compared with the end of the previous fiscal year, to 25,574 million yen. This was mainly due to a decrease in notes and accounts payable-trade resulting from payment of notes and accounts payable and others. Non-current liabilities were up by 772 million yen compared with the end of the previous fiscal year, to 11,932 million yen.

As a result, total liabilities were down by 1,222 million yen compared with the end of the previous fiscal year, to 37,507 million yen.

<Net assets>

Net assets at the end of the second quarter of the current fiscal year were down by 392 million yen compared with the end of the previous fiscal year, to 37,695 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 first six months of the current fiscal year increased 900 million yen compared with the end of the previous fiscal year to finish at 11,169 million yen (8,988 million yen at the end of the first six months of the previous fiscal year).

(Cash flows from operating activities)

Net cash provided by operating activities came to 3,050 million yen (1,577 million yen for the same period of the previous year). Cash inflows increased compared with the same period of the previous year due mainly to a decrease in payments of notes and accounts payable.

(Cash flows from investing activities)

Net cash used in investing activities came to 1,471 million yen (1,981 million yen for the same period of the previous year). Cash outflows decreased compared with the same period of the previous year due to 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 692 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, 2021.

In case an event occurs that has impact on TOLI Group's performance and revision of forecasts become necessary, the Company will promptly announce to that effect.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Previous fiscal year (March 31, 2021)	2nd quarter of the current fiscal year (September 30, 2021)
Assets		
Current assets		
Cash and deposits	10,361	11,264
Notes and accounts receivable-trade	18,978	14,715
Electronically recorded monetary claims	5,535	4,874
Merchandise and finished goods	7,260	7,884
Work in process	1,260	1,379
Raw materials and supplies	1,576	1,914
Other	877	1,172
Allowance for doubtful accounts	(56)	(37)
Total current assets	45,794	43,169
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,703	6,750
Machinery, equipment and vehicles, net	3,021	3,355
Tools, furniture and fixtures, net	369	362
Land	9,012	8,951
Construction in progress	1,880	2,605
Other, net	70	59
Total property, plant and equipment	21,056	22,083
Intangible assets		
Software	1,145	989
Other	139	142
Total intangible assets	1,284	1,131
Investments and other assets		
Investment securities	4,872	4,884
Deferred tax assets	879	959
Other	3,191	3,233
Allowance for doubtful accounts	(262)	(258)
Total investments and other assets	8,681	8,817
Total non-current assets	31,022	32,033
Total assets	76,817	75,202

(Million yen)

	Previous fiscal year (March 31, 2021)	2nd quarter of the current fiscal year (September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	15,490	14,445
Electronically recorded obligations	5,295	4,970
Short-term loans payable	1,625	1,020
Income taxes payable	201	248
Accrued expenses	1,590	1,445
Provision for bonuses	666	664
Other	2,701	2,781
Total current liabilities	27,570	25,574
Non-current liabilities		
Long-term loans payable	5,000	5,630
Net defined benefit liability	3,847	3,928
Other	2,312	2,374
Total non-current liabilities	11,159	11,932
Total liabilities	38,730	37,507
Net assets		
Shareholders' equity		
Capital stock	6,855	6,855
Capital surplus	6,426	6,426
Retained earnings	24,033	23,508
Treasury shares	(1,271)	(1,271)
Total shareholders' equity	36,043	35,518
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,731	1,767
Foreign currency translation adjustment	33	118
Remeasurements of defined benefit plans	17	19
Total accumulated other comprehensive income	1,782	1,904
Non-controlling interests	261	272
Total net assets	38,087	37,695
Total liabilities and net assets	76,817	75,202

(2) Quarterly consolidated statement of income and consolidated statement of comprehensive income
 (Quarterly consolidated statement of income)
 (First six months)

(Million yen)

	First six months of the previous fiscal year (April 1, 2020 – September 30, 2020)	First six months of the current fiscal year (April 1, 2021 – September 30, 2021)
Net sales	38,379	40,225
Cost of sales	27,624	29,195
Gross profit	10,755	11,029
Selling, general and administrative expenses	11,229	11,292
Operating income (loss)	(474)	(263)
Non-operating income		
Interest income	1	1
Dividend income	90	85
Purchase discounts	37	37
Dividend income of insurance	45	40
Subsidy income	164	20
Other	69	136
Total non-operating income	409	321
Non-operating expenses		
Interest expenses	32	30
Share of loss of entities accounted for using equity method	-	36
Other	79	26
Total non-operating expenses	111	93
Ordinary income (loss)	(177)	(34)
Extraordinary income		
Gain on sales of non-current assets	-	81
Gain on sales of investment securities	77	48
Total extraordinary income	77	129
Extraordinary losses		
Loss on retirement of non-current assets	11	9
Loss on valuation of investment securities	7	2
Total extraordinary losses	18	12
Profit (loss) before income taxes	(118)	83
Income taxes - current	61	156
Income taxes - deferred	(78)	(82)
Total income taxes	(17)	74
Profit (loss)	(100)	8
Profit (loss) attributable to non-controlling interests	(0)	12
Loss attributable to owners of parent	(100)	(3)

Quarterly consolidated statement of comprehensive income
(First six months)

(Million yen)

	First six months of the previous fiscal year (April 1, 2020 – September 30, 2020)	First six months of the current fiscal year (April 1, 2021 – September 30, 2021)
Profit (loss)	(100)	8
Other comprehensive income		
Valuation difference on available-for-sale securities	115	35
Foreign currency translation adjustment	(5)	84
Remeasurements of defined benefit plans, net of tax	6	1
Total other comprehensive income	115	122
Comprehensive income	15	131
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	15	119
Comprehensive income attributable to non-controlling interests	(0)	11

(3) Quarterly consolidated statement of cash flows

(Million yen)

	First six months of the previous fiscal year (April 1, 2020 – September 30, 2020)	First six months of the current fiscal year (April 1, 2021 – September 30, 2021)
Cash flows from operating activities		
Profit (loss) before income taxes	(118)	83
Depreciation	925	990
Loss on retirement of non-current assets	11	9
Loss (gain) on sales of non-current assets	-	(81)
Loss (gain) on sales of investment securities	(77)	(48)
Loss (gain) on valuation of investment securities	7	2
Increase (decrease) in allowance for doubtful accounts	53	(22)
Increase (decrease) in net defined benefit liability	85	82
Interest and dividend income	(91)	(87)
Subsidy income	(164)	(20)
Interest expenses	32	30
Decrease (increase) in notes and accounts receivable	7,670	4,927
Decrease (increase) in inventories	(170)	(1,078)
Increase (decrease) in notes and accounts payable	(5,360)	(1,377)
Other	(762)	(326)
Subtotal	2,040	3,085
Interest and dividend income received	91	87
Proceeds from subsidy income	164	20
Interest expenses paid	(32)	(30)
Income taxes paid	(687)	(111)
Net cash provided by (used in) operating activities	1,577	3,050
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,045)	(1,633)
Proceeds from sales of property, plant and equipment	-	135
Purchase of intangible assets	(154)	(63)
Purchase of investment securities	(4)	(4)
Proceeds from sales of investment securities	159	91
Payments for investments in capital of subsidiaries and associates	(967)	-
Payments of loans receivable	(6)	(6)
Collection of loans receivable	7	6
Other	29	4
Net cash provided by (used in) investing activities	(1,981)	(1,471)
Cash flows from financing activities		
Proceeds from long-term loans payable	1,200	1,430
Repayments of long-term loans payable	(1,200)	(1,405)
Cash dividends paid	(489)	(489)
Other	(258)	(228)
Net cash provided by (used in) financing activities	(748)	(692)
Effect of exchange rate change on cash and cash equivalents	(14)	14
Net increase (decrease) in cash and cash equivalents	(1,166)	900
Cash and cash equivalents at beginning of year	10,155	10,268
Cash and cash equivalents at end of quarter	8,988	11,169

(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.

(Changes in accounting policies)

(Application of accounting standard for revenue recognition and others)

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter “Revenue Recognition Accounting Standard”) and others effective from the beginning of the first quarter of the current fiscal year. Accordingly, revenue is recognized at the time of the transfer of control for promised goods or services to customers, in the amount to which they expect to be entitled in exchange for such goods or services.

In adopting the Revenue Recognition Accounting Standard and others, in accordance with the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard, the cumulative impact of retrospective application of the new accounting policies prior to the beginning of the first quarter of the current fiscal year was added to or subtracted from retained earnings at the beginning of the said first quarter. The new accounting policy has been applied from the beginning balance of the first quarter of the current fiscal year.

As a result, operating loss increased 51 million yen as net sales, cost of sales, and selling, general and administrative expenses for the first six months of the current fiscal year decreased 280 million yen, 137 million yen, and 91 million yen, respectively. On the other hand, ordinary loss decreased 10 million yen and profit before income taxes increased 10 million yen due to a decrease of 61 million yen in non-operating expenses. The balance of retained earnings at the beginning of the current fiscal year decreased 32 million yen.

(Application of accounting standard for fair value measurement and others)

The Company has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as “Fair Value Measurement Accounting Standard”) and others from the beginning of the first quarter of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No.10, July 4, 2019), the new accounting policy set forth by the Fair Value Measurement Accounting Standard and others is and will be applied in the future. As a result of this application, the valuation method of other securities (available-for-sale) with market value has been changed from the market value method mainly based on the average of average market price and others one month prior to the quarter end of the fiscal year to the market value method mainly based on market price and others at the quarter end of the fiscal year.

As a result, investment securities and valuation difference on available-for-sale securities at the end of the second quarter of the current fiscal year increased 14 million yen and 10 million yen, respectively, while deferred tax assets decreased 4 million yen.

(Segment information, etc.)

<Segment information>

I First six months of the previous fiscal year (April 1, 2020 – September 30, 2020)

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

(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.

II First six months of the current fiscal year (April 1, 2021 – September 30, 2021)

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

(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	13,618	26,606	40,225	-	40,225
Internal sales or transfers among segments	10,300	106	10,407	(10,407)	-
Subtotal	23,919	26,712	50,632	(10,407)	40,225
Segment income (loss)	(19)	162	143	(177)	(34)

(Notes) 1 The adjustment of segment income (loss) of -177 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.