



Financial Announcement for 2nd Quarter of the Year Ending March 2023 [Japan standard] (Consolidated)

November 2, 2022

Company name: TOLI Corporation

Stock Exchange: Tokyo Stock Exchange

Code Number: 7971 URL <https://www.toli.co.jp>

Representative (Position) President and Representative Director

(Name) Motohiro Nagashima

Official responsible (Position) Managing Executive Officer, Director,
for inquiries Administrative Division and Manager, Accounting
and Finance Department

(Name) Yozo Araki TEL 06-6494-6691

Scheduled date for submission of quarterly reports November 10, 2022

Scheduled date for start of dividend payments -

Preparation of supplementary explanatory materials for the financial announcement : Yes

Holding of a briefing on the quarterly financial announcement : None

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

1. Consolidated results for the 2nd quarter of the year ending March 2023 (April 1, 2022 to September 30, 2022)

(1) Consolidated results (year to date) (% shows change for the quarter compared with 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	%
Q2 for year ending March 2023	42,754	6.3	(68)	-	17	-	(67)	-
Q2 for year ended March 2022	40,225	4.8	(263)	-	(34)	-	(3)	-

[Note] Comprehensive income for Q2 for year ending March 2023 23 million yen (-82.4%)
Q2 for year ended March 2022 131 million yen (764.7%)

	Profit per Share		Profit per Share - Diluted	
	Yen		Yen	
Q2 for year ending March 2023	(1.13)		-	
Q2 for year ended March 2022	(0.05)		-	

(2) Consolidated assets

	Total Assets		Net Assets		Capital-to-asset Ratio	
	Million yen		Million yen		%	
Q2 for year ending March 2023	78,152		37,790		48.0	
Year ended March 2022	79,982		38,285		47.5	

(Reference) Equity capital: Q2 for year ending March 2023: 37,527 million yen
Year ended March 2022: 38,013 million yen

2. Dividend payments

	Annual Dividends				
	End of Q1	End of Q2	End of Q3	End of Year	Total
Year ended March 2022	-	0.00	-	8.00	8.00
Year ending March 2023	-	0.00			
Year ending March 2023 (forecast)			-	8.00	8.00

[Note] Adjustment from most recently published dividend forecast: None

3. Consolidated forecasts for the year ending March 2023 (April 1, 2022 to March 31, 2023)

(Percentages represent changes from the previous year)

	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	94,500	6.8	1,850	110.7	2,000	60.7	1,200	66.6	19.93

[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, and representation of amendments
- [1] Changes in accounting policies accompanying revisions to accounting standards : None
- [2] Changes in 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 year (including treasury shares)	Q2 for year ending March 2023	66,829,249 shares	Year ended March 2022	66,829,249 shares
[2] Number of treasury shares at end of year	Q2 for year ending March 2023	6,642,980 shares	Year ended March 2022	6,494,889 shares
[3] Average number of shares during the term (quarterly cumulative)	Q2 for year ending March 2023	60,207,572 shares	Q2 for year ended March 2022	61,187,046 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.

○ 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	3
2.	Quarterly consolidated financial statements and major notes	4
(1)	Quarterly consolidated balance sheet	4
(2)	Quarterly consolidated statement of income and consolidated statement of comprehensive income	6
	Quarterly consolidated statement of income	
	First six months	6
	Quarterly consolidated statement of comprehensive income	
	First six months	7
(3)	Quarterly consolidated statement of cash flows	8
(4)	Notes on consolidated financial statements	9
	(Notes on the assumption of the company as a going concern)	9
	(Notes when there are significant changes in amounts of shareholders' equity)	9
	(Segment information, etc.)	9

1. Qualitative information regarding quarterly results

(1) Explanation of the management performance

During the first half of the consolidated fiscal year under review, the outlook for the Japanese economy became increasingly uncertain. This was because concerns over inflation increased due to supply chain disruptions caused by heightened geopolitical risks and the rapid depreciation of the yen, despite a pickup in personal consumption amid gradual normalization of daily life.

The construction industry, which is closely related to our Group's business, continues to experience a recovery in non-residential investment, but the business environment remains unstable as concerns over the supply of various building materials increase due to the deterioration of the environment for raw material procurement.

In the Medium-term Business Plan "SHINKA Plus ONE" to realize our long-term vision "TOLI VISION 2030", despite such circumstances, our Group promotes 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. In the fiscal year under review, to cope with the several rounds of rising raw material costs since last year, we focused on reducing manufacturing costs by having in-house production of raw nylon yarn for carpet tiles and improving the ratio of recycled raw materials used. We also worked to improve earnings by announcing the second and third sales price revisions in May and September (*the first sales price revision was implemented last fall).

As a result, for the first half of the consolidated period under review, the Company posted net sales of 42,754 million yen (up 6.3% compared with the same period of the previous year), operating loss of 68 million yen (operating loss of 263 million yen for the same period of the previous year), ordinary income of 17 million yen (ordinary loss of 34 million yen for the same period of the previous year), and loss attributable to owners of parent of 67 million yen (loss attributable to owners of parent of 3 million yen for the same period of the previous year).

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

<Product Business>

In the Product Business, net sales grew as a result of focused sales promotion activities centered on new merchandise launched between April and July, as well as the penetration of sales price revisions. In terms of profit, despite various efforts to reduce manufacturing costs, raw material prices still continued to rise, and the improvement in earnings through a subsequent cost pass-through was limited to a certain extent.

In vinyl flooring materials, the Company launched the "Tile Collection" in July, which proposed new value through the rebranding of vinyl floor tiles. In addition, we focused on sales promotion activities for the "Luxury Calcium carbonate Tile (LCT)" and "Vinyl Composition Tile (VCT)" series of single-layer vinyl floor tiles, which utilize our proprietary technologies. Furthermore, sales of vinyl flooring materials were strong, with "ToughtecTile," a new third flooring material that combines the advantages of vinyl floor tiles and ceramic tiles, winning the Good Design Award in FY2022.

In carpets, we focused on sales promotion activities centering on GA-3600 Sustive Back, an environment friendly carpet tile based on the TOLI Complete Recycling, which was launched in June with growing needs for improving the office environment. Although the overall sales volume of carpet tiles remained weak, net sales increased year on year with sales price revisions.

In wall covering materials, sales of "VS," a general-purpose vinyl wallpaper containing antiviral wallpaper launched in July, and "Power 1000," featuring design and functionality, which was revised last year, performed well, and the penetration of the overall sales price revision of wall covering materials increased, resulting in a significant year-on-year increase. In curtains, sales of contract curtains for various facilities such as medical and welfare facilities, which support healthy living, remained strong.

As a result, the Product Business reported net sales of 26,012 million yen (up 8.7% compared with the same period of the previous year) and segment loss of 137 million yen (loss of 19 million yen in the same period of the previous year).

<Interior Wholesaling and Installation Business>

In the Interior Wholesaling and Installation Business, procurement costs for interior-related materials rose, but in addition to passing these costs on to selling prices, efforts to improve attentive, community-based services resulted in steady growth for the overall business. TOLI (Shanghai) Corporation also saw some stagnation in the Chinese domestic economy due to the zero-COVID policy, but the impact on the company's performance for the first half of the year (January–June 2022) was minimal and continued to show signs of recovery.

As a result, the Interior Wholesaling and Installation Business reported net sales of 27,967 million yen (up 4.7% compared with the same period of the previous year) and segment income of 347 million yen (up 113.4% compared with the same period of the previous year).

(2) Explanation of the financial position

[1] Financial position

<Assets>

Current assets at the end of the second quarter of the current fiscal year were down by 2,261 million yen compared with the end of the previous fiscal year, to 44,578 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 431 million yen compared with the end of the previous fiscal year, to 33,573 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 1,830 million yen compared with the end of the previous fiscal year, to 78,152 million yen.

<Liabilities>

Current liabilities at the end of the second quarter of the current fiscal year were down by 1,228 million yen compared with the end of the previous fiscal year, to 28,125 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 down by 107 million yen compared with the end of the previous fiscal year, to 12,236 million yen.

As a result, total liabilities were down by 1,335 million yen compared with the end of the previous fiscal year, to 40,361 million yen.

<Net assets>

Net assets at the end of the second quarter of the current fiscal year were down by 494 million yen compared with the end of the previous fiscal year, to 37,790 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 decreased 585 million yen compared with the end of the previous fiscal year to finish at 9,604 million yen (11,169 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 1,453 million yen (3,050 million yen for the same period of the previous year). Cash inflows decreased compared with the same period of the previous year due to a decline in the changes in notes and accounts receivable and inventory assets.

(Cash flows from investing activities)

Net cash used in investing activities came to 1,488 million yen (1,471 million yen for the same period of the previous year). Compared with the same period last year, purchase of property, plant and equipment, etc. decreased, but purchase of intangible assets, etc. increased, resulting in the same level of expenditures as in the same period last year.

(Cash flows from financing activities)

Net cash used in financing activities came to 585 million yen (692 million yen for the same period of the previous year). The decrease in payments for long-term accounts payable-other included in Other resulted in a decrease in expenditures compared with the same period of the previous fiscal year.

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

No revision has been made to the full-term consolidated performance forecast, which was announced on October 24, 2022.

If an event occurs that has an impact on TOLI Group's performance and a revision to forecasts becomes 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, 2022)	Q2 of Current Fiscal Year (September 30, 2022)
Assets		
Current assets		
Cash and deposits	10,341	9,768
Notes and accounts receivable-trade	18,899	15,315
Electronically recorded monetary claims	5,505	5,221
Merchandise and finished goods	7,722	9,022
Work in process	1,328	1,714
Raw materials and supplies	1,800	2,299
Other	1,280	1,271
Allowance for doubtful accounts	(38)	(34)
Total current assets	46,839	44,578
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,296	7,172
Machinery, equipment and vehicles, net	3,607	3,384
Tools, furniture and fixtures, net	361	337
Land	8,371	8,371
Construction in progress	2,382	3,345
Other, net	97	87
Total property, plant and equipment	22,116	22,698
Intangible assets		
Software	821	654
Other	167	285
Total intangible assets	989	939
Investments and other assets		
Investment securities	4,705	4,416
Deferred tax assets	959	1,112
Other	4,839	4,906
Allowance for doubtful accounts	(467)	(500)
Total investments and other assets	10,036	9,935
Total non-current assets	33,142	33,573
Total assets	79,982	78,152

(Million yen)

	Previous Fiscal Year (March 31, 2022)	Q2 of Current Fiscal Year (September 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	17,583	16,728
Electronically recorded obligations	5,493	5,291
Short-term loans payable	920	1,020
Income taxes payable	382	243
Accrued expenses	1,644	1,508
Provision for bonuses	651	660
Other	2,677	2,672
Total current liabilities	29,353	28,125
Non-current liabilities		
Long-term loans payable	5,780	5,680
Net defined benefit liability	3,820	3,896
Provision for loss on litigation	76	-
Other	2,666	2,659
Total non-current liabilities	12,343	12,236
Total liabilities	41,697	40,361
Net assets		
Shareholders' equity		
Capital stock	6,855	6,855
Capital surplus	6,426	6,426
Retained earnings	24,231	23,680
Treasury shares	(1,467)	(1,500)
Total shareholders' equity	36,045	35,461
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,702	1,505
Foreign currency translation adjustment	176	477
Remeasurements of defined benefit plans	88	83
Total accumulated other comprehensive income	1,968	2,065
Non-controlling interests	271	263
Total net assets	38,285	37,790
Total liabilities and net assets	79,982	78,152

(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, 2021 – September 30, 2021)	First six months of the current fiscal year (April 1, 2022 – September 30, 2022)
Net Sales	40,225	42,754
Cost of sales	29,195	31,112
Gross profit	11,029	11,641
Selling, general and administrative expenses	11,292	11,710
Operating income (loss)	(263)	(68)
Non-operating income		
Interest income	1	0
Dividend income	85	93
Purchase discounts	37	37
Dividend income of insurance	40	43
Other	156	121
Total non-operating income	321	297
Non-operating expenses		
Interest expenses	30	31
Share of loss of entities accounted for using equity method	36	162
Other	26	17
Total non-operating expenses	93	211
Ordinary income (loss)	(34)	17
Extraordinary income		
Gain on sales of non-current assets	81	-
Gain on sales of investment securities	48	15
Total extraordinary income	129	15
Extraordinary losses		
Loss on retirement of non-current assets	9	10
Loss on valuation of investment securities	2	-
Total extraordinary losses	12	10
Profit before income taxes	83	23
Income taxes - current	156	158
Income taxes - deferred	(82)	(60)
Total income taxes	74	98
Profit (loss)	8	(74)
Profit (loss) attributable to non-controlling interests	12	(6)
Loss attributable to owners of parent	(3)	(67)

Quarterly consolidated statement of comprehensive income
(First six months)

(Million yen)

	First six months of the previous fiscal year (April 1, 2021 – September 30, 2021)	First six months of the current fiscal year (April 1, 2022 – September 30, 2022)
Profit (loss)	8	(74)
Other comprehensive income		
Valuation difference on available-for-sale securities	35	(197)
Foreign currency translation adjustment	84	300
Remeasurements of defined benefit plans, net of tax	1	(5)
Total other comprehensive income	122	97
Comprehensive income	131	23
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	119	29
Comprehensive income attributable to non-controlling interests	11	(6)

(3) Quarterly consolidated statement of cash flows

(Million yen)

	First six months of the previous fiscal year (April 1, 2021 – September 30, 2021)	First six months of the current fiscal year (April 1, 2022 – September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	83	23
Depreciation	990	1,083
Loss on retirement of non-current assets	9	10
Loss (gain) on retirement of non-current assets	(81)	-
Loss (gain) on sales of investment securities	(48)	(15)
Loss (gain) on valuation of investment securities	2	-
Increase (decrease) in allowance for doubtful accounts	(22)	28
Increase (decrease) in net defined benefit liability	82	69
Interest and dividend income	(87)	(94)
Subsidy income	(20)	(37)
Interest expenses	30	31
Decrease (increase) in notes and accounts receivable-trade	4,927	3,635
Decrease (increase) in inventories	(1,078)	(2,175)
Increase (decrease) in notes and accounts payable-trade	(1,377)	(1,077)
Other	(326)	153
Subtotal	3,085	1,634
Interest and dividend income received	87	94
Proceeds from subsidy income	20	37
Interest expenses paid	(30)	(32)
Income taxes paid	(111)	(280)
Cash flows from operating activities	3,050	1,453
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,633)	(1,315)
Proceeds from sales of property, plant and equipment	135	-
Purchase of intangible assets	(63)	(195)
Purchase of investment securities	(4)	(4)
Proceeds from sales of investment securities	91	21
Payments of loans receivable	(6)	(6)
Collection of loans receivable	6	9
Other	4	2
Cash flows from investing activities	(1,471)	(1,488)
Cash flows from financing activities		
Proceeds from long-term loans payable	1,430	800
Repayments of long-term loans payable	(1,405)	(800)
Cash dividends paid	(489)	(482)
Other	(228)	(103)
Cash flows from financing activities	(692)	(585)
Effect of exchange rate change on cash and cash equivalents	14	35
Net increase (decrease) in cash and cash equivalents	900	(585)
Cash and cash equivalents at beginning of year	10,268	10,189
Cash and cash equivalents at end of quarter	11,169	9,604

(4) Notes on 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.)

Segment information

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

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

(Million yen)

	Reportable Segment			Adjustment (Note) 1	Value posted in the quarterly consolidated statement of income (Note) 2
	Product Business	Interior Wholesaling and Installation Business	Total		
Net Sales					
Sales to external customers	13,618	26,606	40,225	-	40,225
Internal net sales or transfers among segments	10,300	106	10,407	(10,407)	-
Total	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 was 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, 2022 – September 30, 2022)

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

(Million yen)

	Reportable Segment			Adjustment (Note) 1	Value posted in the quarterly consolidated statement of income (Note) 2
	Product Business	Interior Wholesaling and Installation Business	Total		
Net Sales					
Sales to external customers	14,911	27,843	42,754	-	42,754
Internal net sales or transfers among segments	11,101	124	11,225	(11,225)	-
Total	26,012	27,967	53,980	(11,225)	42,754
Segment income (loss)	(137)	347	210	(192)	17

(Notes) 1 The adjustment of segment income (loss) of -192 million yen was due to the elimination of transactions between segments.

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