



Financial Announcement for 3rd Quarter of the Year Ending March 2023 [Japan standard] (Consolidated)

February 3, 2023

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, Senior General Manager, Administration Headquarters and General Manager, Accounting and Finance Department

(Name) Yozo Araki TEL 06-6494-6691

Scheduled date for submission of quarterly reports February 10, 2023

Scheduled date for start of dividend payments -

Preparation of supplementary explanatory materials for the financial announcement : None

Holding of a briefing on the quarterly financial announcement : None

(Amounts less than one million yen are rounded off)

1. Consolidated Results for the First Nine Months of Year Ending March 2023 (April 1, 2022 to December 31, 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	%
Q3 for year ending March 2023	67,429	7.0	1,424	676.9	1,494	178.5	897	-
Q3 for year ended March 2022	63,004	3.2	183	(25.2)	536	(16.8)	(11)	-

(Note) Comprehensive income for Q3 for year ending March 2023: 1,414 million yen (-%); first nine months of year ended March 2022: (4) million yen (-%)

	Profit per Share		Profit per Share – Diluted	
	Yen		Yen	
Q3 for year ending March 2023	14.91		-	
Q3 for year ended March 2022	(0.18)		-	

(2) Consolidated assets

	Total Assets		Net Assets		Capital-to-asset Ratio	
	Million yen		Million yen		%	
Q3 of year ending March 2023	81,433		39,182		47.8	
Year ended March 2022:	79,982		38,285		47.5	

(Reference) Equity capital: Q3 for year ending March 2023: 38,908 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
	Yen	Yen	Yen	Yen	Yen
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	2,450	179.0	2,600	108.9	1,600	122.2	26.58

(Note) Adjustment from most recently published performance projections: Yes

* Notes

(1) Significant changes to subsidiaries during the consolidated first nine months under review (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)

Q3 for year ending March 2023	66,829,249 shares	Year ended March 2022:	66,829,249 shares
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[2] Number of treasury shares at end of year

Q3 for year ending March 2023	6,642,988 shares	Year ended March 2022:	6,494,889 shares
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[3] Average number of shares during the term (cumulative from the start of the fiscal year)

Q3 for year ending March 2023	60,201,179 shares	Q3 for year ended March 2022	61,186,967 shares
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* 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 guarantee 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 position	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 statements of income and comprehensive income	6
Quarterly consolidated statement of income	
First nine months	6
Quarterly consolidated statement of comprehensive income	
First nine months	7
(3) Notes on consolidated financial statements	8
(Notes on the assumption of the company as a going concern)	8
(Notes when there are significant changes in amounts of shareholders' equity)	8
(Segment information, etc.)	8

1. Qualitative information regarding quarterly results

(1) Explanation of the management performance

During the first nine months of the current fiscal year, the Japanese economy continued to face an uncertain management environment due to supply chain disruptions caused by heightened geopolitical risks and inflationary concerns from rising prices, despite a pickup in personal consumption as a result of active moves toward normalization of economic activities.

In the construction industry, which is closely related to our Group business, although a recovery trend continues in non-housing investment, private housing demand continues to decline due to increased construction costs caused by high material prices.

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 having the second and third sales price revisions take place in May and September.

As a result, for the consolidated first nine months under review, the Company posted net sales of 67,429 million yen (up 7.0% year on year), operating profit of 1,424 million yen (up 676.9% year on year), ordinary profit of 1,494 million yen (up 178.5% year on year), and profit attributable to owners of parent of 897 million yen (loss of 11 million yen for the same quarter year on 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 sales promotion activities focusing on new merchandise launched this fiscal year and efforts to revise selling prices. In terms of profit, in addition to our efforts to reduce various manufacturing costs, the sales price revisions since May have contributed to the positive effect, but with raw material prices remaining high, the improvement in profits due to the subsequent price pass-on was limited to a certain extent.

In the area of vinyl flooring materials, the Tile Collection series of vinyl floor tiles, launched in July, performed well, and sales of the mainstay Royal Series, and the Luxury Calcium Carbonate Tile (LCT) and Vinyl Composition Tile (VCT) series, single-layer vinyl floor tiles utilizing the Company’s proprietary technologies, were strong. Furthermore, sales of vinyl flooring materials were strong, with “ToughtecTile,” a new third flooring material launched in April, winning the FY2022 Good Design Award for its evolution of multi-layered vinyl floor tiles.

In carpets, sales promotion activities focused on the office market with increasing needs for green products, centering on GA-3600 Sustive Back, an environmentally friendly carpet tile based on TOLI Complete Recycling launched in June. Although the overall sales volume of carpet tiles remained weak including new and renewal use, net sales increased year on year with sales price revisions.

In wallcovering materials, in addition to the strong sales of “VS,” a general-purpose vinyl wallpaper launched in July, the Company focused on sales promotion activities for “Real Deco,” a non-combustible decorative wallcovering that aims to express material textures, launched in October, resulting in strong sales of wall coverings. In addition, net sales were well above the previous year’s level due to the increased penetration of sales price revisions. In curtains, sales of contract curtains for various facilities, which were launched in October, got off to a good start thanks to focused sales promotion activities mainly in the recovering medical and welfare markets, but net sales for curtains, on the whole, fell below the previous year’s level.

As a result, the Product Business reported net sales of 40,991 million yen (up 9.5% year on year) and segment income of 880 million yen (up 275.9% year on year).

<Interior Wholesaling and Installation Business>

In the Interior Wholesaling and Installation Businesses, while procurement costs for interior-related materials continued to rise, 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. Although net sales growth at TOLI (Shanghai) Corporation was slow due to activity restrictions imposed by the zero-COVID policy in China, the company’s performance in the first nine months (January to September 2022) remained solid.

As a result, the Interior Wholesaling and Installation Business reported net sales of 44,375 million yen (up 5.8% year on year) and segment income of 814 million yen (up 69.0% year on year).

(2) Explanation of the financial position

<Assets>

Current assets at the end of the third quarter of the current fiscal year were up by 552 million yen compared with the end of the previous fiscal year to 47,392 million yen. This was mainly due to an increase in merchandise and finished goods. Non-current assets were up 897 million yen compared with the end of the previous fiscal year, to 34,040 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 up by 1,450 million yen compared with the end of the previous fiscal year to 81,433 million yen.

<Liabilities>

Current liabilities at the end of the third quarter of the current fiscal year were up by 515 million yen compared with the end of the previous fiscal year to 29,869 million yen. This was mainly due to an increase in trade payables. Non-current liabilities were up 37 million yen compared with the end of the previous fiscal year to 12,381 million yen.

As a result, total liabilities were up by 553 million yen compared with the end of the previous fiscal year, to 42,251 million yen.

<Net assets>

Total net assets at the end of the third quarter of the current fiscal year were up by 896 million yen compared with the end of the previous fiscal year to 39,182 million yen. This was mainly due to an increase in retained earnings resulting from the profit attributable to owners of parent.

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

We shall revise our full-year consolidated earnings forecast for the fiscal year ending March 2023, which was published on October 24, 2022, considering our performance and other factors in light of the most recent management environment.

For details, please refer to the “Notice of Revision of Earnings Forecasts” announced today (February 3, 2023).

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Previous Fiscal Year (March 31, 2022)	Q3 of Current Fiscal Year (December 31, 2022)
Assets		
Current assets		
Cash and deposits	10,341	8,621
Notes and accounts receivable-trade	18,899	17,275
Electronically recorded monetary claims	5,505	6,588
Merchandise and finished goods	7,722	9,515
Work in process	1,328	2,102
Raw materials and supplies	1,800	2,136
Other	1,280	1,189
Allowance for doubtful accounts	(38)	(36)
Total current assets	46,839	47,392
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,296	7,123
Machinery, equipment and vehicles, net	3,607	3,281
Tools, furniture and fixtures, net	361	494
Land	8,371	8,343
Construction in progress	2,382	3,660
Other, net	97	108
Total property, plant and equipment	22,116	23,012
Intangible assets		
Software	821	759
Other	167	134
Total intangible assets	989	894
Investments and other assets		
Investment securities	4,705	5,020
Deferred tax assets	959	724
Other	4,839	4,878
Allowance for doubtful accounts	(467)	(489)
Total investments and other assets	10,036	10,133
Total non-current assets	33,142	34,040
Total assets	79,982	81,433

(Million yen)

	Previous Fiscal Year (March 31, 2022)	Q3 of Current Fiscal Year (December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	17,583	17,846
Electronically recorded obligations	5,493	6,135
Short-term loans payable	920	1,020
Income taxes payable	382	291
Accrued expenses	1,644	1,671
Provision for bonuses	651	179
Other	2,677	2,724
Total current liabilities	29,353	29,869
Non-current liabilities		
Long-term loans payable	5,780	5,680
Net defined benefit liability	3,820	3,948
Provision for loss on litigation	76	-
Other	2,666	2,752
Total non-current liabilities	12,343	12,381
Total liabilities	41,697	42,251
Net assets		
Shareholders' equity		
Capital stock	6,855	6,855
Capital surplus	6,426	6,426
Retained earnings	24,231	24,646
Treasury shares	(1,467)	(1,500)
Total shareholders' equity	36,045	36,427
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,702	1,925
Foreign currency translation adjustment	176	474
Remeasurements of defined benefit plans	88	80
Total accumulated other comprehensive income	1,968	2,480
Non-controlling interests	271	274
Total net assets	38,285	39,182
Total liabilities and net assets	79,982	81,433

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

(Million yen)

	First nine months of the previous fiscal year (April 1, 2021 – December 31, 2021)	First nine months of the current fiscal year (April 1, 2022 – December 31, 2022)
Net Sales	63,004	67,429
Cost of sales	45,647	48,434
Gross profit	17,356	18,994
Selling, general and administrative expenses	17,173	17,570
Operating Income	183	1,424
Non-operating income		
Interest income	2	1
Dividend income	154	177
Purchase discounts	56	56
Other	249	153
Total non-operating income	462	389
Non-operating expenses		
Interest expenses	46	47
Share of loss of entities accounted for using equity method	34	247
Other	28	23
Total non-operating expenses	109	318
Ordinary Income	536	1,494
Extraordinary income		
Gain on sales of non-current assets	81	29
Gain on sales of investment securities	48	15
Total extraordinary income	129	45
Extraordinary losses		
Loss on retirement of non-current assets	13	12
Loss on sales of non-current assets	-	8
Impairment loss	478	-
Loss on valuation of investment securities	2	-
Provision for loss on litigation	72	-
Total extraordinary losses	567	21
Profit before income taxes	99	1,518
Income taxes – current	197	471
Income taxes – deferred	(108)	145
Total income taxes	88	617
Profit	10	901
Profit attributable to non-controlling interests	21	3
Profit (loss) attributable to owners of parent	(11)	897

(Quarterly consolidated statement of comprehensive income)

(First nine months)

(Million yen)

	First nine months of the previous fiscal year (April 1, 2021 – December 31, 2021)	First nine months of the current fiscal year (April 1, 2022 – December 31, 2022)
Profit	10	901
Other comprehensive income		
Valuation difference on available-for-sale securities	(116)	222
Foreign currency translation adjustment	98	298
Remeasurements of defined benefit plans, net of tax	2	(7)
Total other comprehensive income	(15)	512
Comprehensive income	(4)	1,414
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(26)	1,410
Comprehensive income attributable to non-controlling interests	21	4

(3) 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 shareholders' equity)

No corresponding items exist.

(Segment information, etc.)

Segment information

I First nine months of the previous fiscal year (April 1, 2021 – December 31, 2021)

Information on net sales and profit or loss for each reporting 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	Total		
Net Sales					
Sales to external customers	21,219	41,785	63,004	-	63,004
Internal sales or transfers among segments	16,213	165	16,378	(16,378)	-
Total	37,432	41,950	79,382	(16,378)	63,004
Segment income	234	481	716	(179)	536

(Note) 1 The adjustment of segment income of -179 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.

II First nine months of the current fiscal year (April 1, 2022 – December 31, 2022)

Information on net sales and profit or loss for each reporting 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	Total		
Net Sales					
Sales to external customers	23,267	44,162	67,429	-	67,429
Internal sales or transfers among segments	17,724	213	17,937	(17,937)	-
Total	40,991	44,375	85,366	(17,937)	67,429
Segment income	880	814	1,695	(200)	1,494

(Note) 1 The adjustment of segment income of (200) 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.