



March 27, 2023

TRANSLATION - FOR REFERENCE ONLY

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|----------------|--|--------------------|
| Company | TOLI Corporation | |
| Representative | President and Representative Director | Motohiro Nagashima |
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Revision of the Period of Medium-Term Business Plan “SHINKA Plus ONE”

TOLI Corporation announces as follows that the Company Group has revised the period covered by the Medium-Term Business Plan “SHINKA Plus ONE” (FY2021–FY2023) published on April 20, 2021, considering its capital investment plans, which is the pillar of the priority strategy, and the current progress of its business performance in response to rapid changes in the business environment.

1. Background to Revision

Our Group has formulated a three-year Medium-Term Business Plan, “SHINKA Plus ONE,” covering the period from FY2021 to FY2023. The purpose is to realize our Long-Term Vision, <TOLI VISION 2030> — Evolution to a Lifestyle Design Company. The plan aims to maximize the corporate value of the TOLI Group by expanding not only its economic value but also its social value toward the realization of a sustainable society.

The current management environment has changed drastically compared with when the plan was first formulated due to the prolonged COVID-19 pandemic that began in FY2021, the first year of the plan. In particular, disruptions in the supply chain and deterioration in the raw material procurement environment have had a significant impact on the execution of the key strategies set forth in the “SHINKA Plus ONE,” and the time schedule for key capital investment plans that will contribute to future performance was delayed by approximately one year.

In addition, manufacturing costs have been rising for a long period of time due to soaring raw material prices and rising energy costs. As a result of efforts to reduce manufacturing costs and several rounds of sales price revisions, our measures for earnings improvement are gradually gaining ground.

Considering these changes in the business environment, we have reviewed the time schedule of each strategy in our 3-year business plan and shall revise the period covered by the Medium-Term Business Plan “SHINKA Plus ONE” in order to steadily promote the priority strategies set forth in Phase I toward the realization of our Long-Term Vision.

Regarding the Management Indicators for the final year after the revision of the target period, we shall revise upward the Key Performance Indicators, which are the financial targets, considering the current performance in response to rapid changes in the management environment. In addition, considering the progress of our key capital investment plans, for the targets for reducing environmental impact, which are non-financial, we will revise our planned execution period while leaving the target value unchanged.

2. Details of the Revision

1) Change of the period covered

One year will be added to the period covered by the Medium-Term Business Plan, with the final year being the year ending March 2025.

(After Revision)

(Before Revision)

“SHINKA Plus ONE” 2021–2024 ◀ “SHINKA Plus ONE” 2021–2023

2) Revision of Management Indexes

Due to the revision of the period covered by the Medium-term Business Plan, the consolidated Management Indexes of the Medium-term Business Plan have been revised as follows.

Key Performance Indicators shall be revised upward in light of the progress made to date in response to the rapid changes in the earnings environment. In addition, the environmental impact reduction targets will be revised for the execution period of the plan due to a delay of approximately one year in the progress of the key capital investment plans.

| “SHINKA Plus ONE” Consolidated Management Indexes | | (After revision) FY2024 | ◀ (Before revision) FY2023 |
|--|---------------------------------------|-----------------------------------|-------------------------------|
| Key Performance Indicators | Net Sales | <u>100 billion yen</u> or more | 95 billion yen or more |
| | Operating Income | <u>3.5 billion yen</u> or more | 3 billion yen or more |
| | ROE | <u>5.5% or more</u> | 5.0% or more |
| Environmental Impact Reduction Targets | Recycling rate | 85% or more | 85% or more |
| | Amount of industrial waste discharged | Reduction of 40% or more | Reduction of 40% or more |

*Compared with FY2019

3) Our Long-Term Vision

Our Long-Term Vision shall also be revised as follows accompanying the revision of the Medium-term Business Plan, Phase I of the realization of Long-Term Vision.

| <TOLI VISION 2030> Consolidated Management Index | | (After revision) FY2030 |
|---|---|--|
| Key Performance Indicators | Net Sales | Stable growth as a company with net sales of 100 billion yen |
| | Operating Income | 6 billion yen or more at an early stage |
| | ROE | 10.0% or more |
| Environmental Impact Reduction Targets | Recycling rate | 90% or more |
| | Amount of industrial waste discharged | Reduction of 60% or more |
| | CO ₂ emissions (Scope 1 & 2) | Reduction of 30% or more |

*Compared with FY2019

*Compared with FY2020

[Recycling rate]

Percentage of In-group Recycling + Valuable Recycling against total emissions at main manufacturing lines, logistic company and head office of TOLI Group

[Amount of industrial waste discharged]

Percentage of In-group Recycling + other emissions than Valuable Recycling against total emissions at main manufacturing lines, logistic company and head office of TOLI Group

[CO₂ emissions amount]

Scope 1: Direct emissions from fuel-use activities by TOLI Group

Scope 2: Indirect emissions from the use of electricity for the materials purchased by TOLI Group from other companies

* Please refer to the attached document for details.

Revision of the Period of Medium-Term Business Plan “SHINKA Plus ONE”

March 27, 2023



About the Medium-Term Business Plan

Our Group has formulated a three-year Medium-Term Business Plan, “SHINKA Plus ONE,” covering the period from FY2021 to FY2023. The purpose is to realize the vision we aspire to in 2030, <TOLI VISION 2030> —Evolution to a Lifestyle Design Company. The plan aims to maximize the corporate value of the TOLI Group by expanding not only its economic value but also its social value toward the realization of a sustainable society.

Basic Policy

Evolution

Further strengthen our business base through continuous evolution.

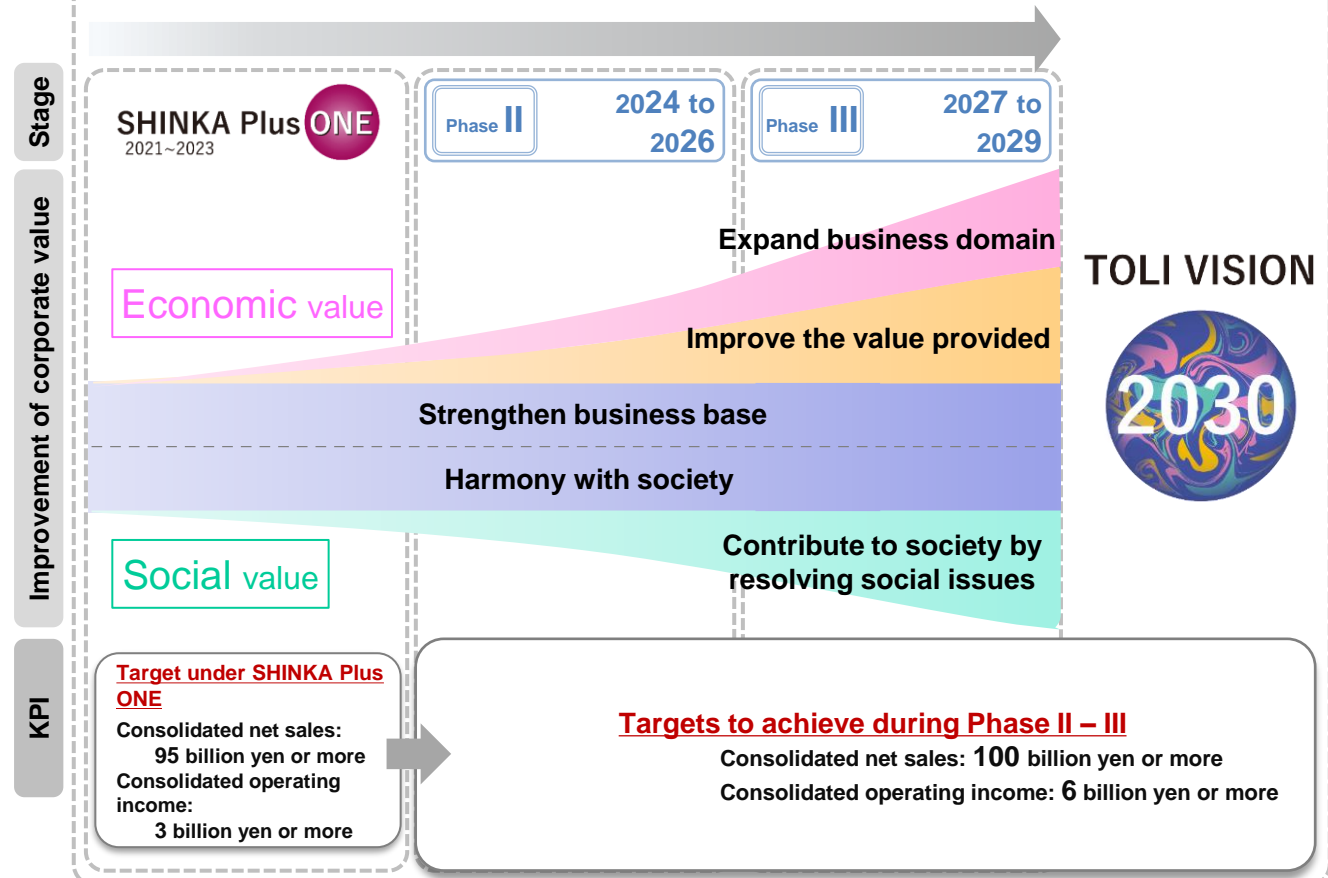
Deepening

Dig deep into each and every issue with unwavering aspiration.

Real Value

Promote business activities that contribute to society and enhance corporate value centered on people.

Growth Plan for Achieving the Long-Term Vision



Background to Revision - 1

Major changes in the business environment

Delay of three key capital investment plans that form the core of our growth

- Due to a shortage of semiconductors, worsening shipping conditions, and heightened geopolitical risks, the delivery of various pieces of equipment and the dispatch of specialized engineers have been delayed. As a result, the key capital investment plans during the Medium-Term Business Plan are proceeding approximately one year behind schedule.

Key Capital Investment Plans during the Medium-Term Business Plan period

| Investment Proposal | | Investment Effect | Progress | Current Operation Status | |
|-------------------------------------|------------|---|--|--------------------------|---|
| | | | | Initial Plan | Current Status |
| Carpet tile recycling plants | Line No. 1 | Reduction in the amount of industrial waste discharged and improvement of recycling rate through promotion of carpet tile recycling | With installation of equipment delayed due to the pandemic, full-scale operations began in 2022, about 1 year behind the initial plan | July 2021 | → August 2022 (currently in operation) |
| | Line No. 2 | Contributing to a significant reduction in the amount of industrial waste discharged by increasing the recycling volume | A one-year delay in the operations of carpet tile recycling Line No. 1 delayed the planning of Line No.2 | Within FY2022 | → March 2024 (expected to be in operation) |
| Nylon spinning equipment for carpet | Unit No. 1 | Stable supply and reduction of manufacturing cost via in-house production of nylon yarn and development of new products | Plan delayed by approximately 10 months due to delayed delivery of equipment from overseas and arrival of specialized engineers | October 2020 | → August 2021 (currently in operation) |
| | Unit No. 2 | Aiming to further stabilize supply of carpet tiles, reduce manufacturing costs, and develop new products by increasing the ratio of in-house production | A delay in operation of nylon spinning Unit No. 1 delayed the planning of Unit No. 2 | Within FY2021 | → April 2023 (planned to be in operation) |
| Hiroka TOLI Floor Line No. 3 | | Aiming to reduce manufacturing costs and develop new products by constructing a new vinyl floor sheet production line | Due to a shortage of semiconductors, delivery of equipment was delayed, and the entire plan was delayed by about one year | March 2022 | → January 2023 (partially in operation) |

Background to Revision - 2

Major changes in the business environment

Rapid deterioration of raw material procurement environment

- There has been a sharp rise in the prices of major raw materials for the Company's products due to soaring crude oil prices, worsening shipping conditions, and the weak yen. Hence, we have been strengthening our manufacturing cost-reduction activities and revising selling prices, albeit in a follow-up manner, and efforts to improve earnings are currently underway.
- We are also working to reduce supply chain risks, as the global economic slowdown and worsening shipping conditions have resulted in a slackening of supplies from raw material suppliers.

Major Impact on Business

| Change in Business Environment | | Action |
|--------------------------------|--|--|
| Soaring raw material prices | <ul style="list-style-type: none">• Price hikes in major raw materials (vinyl resins, plasticizers, nylon yarn, etc.)• Electricity prices and the prices of other utilities are also rising sharply | <ul style="list-style-type: none">• Carried out sales price revisions three times in two years (July 2021, May and September 2022)• Price revisions following raw material price hikes resulted in a time lag in earnings improvement |
| Increased supply chain risks | <ul style="list-style-type: none">• Significant decrease in supply of nylon yarn for carpets from suppliers• Frequent inventory shortages accompanying delays in delivery of imported raw materials | <ul style="list-style-type: none">• Focused on incorporating upstream technologies such as nylon yarn production for carpets to ensure a stable supply of products• Rebuilt a supply chain, including the installation of additional nylon spinning equipment, and focused on the development of proprietary products |

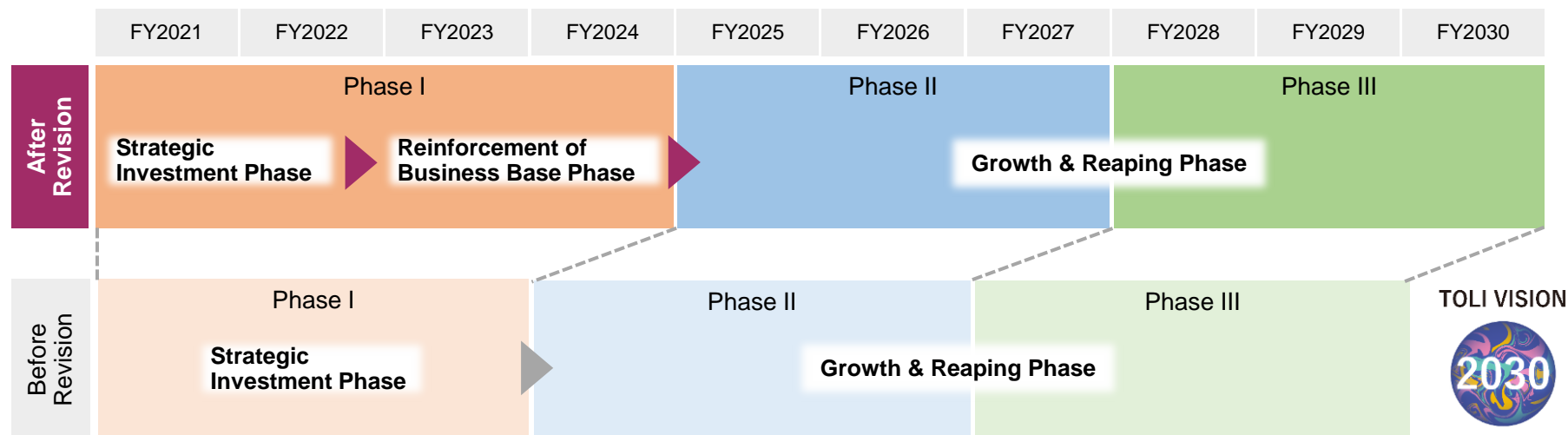
Details of the Revision - 1

Revision of the period covered by the plan



- Due to an impact of the delay of key capital investment plans, we have reviewed the time schedule of each strategy in the three-year Medium-Term Business Plan and shall **revise Phase I from a three-year plan to a four-year plan** to ensure the implementation of priority strategies set forth in Phase I for the realization of our Long-Term Vision.
- Phase II and thereafter shall be three-year plans, revising the plan to the final year of FY2030.

Schedule for Achieving the Long-Term Vision



Details of the Revision - 2

Revision of Management Indexes for the final year

- Due to the impact of changes in the business environment, we shall revise Management Indexes for the final year.
- Accompanying the progress of manufacturing cost-reduction activities and sales price revisions, the **Key Performance Indicators shall be revised upward**. (Underlined in the figure below)
- Due to a delay in the capital investment plans, **for the environmental impact reduction targets, we will revise our planned execution period while leaving the target values unchanged**.

<Medium-Term Business Plan : Management Indexes>

| SHINKA Plus ONE 2021~2024 | | FY2024 (After revision) | FY2023 (Before revision) |
|--|---------------------------------------|--------------------------------|-----------------------------|
| Key Performance Indicators | Net Sales | <u>100 billion yen or more</u> | 95 billion yen or more |
| | Operating Income | <u>3.5 billion yen or more</u> | 3 billion yen or more |
| | ROE | <u>5.5% or more</u> | 5.0% or more |
| Environmental Impact Reduction Targets | Recycling rate | 85% or more | 85% or more |
| | Amount of industrial waste discharged | Reduction of 40% or more | Reduction of 40% or more |

<Long-Term Vision Management Indexes>

| TOLI VISION 2030 | | FY2030 (After revision) |
|--|--|--|
| Key Performance Indicators | Net Sales | Stable growth as a company with net sales of 100 billion yen |
| | Operating Income | 6 billion yen or more at an early stage |
| | ROE | 10.0% or more |
| Environmental Impact Reduction Targets | Recycling rate | 90% or more |
| | Amount of industrial waste discharged | Reduction of 60% or more |
| | Reduction in CO ₂ emissions | Reduction of 30% or more |

* Recycling rate:

* Amount of industrial waste discharged:

* CO₂ emissions amount:

Percentage of In-group Recycling + Valuable Recycling against total emissions at main manufacturing lines, logistic company and head office of TOLI Group

Percentage of In-group Recycling + other emissions than Valuable Recycling against total emissions at main manufacturing lines, logistic company and head office of TOLI Group

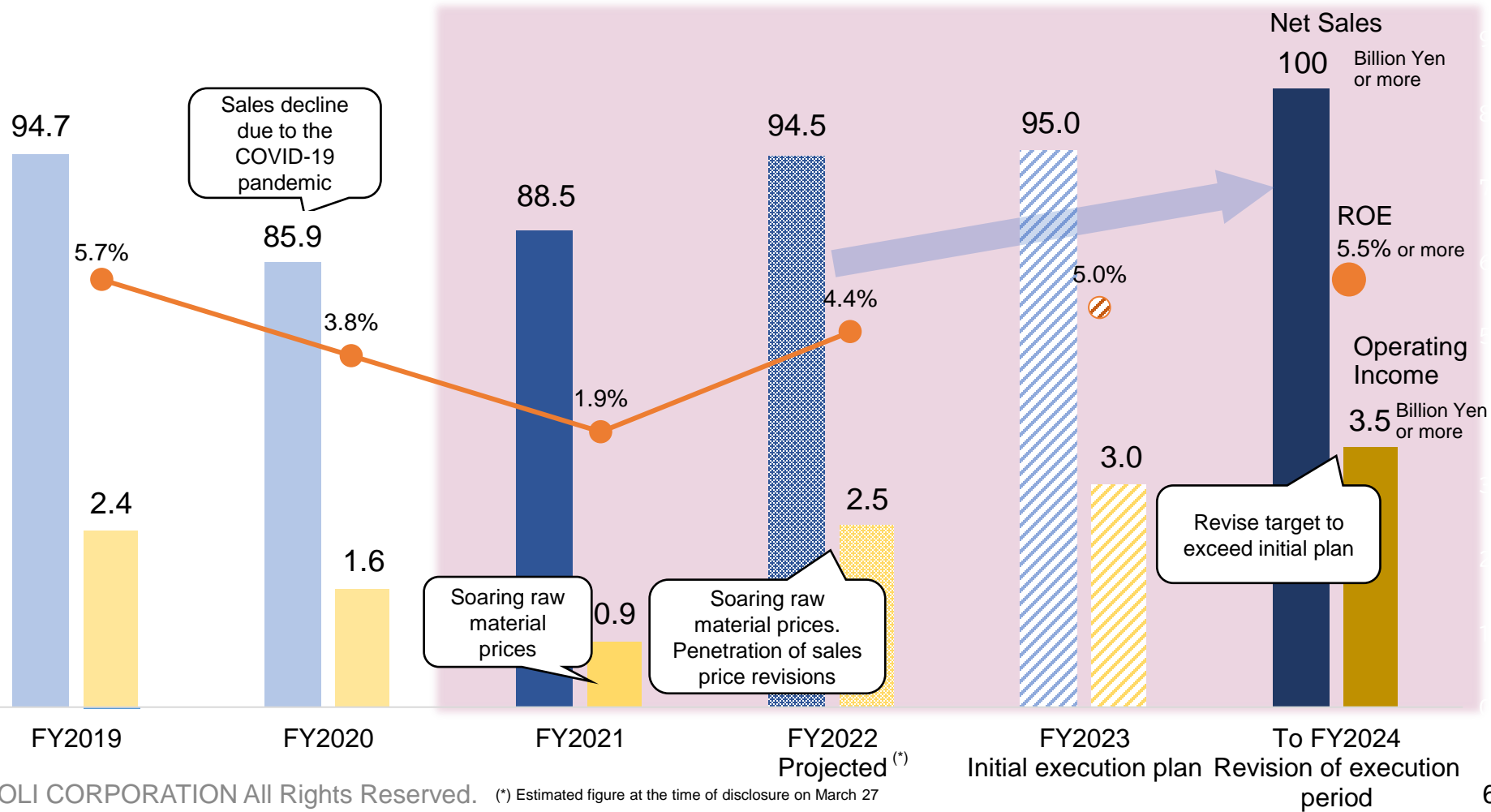
Scope 1: Direct emissions from fuel-use activities by TOLI Group

Scope 2: Indirect emissions from the use of electricity for the materials purchased by TOLI Group from other companies

Details of the Revision: Financial Indicators

Key Performance Indicators (net sales, operating income, ROE)

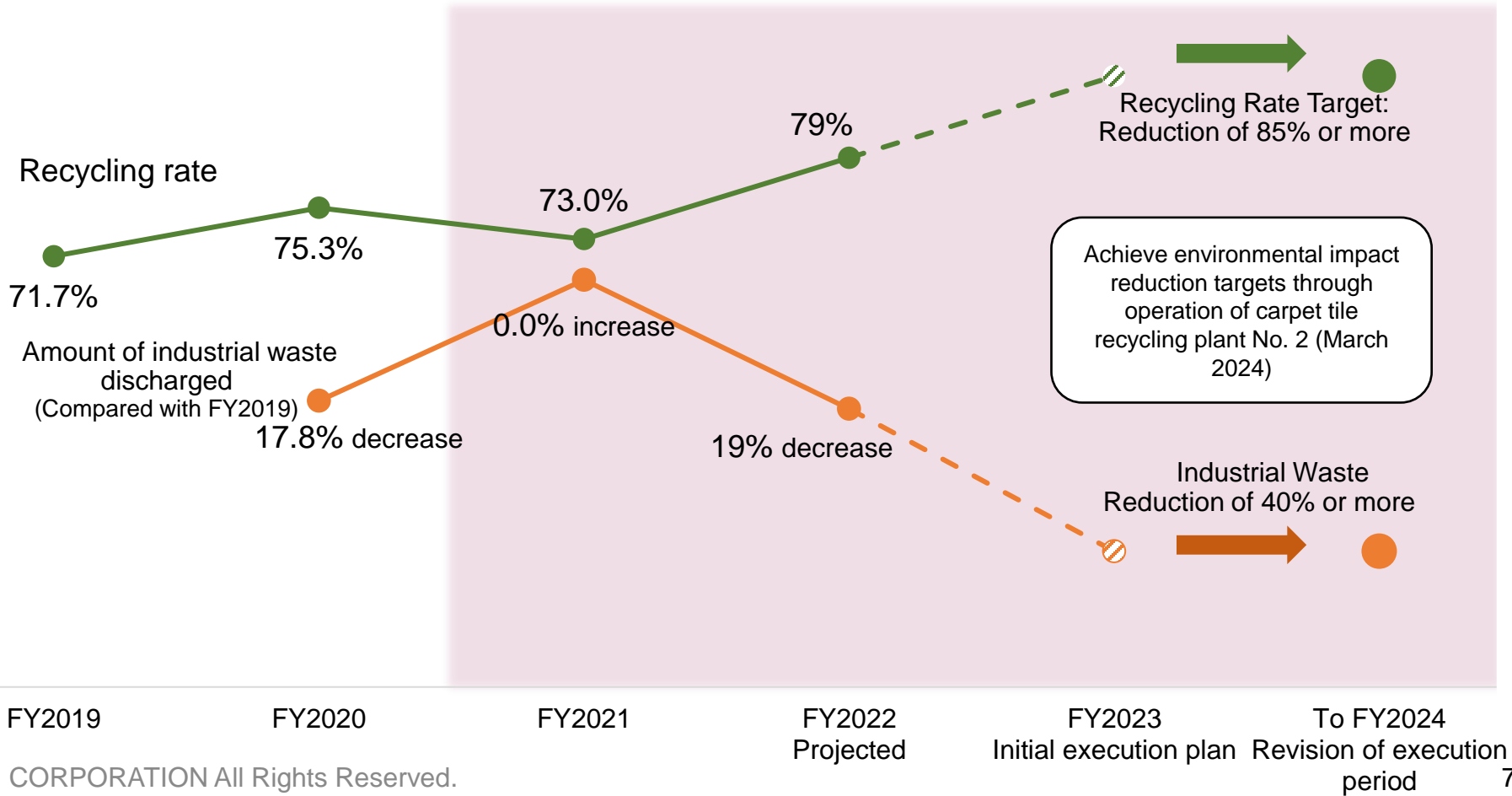
- We will focus on penetration and maintenance of sales price revisions and aim to achieve consolidated net sales of 100 billion yen or more.
- We will focus on reducing manufacturing costs, ensuring stable supply, and developing new products, while working to bring key capital investment plans into operation as quickly as possible.
- We will aim to improve capital efficiency by increasing profits and enhancing shareholder returns.



Details of the Revision: Non-financial Indicators

Environmental impact reduction targets (Recycling rate, amount of industrial waste discharged)

- Carpet tile recycling plant No. 2, scheduled to start operation in March 2024, will enable us to significantly reduce the amount of industrial waste discharged from carpet tiles, and we will work to increase the amount of used carpet tile recovered, thereby contributing to the realization of a circular economy (recycling society).
- We will further improve our recycling technology for vinyl flooring materials, which have a high recycling rate, with the aim of reducing the amount of industrial waste discharged.





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Cautionary Statement Regarding Forward-Looking Statements, Etc.

The purpose of this document is to provide information to investors only and not to solicit transactions.

The forward-looking statements herein are based on our objectives and forecasts and do not constitute any guarantees.

Please also be aware that our future results may differ from our current expectations.

Descriptions of industry trends and external environmental awareness are also made based on various data that we believe to be reliable, but we do not guarantee the accuracy or completeness of such data.

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