



Financial Announcement for First Quarter of the Year Ending March 2024 [Japan standard] (Consolidated)

July 31, 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 (Position)

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inquiries

Scheduled date for submission August 9, 2023

of quarterly reports

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 one million yen are rounded off)

1. Consolidated results for first quarter of the year ending March 2024 (April 1, 2023 to June 30, 2023)

(1) Consolidated results (year to date)

(% 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	%
Q1 for year ending March 2024	22,294	8.0	534	—	651	—	391	—
Q1 for year ended March 2023	20,651	5.1	(120)	—	(45)	—	(67)	—

(Note) Comprehensive income Q1 for year ending March 2024: 960 million yen [—%]

Q1 for year ended March 2023: 22 million yen [—%]

	Profit per share		Profit per share - diluted	
	Yen		Yen	
Q1 for year ending March 2024	6.50		—	
Q1 for year ended March 2023	(1.13)		—	

(2) Consolidated assets

	Total assets		Net assets		Capital-to-asset ratio
	Million yen		Million yen		%
Q1 for year ending March 2024	81,761		41,248		50.1
Year ended March 2023	84,791		40,894		47.9

(Reference) Equity capital Q1 for year ending March 2024: 40,971 million yen

Year ended March 2023: 40,613 million yen

2. Dividend payments

	Annual dividend				
	End 1st quarter	End 2nd quarter	End 3rd quarter	End of year	Total
Year ended March 2023	—	0.00	—	10.00	10.00
Year ending March 2024	—				
Year ending March 2024 (forecast)		3.00	—	8.00	11.00

(Note) Adjustment from most recently published dividend forecast: Yes

3. Consolidated forecasts for year ending March 2024 (April 1, 2023 to March 31, 2024)

(% shows the change for the full term against the previous full term and change for the quarter against the same quarter of 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
2nd quarter (YTD)	45,500	6.4	700	—	800	—	500	—	8.31
Full term	99,500	4.5	3,600	1.9	3,900	7.1	2,650	3.4	44.03

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

* Notes

- (1) Significant changes to subsidiaries during the consolidated first quarter 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, 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 end of year (including treasury shares)	Q1 for year ending March 2024	66,829,249 shares	Year ended March 2023	66,829,249 shares
[2] Number of shares in treasury shares at end of year	Q1 for year ending March 2024	6,643,208 shares	Year ended March 2023	6,642,988 shares
[3] Average number of shares during the term (cumulative from start of fiscal year)	Q1 for year ending March 2024	60,186,146 shares	Q1 for year ended March 2023	60,223,490 shares

* Quarterly financial announcements are 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 consolidated first quarter under review, the Japanese economy showed a moderate recovery trend due to the lifting of border control measures for visitors and the transition of COVID-19 to a Class 5 infectious disease. On the other hand, the future of the business environment remains uncertain as evidenced by further price increases due to higher raw material prices caused by the depreciation of the yen and the prolonged situation in Ukraine, and to soaring energy costs.

In the construction industry, which is closely related to our Group's business, a recovery trend is observable in the renovation market for stores and accommodation facilities thanks to an increase in the number of visitors to Japan. However, the business environment remains unpredictable due to concerns about downturn in construction investments caused by soaring prices for various construction materials.

Under these circumstances, our Group is pursuing the following five key strategies in the Medium-term Business Plan "SHINKA Plus ONE" covering the period from FY2021 to FY2024 toward the realization of our long-term vision "TOLI VISION 2030": 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 period under review, while working to spread the third sales price revisions implemented in September 2022, our Group made efforts to establish a stable supply system and improve revenues, focusing on reducing manufacturing costs such as by having full-scale operation of the new No. 3 line of Hiroka TOLI Floor, expanding in-house production of raw nylon yarn for carpet tiles, and increasing the recycling rate at a carpet tile recycling plant.

As a result, for the consolidated first quarter under review, the Company posted net sales of 22,294 million yen (up 8.0% compared with the same period of the previous year), operating income of 534 million yen (operating loss of 120 million yen for the same period of the previous year), ordinary income of 651 million yen (ordinary loss of 45 million yen for the same period of the previous year), and profit attributable to owners of parent of 391 million yen (loss attributable to owners of parent of 67 million yen for the same period of the previous year).

Performance for business segments is as follows. This information includes business between segments.

<Product Business>

In the Product Business, net sales increased due to the effect of a sales promotion for products launched in the previous fiscal year, in addition to the spread of the effect of sales price revisions. In the area of vinyl flooring materials, in addition to strong sales of highly functional vinyl floor sheets such as "Deodorant NS Toware NW" and "HITOE," we focused our sales activities on the "Tile Collection," which contains vinyl floor tiles such as "E-Clean NW-EX" that do not require wax maintenance for a long time. Net sales of vinyl flooring materials increased significantly year on year as the use of "ToughtecTile," a new, third flooring material that combines the strengths of vinyl floor tiles and ceramic tiles, has been growing mainly in the store market.

In the area of carpets, "GA-3600 Sustive Back," an environmentally friendly carpet tile launched last year that addresses market needs, remained strong. On the other hand, although the sales volume of carpet tiles for housing remained weak as stay-at-home demand somewhat slowed down, overall net sales of carpet tiles grew year on year thanks to the effect of sales price revisions.

For wallcovering materials, net sales exceeded the previous year's level due to the spread of the effect of sales price revisions, in addition to strong sales of "Real Deco," our proprietary non-combustible decorative wallcovering material, as well as sales of "Non-combustible Certified Wallpaper," a vinyl wallpaper.

In the area of curtains, we focused on sales promotion activities by releasing a comprehensive sample book called "fufu!" with the concept of "Choosing curtains is fun!" in June, which focuses on design and functionality. However, net sales were lower than the previous year due to weak demand for made-to-order curtains.

As a result, for the Product Business, net sales were 13,611 million yen (up 9.5% from the previous fiscal year) and segment income came to 711 million yen (up 1,155.2% from the previous fiscal year).

<Interior Wholesaling and Installation Business>

In the Interior Wholesaling and Installation Business, amid a continued rise in procurement costs for various interior design-related materials, we increased both revenues and profits in Japan by focusing on product proposals that met customer needs while passing these costs onto selling prices. On the other hand, while the business environment in China was expected to improve accompanying the end of the Zero-COVID policy, net sales of TOLI (SHANGHAI) Corporation for the first quarter (January to March 2023) declined year on year as the Chinese economy failed to achieve a full-fledged recovery.

As a result, the Interior Wholesaling and Installation Business reported net sales of 14,516 million yen (up 6.7% compared with the same period of the previous year) and segment income of 160 million yen (up 115.5% compared with the same period of the previous year).

(2) Explanation of the financial situation

<Assets>

Current assets at the end of first quarter of the fiscal year under review were down 3,685 million yen compared with the end of the previous fiscal year to 46,992 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 amounted to 34,769 million yen, up 656 million yen from the end of the previous fiscal year.

As a result, total assets were down 3,029 million yen compared with the end of the previous fiscal year to 81,761 million yen.

<Liabilities>

Current liabilities at the end of first quarter of the fiscal year under review were down 3,925 million yen compared with the end of the previous fiscal year to 27,801 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 amounted to 12,710 million yen, up 541 million yen from the end of the previous fiscal year.

As a result, total liabilities were down 3,383 million yen compared with the end of the previous fiscal year to 40,512 million yen.

<Net assets>

Total net assets at the end of first quarter of the fiscal year under review were up 353 million yen compared with the end of the previous fiscal year to 41,248 million yen. This was mainly due to an increase in valuation difference on available-for-sale securities as a result of higher stock prices.

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

[1] Revision of financial results forecasts

With respect to the financial results for the six-month period of the fiscal year ending March 2024, net sales are expected to exceed the previously announced forecast due to the smooth execution of the third price revisions implemented in September 2022. Profits are also expected to exceed the previously announced forecast due to an increase in net sales and a reduction in manufacturing costs, although some raw materials prices are expected to rise.

Accordingly, based on the results of the first quarter under review, we revise the consolidated forecasts for the six-month period of the fiscal year ending March 2024 announced on May 9, 2023, as follows.

The current full-year consolidated forecasts for the fiscal year ending March 2024 will remain unchanged due to unpredictable trends in energy costs and the environment for purchasing raw materials from now until the second half of the fiscal year.

Revision of consolidated forecasts for six-month period of the year ending March 2024 (April 1, 2023 to September 30, 2023)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Profit per share
	Million yen	Million yen	Million yen	Million yen	yen
Previous forecast (A)	45,000	350	500	300	4.98
Revised forecast (B)	45,500	700	800	500	8.31
Change (B – A)	500	350	300	200	-
Change (%)	1.1	100.0	60.0	66.7	-
(Reference) Results for the previous fiscal year (Six-month period for year ended March 2023)	42,754	(68)	17	(67)	(1.13)

[2] Revision of dividend forecasts

We recognize that returning profits to shareholders is one of our most important missions, and our basic policy is to continuously pay stable dividends with a payout ratio of 30% or higher or a DOE of 1.5% or higher.

Based on the basic policy above, in accordance with the revision of financial results forecasts, we will increase the interim dividend forecast by 1 yen to 3 yen per share from 2 yen and revise the annual dividend to a total of 11 yen (interim dividend: 3 yen, year-end dividend: 8 yen).

Revision of dividend forecasts for year ending March 2024 (April 1, 2023 to March 31, 2024)

	Annual dividend		
	End of 2nd quarter	End of year	Annual
Previous forecast (Announced on May 9, 2023)	yen 2.00	yen 8.00	yen 10.00
Revised forecast	3.00	8.00	11.00
Results for the previous fiscal year (year ended March 2023)	0.00	10.00	10.00

(Note) The forecasts provided above are based on the information available as of the time of presentation, and the actual business performance may in some cases differ from the forecasts.

2. Quarterly consolidated financial statements and major notes

(1) Consolidated balance sheets

(Million yen)

	Previous fiscal year (March 31, 2023)	Q1 of current fiscal year (June 30, 2023)
Assets		
Current assets		
Cash and deposits	9,745	9,139
Notes and accounts receivable - trade	20,287	15,940
Electronically recorded monetary claims	6,666	6,982
Merchandise and finished goods	8,978	9,367
Work in process	1,780	2,024
Raw materials and supplies	2,284	2,157
Other	993	1,432
Allowance for doubtful accounts	(58)	(52)
Total current assets	50,677	46,992
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,077	7,056
Machinery, equipment and vehicles, net	5,483	5,322
Tools, furniture and fixtures, net	439	437
Land	8,343	8,345
Construction in progress	1,587	2,032
Other, net	110	107
Total property, plant and equipment	23,042	23,301
Intangible assets		
Software	698	617
Other	113	292
Total intangible assets	811	909
Investments and other assets		
Investment securities	5,200	5,966
Deferred tax assets	792	329
Other	4,525	4,523
Allowance for doubtful accounts	(260)	(260)
Total investments and other assets	10,258	10,558
Total non-current assets	34,113	34,769
Total assets	84,791	81,761

(Million yen)

	Previous fiscal year (March 31, 2023)	Q1 of current fiscal year (June 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,232	15,928
Electronically recorded obligations	6,066	6,377
Short-term loans payable	1,020	520
Income taxes payable	1,107	89
Accrued expenses	1,677	1,566
Provision for bonuses	739	209
Provision for bonuses for directors (and other officers)	9	-
Other	2,874	3,110
Total current liabilities	31,726	27,801
Non-current liabilities		
Long-term loans payable	5,680	6,180
Net defined benefit liability	3,762	3,809
Other	2,727	2,721
Total non-current liabilities	12,169	12,710
Total liabilities	43,896	40,512
Net assets		
Shareholders' equity		
Capital stock	6,855	6,855
Capital surplus	6,426	6,426
Retained earnings	26,311	26,100
Treasury shares	(1,500)	(1,500)
Total shareholders' equity	38,092	37,881
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,048	2,578
Foreign currency translation adjustment	336	378
Remeasurements of defined benefit plans	136	132
Total accumulated other comprehensive income	2,521	3,089
Non-controlling interests	281	277
Total net assets	40,894	41,248
Total liabilities and net assets	84,791	81,761

(2) Consolidated statement of income and consolidated statement of comprehensive income
(Consolidated statement of income)
(Consolidated first quarter)

(Million yen)

	Previous consolidated first quarter (April 1, 2022 – June 30, 2022)	Current consolidated first quarter (April 1, 2023 – June 30, 2023)
Net sales	20,651	22,294
Cost of sales	14,977	15,742
Gross profit	5,674	6,551
Selling, general and administrative expenses	5,794	6,017
Operating income or loss (-)	(120)	534
Non-operating income		
Interest income	0	1
Dividend income	79	84
Purchase discounts	19	19
Dividend income of insurance	43	45
Other	77	62
Total non-operating income	220	213
Non-operating expenses		
Interest expenses	16	16
Share of loss of entities accounted for using equity method	110	73
Other	19	5
Total non-operating expenses	145	95
Ordinary income or loss (-)	(45)	651
Extraordinary income		
Gain on sales of investment securities	6	-
Total extraordinary income	6	-
Extraordinary losses		
Loss on retirement of non-current assets	2	1
Total extraordinary losses	2	1
Profit before income taxes or Loss before income taxes (-)	(41)	650
Income taxes - current	31	31
Income taxes - deferred	6	226
Total income taxes	37	257
Profit (loss)	(79)	392
Profit attributable to non-controlling interests or Loss attributable to non-controlling interests (-)	(11)	1
Profit attributable to owners of parent or Loss attributable to owners of parent (-)	(67)	391

(Consolidated statement of comprehensive income)
(Consolidated first quarter)

(Million yen)

	Previous consolidated first quarter (April 1, 2022 – June 30, 2022)	Current consolidated first quarter (April 1, 2023 – June 30, 2023)
Profit (loss)	(79)	392
Other comprehensive income		
Valuation difference on available-for-sale securities	(73)	529
Foreign currency translation adjustment	177	41
Remeasurements of defined benefit plans, net of tax	(2)	(3)
Total other comprehensive income	101	567
Comprehensive income	22	960
Comprehensive income attributable to		
owners of parent	33	959
non-controlling interests	(11)	0

- (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 Previous consolidated first quarter (April 1, 2022 – June 30, 2022)

1. 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	Subtotal		
Net sales					
Sales to external customers	7,106	13,545	20,651	-	20,651
Internal sales or transfers among segments	5,327	55	5,383	(5,383)	-
Subtotal	12,434	13,600	26,035	(5,383)	20,651
Segment income	56	74	130	(176)	(45)

(Note) 1 The adjustment of segment income of -176 million yen is due to the elimination of transactions between segments.

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

II Current consolidated first quarter (April 1, 2023 – June 30, 2023)

1. 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	Subtotal		
Net sales					
Sales to external customers	7,838	14,455	22,294	-	22,294
Internal sales or transfers among segments	5,772	60	5,833	(5,833)	-
Subtotal	13,611	14,516	28,127	(5,833)	22,294
Segment income	711	160	871	(219)	651

(Note) 1 The adjustment of segment income of -219 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.

2. Matters concerning changes in reporting segments

Previously, TOLI Interior Service (name changed from TOLI-OFUROKE Corporation, effective April 1, 2023) was included in the Product Business segment, but due to changes in business types, it has been included in the Interior Wholesaling and Installation Business segment since the current consolidated first quarter. Segment information for the previous consolidated first quarter is not prepared based on the revised segment because the impact on segment income is minimal.