



TOLI Corporation

Financial Results for the 2nd Quarter of the Fiscal Year Ending March 2024

November 10, 2023

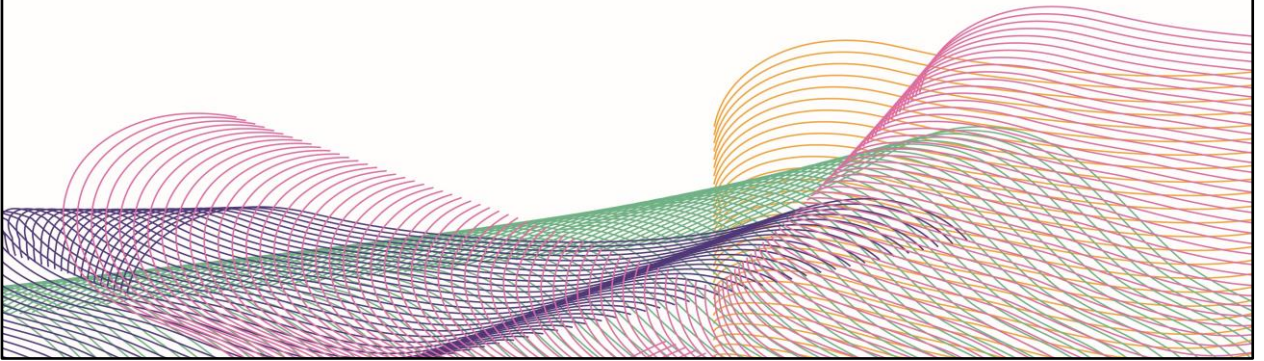


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Hello.

My name is Nagashima, and I am the President of TOLI Corporation.

Let me explain the financial results for the second quarter of the fiscal year ending March 2024.

Today, I would like to explain the overview of our financial results, the progress and topics of the Medium-Term Business Plan and the future forecast.



Overview of the Financial Results for the 2nd Quarter of the Fiscal Year Ending March 2024

First, we are looking at the overview of the financial results for the second quarter announced on November 2.

Consolidated Financial Results

(millions of yen)

	Cumulative results for the 2nd quarter, FY3/'23	Cumulative results for the 2nd quarter, FY3/'24		
	Results	Results	YoY	YoY (amount)
Net sales	42,754	46,448	+8.6%	+3,693
Gross profit [Ratio to Net Sales]	11,641 [27.2%]	13,488 [29.0%]	+15.9%	+1,846
Selling, general and administrative expenses [Ratio to Net Sales]	11,710 [27.4%]	12,183 [26.2%]	+4.0%	+473
Operating income [Ratio to Net Sales]	(68) [-]	1,304 [2.8%]	-	+1,372
Ordinary income [Ratio to Net Sales]	17 [0.0%]	1,447 [3.1%]	+8,069.0%	+1,429
Quarterly profit attributable to owners of parent [Ratio to Net Sales]	(67) [-]	869 [1.9%]	-	+936

Points

- Both sales and profit were higher than the previous year due to the focus on the penetration of the third sales price revision implemented in September 2022.
- Adoptions increased following successful sales promotion activities centered on new products and high value-added products, but overall sales quantities remained somewhat weak.
- Raw materials prices and energy costs have continued to be high recently.
- In SGA expenses, investment costs for the future increased, centered on labor costs and technical research expenses.

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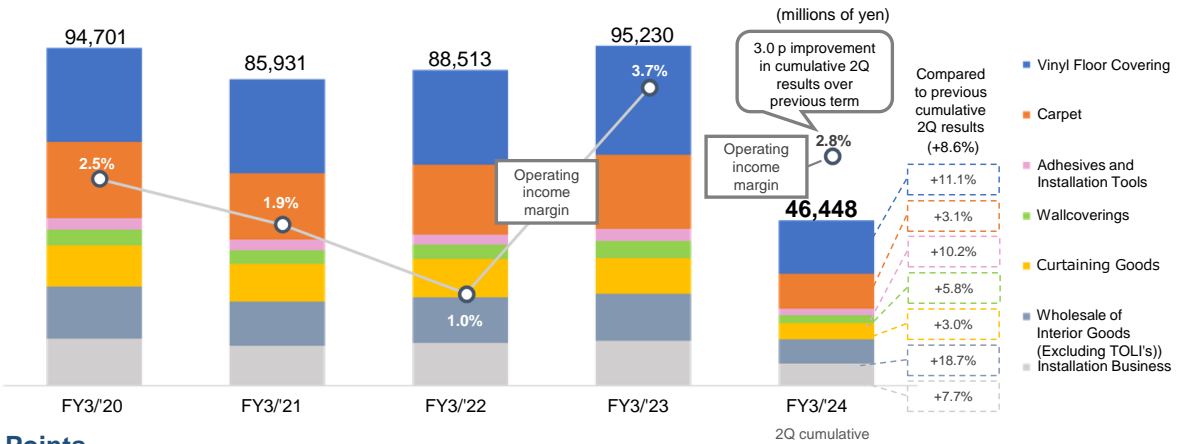
During this cumulative second quarter period, while economic activity recovered along with the transition of COVID-19 to a Class 5 infectious disease, crude oil prices rose again due to factors such as yen depreciation and the prolongation of the Ukraine situation.

In this environment, net sales were higher than the previous year due to the penetration of the sales price revisions implemented in September last year and because we focused on sales promotion activities for new products and high-value-added products using the company's unique technology.

In terms of revenue, the prices of raw materials continued to be high, but we promoted human and technological investment positively for the future and also focused on cost reduction activities.

As a result, consolidated operating income was 1,304 million yen, a record high for first half consolidated results.

Trends in Consolidated Operating Income Margin / Consolidated Net Sales by Product Category



Points

- Overall** : Sales increased significantly due to the strengthening of promotional activities centered on new products, and focusing on the penetration of price revisions in September last year.
- Vinyl Floor Covering** : In addition to the "NS 800" slip-resistant vinyl flooring sheet launched in August, sales promotion activities for products such as "Deodorant NS Toware NW" and the "Hitoe Series," which use the company's unique technology, were successful and adoptions centered on high value-added products increased.
 - Carpet** : GA-3600 Sustive Back, an eco-friendly carpet tile based on TOLI Complete Recycling, captured environmental needs and drove carpet tile results overall, but carpet tile for residential use remained weak.
 - Wallcoverings** : Adoptions of "Real Deco," a TOLI-original non-combustible decorative wallcovering launched last year, increased.
 - Curtaining Goods** : While demand for made-to-order curtains remained weak, we focused on sales promotion activities for the comprehensive sample book "fuful" released in June.

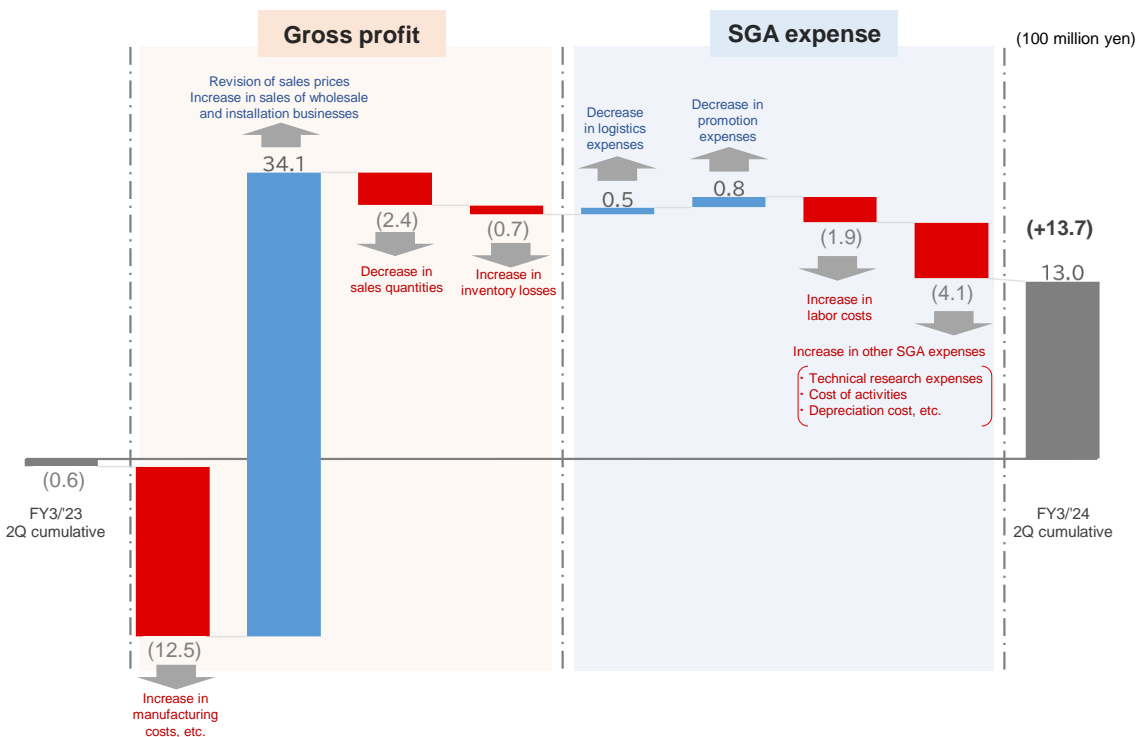
Next, I will explain the trends in results by product category.

Overall, net sales were higher than the previous year, including sales promotion activities centered on new products and the effect of sales price revisions.

In addition, those product groups were the driving force of sales because we focused on sales promotion activities for new products launched last fiscal year and this fiscal year.

In particular, in the vinyl floor covering and carpet categories, adoptions of products using the company’s unique technology and eco-friendly products based on a recycling system increased, contributing to the improvement of the gross profit margin.

Breakdown of Changes in Consolidated Operating Income



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Next, I will explain the main factors in the change in consolidated operating income.

During the period, the prices of raw materials soared and energy costs increased, continuing from last year, and depreciation costs related to large-scale capital investment increased, causing an increase in manufacturing costs. However, gross profit increased significantly due to factors such as the effect of sales price revisions and increased sales in wholesale and installation business.

SGA expenses were higher than last year, including labor costs and technical research expenses.

As a result, operating income increased by 1,372 million yen from the previous year.

Consolidated Balance Sheets

Assets (100 million yen)		
Current assets 506	(30)	Current assets 476
Non-current assets 341	+19	Non-Current assets 360
End of March 2023		End of September 2023

Points

- < Current assets >
 - Decrease in accounts receivable (39)
 - Due to a decrease in net sales due to seasonal factors
- < Non-current assets >
 - Increase in property, plant and equipment +7
 - New recycling plant and nylon spinning facilities at Shiga Toli Co., Ltd.
 - Due to the replacement of core systems, etc.
 - Increase in investments and other assets +12
 - Due to an increase in the market value of investment securities

Liabilities / net assets (100 million yen)		
Liabilities 438	(24)	Liabilities 414
Net assets 408	+14	Net assets 423
End of March 2023		End of September 2023

Point

- < Liabilities >
 - Decrease in trade payables (21)
 - Due to a decrease in purchases due to seasonal factors

Continuing, I will explain the consolidated balance sheet.

There have been no major changes in assets and current assets other than changes due mainly to seasonal factors.

Among non-current assets, property, plant and equipment such as construction in progress increased due to the expansion of the carpet tile recycling plant and nylon spinning equipment at Shiga TOLI, a group production company.

In liabilities, there were no significant fluctuations other than changes due to seasonal fluctuation factors.



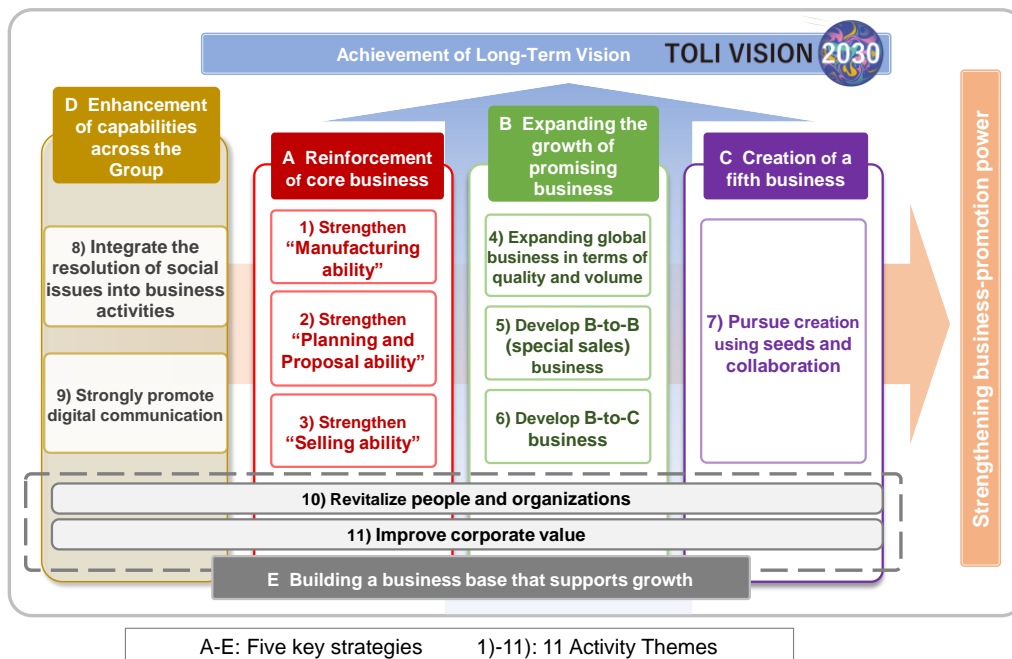
Progress of the Medium-Term Business Plan



Next, I will report on the main progress of the Medium-Term Business Plan.

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

We will move forward with **A** “Reinforcement of core business”, **B** “Expanding the growth of promising business”, and **C** “Creation of a fifth business” and strengthen the horizontal functions through **D** “Enhancement of capabilities across the Group”, as well as advance the establishment of a business base for Group businesses on the whole by **E** “Building a business base that supports growth”.



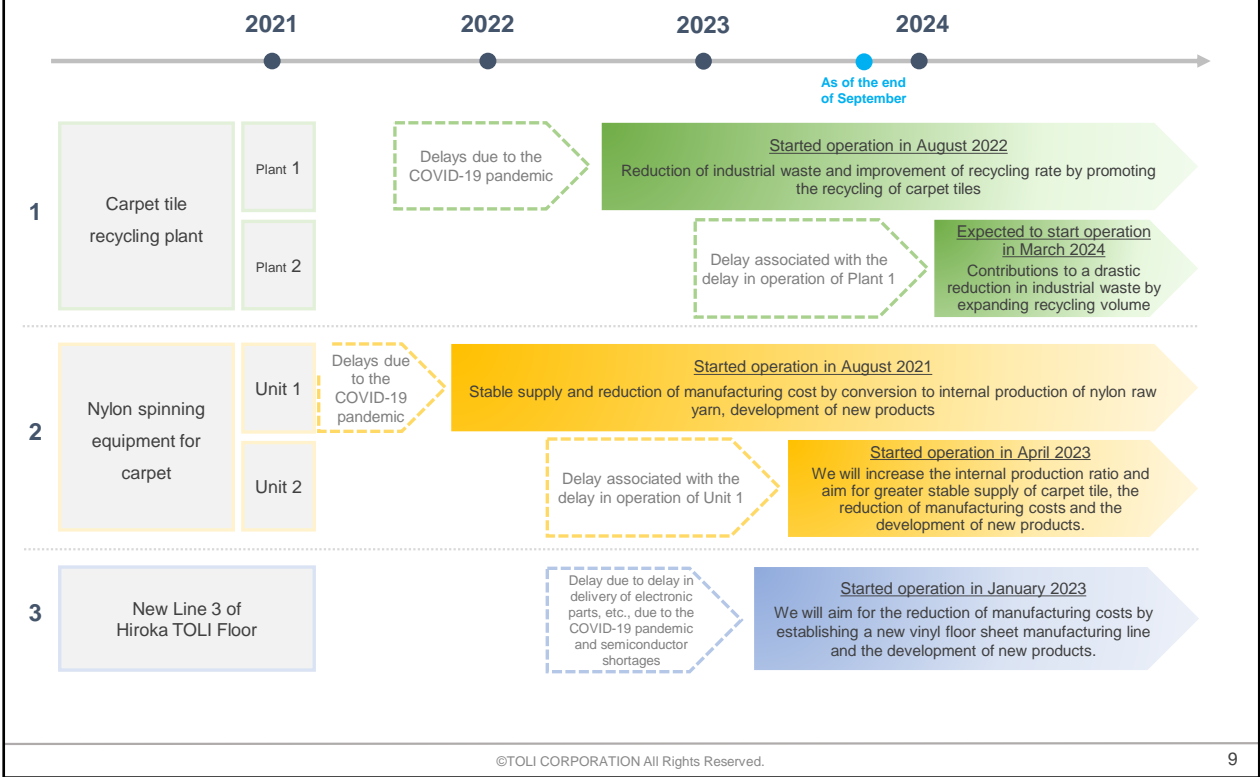
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As you can see, the “SHINKA Plus ONE” Medium-Term Business Plan ties the execution strategies to each of the themes for initiatives based on the five key strategies “A” to “E,” and we are advancing those initiatives towards the achievement of our long-term vision.

Today, I will report on the progress of the important capital investment plan that is the core of the Medium-Term Business Plan, and introduce the topics of the first half of the fiscal year.

Overview and State of Progress of Important Capital Investment that Will Be the Core of Growth



First, I will explain the overview of the important capital investments that are the core of “SHINKA Plus ONE” and their state of progress.

The first project, the carpet tile recycling plant, was delayed due to the COVID-19 pandemic, but Plant 1 is already operating at full capacity and contributing to the production of eco-friendly carpet tiles, the reduction of industrial waste and the improvement of recycling rates. In addition, construction of Plant 2 is currently underway for operation from next spring.

On the second project, nylon spinning equipment for carpet, following on from Unit 1, Unit 2 began full-scale operation this spring, contributing to the reduction of both supply chain risk and manufacturing costs. From now on, we will also work on the development of new nylon yarn products.

On the third project, the new Line 3 at Hiroka TOLI Floor, full-scale production started from January this year and the line is progressing towards full operation from this autumn. In addition to the reduction of manufacturing costs, initiatives have also started for the development of new products using the new line.

We will continue to promote the development of highly competitive products and the strengthening of profitability to use our strengths as a manufacturer.

“SHINKA Plus ONE” Topics [1]

Execution strategy: Strengthening of product planning capabilities in accordance with market needs

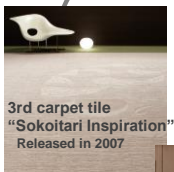
A Reinforcement of core business

Release of “Sokoitari Soundscape,” the 5th carpet tile in the “Sokoitari” series

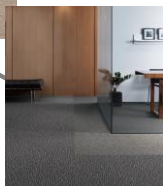
4th carpet tile
“Sokoitari Grandair”
Released in 2014



5th carpet tile
“Sokoitari Soundscape”
Released on October 25, 2023



3rd carpet tile
“Sokoitari Inspiration”
Released in 2007



2nd carpet tile
“Sokoitari Classic”
Released in 2006



1st carpet tile
“Sokoitari” Released in 2004

- The “Sokoitari” brand is a long-loved series among the company’s carpet tiles, designed under the concept of Japanese aesthetics. (The series has won the Good Design Award)
- “Sokoitari” is an expression that has been used since the late Edo period meaning the ultimate “IKI” in terms of aesthetics sought by the Japanese.
- The newly released “Sokoitari Soundscape” expresses the scenery of sound played by nature with a look created by the spread of texture, gradation and undulation (of the surface), revealed by the high and low pitch of its delicate yarn.
- It uses internally manufactured yarn made from our nylon spinning equipment for carpet. This contributes to a highly unique and delicate expression of gradation.

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I will now report the topics of the second quarter.

First, we recently launched a new product.
This slide introduces the “Sokoitari Soundscape.”

“Sokoitari” is an expression that has been used since the late Edo period meaning the ultimate “IKI” in terms of aesthetics sought by the Japanese.

The company released the first “Sokoitari” carpet tile under the “Sokoitari” brand in 2004, and the recently released “Sokoitari Soundscape” is the fifth product in the series.

All of these products have been evaluated highly for their unique design expression, and won the Good Design Award this year as a series.

The fifth product, “Sokoitari Soundscape,” uses delicate colors and advanced tuft technology to express the scenery of sound played by nature on carpet tile.

For reference, this product uses In-house spinning nylon yarn made with the nylon spinning equipment I explained earlier, and expresses a pattern of delicate gradation that realizes strong design characteristics.

“SHINKA Plus ONE” Topics [2]

Execution strategy

Establish eco-friendly technologies and develop business

Reinforcement of core business

The “LCT Series” of single layer floor tiles won the Good Design Award



LCT (Luxury Calcium carbonate Tile) Series

A single-layer floor tile that uses naturally derived calcium carbonate as its main ingredient.

We rebranded our existing product categories in July 2022 and, in addition to its design characteristics, appealed to it again as a product that contributes to the reduction of environmental impacts.



Won the Good Design Award (October 5)



Comments from the judges

“Vinyl floor tiles are man-made, but the uneven natural texture that this product is committed to is more evolved in terms of technology and design than ever before. The matte texture is maintained while preserving good maintenance characteristics as it does not require wax, and we evaluated highly the point that the solid material texture of natural comfort has been updated admirably. The originality of the raw materials used in this product series, the technological development from the perspective of environmental consideration, its high functionality in actual use, and the attitude to development in all of those aspects can also be evaluated highly.”

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Next, I will report on the “LCT Series” of single layer floor tiles, which won the Good Design Award.

In addition to the use of nature-derived and recycled materials, these single layer floor tiles are a product series that boast high expressiveness even at the global level as products that concentrate the company’s unique technology.

Last year, we rebranded existing products as the Luxury Calcium carbonate Tile (LCT) series to appeal again to their superiority as environmentally-friendly products and their unique design characteristics.

These products won the Good Design Award this fiscal year, like the Sokoitari series, for the renewal of the NW series, which does not require wax maintenance, and for the originality of its materials and environmentally-friendly perspective.



Earnings Forecast for the Full Term of the Fiscal Year Ending March 2024



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Continuing, I will explain the earnings forecast for the full term of the fiscal year ending March 2024.

Consolidated Earnings Forecast for the Fiscal Year Ending March 2024

(millions of yen)

	FY3/'23	FY3/'24				
	Results	Result forecast (Announced on July 31)	Revised forecast (Announced on October 31)	YoY	YoY (amount)	Difference from previous forecast
Net sales	95,230	99,500	101,000	+6.1%	+5,769	+1,500
Operating income	3,531	3,600	4,000	+13.3%	+468	+400
Ordinary income	3,640	3,900	4,050	+11.3%	+409	+150
Profit attributable to owners of parent	2,562	2,650	2,750	+7.3%	+187	+100

Point

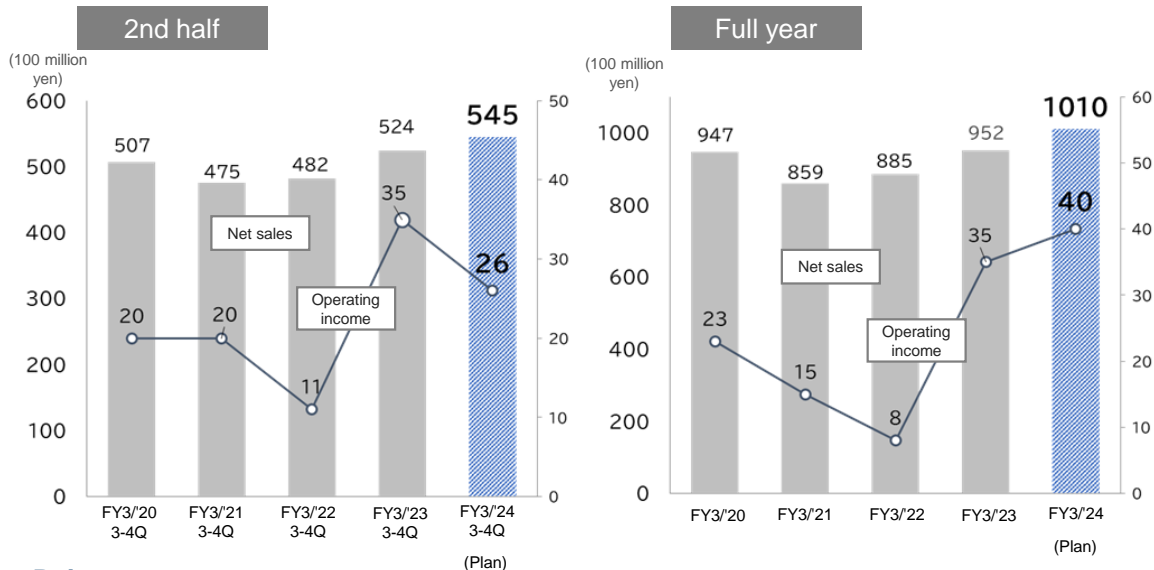
- In addition to the state of progress during the cumulative second quarter, we revised the previous forecasts in consideration of the business environment from now on.
- We will aim for significant increases in both net sales and profits from last year.

This is the earnings forecast for the fiscal year ending March 2024.

We revised the full term earnings forecast on October 31 based on progress during the cumulative second quarter, the raw material procurement environment and other factors.

The forecast is now for increased revenue and profit, with consolidated net sales of 101 billion yen and consolidated operating income of 4 billion yen.

Trends in Consolidated Net Sales and Operating Income and Forecast



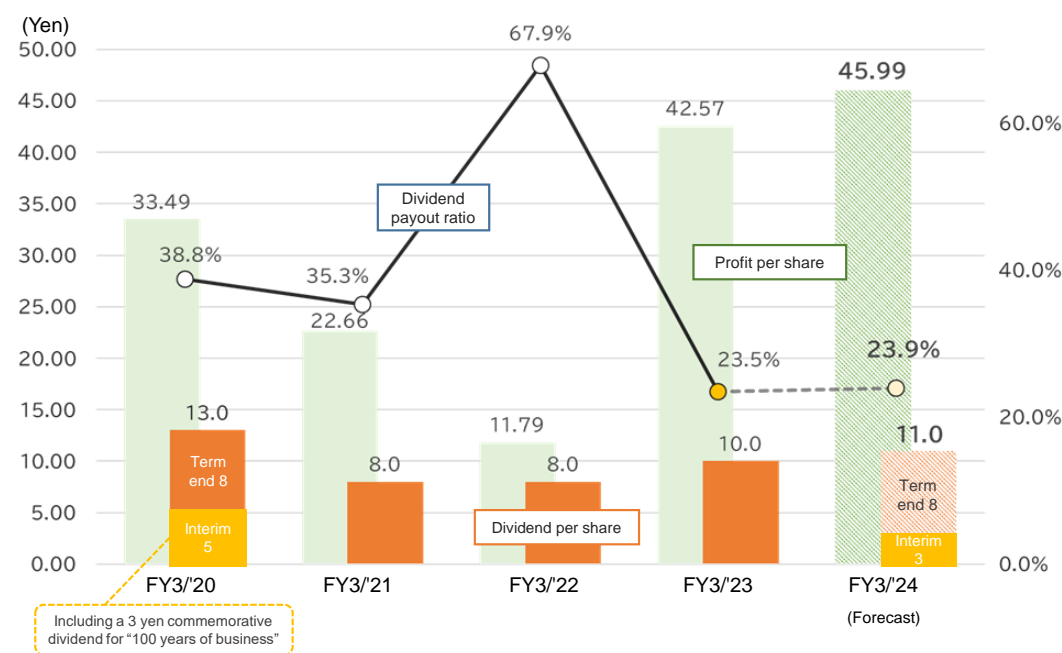
Points

- We expect net sales in both the second half and the full year plan to recover to the same level as the fiscal year ended March 2007, which was the highest since 2000.
- We will focus on the promotion of sales of new products launched last term and this term, and will strive for the improvement of revenue through the reduction of manufacturing costs and the efficient operation of SGA expenses.

The trends in results for the second half and the full year, and the forecast for the fiscal year ending March 2024 are as shown.

We are aiming for the achievement of consolidated full year net sales in the 100 billion yen range for the first time in 17 years and consolidated operating income of 4 billion yen, a target indicator in the Medium-Term Business Plan, by breaking away from the deflationary trend in construction materials.

Dividends (Consolidated Basis)



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With regard to dividends for the fiscal year ending March 2024, in addition to the interim dividend of 3 yen, we are planning a term end dividend of 8 yen per share for a combined annual dividend per share of 11 yen, taking our financial situation during the fiscal year as well as the medium to long-term business environment and investment policy into comprehensive consideration.

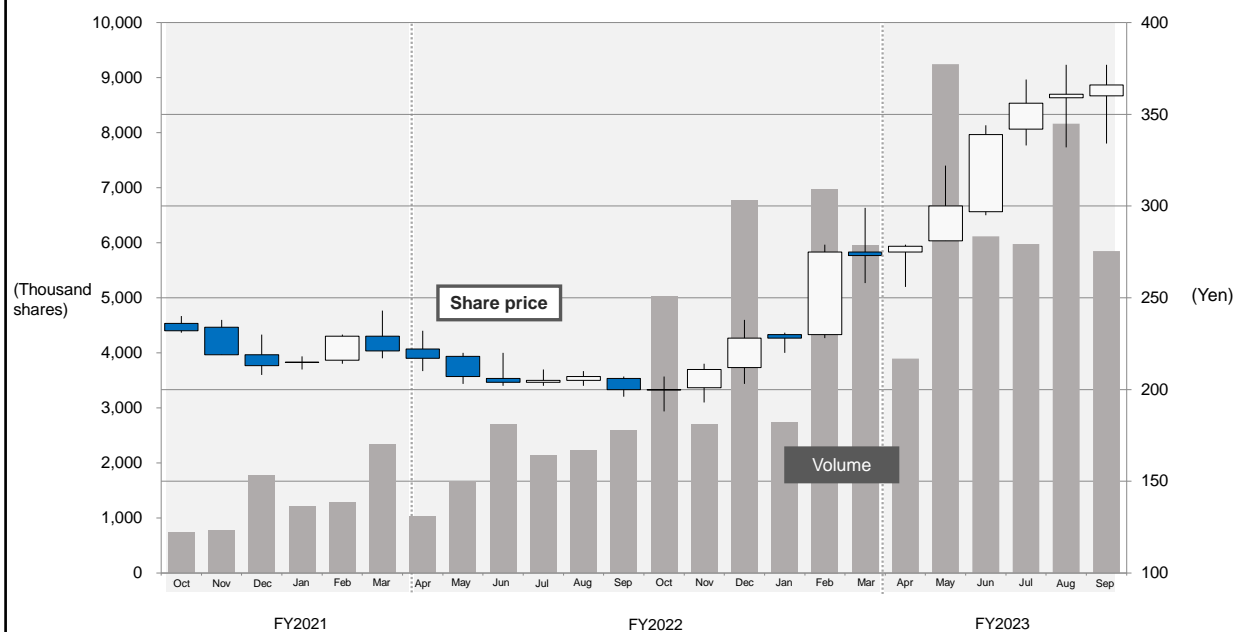


Stock-Related Information and Other Guidance

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Lastly, I will explain some stock-related information and other guidance.

Trends in Share Price and Trading Volume (Monthly Total)



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As you can see, our share price and monthly total trading volume are on an upward trend, along with liquidity.

Transition to the Standard Market

		Number of shareholders	Number of shares in circulation	Market capitalization of shares in circulation	Ratio of shares in circulation	Daily average trading value	
State of compliance of the company and trends	As of June 30, 2021 *1 (Transition base date)	7,004 people	326,022 units	8.1 billion yen	48.7%	17 million yen	
	As of September 30, 2023	10,364 people *2	345,620 units *2	12.2 billion yen *3	51.7% *2	92 million yen *4	
Standard for maintenance of listing on Prime Market		800 people	20,000 units	10 billion yen	35%	20 million yen	
		Number of shareholders	Number of shares in circulation	Market capitalization of shares in circulation	Ratio of shares in circulation	Average monthly trading volume	Net assets
Standard for maintenance of listing on Standard Market		400 people or more	2,000 units or more	1 billion yen or more	25% or more	10 units or more	Positive
State of compliance of the company	As of September 30, 2023	10,364 people *2	345,620 units *2	12.2 billion yen *3	51.7% *2	61,013 units *5	42.05 billion yen *6

^{*1} Calculations are based on the state of distribution of the company's share certificates, etc., as grasped by the Tokyo Stock Exchange as of the transition base date.

^{*2} Shown based on the state of distribution of the company's share certificates, etc., as of September 30, 2023.

^{*3} The market capitalization of shares in circulation has been calculated by multiplying the number of shares in circulation by the average daily closing price (353 yen) from July to September 2023.

^{*4} Average daily trading value is the average daily trading value from January to September 2023.

^{*5} Average monthly trading volume has been calculated by the company using trading volume in TSE trading sessions from July to September 2023.

^{*6} Amount of net assets (excluding non-controlling interests) shown as of September 30, 2023.

Points

- As a result of making efforts for the improvement of corporate value and market recognition, the company satisfies all of the Prime Market listing standards.
- As a result of repeated discussions from various perspectives, including the scale of the company's business and the progress of global operations, we have judged that it would be most appropriate to avoid the risk of delisting and to ensure an environment in which shareholders can hold and trade the shares of the company with peace of mind.
- Even after transitioning to the Standard Market, we will continue to work on the sustainable improvement of corporate value and the strengthening of our corporate governance framework, and will strengthen IR activities and implement flexible capital policies.

Continuing, I will report on our transition to the Standard Market.

The company has implemented various measures towards the improvement of corporate value and market recognition in order to meet the listing standards of the Prime Market.

As a result, we now meet all of the listing standards, including the market capitalization of shares in circulation.

However, based on the background of the recent market restructuring, and as a result of repeated careful discussions from various perspectives, including the scale of the company group's business and the state of progress globally, we have judged that it would be most appropriate to ensure an environment in which shareholders can hold and trade the shares of the company with peace of mind. Consequently, we resolved to transition to the Standard Market and will submit an application.

Even after the transition to the Standard Market, we will continue to strengthen our governance system to the same level as that required by companies listed on the Prime Market, and will aim for the promotion of positive IR activities and the improvement of corporate value.

Announcement of the publication of the “TOLI Group Integrated Report”

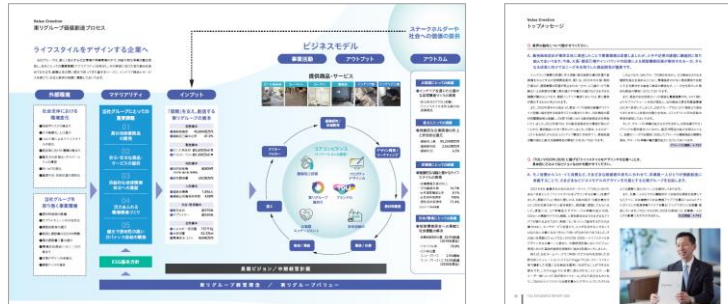
TOLI INTEGRATED REPORT 2023

東リグループ統合報告書



TOLI 東リ株式会社

- We strove to publish this integrated report, which is centered on the business report for fiscal year 2022, so that we could convey to all stakeholders including investors and employees in a way that is easy to understand our overall value creation process from the sources of our value creation to management strategies, including the philosophy and values cherished by the group.
- This is the first time that the group has published an integrated report so we have given it a careful and simple structure and tried to express our current situation as is without embellishment so that readers can glimpse the essence of the company group and deepen their understanding of it.



* The English version is scheduled for disclosure in January 2024. Please take a look.

Finally, I will introduce the publication of our integrated report.

Partly because this is the first edition, we gave the report a careful and simple structure, and tried to express our current situation as is so that readers can understand the essence of the TOLI Group.

The integrated report is also available on our website so please take a look.

Thank you very much for your attention



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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.

We assume that this document is used at your own discretion and responsibility for any purpose, and we assume no liability under any circumstances.

That concludes the presentation of our financial results for the second quarter of the fiscal year ending March 2024.

We will continue to make efforts to disclose information related to our business strategy from a medium- to long-term perspective based on the Medium-Term Business Plan.

We look forward to your continued guidance and encouragement.

Thank you very much for your attention.