

TOLI Corporation CSR Report 2022



This report is also available in the below website.
<https://toli-overseas.com/>

TOLI Corporation

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<https://toli-overseas.com/>

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TOLI Corporation



SMILE with TOLI interior

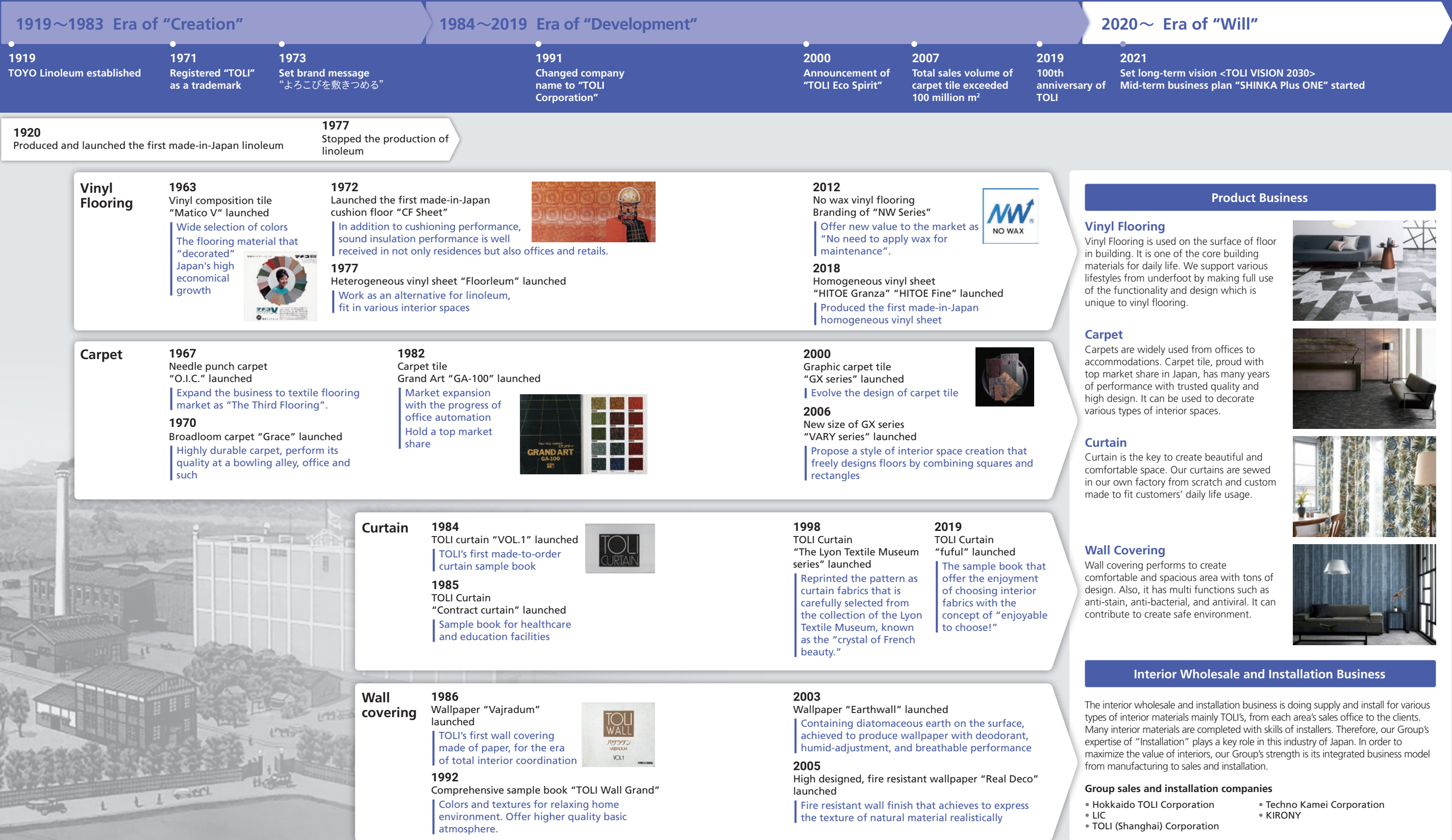
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Editorial Policy	To report TOLI Group's basic approach and specific initiatives for CSR to all stakeholders.
Period	From April 2021 to March 2022 Some information are not from this period.
Photographs	Some photographs are not from this period.
Referred guideline	ISO26000
Date of issue	October 2022
Special notes on forecast	This report contains a lot of information including future plan, strategy, forecast and such. They are based on the past fact and current accessible information and subject to change due to future economical condition, external factors around TOLI and such.
Company Information	TOLI discloses the company profile in "COMPANY", and management information in "NEWS & EVENT" in website.
Company Profile	https://toli-overseas.com/profile/
INVESTOR RELATIONS	https://toli-overseas.com/financial/

Corporate Data (as of 23rd June 2022)	
Registered company name	TOLI Corporation
Established	1st December 1919
Paid-in Capital	JPY6,855 million
Headquarters	5-125, Higashi-Arioka, Itami City, Hyogo Prefecture, Japan
Tokyo Head Office	2-10-4, Higashi-Shinbashi, Minato-ku, Tokyo, Japan
Factories	Itami, Atsugi
Showrooms	Sapporo, Tokyo, Nagoya, Osaka, Okayama, Takamatsu, Fukuoka
Sales Offices	Sapporo, Sendai, Morioka, Koriyama, Niigata, Nagano, Tokyo, Omiya, Chiba, Mito, Hachioji, Yokohama, Nagoya, Shizuoka, Kanazawa, Osaka, Kyoto, Kobe, Okayama, Hiroshima, Takamatsu, Matsuyama, Fukuoka, Kitakyushu, Kagoshima, Okinawa

History of TOLI Group



Value Chain and TOLI's Strengths

Our Group's strength is integrated service based on a century history. We have been accumulating "Trust and Technology", implementing the plan, design, production, sales, logistic, installation, and follow-up as TOLI Group, matching various kinds of needs.

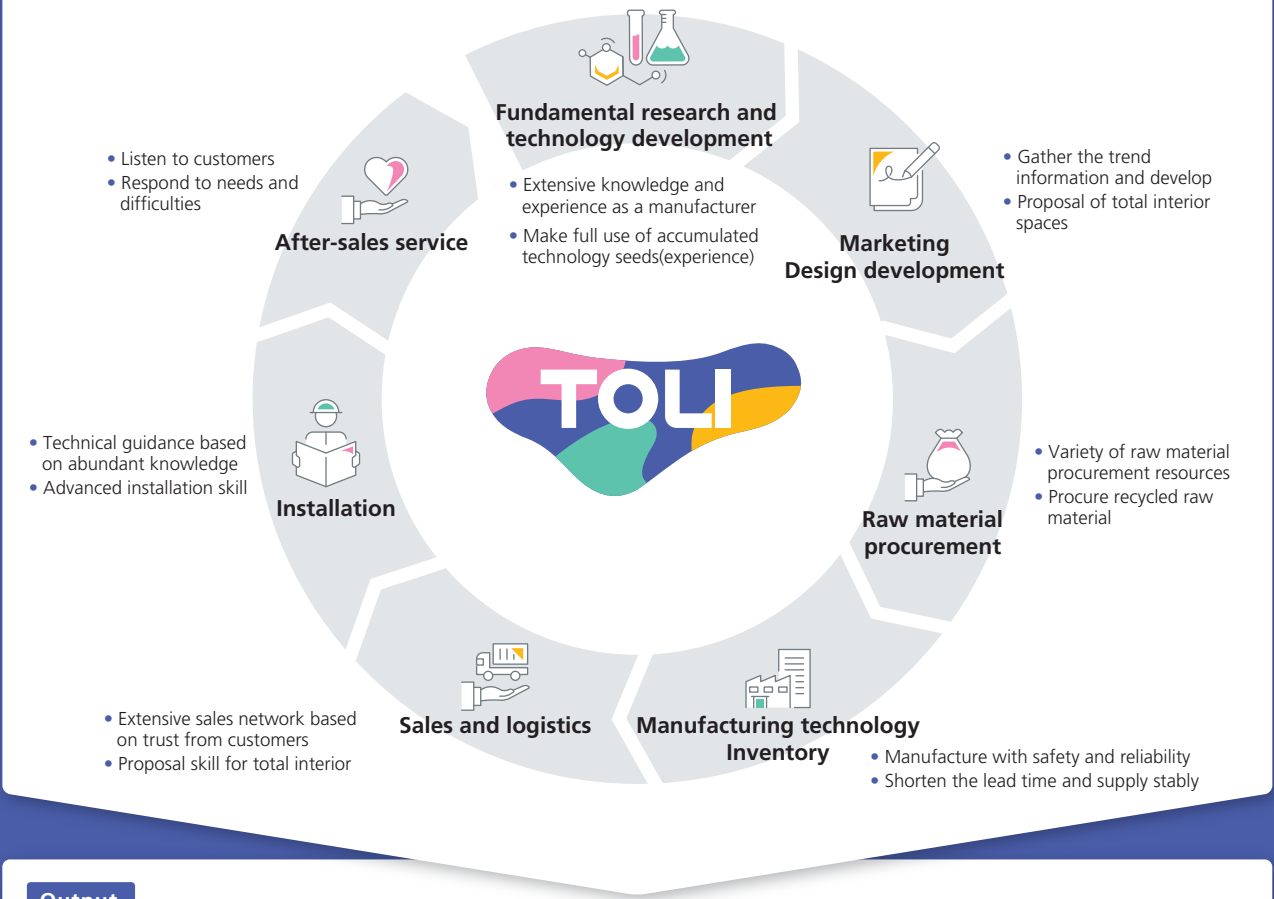
TOLI Group Management Philosophy

We, in response to the **Trust** in our business, will keep creating new value that contributes to the creation of the positive space and environment for the people in the world.

TOLI Group Value

- We build our credibility through "Reliable Quality and Technology".
- We keep the co-creation spirit through "Product Development from the Customer's Standpoint".
- We aim to "Evolve from Global Perspectives".

Value Chain

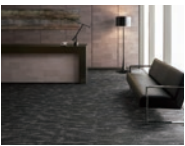


Output

Product Business



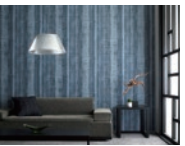
Vinyl Flooring



Carpet








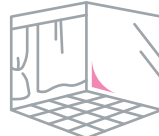





Curtain



Wall Covering

Interior Wholesale and Installation Business

TOLI Group with Numbers

<p>Business activities with more than century history</p> <p>Established at</p> <p>1919</p> 	<p>Number of employees</p> <table><tr><td>Consolidated</td><td>Non-consolidated</td></tr><tr><td>1,891</td><td>900</td></tr></table> <p>(264 female employees on a non-consolidated basis)</p> <p>As of the end of June 2022</p>	Consolidated	Non-consolidated	1,891	900		
Consolidated	Non-consolidated						
1,891	900						
<p>Accumulated technology performance and designs</p> <p>Intellectual Property Rights (Patents, design rights, trademarks)</p> <p>Approx. 800</p> 	<p>Specialized staff supporting manufacturing</p> <table><tr><td>Technology development staffs for vinyl flooring and carpet</td><td>In-house designer</td></tr><tr><td>59</td><td>40</td></tr></table>  <p>As of the end of March 2022</p>	Technology development staffs for vinyl flooring and carpet	In-house designer	59	40		
Technology development staffs for vinyl flooring and carpet	In-house designer						
59	40						
<p>Investment for technology</p> <p>Invested amount</p> <p>Approx. JPY 3.8 billion</p>  <p>FY2021, as a Group</p>	<p>Vinyl flooring and carpet tile production capability</p> <table><tr><td>Carpet tile Production volume</td><td>Approx. 13 million m²/year</td></tr><tr><td>Vinyl tile Production volume</td><td>Approx. 9 million m²/year</td></tr><tr><td>Vinyl Sheet Production volume</td><td>Approx. 9 million m/year</td></tr></table> 	Carpet tile Production volume	Approx. 13 million m ² /year	Vinyl tile Production volume	Approx. 9 million m ² /year	Vinyl Sheet Production volume	Approx. 9 million m/year
Carpet tile Production volume	Approx. 13 million m ² /year						
Vinyl tile Production volume	Approx. 9 million m ² /year						
Vinyl Sheet Production volume	Approx. 9 million m/year						
<p>Variety of products</p> <p>Number of items</p> <p>Approx. 7,300</p>  <p>Contained in TOLI general catalogue, as of the end of September 2022</p>	<p>Develop green products</p> <p>Number of environmental friendly products</p> <p>Approx. 3,500</p>  <p>Contained in TOLI general catalogue, as of the end of September 2022</p>						
<p>Strong domestic sales network</p> <p>Number of customers</p> <p>Approx. 370 companies</p>  <p>Distributors and agents</p>	<p>Overseas sales network</p> <p>Overseas distributors</p> <table><tr><td>20 countries and regions</td><td>27 companies</td></tr></table>  <p>As of the end of August 2022</p>	20 countries and regions	27 companies				
20 countries and regions	27 companies						
<p>Sales offices, logistic network</p> <table><tr><td>Domestic sales office*</td><td>Domestic logistic center</td></tr><tr><td>42</td><td>13</td></tr></table>  <p>* Non-consolidated</p>	Domestic sales office*	Domestic logistic center	42	13	<p>Solid financial base</p> <p>Equity ratio</p> <p>47.5 %</p>  <p>As of the end of March 2022</p>		
Domestic sales office*	Domestic logistic center						
42	13						

TOLI Group will keep creating new value that contributes to the creation of the positive space and environment

For our ideal situation in 2030

Evolution to a Lifestyle Design Company

Our group started the operation in 1919, as a first manufacturer of linoleum in oriental region. Since then, we have been driving our business activities in order to create positive interior space. We have been offering new values, expanding our business segments with products such as vinyl flooring, carpet, curtain, and wall covering. In recent years, a chaotic situation in the world makes us difficult to forecast. The business environment has been changing much faster than we have experienced, like climate change, pandemic, and higher geopolitical risk. In order to contribute to the realization of the sustainable society through our interior business, we have set the ideal situation for 2030 as **<TOLI VISION 2030> “~Evolution to a Lifestyle Design Company~”**. With the legacy and accumulated reliability of more than a century history, we will keep offering pleasant lifestyle to the world by creating essential new values.

In **<TOLI VISION 2030>**, we set 3 basic policies of **SHINKA (Evolution, Deepening, Real value)**. Especially in “real value”, we have decided to focus on improving our company’s value centering “human”, promoting social contribution activities. For the achievement of long-term vision, we will implement the mid-term management plan phase by phase. We will connect our Group’s evolving to the realization of sustainable society, balancing enlargement of our economical value in the business and our social value.



Motohiro Nagashima
President and
Representative Director

Positioning of CSR Activities in the Mid-Term Business Plan

Challenge to the drastic business condition changes, implement each initiative one by one.

The first fiscal year (FY2021) of the first phase and the mid-term business plan “SHINKA Plus ONE” toward the long-term vision **<TOLI VISION 2030>** was a difficult year, including the prolonged COVID-19 pandemic as well as global supply chain disruptions and hike of raw material prices. Even under such circumstances, we regard corporate social responsibilities (CSR) as our top priority to work on the first. Specifically, we are focusing our efforts on enhancing social sustainability through manufacturing, including the expansion of carpet tile complete recycling and the full-scale operation of in-house spun solution dyed yarn facilities for carpet tile.

“Integrate the resolution of social issues into business activities”, which is the key of CSR activities is not carried out by a specific department or person only. We will strengthen our organizational driving force that leads to solutions while sharing awareness of problems, respecting the accumulation of small things, such as a proposal system from employees.

Initiatives for the achievement of social sustainability

Versatile initiatives and innovations toward “Future Growth and Reliability”

Among CSR activities aimed at realizing a sustainable society, our Group efforts to reduce environmental impact are positioned as the most important initiative. We recognize that our business activities that lead to global environmental protection are our responsibility as a manufacturing company, and we will further improve our accumulated technologies and know-how. The key management indicators of these efforts are the improvement of the recycling rate and the reduction of industrial waste emissions in our business activities. The origin of our foundation, 135 years ago

(1887), is the production of “Yutaka Fabric,” which is made by recycling rice straw, which had been largely disposed. Today, we are reusing vinyl sheets for agricultural purposes and such for recycled material of vinyl flooring. We are working to reduce in-plant waste using carpet tile recycling plants, collect wastages from the market proactively, and develop environmentally friendly products. We will make steady progress in our business activities that lead to global environmental preservation, with our corporate identity being environmentally friendly since our establishment.

Efforts to protect the global environment toward the future, such as the climate change response issues related to energy measures in various countries around the world, have just begun. Challenges toward carbon neutrality, which will advance toward 2050, require initiatives and technological innovation from a variety of perspectives. We will actively take up the challenge with our belief that we can acquire “Future Growth and Reliability” only by repeating trial and error and working with a forward-looking attitude to innovation.

In order to achieve that, it is important that each employee constantly needs to be able to identify each issue and have a sense of ownership. We will strive to improve sustainability by making steady step-by-step progress as a Group.

Our first priority is to contribute to a hopeful future for all stakeholders involved in our business activities, and our various efforts are reported in TOLI CSR Report. We will strive for a group-wide CSR program to gain the further reliability from all.

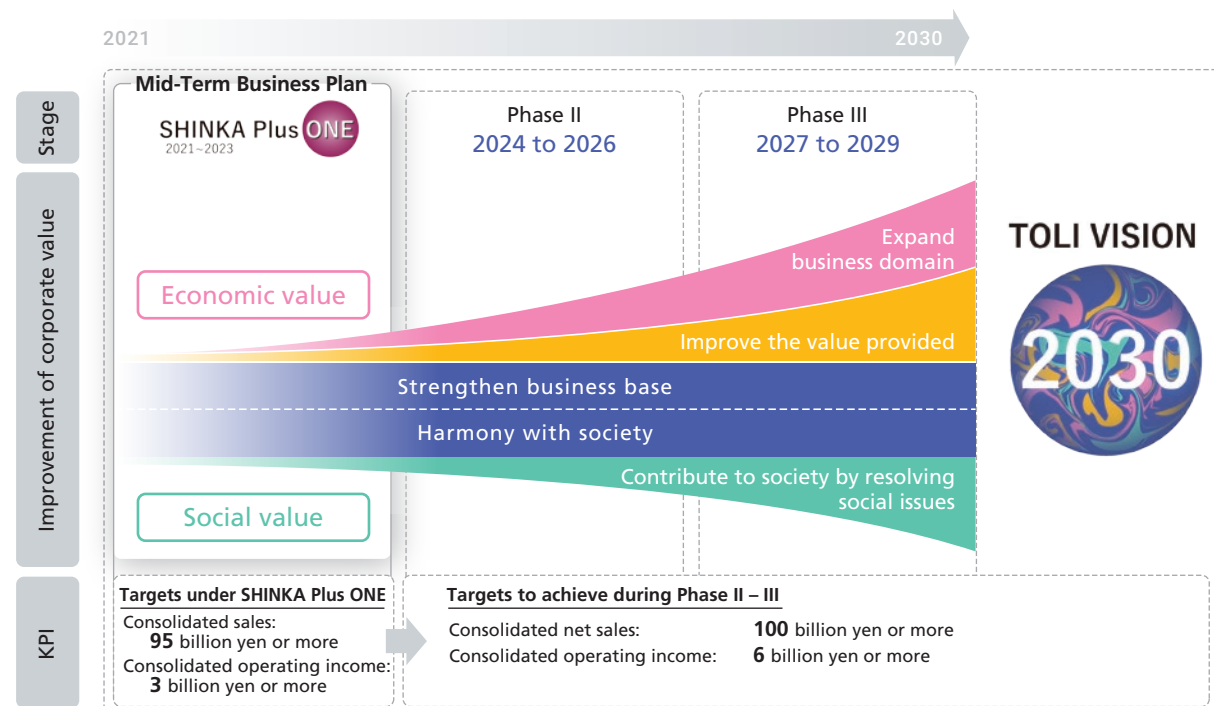
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Motohiro Nagashima
President and
Representative Director

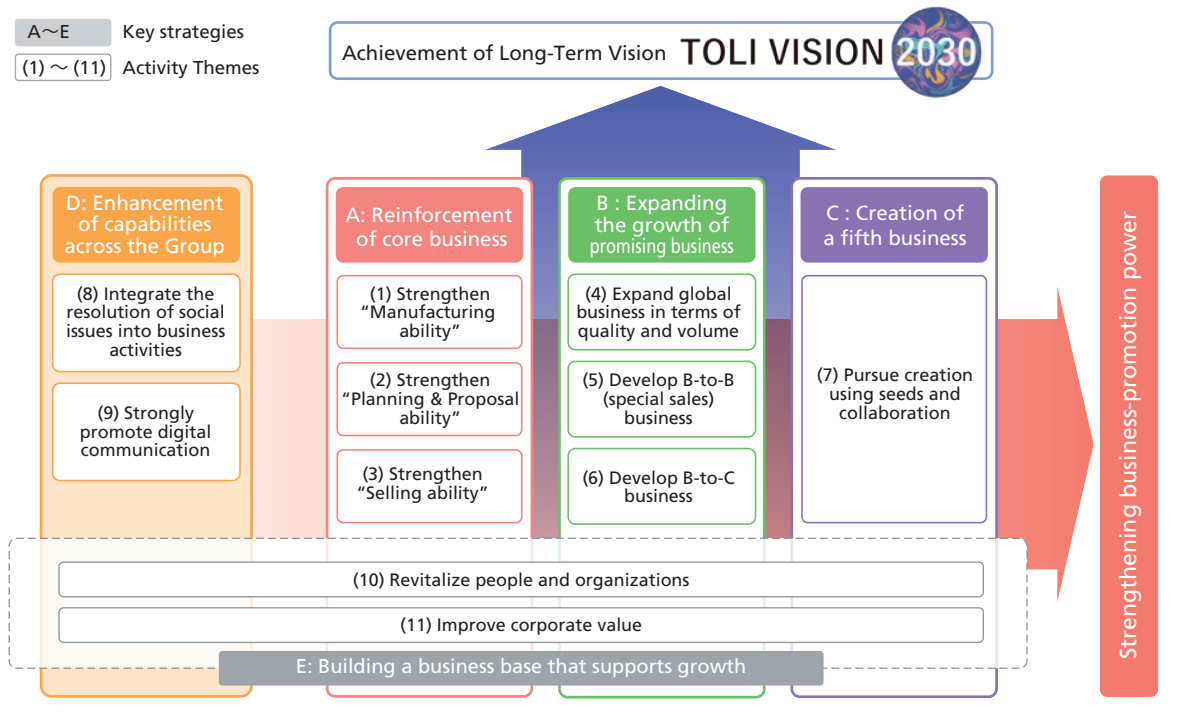
TOLI VISION 2030

Evolution to a Lifestyle Design Company

Growing Image to Achieve Long-Term Vision



Mid-Term Business Plan "SHINKA Plus ONE"



Key Progress Reports under the Mid-Term Business Plan "SHINKA Plus ONE"

Key strategies A: Reinforcement of core business

A-(1) Strengthen "Manufacturing ability"

As one measure to strengthen the supply chain, we are promoting efforts to internalize upstream technologies. In FY2021, we began full-scale operation of a spinning facility for solution dyed nylon used in carpet tile, and started using our yarn in our flagship products. We will continue to strengthen our efforts for further technological innovation and stable supply of products. (P.25)

Key strategies B: Expanding the growth of promising business

B-(5) Develop B-to-B (special sales) business

In order to develop new markets, the "Connect Mat", a floor mat exclusively for volleyball games, which was jointly developed with the Japan Volleyball League Organization (hereinafter referred to as the V-League Organization), was used in some of the "2021-22 V.LEAGUE" games. It can be quickly laid and repeatedly used in gymnasiums, and was highly evaluated by the supervisors and athletes of the various teams. It was also appointed to be used in 2022-23 V. LEAGUE, which began in October 2022. In the future, we will focus on recycling this to new flooring materials after the season ends, and will also contribute to the sustainable efforts of the V-league Organization.

Key strategies C: Creation of a fifth business

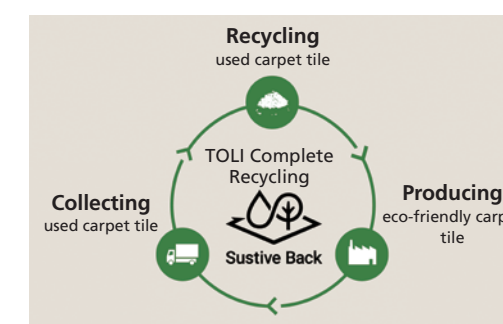
C-(7) Pursue creation using seeds and collaboration

To achieve sustainable growth, it is essential to create a fifth business after vinyl flooring, carpet, wall finishing, and curtain. We have been researching a variety of themes through industry-academia and industry collaborations. Neither theme can be achieved independently, and we will link our technology with external technologies and ideas to improve the level of existing products and create new values. Even if it is a small success, we will accumulate successful cases and lead them to the creation of the fifth business.

Key strategies D: Enhancement of capabilities across the Group

D-(8) Integrate the resolution of social issues into business activities

Our Group has been working to recycle own products in order to realize a recycling-oriented society. In FY2021, we developed a technology to recycle 100% of used carpet tile and began a full-scale operation of TOLI Complete Recycling. (P.17)



TOLI Complete Recycling

Key strategies E: Building a business base that supports growth

E-(10) Revitalize people and organizations

In FY2020, we started "NexT Project", a proposal based activity aiming at enhancement of employees' engagement. 3 proposal have already been made to management through these project activities. Recategorization of homogeneous vinyl tile products in FY2022 was a proposal from "NexT project". These series was reborn as attractive categories from a new perspective. (P.24)

CSR Management

Approach to CSR

We regard “trust” with our various stakeholders, which has been built over a century of history, as the most important asset of the company. We are promoting social responsibility initiatives such as compliance, governance, global environmental conservation, and quality control.

In particular, as a responsibility of a manufacturing company, we aim to contribute to the creation of positive space and environment for people in the world by refining a variety of technologies that contribute to society, including the reduction of environmental impact, and promoting business activities based on reliable world-class quality and technology.

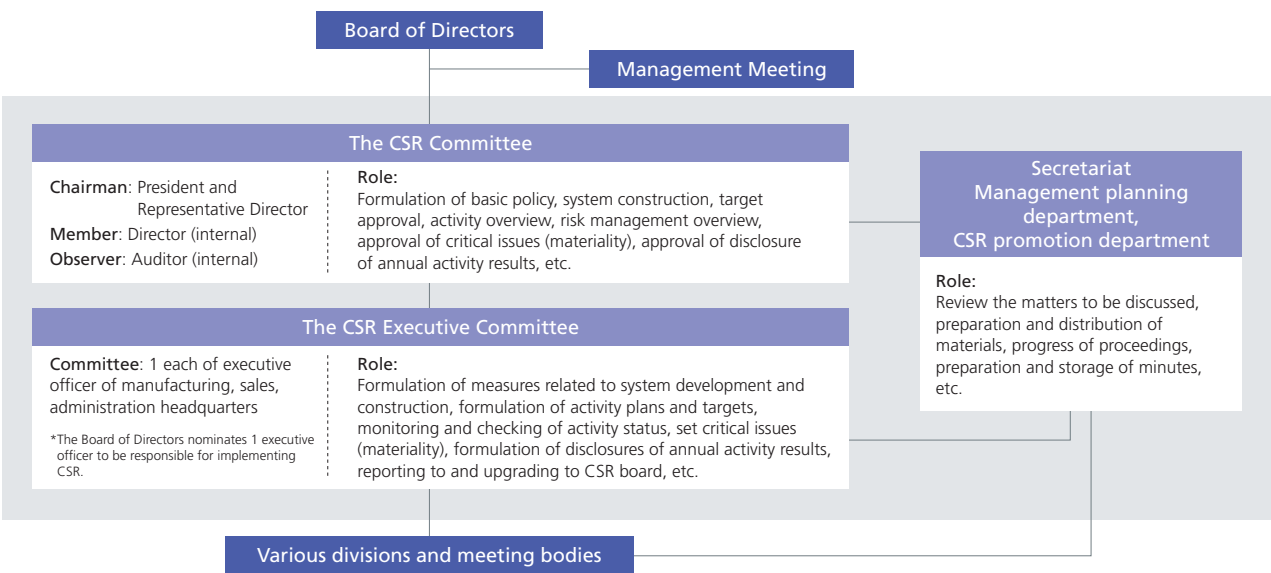
We will continue to strive to be a company trusted by all stakeholders, working on initiatives toward “Integrating solving social issues and business activities” and contributing to the creation of a society capable of sustainable development.

CSR Policy



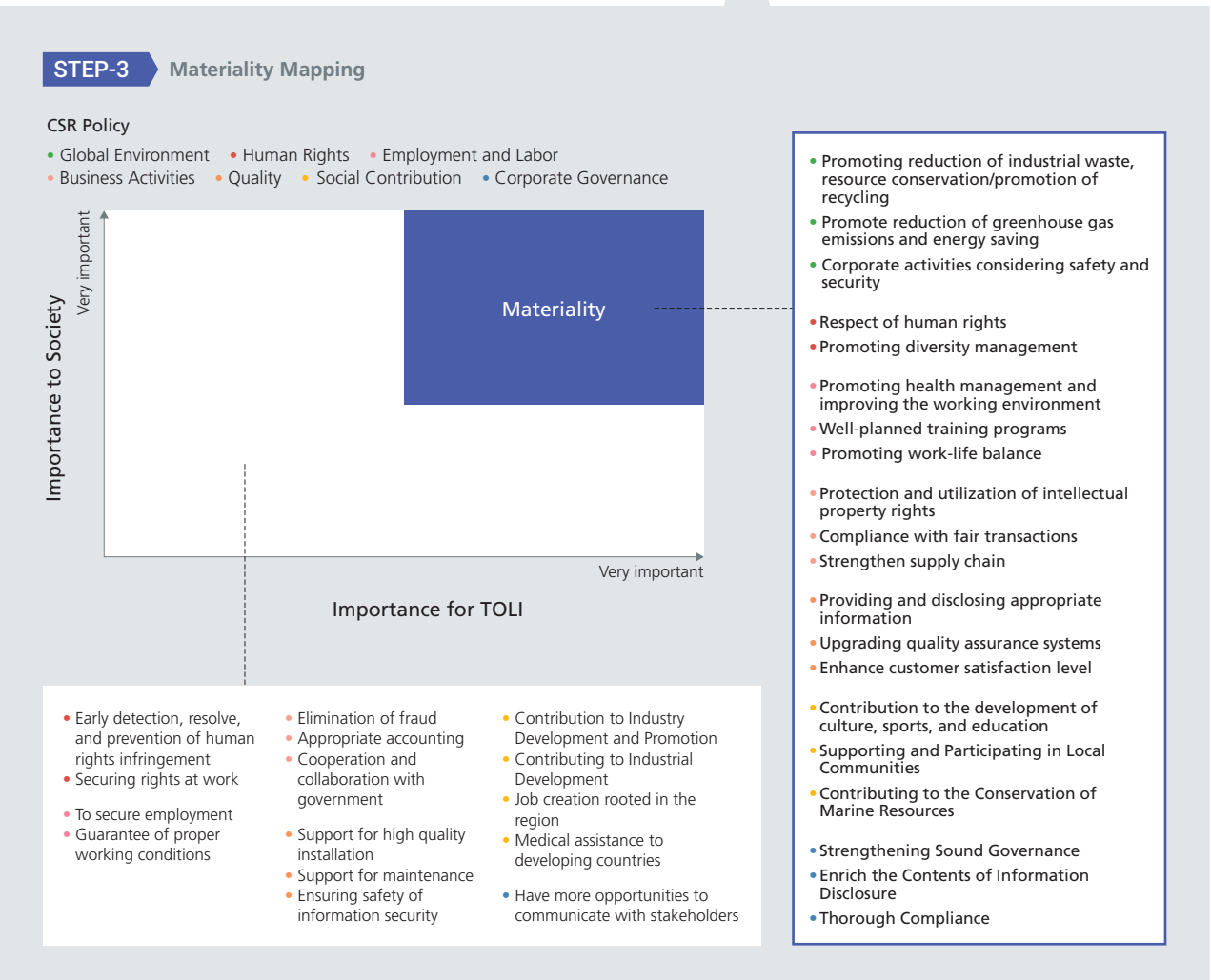
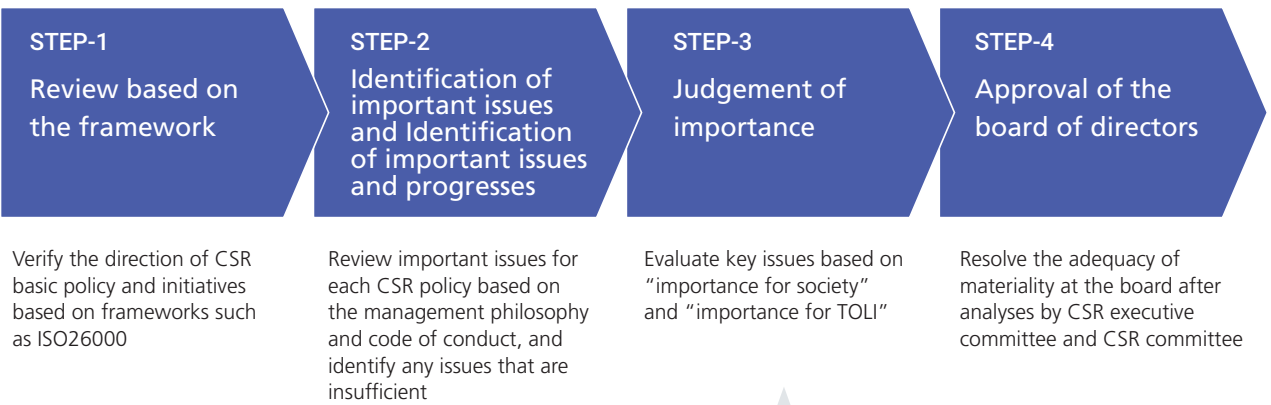
CSR Promotion System

In order to enhance our CSR activities, we have set the structure as follows; CSR Committee (The chairman is the president) and CSR Executive Committee which covers actual activities. CSR Executive Committee is organized by executive officers of sales, manufacturing, and administration. In addition, in April 2022, we appointed one Climate Change Response Project Manager from a member of CSR Committee in order to strengthen the Group's measures to cope with climate change.


















Process of Identifying Materiality

Materiality is an important issue that we prioritize in our efforts to achieve a sustainable society by not only expanding economic value but also achieving compatibility with the expansion of social value. Through our business activities, we will build relationships of trust with our stakeholders and aim to achieve these important issues.



Materiality and Achievement/Progress

ESG	CSR Policy	Materiality	Our Major Initiatives	Related SDGs	Targets (as of the end of FY2021)	Achievement and Progress (FY2021)
<div>Environment</div> 	• Global Environment	Promoting Reduction of Industrial Waste, Resource Conservation/Promotion of Recycling	<ul style="list-style-type: none">Promoting Recycling in Business ActivitiesImproving Recycling RatesReduction of Industrial Waste in Business Activities	   	By FY2023 <ul style="list-style-type: none">Recycling rate to be 85% or higherReduce industrial waste output by 40% or more (compared to FY2019) By FY2030 <ul style="list-style-type: none">Recycling rate to be 90% or higherReduce industrial waste by 60% or more (compared to FY2019)	<ul style="list-style-type: none">Recycling rate 73.0%Industrial waste output +0% (compared to FY2019)
		Promote Reduction of Greenhouse Gas Emissions and Energy Saving	<ul style="list-style-type: none">Promote Reduction of Greenhouse Gas Emissions and Energy Saving Throughout the Supply ChainDevelopment and supplying of eco-friendly products and services	   	By FY2030 <ul style="list-style-type: none">Scope 1,2 reduce 30% (compared to FY2020)	<ul style="list-style-type: none">Scope 1,2 7.2% increase (compared to FY2020)
		Corporate Activities Considering Safety and Security	<ul style="list-style-type: none">Consideration for the indoor air environmentPromoting Environmental Globalization	   	<ul style="list-style-type: none">Promote the collection of information on domestic and overseas chemical substances and prompt response	<ul style="list-style-type: none">Understanding and responding to domestic and overseas regulatory trendsMaintain ISO14001 certification in FY2021Applied for ECOLEAF certification for carpet tile using eco friendly backing "Sustive Back"
<div>Society</div> 	• Human Rights	Respect for Human Rights	<ul style="list-style-type: none">Elimination of human right infringement in the course of raw material procurementSet interview manuals	 	<ul style="list-style-type: none">Survey on actual conditions by questionnaires to suppliersContinue to update interview manual	<ul style="list-style-type: none">Implementation of interviews with major suppliersRenewal of interview manual
		Promoting Diversity Management	<ul style="list-style-type: none">Continuous Efforts for Employing People with DisabilitiesActive promotion of female managers	  	<ul style="list-style-type: none">Achieving a statutory employment rate of 2.3% for disabled employeesRatio of female managers: 10% or more	<ul style="list-style-type: none">Disabilities employment rate: 1.8%Ratio of female managers: 11%
	• Employment and Labor	Promoting Health Management and Improving the Working Environment	<ul style="list-style-type: none">Regular meetings of the Safety and Health Committee and the reduction of occupational accidentsReduction of vehicle accidents, guidance for safe driving	 	<ul style="list-style-type: none">Continuing to be smoke free in the headquarters buildingAutomatic brake installation in company vehicles: 100%	<ul style="list-style-type: none">Maintained to be a smoke free building in the headquartersAutomatic brake installation in company vehicles: 97%
		Well-planned Training Programs	<ul style="list-style-type: none">Establishment and continuous operation of education systems by level and job typeSelf-enrichment through support for obtaining official qualifications and correspondence courses	 	<ul style="list-style-type: none">Training satisfaction and effectiveness: 4.0 points or more (out of 5.0)Complete rate of correspondence courses: 80% or more	<ul style="list-style-type: none">4.4 points in courses by level (165 participants), 4.6 by job type (66), 4.2 in public courses (108)Complete rate of correspondence courses: 80.7%
		Promoting Work-Life Balance	<ul style="list-style-type: none">Promoting TOLI work stylesSet and and utilization of childcare leave that exceed the statutory requirements.	 	<ul style="list-style-type: none">Reduce overtime work - 10hours/month (compared to FY2018)Obtain "TOMONIN", work-nurse-balanced company certificationEncouraging male employees to take "paternity" leave	<ul style="list-style-type: none">Reduced overtime work: 3.9hours/month (compared to FY2018)Set the childcare leave policy and target at 20% to take paternity care leave for male employees.
	• Business Activities	Protection and Utilization of Intellectual Property Rights	<ul style="list-style-type: none">Set Award System for Invention by EmployeesHold study sessions on intellectual property rights for engineers and marketers		<ul style="list-style-type: none">Hold intellectual property evaluation committee meetings	<ul style="list-style-type: none">Rewards for 3 patents and 6 design rights registration3 training sessions, 11 participants
		Compliance with Fair Transactions	<ul style="list-style-type: none">Continuous learning and training opportunity (Training for Antimonopoly Law, Compliance, etc.)Consider setting up the new methods to communicate with suppliers		<ul style="list-style-type: none">Continuous Implementation of (Japan's) Antimonopoly Act training	<ul style="list-style-type: none">Implementation of (Japan's) Antimonopoly Act trainingPost Compliance Study Mail Magazine - 5times/year
		Strengthen Supply Chain	<ul style="list-style-type: none">Product development assuming multiple procurement resources or specification changes to substitutes		<ul style="list-style-type: none">Keep Scheduled Progress of Long-term Repair Plan	<ul style="list-style-type: none">Scheduled Progress of Long-term Repair Plan
	• Quality	Providing and Disclosing Appropriate Information	<ul style="list-style-type: none">Disclosing Appropriate Information on Product Quality and SafetyResponding to Digital Contents	   	<ul style="list-style-type: none">Hold Technical Data Committee Meeting and the Environmental and Safety Committee MeetingExpansion of digitalization and Enhancing Content	<ul style="list-style-type: none">4 Technical Data Committee Sessions and 4 Environmental Safety Committee SessionsReleased AI Simulator "Image Fit", Hold Virtual New Product Exhibition
		Upgrading Quality Assurance Systems	<ul style="list-style-type: none">Product Design and Review that Ensures Safety and SecurityPromote Quality Maintenance and Improvement through Quality Meetings	 	<ul style="list-style-type: none">Continue to Conduct Design Reviews When Developing New Products or Changing DesignsReduce Product Complaints, Improve Existing Products Quality	<ul style="list-style-type: none">More than 30 Cases Implemented as Final Design ReviewsConducted Monthly Quality Meetings at Each Major Factory
		Enhance Customer Satisfaction Level	<ul style="list-style-type: none">Improve the Level of Planning and Development DesignGrasping Consumer Needs by Customer Call Center	  	<ul style="list-style-type: none">Strengthen Marketing Abilities in Response to Market NeedsContinue Appropriate Response to Customer's Point of View	<ul style="list-style-type: none">Developed GA3600 Sustive Back and Toughtec TileMore than 9000 Inquiries to the Customer Call Center
	• Social Contribution	Contribution to the Development of Culture, Sports, and Education	<ul style="list-style-type: none">Utilization of TOLI Interior History Museum in the Local AreaContribute to Sports and Culture by Utilizing Unique TechnologiesSupport the Activities of Cultural and Artistic Organizations	  	<ul style="list-style-type: none">Participation in Cultural Events in the Hanshin Region (in between Osaka and Kobe) Using the TOLI Interior History MuseumIncrease the Opportunities to Use V-League "Connect Mat"Support the Activities of the "Matsuyama Ballet"	<ul style="list-style-type: none">Participated in the 2021 Hanshin Area Open Museum Event (Free Entry Fair)Started sales of V-League "Connect Mat"Sponsorship of the "Matsuyama Ballet" Memorial PerformanceProvided Vinyl Sheet for Stage
		Supporting and Participating in Local Communities Activities	<ul style="list-style-type: none">Cooperate with the activities of the Japanese Red Cross SocietyParticipate in Operation of Itami Tourism Products Association	 	<ul style="list-style-type: none">Support the Victims of Severe DisastersParticipate in "TRY-YARU week", Workplace Experience Program for Junior High School Students	<ul style="list-style-type: none">Donated to the Relief Fund for Large-Scale Heavy Rainfall DisastersTook Roles of Supervision and Accounting Audit of Itami Tourism Products Association
		Contributing to the Conservation of Marine Resources	<ul style="list-style-type: none">Activities to Reduce Marine Plastic PollutionMarine Resource Conservation Activities	  	<ul style="list-style-type: none">Conduct Regular Cleaning Activities Around Neighboring RiversSupply Sustainable Seafood in Headquarters Cafeteria	<ul style="list-style-type: none">Implemented "Mogawa River Clean Activities" in Spring and AutumnSupplied Sustainable Seafood Once a Month
<div>Governance</div> 	• Corporate Governance	Strengthening Sound Governance	<ul style="list-style-type: none">Set Basic Approach to Corporate GovernanceAnalyse and evaluate the effectiveness of the board of directors		<ul style="list-style-type: none">Continue the Analysis and Evaluation of the Effectiveness of Board of Directors Meeting	<ul style="list-style-type: none">Disclosed the Results of the Analysis and Evaluation of the Effectiveness of Board of Directors Meeting
		Enrich the Contents of Information Disclosure	<ul style="list-style-type: none">Set "TOLI Disclosure Policy"Active Disclosure through Website, Corporate Governance Report, Securities Report, etc.		<ul style="list-style-type: none">Enrich the information Disclosure related to CSR and Corporate Governance Code	<ul style="list-style-type: none">CSR report publishedInformation Disclosure based on Recommendations of TCFD
		Thorough Compliance	<ul style="list-style-type: none">Set and Disseminate Code of Conduct, etcEstablishment and Operation of Whistleblowing Hotline		<ul style="list-style-type: none">Continue the Annual Reading of Code of ConductContinue the Operation of Whistleblowing Hotline	<ul style="list-style-type: none">Implemented the reading of Code of ConductOperate Whistleblowing Hotline



Global Environment

Recognizing that global environmental conservation is an important issue for all human beings, we will work to reduce the environmental impact of our business activities and aim to contribute to a sustainable society.

- Establishment of Circular Economy-type Business Activities → P.16
- Environmental Index Progress → P.18
- Information Disclosure and Response Based on TCFD Recommendations → P.20

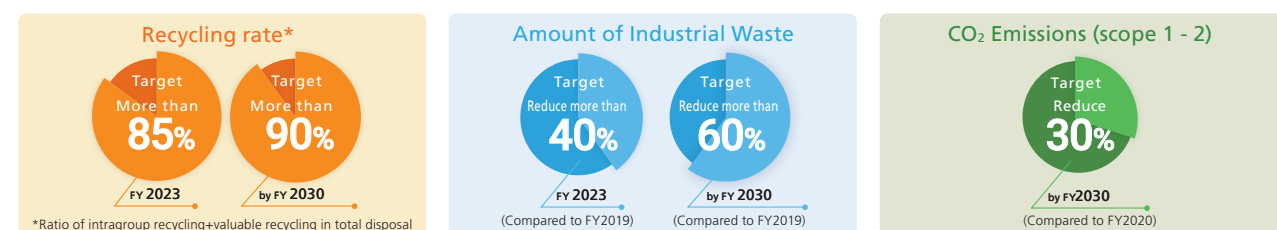


Environmental Activities Guidelines

1. We will actively engage in products and services which are eco-friendly designed, safe and secure to use.
2. We will continuously strive to conserve energy, resources, and recycle.
3. We will comply with environmental laws and regulations and fulfill our corporate social responsibilities.
4. We will set environmental targets and strive to utilize the environmental management system and achieve targets.
5. We will regularly disclose our environmental policy, environmental activities guidelines, and the results of our initiatives.

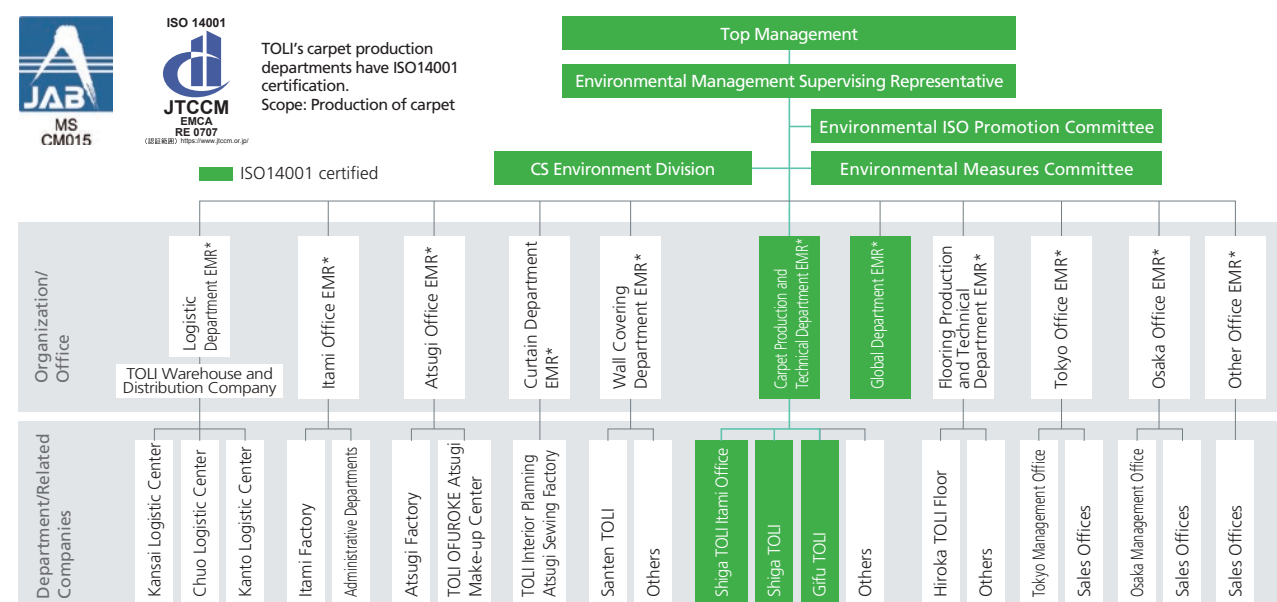


Environmental Index and Targets



Environmental Management Promotion System

Our Group promotes efforts to reduce environmental impact in each department under an environmental management system headed by top management. The Carpet-Production department has also obtained ISO14001 (International Standard for Environmental Management Systems) certification.



* Environmental Management Representative

Establishment of Circular Economy-type Business Activities

Our Group aims to build a Circular Economy-type business activity, and we will contribute to the reduction of environmental impact and actively work for the sound growth of the Group.

Efforts toward Establishment (1)

<Carpet Tile Recycling Plant -from introduction to full operation>

In 2021, Shiga TOLI, the main manufacturing factory of carpet tile introduced "Carpet Tile Recycling Plant".

The pile part (surface fiber layer) and the backing layer of the carpet tile are processed into recycled chips without separating. Recycled chips are reused as part of the backing layer of carpet tile.

From FY2022 onwards, it is planned to do full operation. In addition to recycling of discarded materials such as leftover materials within the Group, we will also expand the collection and disposal of municipal waste materials using the (Japan's) wide-area certification system, thereby contributing to the reduction of environmental impact.

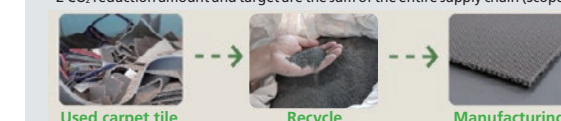


Amount of Reduction of Industrial Waste/Reduction of CO₂ Emissions*2

	FY 2021	FY 2022
Amount of Reduction of Industrial Waste	Approx. 700 t	Target: Approx. 2,300 t *1
Reduction of CO ₂ Emissions *2	Approx. 930 t-CO₂	Target: Approx. 2,500 t-CO₂

*1 Including disposal of waste from the market

*2 CO₂ reduction amount and target are the sum of the entire supply chain (Scope 1 - 3)



Efforts toward Establishment (2)

<Expansion of products using recycled materials>

Our group is promoting the expansion of the use of recycled materials to reduce industrial waste.

We contribute to the reduction of industrial waste by establishing a manufacturing technology that reuses vinyl resins from used PVC in agricultural greenhouse as a part of raw materials and using them at a certain rate. This is one of the major activities and we established this technology more than 40 years ago.

Agricultural vinyl used in greenhouse cultivation, etc.

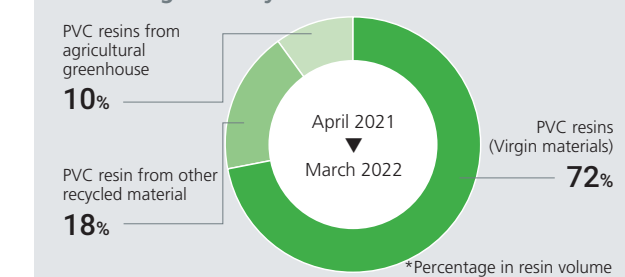


<PVC: Recycle Contents>

The percentage of recycled PVC in FY2021 was 28% (10%: PVC from agricultural greenhouse, 18%: Other recycled materials).

Our group is not limited to the current recycling activities and in-plant recycling, but is also actively working to expand the collection of used carpet tile waste in the market by utilizing the (Japan's) wide-area certification system, and is promoting "TOLI Complete Recycling".

Percentage of Recycled PVC





Global Environment

Efforts toward Establishment (3)

<Promotion of TOLI Complete Recycling>

We collect used carpet tiles, process the waste carpet tile into recycled chips at our Group factory, and reuse the produced recycled chips as part of the carpet tile backing (Sustive Back).

We will contribute to the realization of a sustainable society by promoting the "TOLI Complete Recycling".



<Collection of Used Carpet Tiles>

Utilization of the (Japan's)Wide-area Certification System
TOLI is the only company in Japan that has been authorized to collect used carpet tile.

Applicable area	Recyclable flooring materials
Greater Tokyo	TOLI's used carpet tile with PVC backing

Efforts toward Establishment (4)

<Reduction of Waste at Sample Recycling Center>

In August 2022, we opened the Sample Recycling Center in Itami Headquarters. We will reduce the amount of CO₂ emitted during disposal by separating sample books and product samples, which were previously discarded, into waste and recyclable resources.

In the first fiscal year of establishment, we are proceeding with sorting of undistributed sample books and samples, which are stored in Itami Headquarters when products are renewed or discontinued.



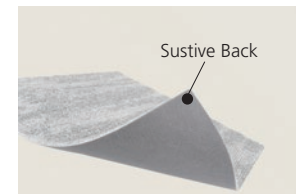
Sample book disassembly work

Efforts toward Establishment (5)

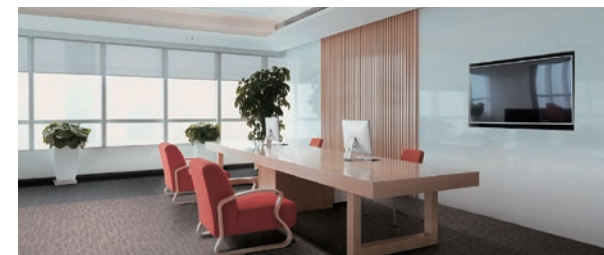
<Development and supplying eco-friendly products>

"Carpet Tile GA3600 Sustive Back"

Sustive Back is our environmentally friendly carpet tile backing that uses recycled chips as part of carpet tile's backing layer. We recycle carpet tile waste generated at our Group factory and used carpet tile collected from the market, thereby contributing to reducing industrial waste emissions. In the future, we will strive to achieve zero emission at our Group carpet tile factory as well as to expand the recycling of used carpet tile.



* Compared to previous GA3600 (without recycled materials)



Annual CO₂ emissions reduction
Approx. 9,000t/year*

Eco Mark

エコマーク認定商品
東リ株式会社

The products with this logo are recognized as having little impact on the environment and helping to preserve the environment throughout its entire products' life cycle, from production to disposal.

Eco Leaf

製品環境情報
https://ecoleaf-japan.com/

The Eco-Leaf Declaration (mark) is a mark certified by SuMPO Environmental Labeling Program operated by the Sustainable Management Promotion Organization. It verifies and discloses quantitative environmental impact data on products obtained through LCA (Life Cycle Assessment).

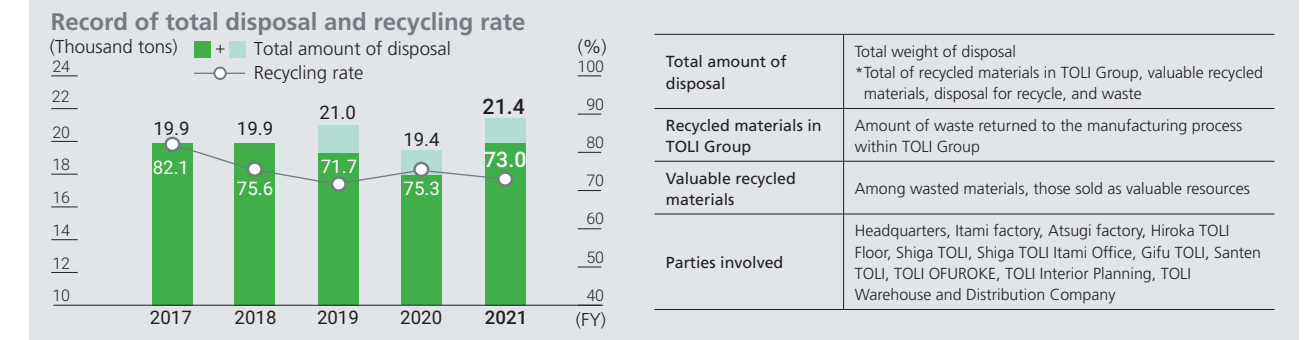
(Japan's) Green Purchasing Law-compliant product

The product with this logo is recognized as using of either unused fibers (wastage of yarn production), recycled fibers, recycled plastics, and other recycled materials which are 25% or more of the total weight of the products.

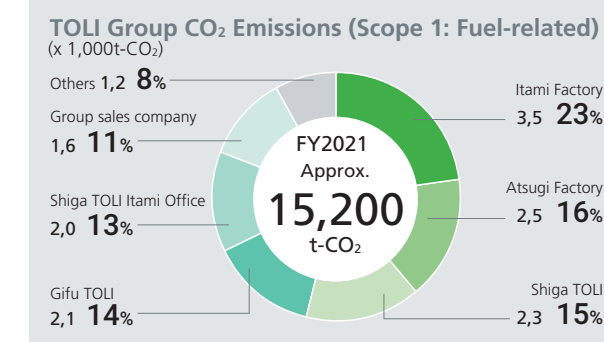
CRI Green Label Plus

The indoor environment certification system for carpet products, established by CRI (Carpet Rug Institute) of United States.

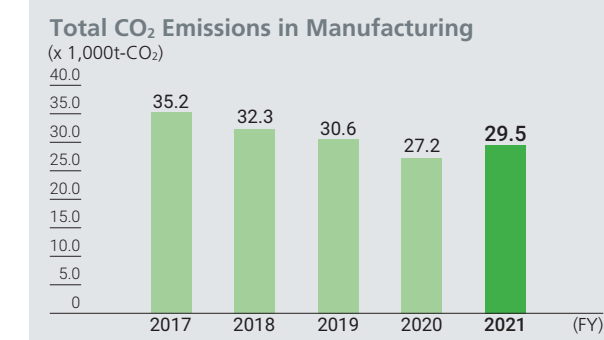
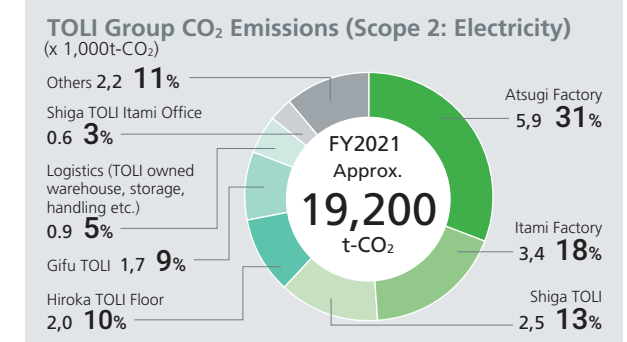
Environmental Index Progress



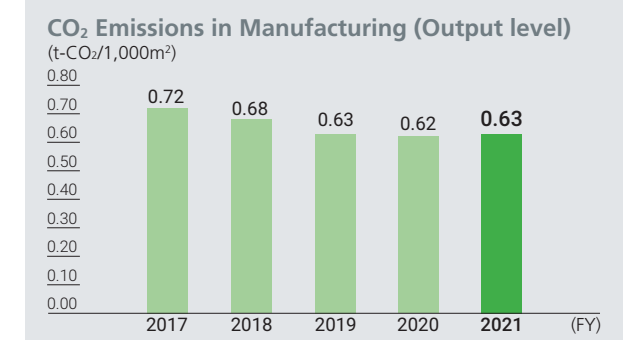
Data of TOLI Warehouse and Distribution Company is included from FY2019



Scope 1 and 2: Headquarters, sales offices, Itami factory, Atsugi factory, TOLI Warehouse and Distribution Company, and other Group companies. Cargo handling, storage, and transportation associated with inter-plant, warehouse transportation and shipments within the TOLI Group are calculated in Scope 1 and 2.



Parties involved: Itami factory, Atsugi factory, Hiroka TOLI Floor, Shiga TOLI, Shiga TOLI Itami Office, Gifu TOLI, Santen TOLI, TOLI OFUROKE, TOLI Interior Planning

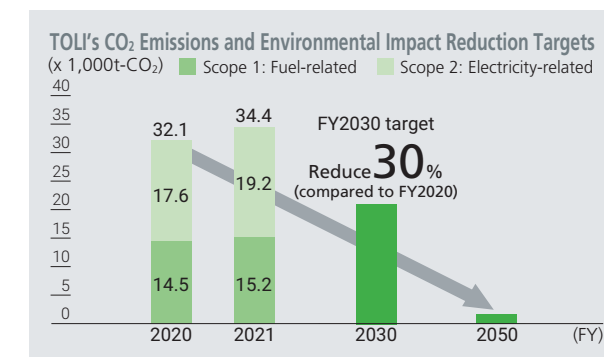


Scope of calculation: Same as shown on the left
CO₂ emissions (basic units) = CO₂ emissions from fuel/electricity use (t-CO₂) / production volume (1,000m²)

In FY2021, CO₂ emissions increased due to higher production volumes.

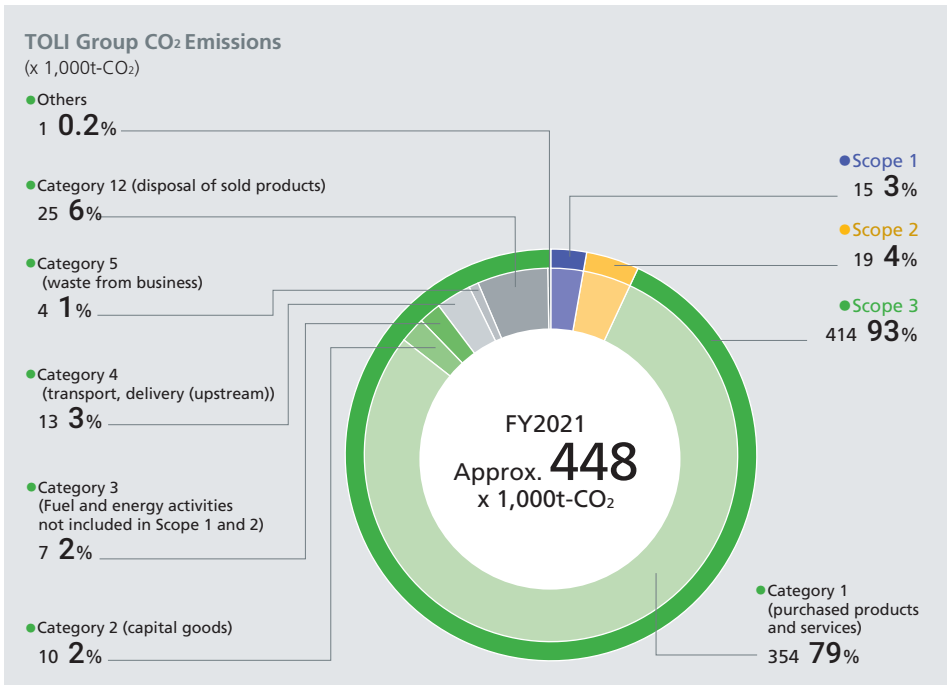
Major Initiatives in FY2021

- Promotion of energy saving by reviewing production processes
- Use of waste heat boilers and inverters to improve equipment efficiency
- Use more LED for interior lights
- Shift to HV partially for company vehicles





Global Environment



- Calculated based on “Basic Guidelines for Calculating Greenhouse Gas Emissions Through the Supply Chain” by Ministry of the Environment and Ministry of Economy, Trade and Industry
- In accordance with the guidelines of the Ministry of the Environment, we calculated the cargo handling, storage, and transportation of entrust warehouses associated with the transportation and shipment between factories, warehouses within our group in Scope 3 Category 4.
- Scope 3 is calculated through the portion of business activities related to products sold by TOLI. Purchases and sales by other companies of TOLI Group’s sales companies are not included in the calculation.
- The total % is not 100% due to rounding off.
- For calculation of each category in Scope 3, we are continuously striving to improve the accuracy of calculations.

Environmental Accounting

Environmental Conservation Cost				(Million JPY)		
Classification		Major initiatives	FY2020		FY2021	
			Expenses	Investment	Expenses	Investment
(1) Operational area costs			426	57	423	68
Break down	(1)-1 Pollution prevention costs	Introduction and maintenance of pollution prevention equipment	122	55	135	17
	(1)-2 Global environmental protection costs	Introduction and maintenance of energy-saving equipment	20	2	48	51
	(1)-3 Resources recycling costs	Recycling, Waste Disposal, and Pre-Cutting	284	0	240	0
(2) Upstream/downstream costs		Eco Mark usage fees	5	0	9	0
(3) Administrative costs		Maintenance of environmental management systems and planting management	28	0	30	0
(4) R&D costs		To develop green products	91	2	81	129
(5) Social activity cost		—	0	0	0	0
(6) Environmental remediation costs		Pollution load levy (air)	1	0	1	0
Total			551	59	544	197

Effect of Environmental Conservation		FY2020	FY2021
Energy consumption	(x 1,000GJ)	672.5	717.0
CO ₂ emission ^{*1}	(x 1,000t)	29.8	32.1
Amount of Industrial Waste ^{*1}	(x 1,000t)	19.8	21.7
Recycling Rate ^{*1}	(%)	74.0	72.7

^{*1} Values differ from those in P.18 charts due to differences in the scope of aggregation.

Economical Effect by Environmental Conservation		(Million JPY)
Items		FY2021
Revenue ^{*2}	Revenue from sale of valuables	42.5
Cost reduction ^{*3}	Energy cost reduction	-171.6
	Reduction of expenses for waste treatment or disposal	-24.6
Total		-153.7

^{*2} Estimated cost of disposing of valuables + Actual revenue
^{*3} Year-on-year differences in actual figures (+: Reduced expenses, -: Increased expenses)

Parties involved: Headquarters, Sales Offices, Itami factory, Atsugi factory, Hiroka TOLI Floor, Shiga TOLI, Shiga TOLI Itami Office, Gifu TOLI, Santen TOLI, TOLI OFUROKE, TOLI Interior Planning, TOLI Warehouse and Distribution Company
Referred guideline: Economical Accounting Guideline 2005 (Ministry of Environment)

Information Disclosure and Response Based on TCFD Recommendations

We appointed the Climate Response Project Manager on April 1, 2022 and on April 5, we announced our endorsement of the recommendations of Task Force on Climate-Related Financial Disclosures (TCFD) and our participation in the consortium. We will enhance the quality and quantity of disclosures of relevant information on the risks and opportunities to our businesses posed by climate change, while further strengthening our analysis and efforts to address climate change. TCFD related information is disclosed in IR information on our website.

Response to TCFD

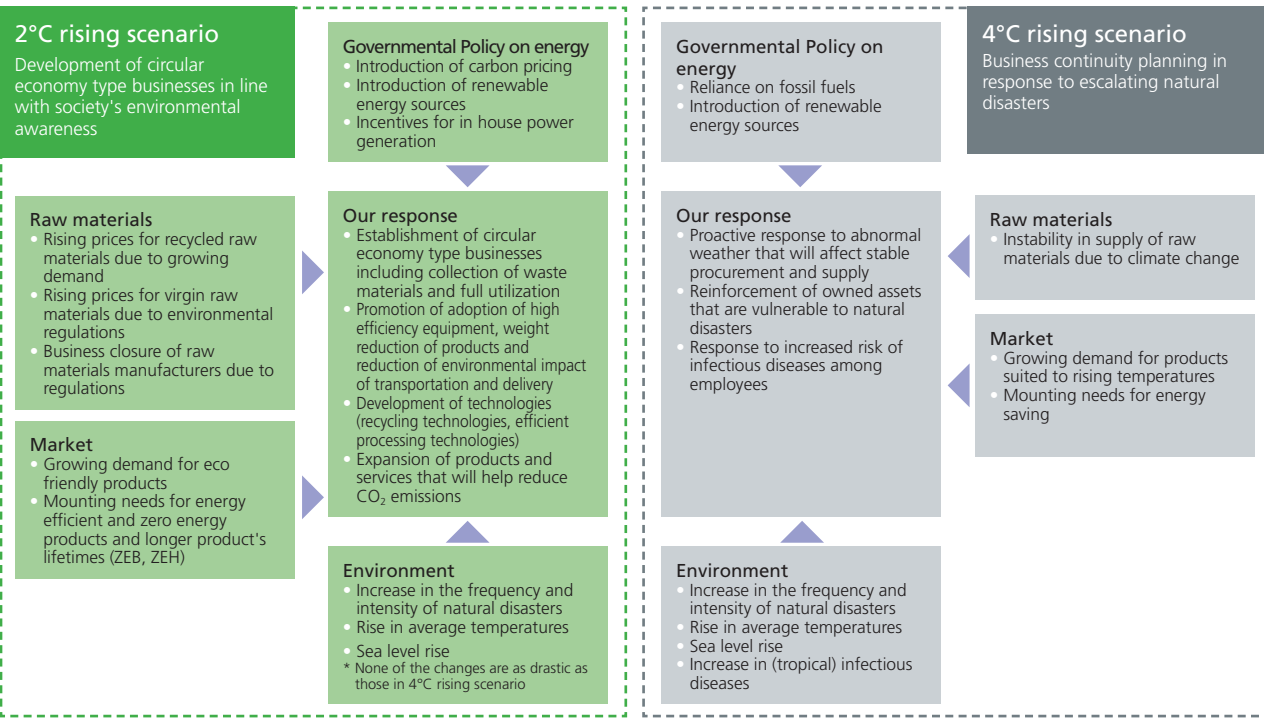
Diagram of Promotional Framework



<Strategy (Scenario Analysis)>

We have conducted an analysis of scenarios in 2030, adopting the climate of 2°C and 4°C temperature rise

^{*} We began conducting scenario analysis for our domestic business which accounts for a large share of total sales. We will gradually conduct scenario analysis for overseas business as well.



We referred mainly to the scenarios disclosed by the agencies and research institutions shown in the table below.

Rise °C	Scenario used in analysis	
2°C	Sustainable Development Scenario (SDS): “World Energy Outlook 2021” by IEA	RCP2.6 (2°C scenario): “AR5” by IPCC
4°C	STEPS (Stated Policies Scenario): “World Energy Outlook 2021” by IEA	RCP8.5 (4°C scenario): IPCC’s AR5



Global Environment

<Risks and Opportunities>

We identified the risks and opportunities envisioning each stage of the supply chain for each of factors behind risks and opportunities. From among these, we identified seven risks and six opportunities that would significantly impact our business and that have a high probability of actually occurring.

Risks					Opportunities						
Category			Factors behind risks	Details	Financial impact	Category			Factors behind opportunities	Details	Financial impact
Risks	Transition risks	Regulation policy	Introduction of carbon pricing	The introduction of carbon pricing and rising carbon prices lead to higher energy costs and raw materials costs	Large	Opportunities	Resource efficiency	Establishment of circular economy type business	Establishment of recycling business that turns waste materials in the market and waste materials generated at own factories into recycled raw materials leads to lower raw materials costs. Corporate reputation improves as a result of contribution to reduction of CO ₂ emissions and sales increase.	Large	
				As a result of the introduction of carbon pricing, private sector demand stagnates and sales decline	Small						
		Technology	Replacement of existing products and services with eco friendly options	Switch from raw materials with a high emission factor to raw materials with a low emission factor leads to higher capital investment and development and procurement costs	Large		Energy sources	Reduction of energy costs through energy saving measures such as the introduction of high efficiency equipment	Energy costs in each supply chain are reduced through the adoption of high efficiency equipment that helps reduce CO ₂ emissions, lighter weight products, and increased transportation and delivery efficiency, resulting in higher profits	Small	
			Upfront costs associated with transition to eco friendly technologies	Shift to recycling oriented business results in higher capital investment and development costs Higher costs for the development and procurement of energy saving products, products with a long lifetime, and easy to install and lightweight products	Large Small			Products and services	Development of new products and services through R&D and innovation	Establishment of technologies to meet needs for expansion in the recycling rate, reduction of CO ₂ emissions and reduction of manufacturing costs, and expansion of eco friendly products and services - applying these technologies leads to increased sales	Large
		Market	Rising raw material prices	Higher capital investment and development costs as a result of rising raw material prices and the adoption of in-house manufacturing measures	Large		Higher levels of technology to meet needs for low carbon materials and various other raw materials. To process them efficiently and more options for the procurement of raw materials strengthen business continuity capabilities and also reduce manufacturing costs			Small	
	Physical risks	Acute	Increase in the severity and frequency of abnormal weather events such as typhoons and floods	Disasters cause supply chain disruptions, leading to the suspension or scaling back of business activities and decline in sales. Disaster countermeasures also lead to higher costs.	Small		Market	Use of public sector incentives	Provision of new products and services that help reduce CO ₂ emissions leads to increased sales	Medium	
									Sales increase with the emergence of renewal and replacement demand	Small	

* Financial Impact: Impact as of FY2030

<Strategies (countermeasures)>

We will continuously implement medium and long-term countermeasures to address risks and opportunities identified based on scenario analysis and will improve the resilience of our business activities.

Countermeasures	Details
•Reduce greenhouse gas emissions by steadily implementing groupwide plan	(1) "Reduce"...<Scope 1 and 2> Install energy saving/energy efficient equipment and review processes <Scope 3> Reduce energy used in transportation and delivery (2) "Create"...Install solar power generation facilities (3) "Replace"...<Scope 1 and 2> Switch to low emission energy sources and renewable energy sources <Scope 3> Switch to raw materials with a low emission factor
•Expand eco friendly products and services and improve profit margins	(1) Expand Eco Mark products and other products made from recycled raw materials (2) Expand products with a long lifetime and easy maintenance products (NW series, etc.) (3) Expand easy to install products (flooring which does not require adhesive, etc.) (4) Promote shift to lightweight products (5) Expand new eco friendly products and services (6) Improve technologies for optimum use of recycled materials
•Procure and use recycled raw materials	(1) Collect waste materials in the market through the wide area certification system, etc. (2) Pursue zero emission in carpet tile business (3) Establish stable procurement routes for recycled raw materials (4) Improve technologies for optimum use of recycled raw materials (5) Promotion of cross-factories utilization of raw materials
•Develop in-house upstream processes	(1) Establish technologies for the in-house production of upstream raw materials (2) Install new raw material manufacturing equipment (3) Expand technologies to meet needs for various raw materials (4) Invest in new equipment for intermediate processing and recycling, put into stable operation
•Strengthen supply chain BCP	(1) Strengthen business continuity planning (BCP) that also covers supply chains
•Improve transportation and delivery	(1) "Reduce"...<Scope 3> Reduce transportation and delivery energy costs • Lighten the weight of products • Improve transportation and delivery efficiency • Improve storage and loading/unloading efficiency • Request outsourcing logistics companies to improve their transportation and delivery efficiency



Human Rights

Recognizing the importance of all human rights, we practice respect for human rights in our business activities.

- Promoting Diversity Management



Promoting Diversity Management

Diversity of the organization is important for companies to respond flexibly to changes in the business environment. We are working to promote diversity management so that our employees' abilities, individualities, values, and ways of working will lead to growth.

Active Participation of Female Engineers

In the past, it was not an overstatement to say that it was a "workplace only for men" as a manufacturing site for building materials with large mass. However, manufacturing from a women's perspective for interior materials and for our most important invisible asset, "advanced technologies", we have been actively hiring superior human resources with no gender gap. In addition, the ratio of women recruitment among technicians in the past five years has reached nearly 50%, and female technicians with rich individuality are playing an active role in the core of manufacturing.

In addition, as an engineer, some employees have accumulated experience for a certain period of time and then extend the field of active use to the planning and marketing section, which will help create a diverse working environment by freely exercising their own sensitivities as well as their specialty fields.

In the action plan prepared under the (Japan's) Law for Promotion of Women's Participation, our goal is to achieve and maintain a 10% ratio of women in managerial positions, and we have achieved this goal for three consecutive years since FY2020.



	FY2019	FY2020	FY2021	FY2022
Number of female employees*1	245	241	258	264
New graduates/Mid-career female recruits	26	19	24	17
Number of female managers	21	22	23	24
Ratio of female managers*2	9.8%	10.3%	11.0%	11.5%
Ratio of female officers*3	5.0%	9.5%	13.0%	13.0%

Non-consolidated (as of the end of June, each FY)
*1 Except loaned employee, part time worker
*2 Ratio of female in managers position
*3 Ratio of female in directors, auditors, executive officers position

Employee Interview

Accept Diversity, Target to Create Working Environment for Career Development

It is important to create working environment to support the challenge capitalizing on the strength of each individual in a situation that it is a commonplace for women, foreigners, and people with disabilities in each field such as executives and managers. At present, half of the employees are female, but in order for employees with diversity to continue to work, it is essential to create a working environment that is not restricted by time or place, utilize IT tools. It is also essential to create an environment in which employees can develop their own career regardless of gender.

In recent years, there has been an increase in the number of male employees who are proactive in the participation of childcare.

Tomoya Nishiyama
Manager

Technical and Development Department, Vinyl Floor Covering Group





Employment and Labor

We aim to create and secure jobs, create a safe and pleasant working environment.

- Promotion of work-life balance → P.23
- Well-planned Training Programs→ P.24



Promoting Work-Life Balance

In September 2019, we established the “TOLI Work Style” basic policy with the aim of promoting work styles that match the job content of each workplace. We put the importance on flexible adaptation to different era and change of work style. All of us will give thought to improvement of productivity and operational efficiency to achieve “TOLI Work Style”.

Basic Policy on “TOLI Work Style”

1. Create an environment where all employees can work in good physical and mental health.
2. Aim to achieve both work-life balance and productivity improvement.
3. Make use of “the spirit of co-creation” by company and employees as the driving force.

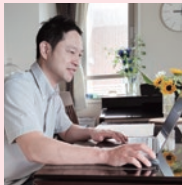
Expanding flexible work-from-home environment and system

In April 2022, we launched work-from-home system in order to achieve a balance between changes in life stages, such as nursing and caregiving, and appropriate way of using working hours according to content of work. Within FY2022, we are trying to achieve to create the work style regardless of the location with higher efficiency, by switching to laptop all together and promoting digitalization of sales paperwork that convert FAX orders to data. We are working to create an environment that will increase the number of work-style options available to each employee.

Employee Interview

Enhancing Flexible Working Styles and Work-Life Balance

My department had introduced a system that allow us to work online and provided mobile devices, making it easy to work from home. Originally, the work-from-home system started for the purpose of preventing COVID-19 infection. However, I could find some good perspectives such as utilization of commuting time and change mindset to work more effectively in limited time with my family. After working efficiently, I have more days to have dinner with my family. This is the fulfillment of work-life balance for me.



Hiroyuki Mizutani
Marketing and Planning Department,
Promotion Group

Encouraging to Take Paternity Leave

Nowadays, the participation of fathers in childcare has become normal. With the aim of creation of environment which employees can support each other so that everyone can secure the time for childcare without hesitation, we have set goals through labor-management consultations and expressed our intention to work on these goals throughout the company. In addition, we prepared and distributed internal magazine and manuals to all employees in order to promote the use of childcare leave.

We have a unique leave system in which unused paid leave can be used for childcare purposes. We will encourage male employees to actively participate in childcare activities, and will focus on building a flexible work system for employees.

Percentage of male employees taking childcare leave and paid leave for childcare purpose

Target **20%** or more



Part of in-house magazine

Well-planned Training Programs

Improving the ability of each employee and productivity as an organization are indispensable to realizing the “revitalization of human and organizations.” We believe it is important to create an environment that can respond to the diverse needs of employees who are motivated to grow, and we conduct systematic human resource development.

Providing the next generation with systematic training opportunities and create a voluntary training environment

In the first and third year of joining the company, at the time of promotion, and at other important milestones in the career formation of employees, we provide “hierarchical” and “job-type” training programs for the purpose of acquiring the necessary knowledge and fostering the mind in each position, and are working on systematic and qualified human resource development.

Furthermore, based on the idea of utilizing the skills obtained in these training sessions in the workplace has a positive impact on the surrounding members. We measure the “effectiveness” of the training and operate it as a series of packages from the implementation of the training to the follow-up several months later. In FY2021, 165 employees participated in “Training in each position”. The effectiveness by questionnaire after training was 4.4, out of 5. 66 employees took “training for their job type” and its high effectiveness was 4.6.

In “Apply-based training” that can be voluntarily selected and attended, 1/4 of employee participated last year. 89% of them answered that they are making use of what they learned in their job. We will focus on creating opportunities for employees to learn for their own growth, such as providing a place to share information among learners, and assisting them in correspondence course and obtaining public license.

	FY2018	FY2019	FY2020	FY2021
Total number of correspondence course participants	222	223	244	204
Number of employees obtained public license	121	107	128	131
Number of awards for inventions and innovations	39	46	34	39

Promoting Global Education

We carry out 2-year long course for language training for English and Chinese. In FY2021, 2 engineers who completed Chinese training were assigned to overseas base. Employees who can play active roles globally are steadily developing in their career. Also we are enhancing global mindset in each department with having language trainees annually and hiring foreign employees. Through these trainings, we are targeting to spread the spirit to work positively from individual to team, and team to whole company, as the part of Company's business globalization.

Review of Qualifications by “NexT Project”, a cross-organizational project

In FY2021, NexT Project, the second-year cross-organizational project, implemented a project entitled “Review of Qualifications Definitions,” which is the basis for personnel evaluations. The purpose of “NexT project” is not only discussing and suggesting to management, but to make it happen.

In this project, a lot of positive employees of various age and job type applied to join. They had energetic discussions, then the evaluation system was revised so that the employees could accept and that the system would lead to the realization of their own career advancement. The achievement of their own suggestion will lead to the growth of our employees.

Employee Interview

Recognizing that I can widen my view and human network by joining the project

I applied for this project because I wanted to create a workplace environment in which each employee can be more positive than now. In order to disseminate the evaluation system within the company, the activities included the creation of the carrier image shown in the figure below and the proposal of operation manuals.

Through the project, we were able to reaffirm the fact that a company is formed through the involvement of a variety of people, and my perspective also expanded. It was a valuable experience to touch on the work related to human resources, which was not normally involved in my usual business, and to participate in the system reform that would be the core of the company.



Shotaro Sosogi
Global Department

Proposed idea by project members



Business Activities

We will promote fair and equal business activities and aim to build better relationships of trust with all stakeholders.

- Strengthen Supply Chain
- Protection and Utilization of Intellectual Property Rights
- Implementation of (Japan's) Antimonopoly Act training



Strengthen Supply Chain

To ensure a stable supply of products to customers, we continue to strengthen our entire supply chain by developing products in anticipation of multiple purchases and changes in specifications to substitutes, and by reviewing inventory levels for specific procurement items.

Start Producing In-house Spun Nylon Yarn

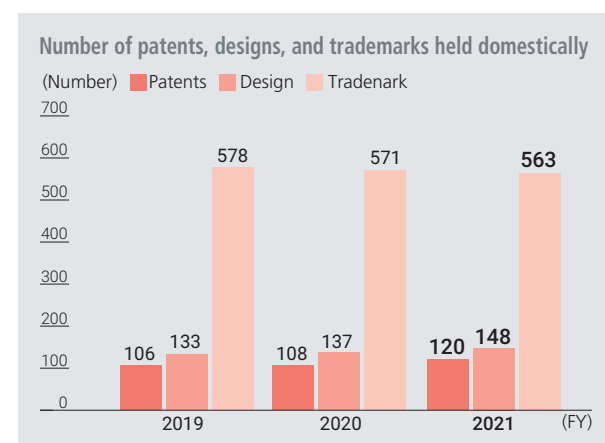
Our Group tried to produce in-house spun nylon yarn targeting stable supplies of our products, as a part of the in-house production of upstream raw materials. After started working on this, all procurement activities were affected by the chaos of worldwide supply chain caused by COVID-19 pandemic and rising of geological risks. In such a difficulty, we managed to achieve full-scale operation of the equipment to produce nylon yarn for carpet tile. This is one of the important theme of mid-term business plan "SHINKA Plus ONE". We will continue to strengthen our efforts toward in-house production of upstream technologies and strive to improve our technological innovation and product supply capabilities.



Nylon for carpet tile spinning equipments (Shiga TOLI)

Protection and Utilization of Intellectual Property Rights

We are actively working on acquiring patents, design and trademark rights etc., and strive to protect intellectual property rights.



Implementation of (Japan's) Antimonopoly Act training

We conduct training on the Antimonopoly Act every year to promote fair, transparent, free competition and fair trade.

Those needed to be trained

- Directors, auditors, executive officers
- Executives from sales, procurement, planning and other departments.

Past training themes

- 2022 Consideration for Alliance in Competition Law
- 2021 Outline of Subcontracting Regulations - Focusing on Construction Industry Law Regulations
- 2020 Trends in antimonopoly laws and regulations in recent years and points to be noted in corporate confidentiality management



Quality

We will promote manufacturing from the customer's perspective based on reliable quality and technology, and aim to provide safe and secure products and services.

- Enhance Customer Satisfaction Level → P.26
- Upgrading Quality Assurance Systems → P.27
- Providing and Disclosing Appropriate Information → P.27



Enhance Customer Satisfaction Level

In order to design the lifestyle of our customers, we have been improving our way of manufacturing, based on trusted quality and technology, from the customer's standpoint.

Promotion of digitalization of customer services

In response to the needs of various societies, such as work style reform, the digitization of contact points with customers is rapidly advancing. Through our website, we are working to upgrade a wide range of digital contents, including product introduction. We will pursue high customer satisfaction by providing highly convenient digital services.

New products exhibition

In response to changes in the social situation caused by COVID-19 pandemic, it was difficult to hold realistic presentations for new products. In FY2020, we began holding online new products exhibition. In FY2021, we created a virtual venue with full CG and arranged product exhibitions to create a realistic sense of presence like a actual exhibition. In addition, we tried to show digital-ish performance as the flooring of digital venue is changeable.

We could have positive feedback from customers through questionnaire that "the event suitable for current social situation", "received advanced impression". Based on these feedback, we aim to further evolve our online new products exhibition.

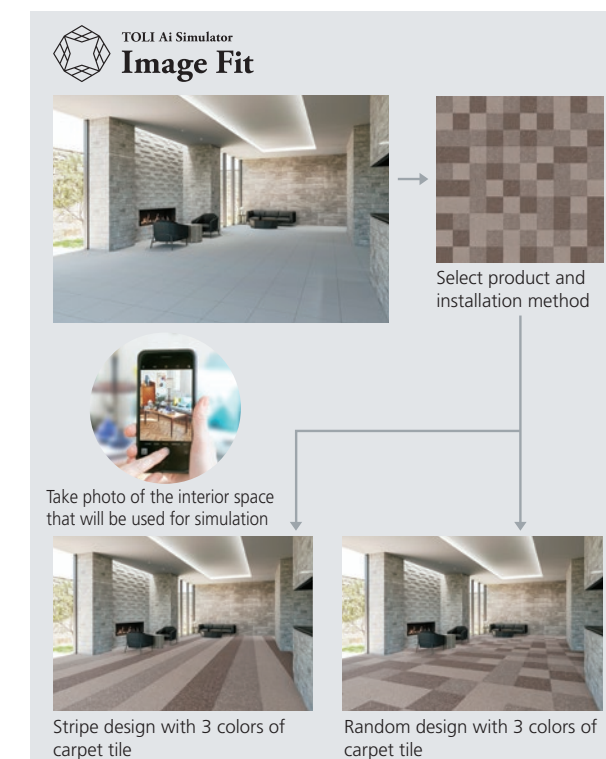


Key visual - 2022 New Products Exhibition

AI Simulator "Image Fit"

"Image Fit", new tool available in our website, is a unique interior synthesis simulation system utilizing AI. The AI recognize the photos taken by smartphones as an interior space, and synthesizes the flooring and wall covering without unnaturalness to create an installation image. It is possible to check installation image by anybody by using various functions such as the interior space photograph, design pattern, and rotation or direction of installation that are prepared beforehand.

Easy-to-use "Image Fit" can be used as a new process for interior material selection, contributing to improved customer satisfaction.





Quality

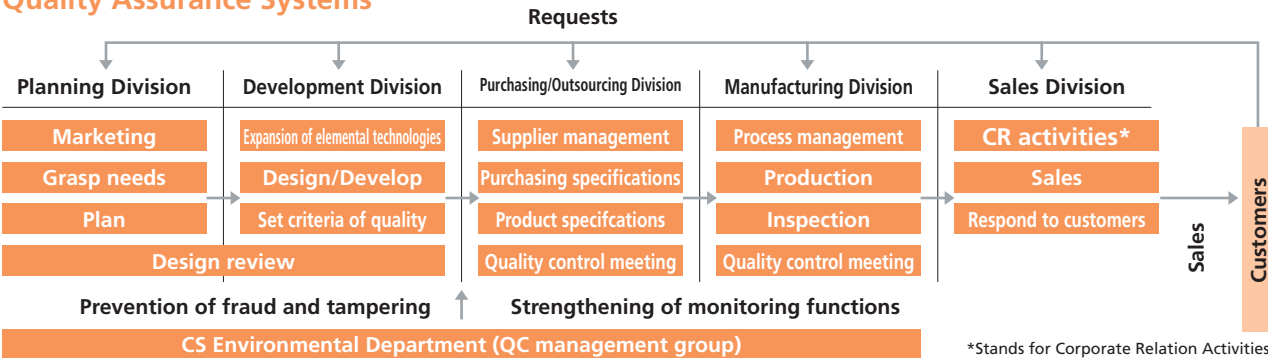
Quality Actions Guidelines

President's policy	: Look toward future, connect the evolution with "tomorrow's growth".
Senior GM of manufacturing headquarters' policy	: Aim to maximize customer satisfaction by continuing to produce high-quality, high-value-added products.
Senior GM of sales headquarters' policy	: Gain customers' trust and satisfaction with fine-tuned services that continue to evolve.
Senior GM of administration headquarters' policy	: Make effort for the company by establishing a compliance system and cultivating human resources.

Upgrading Quality Assurance Systems

Based on a quality assurance system that enables each division to cooperate in all processes, we will appropriately and speedily reflect customer requests and opinions in our manufacturing and services.

Quality Assurance Systems



Design Review/Quality Control Meeting

In product development, collaboration between product planning and manufacturing sites is important. In "Design Review", the planning and development divisions take leads. It reviews customer's needs and requests on new products, also assesses the suitability of required quality and supply stability. In addition, "Quality Control Meeting" is centered on manufacturing and outsourcing control divisions to maintain and improve productivity, make improvements based on requests for existing products, investigate the causes of quality complaints, examine and implement measures to prevent recurrence.

Prevention of Fraud and Tampering

Our Group has established "QC management group" in purpose of preventing fraud and tampering. The QC management group constantly conducts activities to objectively check for any problems or issues in processes related to quality from the customer's perspective. Also, by regular meeting with quality-related departments at group factories and sharing opinions deepens consensus of importance for prevention of fraud and tampering. We will continue to implement such activities and strive to strengthen our sincere manufacturing culture.

Providing and Disclosing Appropriate Information

Technical Data Committee

Technical data committee deliberates whether information disclosed and data are appropriate and easy for customers to understand, such as whether the performance evaluation tests for products are of test evaluation method that is closer to actual conditions. We take the opinions of our customers seriously, and strive to provide easy-to-understand expressions for our customers regarding explanations of installation methods, maintenance methods, and others.

Environment and Safety Committee

To ensure that customers can use our products safely and securely, "Environment and Safety Committee" obtains and shares information of chemical usage regulation not only in Japan but also overseas with related departments. That helps to respond to each regulation, and we disclose these information appropriately in SDS (Safety Data Sheet), AIS (Article Information Sheet) and promotional tools.



Social Contribution

We aim to contribute to the development of society by promoting more voluntary activities toward the goal of achieving a better society.

- Supporting and Participating in Local Communities
- Contributing to the Solution of Environmental Problems
- Medical support activities for developing countries



Supporting and Participating in Local Communities

We actively participate in the communities in which we have operations and production bases nationwide, in cooperation with local people and activities.

Utilization of historical buildings in cooperation with local governments

We believe that making effective use of buildings with cultural value and disseminating their value to society will lead to the enhancement of regional values and contribute to the creation of city that give a sense of history.

"Former Toyo Linoleum Main Building (currently TOLI Interior history museum)", which is registered as a national tangible cultural property, participates in the "Hanshin Area Open Museum Event (Free Entry Fair)" organized by Hyogo prefecture southern Hanshin residents' center. It conveys the appeal of cultural facilities to local residents.

This museum has been showed to people in architectural and construction industries in factory tour, also it is open to the public. We will promote the protection of cultural properties widely through local events and promote the handing down of historic buildings.



Contributing to the Solution of Environmental Problems

We are working to reduce the serious marine pollution and protect the local natural environment.

Cleaning up nearby rivers

River cleaning directly leads to the protection of ecosystems and landscape improvement by improving the water quality of rivers, oceans and lakes. Our Itami office regularly conducts cleaning activities of Mogawa river flowing nearby.

We will continue to contribute to the reduction of marine plastics and the improvement of the natural environment in the region.



Initiatives in Public-Private Collaboration through the Renewal of Educational Facilities

Our Group is working to solve local issues through public-private partnerships, and is also focusing on co-creating new social value together with local communities.

One example of such efforts is the renewal of aging educational facilities in cooperation with Ikoma City (Nara Prefecture) and Toyonaka City (Osaka Prefecture), which also serves as an actual study of products.

We design and replace flooring materials free of charge, then we study how aging affects the products continuously. These data is made full use of product development.

We will continue to promote "initiatives that benefit both public and private sectors" and contribute to improving the educational environment and solving regional issues through interior materials.



Medical support activities for developing countries

We are working on support activities to expand medical care for people around the world.

Eco-cap campaign for plastic bottles

We are working on the Eco-cap campaign to supply the vaccines to children in developing countries. Starting this activity since FY2021, we have donated total of 34,615 plastic bottle caps, equivalent to vaccines for 40 persons. We will continue to contribute to medical assistance.





Governance

Recognizing the importance of corporate ethics, we aim to achieve sound and highly transparent corporate management by actively promoting the creation of systems to ensure the effectiveness of governance.

- Strengthening Sound Governance → P.29
- Thorough Compliance → P.30

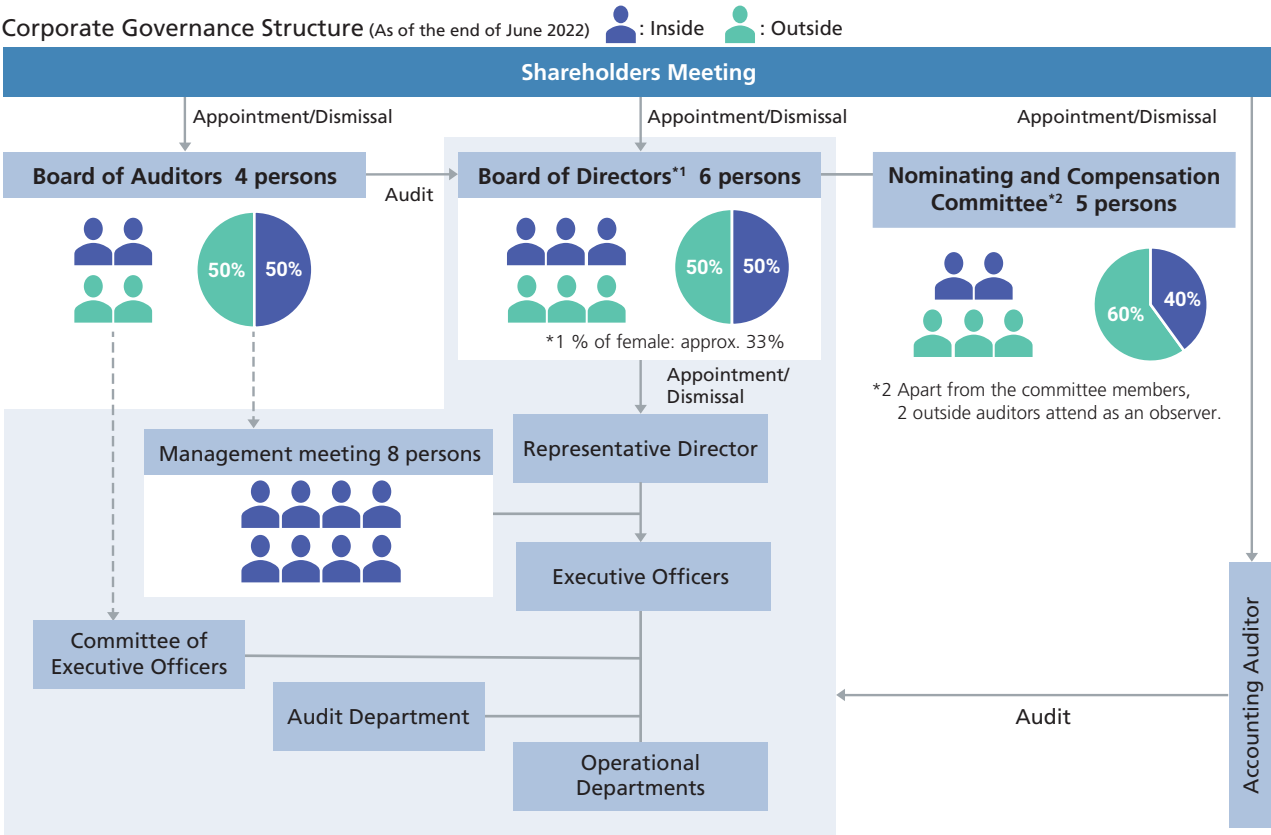


Strengthening Sound Governance

To achieve sustainable growth and increase corporate value over the mid to long-term, we regard the strengthening of corporate governance as one of our most important management issues. We will work to build a management organization that can simultaneously improve decision making speed of management and strengthen auditing and control functions, with the aim of further improving the effectiveness of corporate governance.

Our Basic Approach to Corporate Governance

- We will respect the rights of our shareholders, ensure their equality, and strive to create an environment for appropriate exercise of rights.
- We will strive for appropriate cooperation with various stakeholders, including customers, employees, and local communities.
- We will strive to ensure management transparency through appropriate information disclosure (including non-financial information) and dialogue with shareholders.
- We will strive to improve the effectiveness of corporate governance by clarifying the roles and responsibilities of the board of directors and auditors (the board of auditors) and utilizing highly independent outside directors and Audit & Supervisory Board Members.



Improving the Effectiveness of the Board of Directors

To improve the functioning of the board of directors, we annually analyze and evaluate the effectiveness of the board of directors as a whole, based on the opinions of outside officers.

This is done by discussions at the board of directors' meeting on the composition and operation of each director, including the self-evaluation of each individual director.

Principal performance indicators

- Composition and number of people
- Deliberation of proposals
- Provision of information to directors and auditors
- Operational status of the nomination and compensation committee
- Others (frequency of meetings, etc.)

Summary of Analysis and Evaluation Results

The board of directors is operated appropriately, including the above evaluation indicators.

Issues and initiatives for improvement

Issue: Need more recognition by outside directors on Company's business

Initiatives to improve:

- Enhancement of materials for the board of directors and thorough advance distribution
- Implementation of advance briefings to outside directors and auditors as necessary
- Multiple discussion on important matters
- Regular discussions on company-wide issues, etc.

Thorough Compliance

In promoting our business activities, we must act in accordance with corporate ethics, including respecting laws and regulations as well as social norms. In other words, it is essential to ensure thorough compliance. We believe it is important to act in a manner that resonates with society in a legal and ethical manner. To ensure thorough compliance, we have established a system to promote compliance, including the allocation of legal and internal audit departments. We are also continuing to raise awareness of compliance among group officers and employees by conducting compliance training and ensuring thorough understanding of TOLI Group Code of Conduct.

Compliance Training

Every year, in order to raise the awareness of compliance among our employees thoroughly, we conduct antimonopoly law training for the directors and sales managers, as well as hierarchical compliance training for newly-promoted and new employees.

Establishment and operation of the Nominating and Compensation Committee

In order to enhance the transparency and objectivity of the process of determining matters related to the personnel and reward systems for board members, we have established and operate the nominating and compensation committee, which consists of the following members as advisory bodies to the board.

Head: President Motohiro Nagashima
Chairman: Full-time auditor Jun Suzuki
Members: Outside director Eri Yokota, Chikako Sekine, Hidenobu Fujii
Observer: Outside auditor Taku Morikawa, Teruo Watanuma

Numbers of committee meeting

FY2018	FY2019	FY2020	FY2021
3	3	3	3

Specific Agenda

- Composition of board members, expected business field to each director, skill matrix, etc.
- Policies for the election and retirement of directors, executive officers and corporate auditors, and proposals for each candidate (including reappointment)
- Appointment and removal of executive officers (directors and executive officers)
- Succession plan of the representative director and the president (Successor Plan)
- Items related to the compensation system for the board members and executive officers (including, but not limited to, the composition, individual compensation, evaluation method, bonus amount, calculation standards, etc.)

Formulation and Dissemination of Code of Conduct and others

We have established the "TOLI Group Code of Behavior" and the "TOLI Group Code of Conduct" as a basis for fostering a common sense of values among officers and employees. We are working to disseminate the Code by requiring the distribution and carrying of pamphlets containing these charters, and by conducting annual readings.



Governance

Risk Management

Risk Management System and Business Continuity Plan

Based on “Risk Management Basic Policy” and “Risk Management Action Guidelines”, we have established the necessary systems for risk management. Various risks related to operations are managed appropriately, including the establishment of regulations by each department in charge.

We strive to establish and operate a system by setting regulations and organizational structures for responding to the event of a major accident, disaster, or scandal.

In FY2021, in addition to fire drills and inspections of stockpiles, we reviewed our disaster prevention manuals and published news. related to disaster prevention.



FY2021 fire drill (Itami office)

Information Security

In recent years, damage caused by cyber attacks has become increasingly serious. The importance of cyber security is getting to be more and more important. In such a situation, one of our important challenges is to minimize these risks that affects our business continuity.

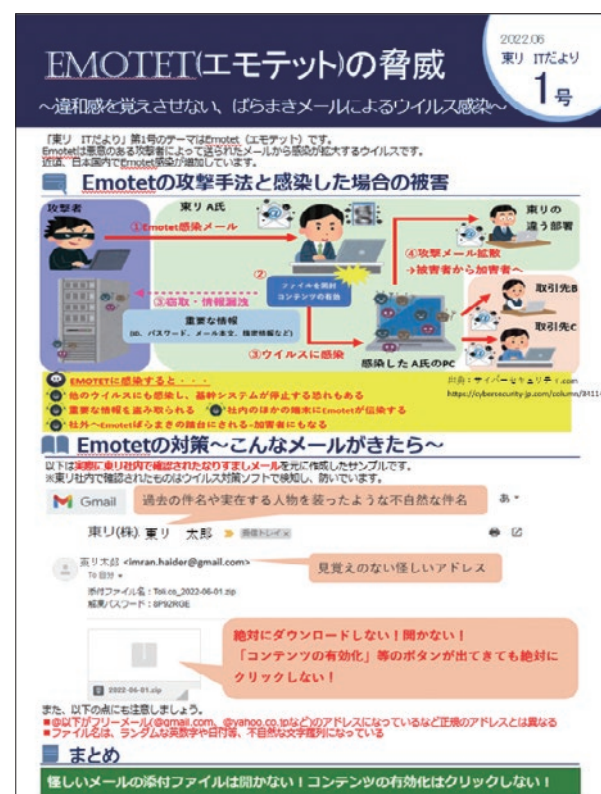
Cyber Security Measures

As the methods of cyber attacks have changed and become more complicated year by year, our Group is not only focusing on defending them, but also establishing a system to quickly discover and deal with unknown threats with the assistance of external experts.

Specifically, we have been implementing measures against unauthorized access from outside the company, computer anti-virus measures, anti-spam email measures, and web browsing restrictions.

Information Security Training

We are working on raising the awareness of information security of each employee with such activities; Establish information security policy and 10 of information security measures, hierarchical IT training, post IT training news and targeted threat mail training etc.



IT news posted to employees

Board of Directors and Auditors

Directors

Motohiro Nagashima President and Representative Director

April 1982 Joined the Company
April 2003 General Manager of Corporate Planning Department
June 2007 Executive Officer, General Manager of Management Planning Department and Human Resource Department
June 2008 Director of the Company
April 2009 Director, Sales Senior General Manager
April 2012 President and Representative Director (current position)



Hirofumi Amano Director and Senior Managing Executive Officer

April 1984 Joined the Company
April 2005 General Manager of Planning and Promoting Division
April 2009 General Manager of Planning and Marketing Department
April 2011 General Manager of Floor Development Department
April 2012 Executive Officer, General Manager of Floor Development Department
June 2015 Director, General Manager of Floor Development Department
April 2016 Director, Senior General Manager of manufacturing headquarters
April 2018 Managing Director, Senior General Manager of manufacturing headquarters
April 2021 Director and Senior Managing Executive Officer, Senior General Manager of manufacturing headquarters (current position)



Masayuki Hashimoto Director and Managing Executive Officer

April 1983 Joined Nissho Iwai Corporation (now: Sojitz Corporation)
April 2009 General manager of Osaka Chemical Department, Chemical Headquarters of Sojitz Corporation
April 2016 Deputy Senior General Manager, Chemical Department of Sojitz Corporation
April 2018 Advisor of the Company
June 2018 Director of the Company
April 2019 Director, General Manager of Global Department
April 2021 Director and Managing Executive Officer, General Manager of Global Department
April 2022 Director and Managing Executive Officer, General Manager of Global Department and Climate Change Response Project Manager (current position)



Eri Yokota Outside Director

February 1997 Doctor of Keio University (Business Administration)
April 2005 Professor, Faculty of Business and Commerce of Keio University (current position)
June 2014 Director of the Company
June 2014 Outside Director of Idemitsu Kosan Co., Ltd.



Chikako Sekine Outside Director

April 1972 Joined Shiseido Yamagata Sales Co., Ltd.
April 2012 Executive Officer of Shiseido Company, Limited
April 2014 Managing Executive Officer of Shiseido Company, Limited
January 2016 Advisor of Shiseido Company, Limited
February 2016 Outside Director of E-Support Link Co., Ltd.
February 2018 Representative Director of B Mind Co., Ltd. (current position)
June 2018 Outside Director of Nippon Valqua Industry (now: Valqua Ltd.) (current position)
May 2019 Outside Director of UNY-FamilyMart Holdings Co., Ltd.
August 2019 Outside Director of Takara Printing Co., Ltd (now: TAKARA & COMPANY) (current position)
June 2021 Director of the Company (current position)



Hidehiko Fujii Outside Director

April 1979 Joined Sanwa Bank, Ltd.
June 2006 Executive Officer of Tokyo-Mitsubishi UFJ, Ltd. (now: MUFG Bank Ltd.)
May 2009 Managing Executive Officer of MUFG Bank Ltd.
June 2010 Managing Director of MUFG Bank Ltd.
June 2013 President of Mitsubishi UFJ Research and Consulting Co., Ltd.
June 2017 Director and Vice Chairman, Hitachi Zosen Corporation
June 2021 Director of the Company (current position)
August 2021 Outside Auditor of Nakakita Seisakusho (current position)



Auditors

Jun Suzuki Auditor & Supervisory Board Member

April 1980 Joined the Company
July 2001 General Manager, Promotion of IT Department
April 2007 General Manager, Accounting and Finance Department
April 2009 Executive Officer, Deputy General Manager of Administration Headquarters
June 2011 Director, Deputy Senior General Manager of Administration Headquarters
April 2013 Director, Senior General Manager of Administration Headquarters
April 2015 Managing Director, Senior General Manager of Administration Headquarters
April 2018 Senior Managing Director, Senior General Manager of Administration Headquarters
April 2021 Director, Assistant to the President
June 2021 Auditor (current position)



Harunobu Ebe Auditor & Supervisory Board Member

April 1981 Joined the Company
April 2003 General Manager of West Japan Sales Development
April 2010 Executive Officer, Deputy Senior General Manager of Sales Headquarters
April 2019 Advisor of the Company
June 2019 Auditor (current position)



Taku Morikawa Outside Auditor & Supervisory Board Member

October 2001 Lawyer Registration
February 2005 Manager of Masahiko Takimoto Law Office (now: Hyogo Law Office) (current position)
June 2015 Auditor of the Company (current position)



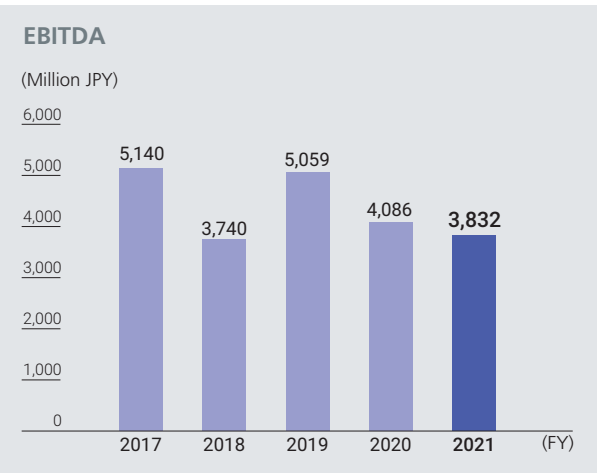
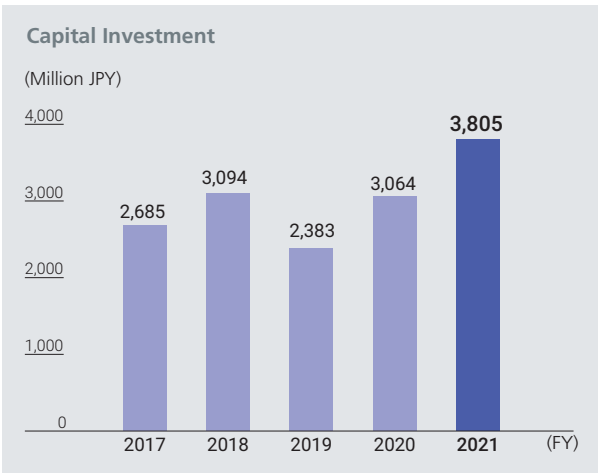
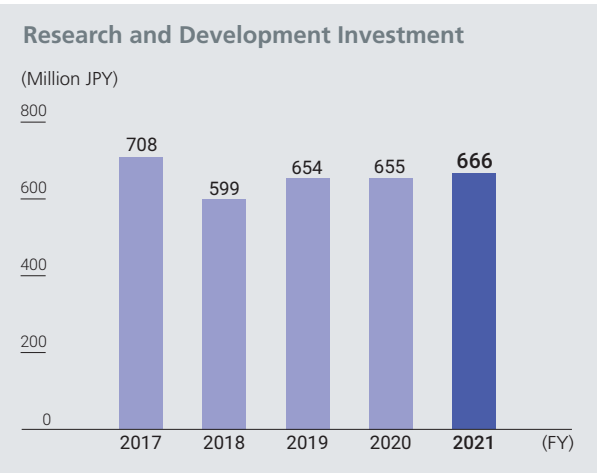
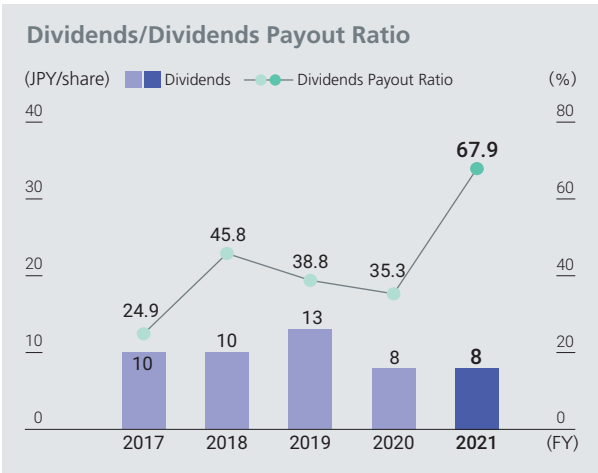
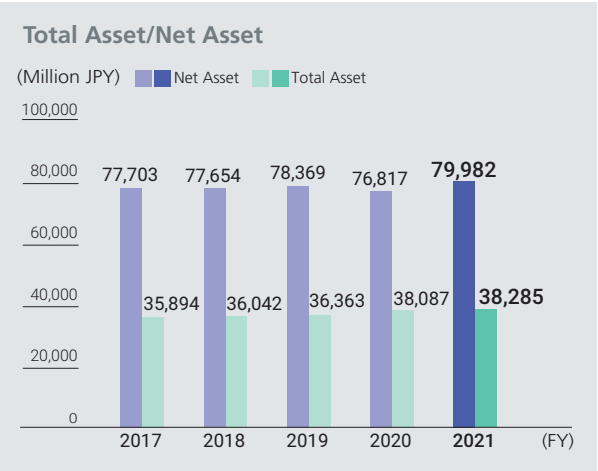
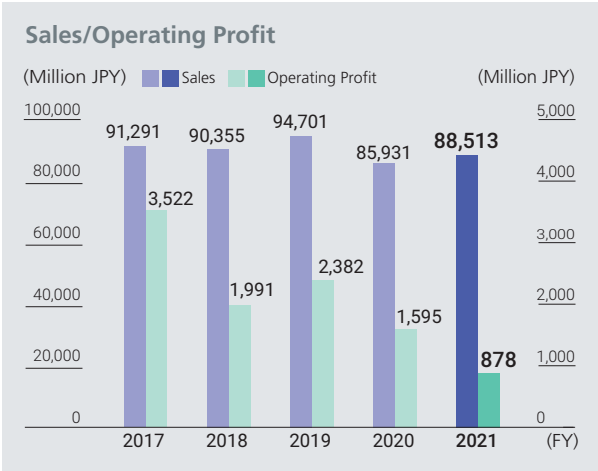
Teruo Watanuma Outside Auditor & Supervisory Board Member

August 1984 Certified Public Accountant Registration
June 2005 Representative Partner of AZSA Audit Firm (now: KPMG AZSA LLC)
October 2016 Representative, Watanuma CPA Office (current position)
January 2018 Outside Auditor of Teijin Frontier Co., Ltd (current position)
June 2019 Auditor (current position)



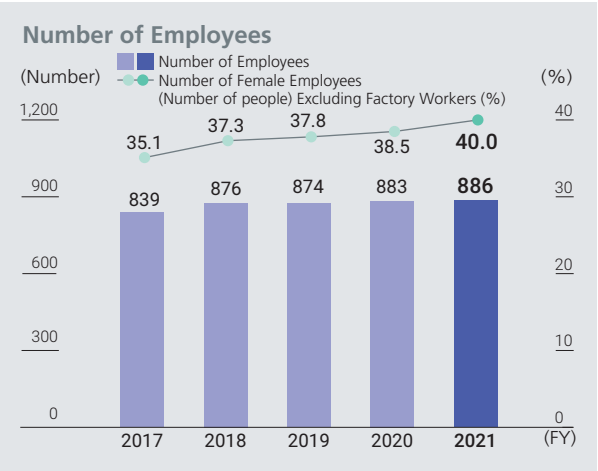
Financial Data

(consolidated, in accordance with Japanese accounting standard)

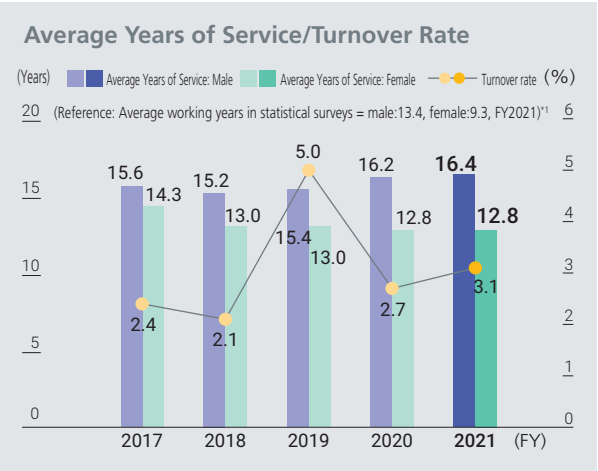


Non-Financial Data

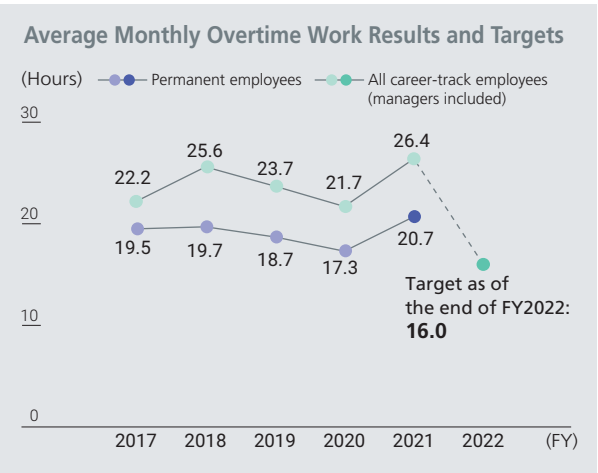
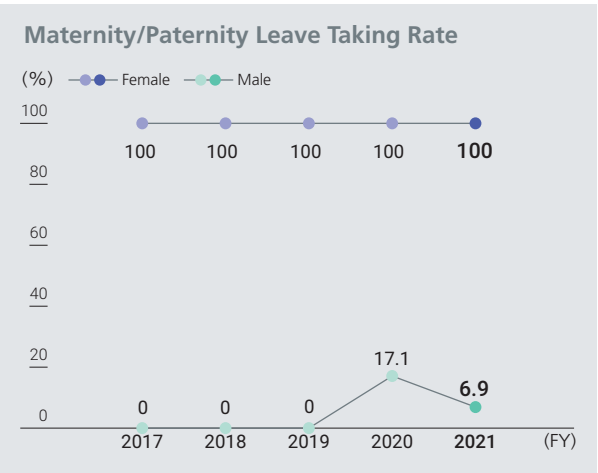
(Non-Consolidated)



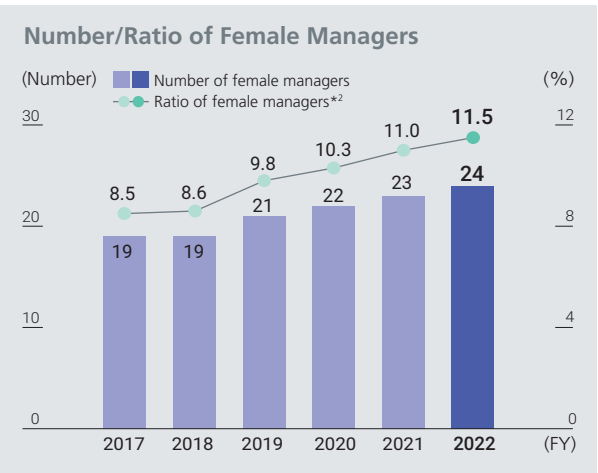
* The number of employees: excluding those loaned from the Group to outside, including those loaned from outside to our Group.



* Average years of service: Applicable to permanent employees at the end of FY.
* Turnover rate: Applicable to permanent employees excluding mandatory retirement and loan to the Group and transfers. Number of permanent employees leaving the company during the FY / Number of permanent employees at the beginning of the FY x 100
* 1 Source: Ministry of Health (Japan), Labour and Welfare, Basic Survey of Wage Structure, data of 2021



* Overtime work = Overtime hours in working days + working hours in holidays



* Data: as of the end of June, each FY
* 2 Percentage of female employees in management positions

