



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

February 2, 2024

Company name: TOLI Corporation

Stock exchange: Tokyo Stock Exchange

Code number: 7971

URL <https://www.toli.co.jp>

Representative: (Position) President and Representative Director

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inquiries

Scheduled date for submission February 9, 2024

of quarterly reports:

Scheduled date for start of dividend payments: -

Preparation of supplementary explanatory materials for the quarterly financial announcement : None

Holding of a briefing on the quarterly financial announcement : None

(Amounts of less than one million yen are rounded off)

1. Consolidated results for the First Nine Months of the year ending March 2024 (April 1, 2023 to December 31, 2023)

(1) Consolidated results (year to date)

(% shows change for the quarter against the same quarter of the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Q3 for year ending March 2024	73,209	8.6	2,862	101.0	3,040	103.4	1,947	117.0
Q3 for year ended March 2023	67,429	7.0	1,424	676.9	1,494	178.5	897	-

(Note) Comprehensive income Q3 for year ending March 2024: 3,149 million yen [122.7%]

Q3 for year ended March 2023: 1,414 million yen [—%]

	Profit per share	Profit per share - diluted
	Yen	Yen
Q3 for year ending March 2024	32.46	-
Q3 for year ended March 2023	14.91	-

(2) Consolidated assets

	Total assets	Net assets	Capital-to-asset ratio
	Million yen	Million yen	%
Q3 for year ending March 2024	85,923	42,916	49.6
Year ended March 2023	84,791	40,894	47.9

(Reference) Equity capital Q3 for year ending March 2024: 42,601 million yen
For year ended March 2023: 40,613 million yen

2. Dividend payments

	Annual dividend				
	End 1st quarter	End 2nd quarter	End 3rd quarter	End of year	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 2023	-	0.00	-	10.00	10.00
Year ending March 2024	-	3.00	-		
Year ending March 2024 (forecast)				12.00	15.00

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

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

(% shows change from previous term)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full term	101,300	6.4	4,200	18.9	4,350	19.5	2,900	13.2	48.49

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

* Notes

- (1) Significant changes to subsidiaries during the consolidated third quarter under review (changes for a specified subsidiary entailing a change in the scope of consolidation): None
- (2) Application of specific accounting procedure for creation of quarterly consolidated financial statement: None
- (3) Changes in accounting policies, changes in accounting estimates, representation of amendments
- | | |
|---|--------|
| [1] Changes in accounting policies accompanying revisions to accounting standards | : None |
| [2] Changes to accounting policies other than [1] | : None |
| [3] Changes in accounting estimates | : None |
| [4] Representation of amendments | : None |

(4) Number of outstanding shares (ordinary shares)

[1] Number of outstanding shares at end of year (including treasury shares)	Q3 for year ending March 2024	60,129,249 shares	Year ended March 2023	66,829,249 shares
[2] Number of shares in treasury shares at end of year	Q3 for year ending March 2024	943,777 shares	Year ended March 2023	6,642,988 shares
[3] Average number of shares during the term (cumulative from start of fiscal year)	Q3 for year ending March 2024	59,985,903 shares	Q3 for year ended March 2023	60,201,179 shares

* Quarterly financial announcements are out of the scope of quarterly review by a certified public accountant or an audit corporation.

* Explanation of the appropriate use of performance projections and other special instructions

The financial forecasts and other descriptions related to future events presented in this document are based on information currently available and certain assumptions judged as reasonable. As such, the financial forecasts and future descriptions are not considered to ensure the fulfillment thereof. Actual financial performance may vary significantly due to various factors. For details, such as assumptions for financial forecasts and cautions when using financial forecasts, please refer to "1. Qualitative information regarding quarterly results – (3) Explanation concerning future predictive information, such as consolidated forecasts" on page 3 of the attachment.

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1. Qualitative information regarding quarterly results

(1) Explanation of the management performance

During the consolidated third quarter under review, the Japanese economy showed a moderate recovery trend due to improvements in the employment and income environment as social and economic activities continue to normalize. On the other hand, the future of the business environment remains uncertain due to the situation in Ukraine and the Middle East, as well as the impact of the weak yen and price pressures on the domestic economy.

In the construction industry, which is closely related to our Group's business, although a recovery in demand for stores and accommodation facilities can be seen thanks to a recovery in the number of foreign visitors to Japan, the business environment remains unpredictable due to factors such as stagnation in construction investment caused by the soaring prices for various construction materials and the rise in labor costs.

Under these circumstances, our Group is pursuing the following five key strategies in the Medium-Term Business Plan "SHINKA Plus ONE" covering the period from FY2021 to FY2024 toward the realization of our Long-Term Vision <TOLI VISION 2030>: A. Reinforcement of core businesses, B. Expanding the growth of promising business, C. Creation of a fifth business, D. Enhancement of capabilities across the Group, and E. Building a business base that supports growth. In the period under review, our Group worked to further improve our profitability, focusing on establishing a stable supply system and reducing manufacturing costs such as through full-scale operation of the new No. 3 line of Hiroka TOLI Floor, expanding in-house production of raw nylon yarn for carpet tiles, and increasing the recycling rate at carpet tile recycling plants.

As a result, for the consolidated third quarter under review, the Company posted net sales of 73,209 million yen (up 8.6% year on year), operating income of 2,862 million yen (up 101.0% year on year), ordinary income of 3,040 million yen (up 103.4% year on year), and profit attributable to owners of parent of 1,947 million yen (up 117.0% year on year).

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

<Product Business>

For the period under review, we launched new products mainly from October to November, and strengthened our face-to-face sales promotion activities by holding a new product launch event for the first time in four years.

In the area of vinyl flooring materials, in December we launched "LAY Flooring PITAFI," a flooring material that allows for easy remodeling, and "BIOMICSTONE," a composition vinyl flooring tile made from biomass that uses recycled egg shells as part of its raw materials, and expect sales to increase in the future. In addition, net sales were higher than the previous year due to the adoption of high-performance products such as the "E-Clean NW-EX" vinyl floor tile, which does not require wax maintenance for a long time.

In the area of carpets, we added "SOKOITARI SOUNDSCAPE," based on the concept of soundscapes, to the Good Design Award-winning "SOKOITARI" graphic tile carpet series, and focused on sales promotion activities. Net sales also increased due to increased adoption of "GA-3600 Sustive Back," which plays a role in promoting TOLI Complete Recycling, reflecting growing environmental needs.

For wallcovering materials, sales were on a par with the previous year, thanks to the release of "100 Best Wallpapers for Living" in October, carefully selected vinyl wallpapers that are ideal for new construction and renovation, as well as strong sales of "Real Deco," our proprietary non-combustible decorative wallcovering material.

In the area of curtains, net sales increased year on year due to gradual growth in sales of the comprehensive sample book "fufu," which was revamped in June, and strong sales of contract curtains for schools and medical welfare facilities.

As a result, the Product Business reported net sales of 44,522 million yen (up 8.6% year on year) and segment income of 2,166 million yen (up 145.9% year on year).

<Interior Wholesaling and Installation Business>

In the Interior Wholesaling Business, amid a continued rise in procurement costs for various interior design-related materials, we focused on product proposals centered around new TOLI brand products while passing these costs onto selling prices. In the Installation Business, we focused on winning orders, including renovation work, by leveraging the Group's construction capabilities, resulting in a year-on-year increase in net sales. On the other hand, despite the continuing uncertainty of the business environment in China due to slowing economic growth caused by the turmoil in the Chinese real estate industry, net sales of TOLI (SHANGHAI) Corporation increased year on year in the third quarter (January to September 2023) due to be adopted at large scale business sites.

As a result, the Interior Wholesaling and Installation Business reported net sales of 47,810 million yen (up 7.7% compared with the same period of the previous year) and segment income of 1,134 million yen (up 39.3% compared with the same period of the previous year).

(2) Explanation of the financial situation

<Assets>

Current assets at the end of third quarter of the fiscal year under review were down 346 million yen compared with the end of the previous fiscal year to 50,331 million yen. Non-current assets amounted to 35,591 million yen, up 1,478 million yen from the end of the previous fiscal year. This was mainly due to an increase in investment securities as a result of higher stock prices.

As a result, total assets were up by 1,131 million yen compared with the end of the previous fiscal year to 85,923 million yen.

<Liabilities>

Current liabilities at the end of third quarter of the fiscal year under review were down 1,207 million yen compared with the end of the previous fiscal year to 30,519 million yen. This was mainly due to a decrease in income taxes payable resulting from the payment of income taxes. Non-current liabilities amounted to 12,486 million yen, up 317 million yen from the end of the previous fiscal year.

As a result, total liabilities were down 890 million yen compared with the end of the previous fiscal year to 43,006 million yen.

<Net assets>

Total net assets at the end of third quarter of the fiscal year under review were up 2,022 million yen compared with the end of the previous fiscal year to 42,916 million yen. This was mainly due to an increase in retained earnings resulting from the profit attributable to owners of parent.

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

We shall revise our full-year consolidated earnings forecast for the fiscal year ending March 2024, which was published on October 31, 2023, considering our performance and other factors in light of the most recent management environment. Regarding the year-end dividend forecast, we have revised the dividend forecast announced on July 31, 2023.

For details, please refer to the “Notice of Revision of Earnings and Dividend Forecasts” announced today (February 2, 2024).

2. Quarterly consolidated financial statements and major notes

(1) Consolidated balance sheets

(Million yen)

	Previous fiscal year (March 31, 2023)	Q3 of current fiscal year (December 31, 2023)
Assets		
Current assets		
Cash and deposits	9,745	9,908
Notes and accounts receivable - trade	20,287	17,377
Electronically recorded monetary claims	6,666	8,023
Merchandise and finished goods	8,978	9,318
Work in process	1,780	2,325
Raw materials and supplies	2,284	2,128
Other	993	1,300
Allowance for doubtful accounts	(58)	(51)
Total current assets	50,677	50,331
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,077	7,052
Machinery, equipment and vehicles, net	5,483	5,609
Tools, furniture and fixtures, net	439	363
Land	8,343	8,333
Construction in progress	1,587	2,221
Other, net	110	87
Total property, plant and equipment	23,042	23,669
Intangible assets		
Software	698	420
Other	113	283
Total intangible assets	811	703
Investments and other assets		
Investment securities	5,200	6,640
Deferred tax assets	792	121
Other	4,525	4,747
Allowance for doubtful accounts	(260)	(292)
Total investments and other assets	10,258	11,217
Total non-current assets	34,113	35,591
Total assets	84,791	85,923

(Million yen)

	Previous fiscal year (March 31, 2023)	Q3 of current fiscal year (December 31, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	18,232	17,546
Electronically recorded obligations	6,066	6,598
Short-term loans payable	1,020	870
Income taxes payable	1,107	269
Accrued expenses	1,677	1,712
Provision for bonuses	739	223
Provision for bonuses for directors (and other officers)	9	-
Other	2,874	3,299
Total current liabilities	31,726	30,519
Non-current liabilities		
Long-term loans payable	5,680	5,830
Net defined benefit liability	3,762	3,899
Other	2,727	2,757
Total non-current liabilities	12,169	12,486
Total liabilities	43,896	43,006
Net assets		
Shareholders' equity		
Capital stock	6,855	6,855
Capital surplus	6,426	4,812
Retained earnings	26,311	27,475
Treasury shares	(1,500)	(227)
Total shareholders' equity	38,092	38,916
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,048	3,079
Foreign currency translation adjustment	336	478
Remeasurements of defined benefit plans	136	126
Total accumulated other comprehensive income	2,521	3,684
Non-controlling interests	281	315
Total net assets	40,894	42,916
Total liabilities and net assets	84,791	85,923

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

(Million yen)

	Previous consolidated third quarter (April 1, 2022 – December 31, 2022)	Current consolidated third quarter (April 1, 2023 – December 31, 2023)
Net sales	67,429	73,209
Cost of sales	48,434	51,833
Gross profit	18,994	21,375
Selling, general and administrative expenses	17,570	18,512
Operating income	1,424	2,862
Non-operating income		
Interest income	1	2
Dividend income	177	177
Purchase discounts	56	59
Dividend income of insurance	43	50
Other	109	116
Total non-operating income	389	406
Non-operating expenses		
Interest expenses	47	48
Share of loss of entities accounted for using equity method	247	159
Other	23	21
Total non-operating expenses	318	228
Ordinary income	1,494	3,040
Extraordinary income		
Gain on sales of non-current assets	29	31
Gain on sales of investment securities	15	40
Total extraordinary income	45	71
Extraordinary losses		
Loss on retirement of non-current assets	12	48
Loss on sales of non-current assets	8	-
Total extraordinary losses	21	48
Profit before income taxes	1,518	3,063
Income taxes - current	471	856
Income taxes - deferred	145	220
Total income taxes	617	1,077
Profit	901	1,986
Profit attributable to non-controlling interests	3	39
Profit attributable to owners of parent	897	1,947

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

(Million yen)

	Previous consolidated third quarter (April 1, 2022 – December 31, 2022)	Current consolidated third quarter (April 1, 2023 – December 31, 2023)
Profit	901	1,986
Other comprehensive income		
Valuation difference on available-for-sale securities	222	1,030
Foreign currency translation adjustment	298	142
Remeasurements of defined benefit plans, net of tax	(7)	(9)
Total other comprehensive income	512	1,162
Comprehensive income	1,414	3,149
Comprehensive income attributable to		
owners of parent	1,410	3,109
non-controlling interests	4	39

- (3) Notes on consolidated financial statements
(Notes on the assumption of the company as a going concern)
No corresponding items exist.

(Notes when there are significant changes in amounts of shareholders' equity)

In accordance with a resolution of the Board of Directors held on November 2, 2023, we acquired 1,000,000 treasury shares for 339 million yen.

Additionally, based on the resolution of the Board of Directors, 6,700,000 treasury shares were erased on November 30, 2023, resulting in a decrease of 1,613 million yen in capital surplus and treasury shares each.

As a result, capital surplus was 4,812 million yen and treasury stock was 227 million yen at the end of third quarter of the fiscal year under review.

(Segment information, etc.)

Segment information

I Previous consolidated third quarter (April 1, 2022 – December 31, 2022)

1. Information on net sales and profit or loss for each reporting segment

(Million yen)

	Reporting segment			Adjustment (Note) 1	Value posted in the quarterly consolidated statement of income (Note) 2
	Product Business	Interior Wholesaling and Installation Business	Subtotal		
Net sales					
Sales to external customers	23,267	44,162	67,429	-	67,429
Internal sales or transfers among segments	17,724	213	17,937	(17,937)	-
Subtotal	40,991	44,375	85,366	(17,937)	67,429
Segment income	880	814	1,695	(200)	1,494

(Note) 1 The adjustment of segment income of -200 million yen is due to the elimination of transactions between segments.

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

II Current consolidated third quarter (April 1, 2023 – December 31, 2023)

1. Information on net sales and profit or loss for each reporting segment

(Million yen)

	Reporting segment			Adjustment (Note) 1	Value posted in the quarterly consolidated statement of income (Note) 2
	Product Business	Interior Wholesaling and Installation Business	Subtotal		
Net sales					
Sales to external customers	25,620	47,588	73,209	-	73,209
Internal sales or transfers among segments	18,901	222	19,123	(19,123)	-
Subtotal	44,522	47,810	92,332	(19,123)	73,209
Segment income	2,166	1,134	3,301	(260)	3,040

(Note) 1 The adjustment of segment income of -260 million yen is due to the elimination of transactions between segments.

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

2. Matters concerning changes in reporting segments

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