

Second Quarter Results for Fiscal Year Ending March 31, 2009

 Financial Accounting
Standards Foundation
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Name	TOLI Corporation	Stock Exchange	Tokyo Securities Exchange and Osaka Securities Exchange
Code number	7971	URL	http://www.toli.co.jp
Representative of Company	(Position) President and Representative Director	(Name)	Kenji Kashihara
Official responsible for any inquiry	(Position) General Manager of Accounting and Finance Department	(Name)	Jun Suzuki
Planned date for submission of quarterly report	November 13, 2008		
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(Amounts of less than 1 million yen are rounded off)

1. Consolidated performance for second quarter of the term ending March 31, 2009 (April 1, 2008 - September 30, 2009)

(1) Consolidated results (cumulative totals)

(% shows change from previous interim term.)

	Net sales		Operating income		Ordinary income		Quarterly net income	
	million yen	%	million yen	%	million yen	%	million yen	%
Second quarter of the term ending March 31, 2009	44,419	-	(373)	-	(441)	-	(494)	-
Second quarter of the term ending March 31, 2008	45,674	(0.7)	(219)	-	(312)	-	(276)	-

	Net income per share	Diluted net income per share
	yen	yen
Second quarter of the term ending March 31, 2009	(7.81)	-
Second quarter of the term ending March 31, 2008	(4.35)	-

(2) Consolidated assets

	Total assets	Net assets	Capital-to-asset ratio	Net asset per share
	million yen	million yen	%	yen
Second quarter of the term ending March 31, 2009	65,948	24,747	37.2	386.65
Year ended March 2008	70,198	25,769	36.4	402.76

(For reference) Shareholders' equity Second quarter of the term ending March 31, 2009 24,504 million yen
Year ended March 2008 25,528 million yen

2. Dividend payments

(Date of record)	Dividend per share				
	End of first quarter	End of 2nd quarter	End of 3rd quarter	End of year	For the year
	yen	yen	yen	yen	yen
Year ended March 2008	-	-	-	7.00	7.00
Year ended March 2009	-	-	-	-	-
Year ended March 2009 (projection)	-	-	-	7.00	7.00

Note: Presence or absence of revisions to the forecast dividend payments in the quarter under review: absent

3. Consolidated forecasts for year ending March 2009 (April 1, 2008 - March 31, 2009)

(% shows change from previous year and change from same quarter in previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full-year results	93,000	(3.8)	900	7.8	650	5.0	300	96.2	4.73

Note: Presence or absence of consolidated forecast revisions in the quarter under review: absent

4. Other matters

- (1) Significant changes to subsidiaries during the current term (changes for a specified subsidiary accompanying a change in the scope of consolidation): None
- (2) Application of simplified accounting treatment and accounting treatment unique to the presentation of consolidated quarterly financial statements: Yes
Note: For more details, please refer to 4. Others (2) in Qualitative Information on Financial Statements and the Like on page 5.
- (3) Change in accounting principles, procedures, or statement methods, etc. pertaining to the presentation of consolidated quarterly financial statements (matters reported under the heading of "Changes to the basis of presenting consolidated quarterly financial statements")
 - 1) Changes accompanying revision to accounting standards, etc.: Yes
 - 2) Changes other than 1) above: Yes
Note: For more details, please refer to 4. Others (3) in Qualitative Information on Financial Statements and the Like on page 5.
- (4) Number of shares outstanding (Ordinary stock)
 - 1) Number of shares outstanding at end of year (including treasury stock)

Second quarter of the term ending March 31, 2009	66,829,249 shares
Year ended March 2008	66,829,249 shares
 - 2) Number of treasury stock at end of year

Second quarter of the term ending March 31, 2009	3,447,202 shares
Year ended March 2008	3,447,202 shares
 - 3) Average quantity of stock during term (consolidated quarter)

Second quarter of the term ending March 31, 2009	63,379,230 shares
Second quarter of the term ending March 31, 2008	63,579,053 shares

* Explanations pertaining to adequate use of business performance projections and other special instructions

1. The performance projections were established based on the information available as of the time of writing, and actual business performance figures may differ from the projections due to various factors.
2. Starting in the current consolidated fiscal year, the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12) and "Implementation Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14) are applied. Financial statements are also produced in compliance with the "Consolidated Quarterly Financial Document Rules."

[Qualitative Information on Financial Statements and the Like]

1. Qualitative information on consolidated results

During the consolidated second quarter under review, concerns over a recession phase in the Japanese economy grew stronger, owing to factors including global financial instability and share price falls, which stemmed from the subprime loan issue in the United States, and corporate earnings declines under the effects of soaring prices of crude oil and raw materials. The operating environment for the interior decoration industry became tougher under the condition of continuous rises in raw materials costs, as demonstrated by successive large-scale failures involving builders and real estate companies.

In this environment, the TOLI Group made comprehensive efforts to advance measures, including cost reduction through production streamlining and retail price revisions, and to bolster its earnings capabilities in business operations, as the current fiscal year represents the final year of “GROW UP 2008,” the Group’s medium-term business plan. As a result, consolidated net sales for the second quarter under review came to 44,419 million yen. In the second quarter under review, the Group posted consolidated ordinary loss of 441 million yen, and consolidated net loss of 494 million yen, respectively.

Shown below is the business performance according to segment for each business area.

<Vinyl chloride-based products business>

In the vinyl chloride-base products business, FASOLPLUS composition tiles boosted net sales substantially to their users, centered on commercial facilities. REFRIPE, another type of composition tile released in August 2008, is earning high marks with its sophisticated design featuring a new type of striping. In products for manufacturing plants, medical institutions and welfare facilities, sheets equipped with such functions as chemical resistance, antistaticity and antibacterial power expanded sales. To enter a new market, we developed and worked to expand the sales of tiles used in rental housing, and achieved sizeable results through such operations. However, sales fell year on year for general-purpose, vinyl floor sheets and cushioned vinyls. As a result of the developments stated above, consolidated quarterly net sales for the vinyl chloride-based products business came to 14,728 million yen. Consolidated quarterly operating income for the business totaled 591 million yen.

<Textile products business>

In the textile products business, net sales fell year on year for rolled carpets and curtains for housing, under the effects of housing decline that began in 2007. Net sales remained nearly at the previous year’s level for tiled carpets due to stagnant demand for their use in offices. In this environment, we substantially strengthened our lineup of high value-added products, including those in the medium-to high-grade, high-design “GX Series” and their variants in different sizes in the “VARY series” in August 2008 in an attempt to expand net sales and increase profitability. As a result of the developments stated above, consolidated quarterly net sales for the textile products business amounted to 13,734 million yen. The business produced a consolidated quarterly operating loss of 15 million yen.

<Other businesses>

In other businesses, the “REAL DECO” series of wood-tone wallpaper materials, popular for their realistic texture, sustained their robust performance. In addition, wallpaper products in the “Recommended Wallpapers for Renovation 2008-2011” series released in June 2008 increased their sales steadily by satisfying needs in the housing renovation market. However, sales subsidiaries recorded smaller net sales for construction and purchased goods, under the effects of declined construction starts. As a result of the developments stated above, consolidated quarterly net sales for other businesses totaled 15,956 million yen. The businesses produced consolidated quarterly operating loss of 207 million yen.

2. Qualitative information on consolidated assets

Total assets at the end of the consolidated second quarter under review fell by 4,250 million yen from the end of the pervious term to 65,948 million yen, owing to factors including a fall in trade receivables attributable to seasonal variations.

Liabilities decreased by 3,228 million yen from the end of the previous term to 41,200 million yen

due to factors including declines in trade payables and short-term borrowings.

Net assets shrank by 1,021 million yen from the end of the previous term to 24,747 million yen as a result of developments including a reduction in retained earnings that accompanied dividend payment and the recording of quarterly net loss.

3. Qualitative information on consolidated forecasts

No change has been made to the consolidated forecasts announced on May 9, 2008.

4. Other matters

(1) Significant changes to subsidiaries during the current term (changes for a specified subsidiary accompanying a change in the scope of consolidation)

No corresponding item existed.

(2) Application of simplified accounting treatment and accounting treatment unique to the presentation of consolidated quarterly financial statements

1) Simplified accounting treatment

Calculation methods for corporate tax, deferred tax assets and deferred tax liabilities

Corporate tax amounts for payment are calculated in the method of limiting addition items, subtraction items and tax credit items to important ones.

Recoverability of deferred tax assets is determined with the use of forecasts for the future and tax planning used in the previous consolidated fiscal year because no significant change is recognized to have occurred in business conditions and the state of accrual concerning temporary differences since the end of the previous consolidated fiscal year.

2) Accounting treatment unique to the presentation of consolidated quarterly financial documents

No corresponding item existed.

(3) Change in accounting principles, procedures, or statement methods, etc. pertaining to the presentation of consolidated quarterly financial statements

1) Application of accounting standards to consolidated quarterly financial statements

Starting in the current consolidated fiscal year, the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12) and the "Implementation Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14) are applied. Financial statements are also produced in compliance with the "Consolidated Quarterly Financial Document Rules."

2) Change in assessment standards and assessment methods for important assets

Inventories

The Company had primarily used the periodic average cost method for assessing inventories owned for regular sales. With the application of the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, issued July 5, 2006) starting in the consolidated first quarter of the current fiscal year, the Company changed the main calculation method for inventories to the periodic average cost method (book value reduction method based on profitability decline for amounts stated in balance sheets).

The changeover caused operating loss, ordinary loss and quarterly net loss before tax and other adjustments to increase by 51 million yen, 30 million yen and 192 million yen, respectively.

Effects of the changeover on segment information are stated in corresponding sections of this document.

Securities

The Company had used the market value method based on the market price on the last day of the consolidated quarter, etc. (variance from valuation is processed as a component of shareholders' equity, and the cost of securities sold is calculated using the moving average method.) for assessing other securities with market value. Starting in the consolidated first quarter of the current fiscal year, the Company made a switch and adopted the market value method based on the market price one month prior to the last day of the consolidated quarter, etc. (variance from valuation is processed as a component of shareholders' equity, and the cost

of securities sold is calculated using the moving average method.) in order to equalize the effects short-term equity market fluctuations have on net assets.

The changeover caused investment securities to increase by 30 million yen, unrealized gain (loss) on securities to grow by 17 million yen, and deferred tax assets to decrease by 13 million yen.

Effects of the changeover on income and loss are omitted because they are minor. The changeover had no effect on segment information.

3) Application of accounting standards to lease transactions

The Company had used the same accounting method as that applied to ordinary lease transactions for finance lease transactions except those where the ownership of property is considered to be transferred to the lessee. With the applicability of the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, issued June 17, 1993 by the ASBJ Subcommittee No.1 and revised March 30, 2007) and the "Implementation Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 issued on January 18, 1994 by the Accounting System Committee of the Japanese Institute of Certified Public Accountants and revised March 30, 2007) to consolidated quarterly financial statements for consolidated fiscal years starting on and after April 1, 2008, the Company made a switch, adopted the accounting standard and implementation guidance and began applying them to the accounting of regular sales transactions, starting in the first quarter of the current fiscal year. The Company adopts the fixed rate method, in which the lease period is viewed as the effective life and residual value is considered as zero, for depreciating lease assets subject to finance lease transactions except those where the ownership of property is considered to be transferred to the lessee.

The Company continues to adopt the same accounting method as that applied to ordinary lease transactions for finance lease transactions except those where the ownership of property is considered to be transferred to the lessee that began before the initial application year for the above standard.

The changeover had no effect on income or loss.

(Additional information)

Change in the effective lives of tangible fixed assets

The Company and its consolidated subsidiaries reviewed the effective lives of machinery in accordance with the revision of the Corporation Tax Law in fiscal 2008, and changed the effective lives to the statutory effective lives after the revision, starting in the first consolidated quarter of the current fiscal year.

The changeover caused operating loss, ordinary loss and quarterly net loss before tax and other adjustments to increase by 15 million yen, respectively.

Effects of the changeover on segment information are stated in corresponding sections of this document.

5. Consolidated quarterly financial statements
 (1) Consolidated quarterly balance sheets

(Unit: million yen)

	End of consolidated second quarter of current fiscal year (September 30, 2008)	Condensed consolidated balance sheets as of the end of previous fiscal year (March 31, 2008)
Assets		
Current assets		
Cash and deposits	4,345	4,032
Notes and accounts receivable	22,683	27,607
Securities	662	763
Commodities and manufactured goods	6,727	6,874
Goods in process	1,264	1,067
Raw materials and stored goods	1,562	1,330
Deferred tax assets	1,255	1,035
Other current assets	865	666
Allowance for doubtful receivables	(187)	(208)
Total current assets	39,180	43,171
Fixed assets		
Tangible fixed assets		
Buildings and structures (Net amount)	5,725	5,821
Machinery and vehicles (Net amount)	2,885	2,923
Equipment (Net amount)	348	364
Land	8,728	8,728
Construction in progress	462	193
Total tangible fixed assets	18,150	18,031
Intangible assets		
Goodwill	164	184
Software	900	1,088
Other intangible assets	99	64
Total intangible assets	1,164	1,337
Investments and other assets		
Marketable securities and other investment securities	4,345	4,492
Long-term loans receivable	276	298
Deferred tax assets	1,142	1,115
Other assets	2,227	2,207
Allowance for doubtful receivables	(539)	(455)
Total investments and other assets	7,452	7,658
Total fixed assets	26,767	27,027
Total assets	65,948	70,198

(Unit: million yen)

	End of consolidated second quarter of current fiscal year (September 30, 2008)	Condensed consolidated balance sheets as of the end of previous fiscal year (March 31, 2008)
Liabilities		
Current liabilities		
Notes and accounts payable	22,245	24,992
Short-term borrowings	410	2,400
Accrued corporation taxes	118	200
Accrued expenses	1,245	1,424
Reserve for bonus payable	613	641
Other current liabilities	945	769
Total current liabilities	25,577	30,428
Fixed liabilities		
Long-term borrowings	9,400	7,700
Reserve for retirement allowance	4,250	4,409
Reserve for severance indemnities to directors and corporate auditors	299	262
Other fixed liabilities	1,672	1,628
Total fixed liabilities	15,622	13,999
Total liabilities	41,200	44,428
Net assets		
Shareholders' equity		
Paid in Capital	6,855	6,855
Capital surplus	6,488	6,488
Earned Surplus	10,848	11,787
Treasury stock	(864)	(863)
Total shareholders' equity	23,328	24,268
Unrealized gain (loss) and translation gain (loss)		
Unrealized gain (loss) on securities	1,156	1,241
Equity adjustment from foreign currency translation	18	17
Total unrealized gain (loss) and translation gain (loss)	1,175	1,259
Minority interests in consolidated subsidiaries	243	241
Total net assets	24,747	25,769
Total liabilities and net assets	65,948	70,198

(2) Consolidated quarterly statements of income
(for consolidated second quarter)

(Unit: million yen)

	Consolidated second quarter of current fiscal year (From April 1, 2008 until September 30, 2008)
Net sales	44,419
Cost of sales	33,396
Gross profit	11,023
Selling and administrative expenses	
Freight and packing expenses	2,489
Advertising expenses	896
Provision for allowance for doubtful receivables	69
Salaries and bonuses	2,875
Provision for allowance for bonuses	449
Retirement allowance expenses	311
Depreciation and amortization	488
Other expenses	3,815
Total selling and administrative expenses	11,396
Operating loss	(373)
Non-operating income	
Interest income	12
Dividend income	41
Purchase discount	36
Other income	93
Total non-operating income	184
Non-operating expenses	
Interest expense	102
Sales discount	54
Loss on equity method investment	38
Other expenses	57
Total non-operating expense	253
Ordinary loss	(441)
Extraordinary income	
Gain on sale of investment securities	5
Adjustment for allowance for doubtful receivables	4
Total extraordinary income	9
Extraordinary loss	
Loss on disposal of fixed assets	23
Write-down of investment securities	1
Loss on valuation of inventories	162
Total extraordinary loss	187
Quarterly net loss before tax and other adjustments	(620)
Corporation tax, local inhabitants taxes, and enterprise taxes	67
Deferred corporation tax	(197)
Total corporation and other taxes	(130)
Minority interests	4
Quarterly net loss	(494)

(3) Consolidated quarterly statements of cash flows

(Unit: million yen)

	Consolidated second quarter of current fiscal year (From April 1, 2008 until September 30, 2008)
Cash flows from operating activities	
Quarterly net loss before tax and other adjustments	(620)
Depreciation and amortization	922
Loss on disposal of fixed assets	23
Change in allowance for doubtful receivables (brackets denote a decrease)	62
Change in reserve for retirement allowance (brackets denote a decrease)	(158)
Interest and dividend income	(53)
Interest expense	102
Change in trade receivables (brackets denote an increase)	4,854
Change in inventories (brackets denote an increase)	(282)
Change in trade payables (brackets denote a decrease)	(2,761)
Other	(28)
Sub total	2,061
Interest and dividend received	54
Interest paid	(103)
Income taxes paid	(135)
Cash flows from operating activities	1,876
Cash flows from investing activities	
Expenditure for acquisition of investment securities	(100)
Acquisition of tangible fixed assets	(871)
Acquisition of intangible fixed assets	(71)
Acquisition of investment securities	(2)
Proceeds from sale of investment securities	14
Increase in loans	(54)
Income from loan collection	24
Other	48
Cash flows from investing activities	(1,013)
Cash flows from financing activities	
Net repayment in short-term borrowings (brackets denote a decrease)	(290)
Extension of long-term debt	2,100
Repayment of long-term debt	(2,100)
Dividends paid	(443)
Other	(18)
Cash flows from financing activities	(751)
Change in cash and cash equivalents (brackets denote a decrease)	111
Cash and cash equivalents at beginning of year	4,783
Cash and cash equivalents at end of quarter	4,895

Starting in the current consolidated fiscal year, the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and “Implementation Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14) are applied. Financial statements are also produced in compliance with the “Consolidated Quarterly Financial Document Rules.”

- (4) Notes on going concern assumption
No corresponding item existed.

(5) Segment Information

[Business segment information]

Consolidated second quarter of current fiscal year (From April 1, 2008 until September 30, 2008)

	Vinyl chloride products (million yen)	Textile products business (million yen)	Other businesses (million yen)	Total (million yen)	Elimination or Group-wide businesses (million yen)	Consolidated (million yen)
Net sales						
(1) Net sales to external customers	14,728	13,734	15,956	44,419	-	44,419
(2) Internal sales or transfers among segments	-	-	-	-	(-)	-
Total net sales	14,728	13,734	15,956	44,419	(-)	44,419
Operating income or operating loss	591	(15)	(207)	368	(741)	(373)

Notes: 1 Business segments are determined based on units for sales aggregation.

2 Main products in each segment

(1) Vinyl chloride products segment: Vinyl-chloride tiles and vinyl chloride sheets

(2) Textile products business: Carpets, curtains

(3) Other businesses: Wallpaper, adhesives, blinds, etc.

3 Change in the accounting method

(Accounting standard for valuation of inventories)

As stated in 4. (3) 2) in Qualitative Information on Financial Statements and the Like, the “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9 issued on July 5, 2006) is applied to the valuation of inventories, starting in the consolidated first quarter of the current fiscal year. Application of the standard caused operating income for the vinyl chloride products segment to decrease by 17 million yen, and operating loss for the textile products business and operating loss for other businesses to increase by 24 million yen and 9 million yen, respectively.

4 Additional information

(Change in the effective lives of tangible fixed assets)

As stated in 4. (additional information) in Qualitative Information on Financial Statements and the Like, the Company and its consolidated subsidiaries reviewed the effective lives of machinery in accordance with the revision of the Corporation Tax Law in fiscal 2008, and changed its effective lives to the statutory effective lives following the revision. The changeover caused operating income for the vinyl chloride products segment to show no increase, operating loss for the textile products business to grow by 19 million yen, and operating loss for other businesses to fall by 3 million yen.

[Geographical segment information]

Consolidated second quarter of current fiscal year (From April 1, 2008 until September 30, 2008)

Not applicable, since the submitting company did not have overseas branches or consolidated subsidiaries.

[Overseas sales]

Consolidated second quarter of current fiscal year (From April 1, 2008 until September 30,

2008)

Description of overseas sales is omitted because they were less than 10% of consolidated sales.

- (6) Notes on significant changes in shareholders' equity
No corresponding item exists.

Reference material

Financial statements for the second quarter of the previous fiscal year

(1) Consolidated interim statements of income

		Previous consolidated interim accounting term (From April 1, 2007 until September 30, 2007)	
Item		Amount (million yen)	Ratio (%)
I	Net sales	45,674	100.0
II	Cost of sales	33,966	74.4
	Gross profit	11,708	25.6
III	Selling and administrative expenses	11,927	26.1
	Operating loss	(219)	(0.5)
IV	Non-operating income	209	0.5
V	Non-operating expenses	302	0.7
	Ordinary loss	(312)	(0.7)
VI	Extraordinary income	26	0.1
VII	Extraordinary loss	51	0.1
	Interim net loss before tax and other adjustments	(338)	(0.7)
	Corporation tax, local inhabitants taxes, and enterprise taxes	29	0.1
	Deferred corporation tax	(72)	(0.2)
	Minority interests	(18)	(0.0)
	Interim net loss	(276)	(0.6)

(2) Consolidated interim statements of cash flows

	Previous consolidated interim accounting term (From April 1, 2007 until September 30, 2007)
Item	Amount (million yen)
I Cash flows from operating activities	
Interim net loss before tax and other adjustments	(338)
Depreciation and amortization	938
Change in allowance for doubtful receivables (brackets denote a decrease)	(22)
Change in reserve for retirement allowance (brackets denote a decrease)	(237)
Interest and dividend income	(51)
Interest expense	94
Change in trade receivables (brackets denote an increase)	6,381
Change in inventories (brackets denote an increase)	(308)
Change in trade payables (brackets denote a decrease)	(4,358)
Other	(777)
Sub total	1,319
Interest and dividend received	51
Interest paid	(94)
Income taxes paid	106
Cash flows from operating activities	1,383
II Cash flows from investing activities	
Acquisition of tangible fixed assets	(304)
Proceeds of tangible fixed assets	67
Acquisition of intangible fixed assets	(61)
Acquisition of investment securities	(239)
Increase in loans	(8)
Income from loan collection	54
Other	(23)
Cash flows from investing activities	(513)
III Cash flows from financing activities	
Net repayment in short-term borrowings (brackets denote a decrease)	(600)
Extension of long-term debt	1,500
Repayment of long-term debt	(1,545)
Income from sale of treasury stock	235
Dividends paid	(443)
Other	(13)
Cash flows from financing activities	(866)
IV Increase in cash and cash equivalents	3
V Cash and cash equivalents at beginning of year	4,398
VI Increase in cash and cash equivalents due to new consolidation	3
VII Cash and cash equivalents at end of interim term	4,404

(3) Segment Information

[Business segment information]

Previous consolidated interim accounting term (from April 1, 2007 until September 30, 2007)

	Vinyl chloride products (million yen)	Textile products business (million yen)	Other businesses (million yen)	Total (million yen)	Elimination or Group-wide businesses (million yen)	Consolidated (million yen)
Net sales						
(1) Net sales to external customers	14,718	14,639	16,316	45,674	-	45,674
(2) Internal sales or transfers among segments	-	-	-	-	(-)	-
Total net sales	14,718	14,639	16,316	45,674	(-)	45,674
Operating expenses	14,043	14,773	16,290	45,107	786	45,893
Operating income or operating loss	675	(133)	25	567	(786)	(219)

[Geographical segment information]

Previous consolidated interim accounting term (from April 1, 2007 to September 30, 2007)

Not applicable, since the submitting company did not have overseas branches or consolidated subsidiaries.

[Overseas sales]

Previous consolidated interim accounting term (from April 1, 2007 to September 30, 2007)

Description of overseas sales is omitted because they were less than 10% of consolidated sales.