

Second Quarter Results for Fiscal Year Ending March 31, 2010

Financial Accounting
Standards Foundation
member

October 30, 2009

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 Kashiwara	
Official responsible for any inquiry	(Position)	Operating Officer and General Manager of Accounting and Finance Department	(Name)	Jun Suzuki	TEL: (06)6494-1534
Planned date for submission of quarterly report	November 12, 2009				
Scheduled dividend payment start date					

(Amounts of less than 1 million yen are rounded off)

1. Consolidated performance for second quarter of the term ending March 31, 2010 (April 1, 2009 - 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, 2010	38,553	(13.2)	(226)	-	(266)	-	(214)	-
Second quarter of the term ending March 31, 2009	44,419	-	(373)	-	(441)	-	(494)	-

	Net income per share	Diluted net income per share
	yen	yen
Second quarter of the term ending March 31, 2010	(3.44)	-
Second quarter of the term ending March 31, 2009	(7.81)	-

(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, 2010	61,627	24,255	39.0	385.27
Year ended March 2009	66,805	24,621	36.5	391.05

(For reference) Shareholders' equity Second quarter of the term ending March 31, 2010 24,011 million yen
Year ended March 2009 24,373 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 2009	-	-	-	7.00	7.00
Year ended March 2010	-	-	-	-	-
Year ended March 2010 (projection)	-	-	-	5.00	5.00

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

3. Consolidated forecasts for year ending March 2010 (April 1, 2009 - March 31, 2010)

(% 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	83,500	(8.6)	1,000	37.5	850	24.5	360	(1.9)	5.78

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. Other matters (2) in Qualitative Information on Financial Statements and the Like on page 4.

(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: None

Note: For more details, please refer to 4. Other matters (3) in Qualitative Information on Financial Statements and the Like on page 4.

(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, 2010 66,829,249 shares

Year ended March 2009 66,829,249 shares

2) Number of treasury stock at end of year

Second quarter of the term ending March 31, 2010 4,504,317 shares

Year ended March 2009 4,500,607 shares

3) Average quantity of stock during term (consolidated quarter)

Second quarter of the term ending March 31, 2010 62,327,300 shares

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

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

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.

[Qualitative Information on Financial Statements and the Like]

1. Qualitative information on consolidated results

During the consolidated second quarter under review, corporate results declined significantly in Japan and both the individual income and employment situations increased in severity due to the decline of domestic and external demand in the Japanese economy under the impact of the simultaneous global recession. In the interior decoration industry, demand for interior finishing work progressed at low levels due to the decline of facility investment and the cooling of personal consumption so the very severe circumstances in the operating environment continued.

In this environment, the TOLI Group promoted the further improvement of earnings capabilities and made efforts to acquire growth capabilities for the future based on the strengthening of the Group's operating base built on technology and the improvement of group management efficiency, as the current fiscal year represents the first year of "CHANGE AND CHALLENGE 2011," the Group's medium-term business plan. As a result, consolidated net sales for the second quarter under review came to 38,553 million yen (down 13.2% in comparison to the same period of the previous year), ordinary loss was 266 million yen (ordinary loss of 441 million yen for the same period of the previous year), and the consolidated net loss was 214 million yen (consolidated net loss of 494 million yen for the same period of the previous year).

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

<Vinyl chloride-based products business>

In the vinyl chloride-based products business, the sophisticated design of REFRIPE, a composition tile with a modern type of striping is earning high marks and sales increased, while general-purpose vinyl floor sheets for educational institutions also performed well. However, due to the decline in the renovation and new construction of commercial facilities, sales of vinyl tiles and fashionable vinyl sheets for use in retail stores were lower than the same period last year and sales of slip-resistant vinyl sheet flooring for open corridors in apartment blocks, one of TOLI's leading products, also decreased. As a result of the developments stated above, consolidated second quarter net sales for the vinyl chloride-based products business came to 12,690 million yen (down 13.8% in comparison to the same period of the previous year) and operating income for the business totaled 387 million yen (down 34.5% in comparison to the same period of the previous year).

<Textile products business>

In the textile products business, sales of rolled carpets and curtains declined because housing starts remained at low levels. Meanwhile, increasing environmental awareness in society reached the interior decoration materials market and expansion was seen in demand for tile carpet bearing the eco-mark or conforming to the Act on Promoting Green Purchasing. In the office market, sales of medium and high grade merchandise decreased due to economic stagnation, but low-priced tile carpet performed robustly. As a result of the developments stated above, consolidated second quarter net sales for the textile products business came to 12,809 million yen (down 6.7% in comparison to the same period of the previous year) and operating income was 472 million yen (operating loss of 15 million yen in the same period of the previous year).

<Other businesses>

In other businesses, the "REAL DECO" series of wood-tone wallpaper materials, popular for their realistic texture, continued to receive high acclaim for use in commercial facilities and medical and welfare facilities, etc, but due to the stagnation of demand in the residential housing market, sales of general wall covering materials decreased, centering on merchandise in the medium price range. In addition, other businesses were also affected by the drop in housing starts and sales of purchased goods and construction work at sales subsidiaries decreased. As a result of the developments stated above, consolidated second quarter net sales for other businesses came to 13,053 million yen (down 18.2% in comparison to the same period of the previous year) and the operating loss was 289 million yen (operating loss of 207 million yen for the same period of the previous year).

2. Qualitative information on consolidated assets

Total assets at the end of the consolidated second quarter under review fell by 5,178 million yen from the end of the previous term to 61,627 million yen, owing to factors including a fall in trade receivables attributable to seasonal variations.

Liabilities decreased by 4,812 million yen from the end of the previous term to 37,371 million yen due to factors including declines in trade payables.

Although there was an increase in the valuation difference of other marketable securities, net assets shrank by 366 million yen from the end of the previous term to 24,255 million yen as a result of developments including a reduction in retained earnings due to dividend payments.

3. Qualitative information on consolidated forecasts

No change has been made to the full year consolidated forecasts from the forecasts announced on "Announcement of a revision of the earnings forecast" on October 26, 2009.

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

(Change in accounting standard for the amount of completed work and the cost of completed work)

Previously, the work completion standard was applied in the accounting standards for earnings related to contracted work, but the company has applied the "Accounting Standard for Construction Contracts" (ASBJ Statement No.15, December 27, 2007) and the "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18, December 27, 2007) from the first quarter of this consolidated accounting year. The company is thus applying the construction progress standard to work where the certainty of results is recognized in regard to progress to the end of this second quarter of this consolidated accounting year from construction contracts where work started during the first quarter of this consolidated accounting year (cost ratio method for estimates of the rate of progress of construction), and is applying the work completion standard to other construction.

There will be no impacts on profit and loss or segment information due to this change.

Additional information

(Abolition of the directors' retirement allowance system)

In preparation for the payment of retirement allowances for directors and operating officers, the company and its consolidated subsidiaries LIC Co., Ltd., HOKKAIDO TOLI Corporation, DIA·CARPET CO., LTD., and TECHNO KAMEI Corporation used to post the payment values required at the end of the term based on internal regulations. However, a resolution was passed at the Ordinary General Meeting of Shareholders of each company to abolish their respective directors' retirement allowance systems as of the conclusion of each meeting. In addition, a resolution was also passed at each Ordinary General Meeting of Shareholders to pay directors at the time of their retirement a retirement allowance in accordance with their period of appointment up to the date of abolition of the directors' retirement allowance system.

In association with the abolition of this system, the sum of 284 million yen, equivalent to the retirement allowances for the period in question, was posted in fixed liabilities, included under "Others".

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

(Unit: million yen)

	End of consolidated second quarter of current fiscal year (September 30, 2009)	Condensed consolidated balance sheets as of the end of previous fiscal year (March 31, 2009)
Assets		
Current assets		
Cash and deposits	5,577	5,454
Notes and accounts receivable	19,326	24,767
Securities	714	713
Commodities and manufactured goods	5,889	6,131
Goods in process	840	821
Raw materials and stored goods	1,401	1,614
Deferred tax assets	853	688
Other current assets	1,077	793
Allowance for doubtful receivables	(294)	(471)
Total current assets	35,385	40,513
Fixed assets		
Tangible fixed assets		
Buildings and structures (Net amount)	6,194	6,334
Machinery and vehicles (Net amount)	2,472	2,691
Equipment (Net amount)	271	279
Land	8,685	8,685
Lease assets (Net amount)	166	158
Construction in progress	184	182
Total tangible fixed assets	17,973	18,333
Intangible assets		
Goodwill	185	138
Software	438	659
Lease assets	211	99
Other intangible assets	149	133
Total intangible assets	985	1,032
Investments and other assets		
Marketable securities and other investment securities	3,407	2,901
Long-term loans receivable	253	267
Deferred tax assets	1,881	2,078
Other assets	2,175	2,003
Allowance for doubtful receivables	(434)	(323)
Total investments and other assets	7,283	6,926
Total fixed assets	26,241	26,291
Total assets	61,627	66,805

(Unit: million yen)

	End of consolidated second quarter of current fiscal year (September 30, 2009)	Condensed consolidated balance sheets as of the end of previous fiscal year (March 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable	18,176	22,489
Short-term borrowings	1,240	940
Accrued corporation taxes	146	221
Accrued expenses	1,148	1,260
Reserve for bonus payable	571	599
Other current liabilities	1,199	1,101
Total current liabilities	22,482	26,612
Fixed liabilities		
Long-term borrowings	8,500	9,200
Reserve for retirement allowance	4,080	4,126
Reserve for severance indemnities to directors and corporate auditors	-	294
Other fixed liabilities	2,308	1,950
Total fixed liabilities	14,888	15,571
Total liabilities	37,371	42,184
Net assets		
Shareholders' equity		
Paid in Capital	6,855	6,855
Capital surplus	6,487	6,488
Earned Surplus	11,059	11,710
Treasury stock	(1,065)	(1,064)
Total shareholders' equity	23,338	23,989
Unrealized gain (loss) and translation gain (loss)		
Unrealized gain (loss) on securities	673	383
Total unrealized gain (loss) and translation gain (loss)	673	383
Minority interests in consolidated subsidiaries	243	248
Total net assets	24,255	24,621
Total liabilities and net assets	61,627	66,805

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

(Unit: million yen)

	Consolidated second quarter of previous fiscal year (From April 1, 2008 until September 30, 2008)	Consolidated second quarter of current fiscal year (From April 1, 2009 until September 30, 2009)
Net sales	44,419	38,553
Cost of sales	33,396	27,739
Gross profit	11,023	10,813
Selling and administrative expenses		
Freight and packing expenses	2,489	2,339
Advertising expenses	896	888
Provision for allowance for doubtful receivables	69	0
Salaries and bonuses	2,875	2,796
Provision for allowance for bonuses	449	409
Retirement allowance expenses	311	377
Depreciation and amortization	488	529
Other expenses	3,815	3,698
Total selling and administrative expenses	11,396	11,040
Operating loss	(373)	(226)
Non-operating income		
Interest income	12	6
Dividend income	41	29
Purchase discount	36	35
Other income	93	94
Total non-operating income	184	166
Non-operating expenses		
Interest expense	102	104
Sales discount	54	52
Loss on equity method investment	38	3
Other expenses	57	45
Total non-operating expense	253	206
Ordinary loss	(441)	(266)
Extraordinary income		
Gain on sale of investment securities	5	-
Adjustment for allowance for doubtful receivables	4	36
Total extraordinary income	9	36
Extraordinary loss		
Loss on disposal of fixed assets	23	30
Loss on sales of investment securities	-	1
Write-down of investment securities	1	14
Loss on valuation of inventories	162	-
Total extraordinary loss	187	46
Quarterly net loss before tax and other adjustments	(620)	(277)
Corporation tax, local inhabitants taxes, and enterprise taxes	67	104
Deferred corporation tax	(197)	(166)
Total corporation and other taxes	(130)	(61)
Minority interests profit (loss)	4	(1)
Quarterly net loss	(494)	(214)

(3) Consolidated quarterly statements of cash flows

(Unit: million yen)

	Consolidated second quarter of previous fiscal year (From April 1, 2008 until September 30, 2008)	Consolidated second quarter of current fiscal year (From April 1, 2009 until September 30, 2009)
Cash flows from operating activities		
Quarterly net loss before tax and other adjustments	(620)	(277)
Depreciation and amortization	922	951
Loss on disposal of fixed assets	23	30
Profit or loss on revaluation of investment securities (brackets denotes profit)	-	14
Change in allowance for doubtful receivables (brackets denote a decrease)	62	(66)
Change in reserve for retirement allowance (brackets denote a decrease)	(158)	(46)
Interest and dividend income	(53)	(36)
Interest expense	102	104
Change in trade receivables (brackets denote an increase)	4,854	5,293
Change in inventories (brackets denote an increase)	(282)	435
Change in trade payables (brackets denote a decrease)	(2,761)	(3,925)
Other	(28)	21
Sub total	2,061	2,500
Interest and dividend received	54	36
Interest paid	(103)	(104)
Income taxes paid	(135)	(166)
Cash flows from operating activities	1,876	2,266
Cash flows from investing activities		
Expenditure for acquisition of investment securities	(100)	-
Acquisition of tangible fixed assets	(871)	(787)
Acquisition of intangible fixed assets	(71)	(243)
Acquisition of investment securities	(2)	(41)
Proceeds from sale of investment securities	14	0
Increase in loans	(54)	(63)
Income from loan collection	24	24
Other	48	(103)
Cash flows from investing activities	(1,013)	(1,214)
Cash flows from financing activities		
Net repayment in short-term borrowings (brackets denote a decrease)	(290)	(300)
Extension of long-term debt	2,100	300
Repayment of long-term debt	(2,100)	(400)
Dividends paid	(443)	(436)
Other	(18)	(141)
Cash flows from financing activities	(751)	(977)
Change in cash and cash equivalents (brackets denote a decrease)	111	73
Cash and cash equivalents at beginning of year	4,783	6,155
Cash and cash equivalents at end of quarter	4,895	6,228

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

(5) Segment Information

[Business segment information]

Consolidated second quarter of previous fiscal year (from April 1, 2008 to September 30, 2008)

	Vinyl chloride products business (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)

Consolidated second quarter of current fiscal year (From April 1, 2009 until September 30, 2009)

	Vinyl chloride products business (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	12,690	12,809	13,053	38,553	-	38,553
(2) Internal sales or transfers among segments	-	-	-	-	(-)	-
Total net sales	12,690	12,809	13,053	38,553	(-)	38,553
Operating income or operating loss	387	472	(289)	569	(796)	(226)

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.

[Geographical segment information]

Consolidated second quarter of previous fiscal year (from April 1, 2008 to September 30, 2008)

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

Consolidated second quarter of current fiscal year (From April 1, 2009 until September 30, 2009)

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

[Overseas sales]

Consolidated second quarter of previous fiscal year (from April 1, 2008 to September 30, 2008)

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

Consolidated second quarter of current fiscal year (From April 1, 2009 until September 30, 2009)

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.