

## Second Quarter Results for Fiscal Year Ending March 31, 2010

Financial Accounting  
Standards Foundation  
member

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|   |                         |  |                |   |                    |
|---|-------------------------|--|----------------|---|--------------------|
| Name  | <b>TOLI Corporation</b> |  | Stock Exchange | Tokyo Securities Exchange and Osaka Securities Exchange   |                    |
| Code number                                     | 7971                    |  | URL            | <a href="http://www.toli.co.jp">http://www.toli.co.jp</a> |                    |
| 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.

## &lt;Vinyl chloride-based products business&gt;

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).

## &lt;Textile products business&gt;

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).

## &lt;Other businesses&gt;

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<br>quarter of current fiscal year<br>(September 30, 2009) | Condensed consolidated<br>balance sheets as of the end of<br>previous fiscal year<br>(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<br>quarter of current fiscal year<br>(September 30, 2009) | Condensed consolidated<br>balance sheets as of the end of<br>previous fiscal year<br>(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<br>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<br>(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<br>previous fiscal year<br>(From April 1, 2008 until<br>September 30, 2008) | Consolidated second quarter of<br>current fiscal year<br>(From April 1, 2009 until<br>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<br>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<br>previous fiscal year<br>(From April 1, 2008 until<br>September 30, 2008) | Consolidated second quarter of<br>current fiscal year<br>(From April 1, 2009 until<br>September 30, 2009) |
|---|--|---|
| Cash flows from operating activities  |  |   |
| Quarterly net loss before tax and other<br>adjustments                              | (620)  | (277)   |
| Depreciation and amortization   | 922  | 951   |
| Loss on disposal of fixed assets  | 23   | 30  |
| Profit or loss on revaluation of investment<br>securities (brackets denotes profit) | -  | 14  |
| Change in allowance for doubtful receivables<br>(brackets denote a decrease)        | 62   | (66)  |
| Change in reserve for retirement allowance<br>(brackets denote a decrease)          | (158)  | (46)  |
| Interest and dividend income  | (53)   | (36)  |
| Interest expense  | 102  | 104   |
| Change in trade receivables (brackets denote an<br>increase)                        | 4,854  | 5,293   |
| Change in inventories (brackets denote an<br>increase)                              | (282)  | 435   |
| Change in trade payables (brackets denote a<br>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<br>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<br>(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<br>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.