



Financial Announcement for 2nd Quarter of Year Ending March 2015 [Japan standard] (Consolidated)

November 4, 2014

Company name TOLI Corporation Stock Exchanges: Tokyo Stock Exchange
 Code number 7971 URL <http://www.toli.co.jp>
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Scheduled date for submission of quarterly report November 12, 2014
 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 results : None

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

1. Consolidated results for 2nd quarter of year ending March 2015 (April 1, 2014 - September 30, 2014)

(1) Consolidated results (cumulative) (% shows the change for the quarter against the same quarter in the previous year)

	Net sales		Operating profit		Ordinary profit		Net profit for this quarter	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2nd quarter of year ending March 2015	41,917	3.7	548	141.0	644	127.9	352	173.8
2nd quarter of year ending March 2014	40,436	2.1	227	(27.8)	282	(12.5)	128	82.4

(Note) Comprehensive profit: 2nd quarter of year ending March 2015 687 million yen (70.4%) 2nd quarter of year ending March 2014 403 million yen (-%)

	Quarterly net profit per share		Diluted quarterly net profit per share	
	Yen		Yen	
2nd quarter of year ending March 2015	5.71		-	
2nd quarter of year ending March 2014	2.07		-	

(2) Consolidated assets

	Total assets		Net assets		Capital-to-asset ratio	
	Million yen		Million yen		%	
2nd quarter of year ending March 2015	66,123		26,319		39.6	
Year ending March 2014	68,800		26,043		37.7	

(For reference) Shareholders' equity: 2nd quarter of year ending March 2015 26,208 million yen Year ending March 2014 25,936 million yen

2. Dividend payments

	Annual dividend				
	End 1st quarter	End 2nd quarter	End 3rd quarter	End of year	Total
Year ending March 2014	-	0.00	-	5.00	5.00
Year ending March 2015	-	0.00			
Year ending March 2015(forecast)			-	5.00	5.00

(Note) Adjustment from most recently published dividend forecast: None

3. Consolidated forecasts for year ending March 2015 (April 1, 2014 to March 31, 2015)

(% shows the change from previous term)

	Net sales		Operating profit		Ordinary profit		Net profit for this term		Net profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full term	91,400	1.9	2,850	11.6	2,900	10.1	1,800	34.4	29.17

(Note) Adjustment from most recently published performance projections: None

* Notes

(1) Significant changes to subsidiaries during consolidated cumulative term for this quarter
(Changes for a specified subsidiary entailing a change in the scope of consolidation): None

(2) Application of specific accounting processes for creation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, changes in accounting estimates, representation of amendments

- [1] Changes accompanying revisions to accounting standards : Yes
- [2] Changes other than [1] : None
- [3] Changes in accounting estimates : None
- [4] Representation of amendments : None

(Note) For details, refer to page 3 of the supplementary materials "2. Items related to summary information (notes), (3) Changes in accounting policies, changes in accounting estimates, representation of amendments."

(4) Number of outstanding shares (ordinary shares)

[1] Number of outstanding shares at end of year (including treasury stock)	2Q of year ending March 2015	66,829,249 shares	Year ending March 2014	66,829,249 shares
[2] Number of shares in treasury stock at end of year	2Q of year ending March 2015	5,122,798 shares	Year ending March 2014	5,117,509 shares
[3] Average number of shares during the term (quarterly cumulative)	2Q of year ending March 2015	61,709,749 shares	2Q of year ending March 2014	62,214,751 shares

* Statement concerning the implementation of quarterly review procedures

This quarterly financial announcement is not subject to the quarterly review procedures based on the Financial Instruments and Exchange Act and the review procedures of the quarterly financial statements based on the Financial Instruments and Exchange Act have not been completed at the time of presentation of this quarterly financial announcement.

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

Descriptions pertaining to the future, such as the performance projections described in this material are based on the information currently obtained by our company and certain assumptions judged to be reasonable, and do not constitute a promise by our company to achieve these results. Further, actual business performance figures, etc. may differ from the projections due to various factors.

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1. Qualitative information concerning results for this quarter

(1) Explanation concerning management performance

Whereas there was a weakness in individual consumption throughout the domestic economy as a reaction following the last-minute surge in demand before the increase in consumption tax, there continued to be a gentle recovery as a result of increased equipment investment and improvement in the employment situation during the 2nd quarter consolidated cumulative period. In the interior industry, there was an increase in demand for interior materials as a result of steady growth in construction starts in the previous fiscal year, but with the reaction against the last-minute surge in demand before the increase in consumption tax, we saw weakness from the summer particularly in the housing field. Furthermore, with the increase in costs for main raw materials, energy costs and distribution costs, it became a difficult environment for profits. Within this environment, the TOLI Group strove to develop original products, expand sales of high value-added products, reduce costs, and raise sales price, realizing sales during the 2nd quarter consolidated cumulative period of 41,917 million yen (increase of 3.7% against the same quarter in the previous year), operating profit of 548 million yen (increase of 141.0% against the same quarter in the previous year), ordinary profit of 644 million yen (increase of 127.9% against the same quarter in the previous year), and net profit for this quarter of 352 million yen (increase of 173.8% against the same quarter in the previous year).

Business performance by segment for each business area is as follows. This information includes business between segments.

<Product business>

For vinyl flooring, sales of vinyl sheet “HOSPILEUM NW” and “SF FLOOR NW” for medical and welfare facilities that do not require re-waxing maintenance due to their high durability and stain-proof performance increased, in addition to steady growth for “ROYAL WOOD” wood pattern vinyl tiles. For carpets, sales of carpet tiles “GA-100W” with a high level of design for ordinary businesses increased, and, in terms of wallpaper, there was also an increase in sales for “REAL DECO”, which expresses textures such as wood patterns etc. in a more realistic way. On the other hand, for curtains, sales were lower than the same quarter in the previous year due to the impact of the reaction following the last-minute surge in demand before the increase in consumption tax. As a result, sales for the product business were 25,911 million yen (increase of 5.0% against the same quarter in the previous year), and the segment profit was 511 million yen (increase of 429.0% against the same quarter in the previous year).

<Interior wholesaling and installation business>

In the interior wholesaling business, whereas there was weakness in the housing field from the summer due to the reaction against the last-minute surge in demand before the increase in consumption tax, demand in the non-housing field was resilient with an increase mainly in vinyl flooring. Further, in the installation business, with the increase in orders received, such as for hotel renewals and newly-built condominiums, etc., installation sales remained steady. From these results, the interior wholesaling and installation business had sales of 27,055 million yen (increase of 2.3% against the same quarter in the previous year), but with the increase in costs required to promote sales, segment profits slumped to 247 million yen (down 5.1% against the same quarter in the previous year).

(2) Explanation concerning the financial situation

Total assets at the end of 2nd quarter consolidated fiscal period decreased by 2,677 million yen compared to the end of the previous year to finish at 66,123 million yen due to the reduction in accounts receivable based on seasonal fluctuations. Liabilities decreased by 2,952 million yen in comparison to the end of the previous year to 39,804 million yen due to a decrease in accounts payable, etc.

Net assets increased by 275 million yen compared to the end of the previous year to finish at 26,319 million yen due to factors such as unrealized gain (loss) on securities resulting from the rise in the current share price.

(3) Explanation concerning future projection information such as consolidated performance forecasts

In terms of future prospects, the domestic economy is expected to continue in a gentle recovery, but with the reaction following the last-minute surge in demand before the increase in consumption tax, there is a lack of certainty for interior materials demand in the future, with the number of housing starts in decline. Further, in addition to the price of main raw materials and energy costs continuing to stay at a high level, with the expected rise in distribution costs, there is a lack of optimism in the business environment.

Within that situation, the TOLI group is working to achieve the consolidated final targets of the medium term business plan “Innovation and Growth 2014” of sales of 90 billion yen, ordinary profit of 2.5 billion yen and ROA (return on total assets) of 4% or more.

In the “Innovation and Growth 2014”, we aim to promote structural reform of the vinyl flooring and carpet business, which is the core business of this group, as well as to increase our competitiveness in the quality, functionality and design areas with “Strengthening our operating base through structural reform” as a priority strategy. In the curtain and wallpaper business, we are working to increase profitability through the improvement of business efficiency. In the “Capture of growth areas”, which is another priority strategy, in addition to promoting business expansion overseas, such as in Asia, we will make efforts to expand business into areas peripheral to our existing areas through technical development.

In terms of our consolidated performance forecasts, there is no change to the performance projections published on October 20, 2014.

2. Items related to summary information (notes)

- (1) Significant changes to subsidiaries during this quarterly consolidated cumulative period
No corresponding items exist.

- (2) Application of specific accounting processes for creation of quarterly consolidated financial statements
No corresponding items exist.

- (3) Changes in accounting policies, changes in accounting estimates, representation of amendments

Changes in accounting policies

(Application of accounting standards, etc. regarding retirement allowance)

“Accounting standards, etc. regarding retirement allowance” (Corporate accounting standards no. 26, May 17, 2012.

Hereinafter referred to as “Retirement allowance accounting standards”) and “Guidance on accounting standards regarding retirement allowance” (Guidance on application of corporate accounting standards no. 25, May 17, 2012. Hereinafter referred to as “Guidance on application of retirement allowance”) shall apply to the first quarter consolidated accounting period based on the determinations of the main section of no. 35 of Retirement allowance accounting standards and the main section of no. 67 of Guidance on application of retirement allowance, and with the revision to the method of calculating retirement allowance liabilities and work costs, and change of the retirement benefit predicted amount period attribution method from a straight line attribution to retirement benefit formula, the method of determining the discount rate will change from a discount rate based on an approximate number of years in the average remaining work period of the employees to the use of a single weighed average discount rate method that reflects the retirement allowance payment forecast period and the amount for each retirement allowance payment forecast period.

Application of the Retirement allowance accounting standards, etc. follows the transitional treatment determined in no.37 of the Retirement allowance accounting standards, and at the beginning of the 2nd quarter consolidated cumulative period, the amount influenced by changes to the method of calculating retirement allowance liabilities and work costs was added to or subtracted from the earned surplus.

As a result, liabilities related to retirement allowance at the beginning of the 2nd quarter consolidated cumulative period were 200 million yen, and assets related to retirement allowance (including “Others” from Investments and other assets) rose by 44 million yen, while earned surplus decreased by 100 million yen. Its impact on quarterly net profits before adjustment for operating profits, ordinary profits and taxes, etc. during the 2nd quarter consolidated cumulative period is low.

3. Consolidated quarterly financial statements

(1) Consolidated quarterly balance sheet

(Unit: million yen)

	Previous consolidated fiscal year (March 31, 2014)	2nd quarter consolidated accounting period (September 30, 2014)
Assets		
Current assets		
Cash and deposits	7,139	8,015
Notes and accounts receivable	27,446	22,250
Securities	716	716
Goods and products	6,788	7,578
Work-in-progress	902	1,089
Raw materials and stored goods	1,476	1,431
Deferred tax assets	408	427
Others	890	1,047
Allowance for doubtful receivables	(280)	(272)
Total current assets	45,488	42,283
Fixed assets		
Tangible fixed assets		
Buildings and structures (net amount)	4,758	4,655
Machinery devices and vehicles (net amount)	1,612	1,689
Equipment (net amount)	290	267
Land	8,371	8,310
Lease assets (net amount)	36	45
Construction in progress	206	533
Total tangible fixed assets	15,276	15,501
Intangible fixed assets		
Software	581	484
Others	50	52
Total intangible fixed assets	632	537
Investments and other assets		
Investment securities	4,091	4,522
Long-term loans receivable	127	114
Deferred tax assets	1,201	1,083
Others	2,329	2,435
Allowance for doubtful receivables	(345)	(354)
Total investment and other assets	7,403	7,801
Total fixed assets	23,312	23,840
Total assets	68,800	66,123

(Unit: million yen)

	Previous consolidated fiscal year (March 31, 2014)	2nd quarter consolidated accounting period (September 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable	23,855	21,216
Short-term borrowings	1,219	1,910
Accrued corporation taxes	684	282
Accrued expenses	1,657	1,475
Reserve for bonus payable	620	669
Others	1,387	1,583
Total current liabilities	29,423	27,138
Fixed liabilities		
Long-term borrowings	6,800	6,000
Liabilities related to retirement allowance	4,127	4,302
Others	2,405	2,363
Total fixed liabilities	13,332	12,666
Total liabilities	42,756	39,804
Net assets		
Shareholders' equity		
Capital	6,855	6,855
Capital surplus	6,423	6,423
Earned surplus	13,466	13,409
Treasury stock	(1,115)	(1,116)
Total shareholders' equity	25,629	25,571
Accumulated other comprehensive profit		
Unrealized gain (loss) on securities	817	1,099
Remeasurements of defined benefit plans	(510)	(463)
Total accumulated other comprehensive profit	306	636
Minority interests	107	111
Total net assets	26,043	26,319
Total liabilities and net assets	68,800	66,123

(2) Quarterly consolidated statement of profit and quarterly consolidated statement of comprehensive profit
 (Quarterly consolidated statement of profit)
 (2nd quarter consolidated cumulative period)

(Unit: million yen)

	Previous 2nd quarter consolidated cumulative period (April 1, 2013 - September 30, 2013)	2nd quarter consolidated cumulative period (April 1, 2014 - September 30, 2014)
Net sales	40,436	41,917
Cost of sales	29,820	30,600
Gross profit	10,615	11,316
Selling and general administrative expenses	10,388	10,768
Operating profit	227	548
Non-operating profit		
Interest profit	5	3
Dividends profit	46	54
Purchase discount	39	38
Others	115	158
Total non-operating profit	206	255
Non-operating expenses		
Interest expense	63	57
Sales discounts	57	66
Others	29	35
Total non-operating expenses	151	159
Ordinary profit	282	644
Extraordinary loss		
Loss on disposal of fixed assets	7	14
Loss from valuation of investment securities	-	12
Total extraordinary loss	7	27
Net quarterly profit before taxes and other adjustments	275	617
Corporation tax, local inhabitants taxes, and enterprise taxes	132	285
Deferred corporation tax	8	(26)
Total corporation and other taxes	140	259
Net quarterly profit before minority interests	134	357
Minority interests	5	5
Net profit for this quarter	128	352

(Quarterly consolidated statement of comprehensive profit)
(2nd quarter consolidated cumulative period)

(Unit: million yen)

	Previous 2nd quarter consolidated cumulative period (April 1, 2013 - September 30, 2013)	2nd quarter consolidated cumulative period (April 1, 2014 - September 30, 2014)
Net quarterly profit before minority interests	134	357
Other comprehensive profit		
Unrealized gain (loss) on securities	268	281
Remeasurements of retirement allowance	-	47
Total of other comprehensive profit	268	329
Quarterly comprehensive profit	403	687
(Breakdown)		
Quarterly comprehensive profit related to shareholders of the parent company	397	681
Quarterly comprehensive profit related to minority shareholders	5	5

(3) Quarterly consolidated statements of cash flows

(Unit: million yen)

	Previous 2nd quarter consolidated cumulative period (April 1, 2013 - September 30, 2013)	2nd quarter consolidated cumulative period (April 1, 2014 - September 30, 2014)
Cash flows from operating activities		
Net quarterly profit before taxes and other adjustments	275	617
Depreciation	584	590
Loss on disposal of fixed assets	7	14
Profit and loss from valuation of investment securities (brackets denote a gain)	-	12
Change in allowance for doubtful receivables (brackets denote a decrease)	(20)	1
Change in reserve for retirement allowance (brackets denote a decrease)	2	-
Change in liabilities for retirement allowance (brackets denote a decrease)	-	(25)
Interest and dividend profit	(51)	(57)
Interest expense	63	57
Change in trade receivables (brackets denote an increase)	4,970	5,194
Change in value of inventory assets (brackets denote an increase)	311	(931)
Change in trade payables (brackets denote a decrease)	(3,149)	(2,687)
Others	(257)	(97)
Sub total	2,735	2,687
Interest and dividend received	51	57
Interest paid	(63)	(57)
Payment of company tax, etc.	(517)	(681)
Cash flows from operating activities	2,205	2,006
Cash flows from investment activities		
Expenditure on the acquisition of tangible fixed assets	(453)	(538)
Expenditure on the acquisition of intangible fixed assets	(175)	(16)
Expenditure on the acquisition of investment securities	(13)	(2)
Expenditure on loans	(436)	(2)
Profit from the return of loans receivable	494	15
Others	15	34
Cash flows from investment activities	(568)	(509)
Cash flows from financing activities		
Net changes in short-term borrowings (brackets denote a decrease)	1	(9)
Extension of long-term borrowings	1,100	200
Repayment of long-term borrowings	(1,300)	(300)
Dividends paid	(311)	(308)
Others	(289)	(212)
Cash flows from financing activities	(799)	(630)
Effect of exchange rate changes on cash and cash equivalents	2	12
Change in cash and cash equivalents (brackets denote a decrease)	840	878
Cash and cash equivalents at beginning of year	6,218	7,792
Cash and cash equivalents at end of the quarter	7,059	8,671

- (4) Notes on quarterly consolidated financial statements
 (Notes on the assumption of the company as a going concern)
 No corresponding item exists.

(Notes for when there is a significant fluctuation in the amount of shareholders' equity)
 No corresponding item exists.

(Segment information, etc.)

Information on the amount of sales, profit or loss for each reporting segment

Previous 2nd quarter consolidated cumulative period (April 1, 2013 - September 30, 2013)

(Unit: million yen)

	Reporting segment			Adjustment Note 1	Quarterly consolidated statement of profits Note 2
	Product business	Interior wholesaling and installation business	Subtotal		
Sales					
Sales to external customers	14,171	26,264	40,436	-	40,436
Internal sales or transfers among segments	10,501	183	10,685	(10,685)	-
Subtotal	24,673	26,448	51,121	(10,685)	40,436
Segment profit	96	261	357	(75)	282

Note 1 The adjustment of segment profit of -75 million yen is due to the elimination of transactions between segments

2 Segment profit has been adjusted with ordinary profit in the quarterly consolidated statement of profit and loss.

This 2nd quarter consolidated cumulative period (April 1, 2014 - September 30, 2014)

(Unit: million yen)

	Reporting segment			Adjustment Note 1	Quarterly consolidated statement of profits Note 2
	Product business	Interior wholesaling and installation business	Subtotal		
Sales					
Sales to external customers	15,036	26,880	41,917	-	41,917
Internal sales or transfers among segments	10,874	174	11,049	(11,049)	-
Subtotal	25,911	27,055	52,966	(11,049)	41,917
Segment profit	511	247	758	(114)	644

Note 1 The adjustment of segment profit of -114 million yen is due to the elimination of transactions between segments.

2 Segment profit has been adjusted with ordinary profit in the quarterly consolidated statement of profit and loss.