

# Brief announcement of non-consolidated financial statements for the second quarter of fiscal year ending March 31, 2009

October 30, 2008

Name of listed company: Taya Co., Ltd.  
Code number: 4679  
(URL <http://www.taya.co.jp/>)

Listed stock exchange: Tokyo Stock Exchange  
(First Section)

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President

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Shihanki-Houkokusho to be submitted on: November 12, 2008

(Amounts less than 1 million yen were rounded down.)

1. Financial results for the second quarter of FY2008 (year-to-date: April 1 to September 30, 2008)

(1) Operating results (Accumulated total) (The percentages denote year-on-year change)

	Sales		Operating income		Ordinary income	
	million yen	%	million yen	%	million yen	%
Second Qtr. FY2008 (YTD)	6,463	-	132	-	134	-
Second Qtr. FY2007 (YTD)	6,780	(0.7)	300	(1.1)	300	(0.2)

	Net profit		Net profit per share		Net profit per share after adjustment of latent shares	
	million yen	%	yen	sen	yen	sen
Second Qtr. FY2008 (YTD)	75	-	14.97		-	
Second Qtr. FY2007 (YTD)	122	(5.4)	24.25		-	

(2) Financial position

	Total assets		Net assets		Capital ratio	Net assets per share	
	million yen		million yen		%	yen	sen
Second Qtr. FY2008	8,146		4,722		58.0	933.73	
FY2007	8,314		4,757		57.2	940.76	

(Reference) Equity capital: Second quarter of FY2008: 4,722 million yen, FY2007: 4,757 million yen

2. Dividend payments

(Base date)	Dividend per share				
	At end of first quarter	At end of second quarter	At end of third quarter	Fiscal year-end	Annual dividend
	yen sen	yen sen	yen sen	yen sen	yen sen
FY2007	-	0.00	-	22.00	22.00
FY2008	-	0.00	-	-	-
FY2008 (forecast)	-	-	-	22.00	22.00

(NOTE) Revision to dividend forecast in the quarter under review: None

3. The projected financial results for the period ending March 2009 (April 1, 2008 to March 31, 2009)

(The percentages denote year-on-year change.)

	Sales		Operating income		Ordinary income		Current net profit		Current net profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
Full year	13,350	(0.6)	430	(33.1)	430	(33.6)	220	(27.3)	43.50

(NOTE) Revision to the forecasts for the financial results in the quarter under review: None

4. Others

(1) Application of simple accounting treatments and special accounting treatments for the preparation of quarterly financial statements: None

(2) Changes in principles and procedures of the accounting method, and changes to presentation method, regarding the preparation of quarterly financial statements (matters to be entered in changes of important matters on which quarterly financial statements are based): Yes

1) Changes associated with the revision of accounting standards, etc: Yes

2) Changes other than those in 1) above: None

(NOTE) Please refer to Page 5, "4. Others" (of Qualitative Information, Financial Statements and Related Information) for details.

(3) Number of outstanding shares (common stocks)

1) Number of outstanding shares (including treasury stocks), at the end of the second quarter of the term ending March 2009: 5,100,000 shares; for the year ended March 2008: 5,100,000 shares

2) Number of treasury stocks, at the end of second quarter of the term ending March 2009: 42,561 shares; for the year ended March 2008: 42,561 shares

3) Average number of shares, second quarter of the term ending March 2009: 5,057,439 shares; second quarter of the term ended March 2008: 5,057,500 shares

\* Explanation on an appropriate use of the projected business performance and other remarks

1. The projected financial results we announced on May 8, 2008 have been changed to the projection shown above. For details, please refer to “Notice concerning revisions of projected business performance” dated Oct. 23, 2008.
2. Statements concerning revisions of business performance forecast and future outlook, which are stated in this material, are the Company’s judgment based on information available as of the date of the announcement of this material, and actual business performance may differ from the projected figures because of various uncertainties involved in forecasting.
3. Starting from this fiscal year, “Accounting Standards Concerning Quarterly Financial Statements” (Corporate Accounting Standards No. 12) and “Guideline for Application of Accounting Standards Concerning Quarterly Financial Statements” (Corporate Accounting Standards Application Guideline No. 14) are adopted. The quarterly financial statements are prepared in accordance with “Rules on Quarterly Financial Statements and Others.”

## **Qualitative Information, Financial Statements and Related Information**

### **1. Qualitative Information Regarding Business Results**

The Japanese economy is further slowing down in the second quarter because of financial unrest triggered by the U.S. subprime loan fiasco and a decline in corporate earnings amid rising oil and material prices. The beauty business also faces a difficult environment with weakening consumer spending becoming conspicuous owing to rising oil and food prices that are hitting household budgets.

Under these circumstances, the Company has been striving to satisfy customers by providing high-quality hospitality, services and technology under this year's theme "fusion of spirit and skill." With consumers tightening their wallets, however, the number of customers at existing shops fell by 4.6% and sales dropped by 4% from the same period last year.

The Company opened one new salon and closed three salons, giving it a total of 141 beauty salons as of the end of the second quarter.

As a result, the Company's sales for the second quarter YTD (the first half of 2008) were 6,463 million yen, down 4.7% from a year earlier and operating income dropped by 56.1% to 132 million yen. Ordinary income fell to 134 million yen, down 55.3% from the same period last year. Meanwhile, although there was a special profit of 91 million yen in compensation associated with a salon closure, the Company's current net profit dropped by 38.3% year-on-year, to 75 million yen.

Rates of year-on-year increases (decreases) are shown for reference.

### **2. Qualitative Information Regarding Financial Position**

#### **(1) Status of assets, liabilities, and shareholders' equity**

The Company's total assets as of the end of the second quarter amounted to 8,146 million yen, down 168 million yen from the end of the previous fiscal year. This decline is attributable to a decrease of 135 million yen in cash and deposits and 80 million yen in account receivables, although there was an increase of 36 million yen in fixed assets associated with the opening of the new salon.

Total liabilities stood at 3,423 million yen, down 132 million yen from the end of the previous fiscal year. This is mainly due to a decrease of 48 million yen in income tax payable after income tax was paid and 90 million yen in redemption of bonds.

Meanwhile, the Company's net assets came to 4,722 million yen and our capital adequacy ratio increased from 57.2% in the previous fiscal year to 58%.

#### **(2) Cash flows**

Cash and cash equivalents as of the end of the second quarter decreased by 303 million yen from the previous fiscal year to 887 million yen.

Detailed cash flows and causal factors are shown below.

A cash flow from operations amounted to 262 million yen, up 8 million yen from a year earlier.

This is primarily attributable to pretax net profit in the second quarter of 186 million yen, depreciation expense of 110 million yen, a decrease of 80 million yen in account receivables, insurance payments received of 42 million yen and an income tax payment of 165 million yen.

Cash flow from investments amounted to negative 422 million yen, up 262 million

yen from the same period of the previous fiscal year.

This is mainly due to a net increase of 167 million yen in time deposits and a 245 million yen payment to purchase a fixed tangible asset.

Cash flow from financial activities was minus 142 million yen, down 55 million yen from a year earlier.

This is mainly attributable to a net loss of 90 million yen in short and long-term loans payable, bond redemption of 90 million yen and total dividend payments of 110 million yen. It is also due to a net increase of 111 million yen in long-term loans payable and a net increase of 36 million yen in lease liabilities.

### **3. Qualitative Information Regarding Earning Forecast**

Uncertainty remains over the Japanese economy because of violent oil price fluctuations, surging material prices and turmoil in the financial market, and consumer spending likely will continue to be sluggish because of rising commodity goods prices, and pension and medical insurance issues in the latter half of the fiscal year.

Although the Company is determined to make further efforts to boost its performance, we expect our outlook for the full business year will fall short of our initial plan after taking into consideration factors such as the impact of the downturn in the first half of this fiscal year and expected trends in consumer spending. Therefore, we announced a “Notice concerning revisions of projected business performance” on Oct. 23, 2008.

Consequently, for the full business year we expect sales to be 13,350 million yen, down 0.6% from the previous fiscal year and we project that operating profit will fall by 33.1% to 430 million yen. We expect ordinary income to decrease by 33.6% to 430 million yen and current net profit to fall by 27.3% to 220 million yen.

#### 4. Others

**(1) Adoption of simplified accounting method and accounting method specific to preparation of quarterly financial statements**

None

**(2) Changes in principles and procedures of the accounting method, and changes to presentation method, regarding the preparation of quarterly financial statements**

- Changes in items concerning the accounting method standard

1. Starting from the current business year, “Accounting Standards Concerning Quarterly Financial Statements” (Corporate Accounting Standards No. 12) and “Guideline for Application of Accounting Standards” (Corporate Accounting Standards Application Guideline No. 14) are adopted. The Company prepares quarterly financial statements in accordance with “Rules on Quarterly Financial Statements and Others.”
2. The Company was previously applying an accounting method for lease contracts to finance lease contracts in which ownership does not transfer to the lessee. However, after it became possible to adopt “Accounting Standards Concerning Lease Contracts” (Corporate Accounting Standards No. 13 (June 17, 1993 (Business Accounting Council’s first panel), revised in March 30, 2007)) and “Guideline for Application of Accounting Standards Concerning Lease Contracts” (Guideline for Application of Corporate Accounting Standards No. 16 (Jan. 18, 1994 (Japanese Institute of Certified Public Accountants, Accounting System Committee), revised March 30, 2007)) for quarterly financial statements for a business year starting from April 1, 2008, the Company adopted these accounting standards in the first quarter of fiscal 2008, and now applies the accounting method for ordinary sales transactions to finance lease contracts in which the ownership does not transfer to the lessee.  
In addition, the Company defines a lease period as a depreciation period and uses a straight-line method in which the residual value is set to zero when recording depreciation of lease assets related to finance lease contracts in which ownership does not transfer to the lessee.  
These changes in the accounting method did not affect operating income, ordinary income or current net profit before tax for the second quarter YTD (the first half of 2008).  
With regard to finance lease contracts in which ownership does not transfer to the lessee before the initial year of adoption of the lease accounting standards, the Company continues to apply an accounting method for lease contracts.
3. The Company previously adopted a cost accounting approach using a moving-average method for most articles stored for regular sales. The Company now mainly uses a cost accounting approach with a moving-average method (a method in which book value is written down based on a decrease in profitability and is used for balance sheet values) because “Accounting Standards Concerning Inventory Evaluation” (Corporate Accounting Standards No. 9; July 5, 2006) were applied.  
The change did not affect the Company’s operating income, ordinary income or current net profit before tax for the second quarter YTD (the first half of 2008).

## 5. Financial Statements

### (1) Balance sheet for the Second Quarter of FY 2008

(Unit: thousand yen)

	As of the end of the second quarter of FY2008 (September 30, 2008)	Summary of balance sheet as of the end of FY2007 (March 31, 2008)
<b>Assets</b>		
Current assets		
Cash and deposits	1,477,050	1,612,139
Accounts receivable-trade	459,396	539,791
Merchandise	72,163	70,614
Materials for beauty treatments	52,043	49,493
Others	351,115	344,883
Bad debt reserves	(1,380)	(1,866)
Total current assets	2,410,389	2,615,057
Fixed assets		
Tangible fixed assets		
Building (net value)	1,874,712	1,895,374
Land	1,377,828	1,377,828
Others (net value)	47,566	10,034
Total tangible fixed assets	3,300,107	3,283,238
Intangible fixed assets	32,227	32,895
Investments and other assets		
Security deposit and guarantee money	2,167,626	2,160,888
Others	247,445	234,049
Bad debt reserves	(11,700)	(11,684)
Total of investment and other assets	2,403,371	2,383,253
Total fixed assets	5,735,705	5,699,387
<b>Total assets</b>	<b>8,146,094</b>	<b>8,314,445</b>

(Unit: Thousand yen)

	As of the end of the second quarter of FY2008 (September 30, 2008)	Summary of balance sheet as of the end of FY2007 (March 31, 2008)
<b>Liabilities</b>		
Current liabilities		
Notes payable and trade accounts payable	462,661	413,520
Short-term loans	145,900	152,800
Long-term loans due within one year	324,090	343,646
Corporate bonds to be redeemed within one year	180,000	180,000
Accrued expenses	500,166	533,681
Unpaid corporate taxes	145,323	194,133
Bonus reserve	199,570	177,056
Others	364,709	373,937
Total current liabilities	2,322,422	2,368,774
Fixed liabilities		
Corporate bonds	40,000	130,000
Long-term loans payable	472,839	536,687
Retirement benefit reserve	289,305	284,238
Others	299,252	236,917
Total fixed liabilities	1,101,397	1,187,842
Total liabilities	3,423,819	3,556,617
<b>Net assets</b>		
Shareholders' equity		
Capital stock	1,480,180	1,480,180
Capital surplus	1,702,245	1,702,245
Retained earnings	1,658,273	1,693,826
Treasury stock	(118,423)	(118,423)
Total shareholders' equity	4,722,275	4,757,827
Total net assets	4,722,275	4,757,827
<b>Total liabilities and net assets</b>	<b>8,146,094</b>	<b>8,314,445</b>

**(2) Statement of income for the Second Quarter of FY2008  
(Second quarter of FY2008 (YTD))**

	(Unit: thousand yen)
	Second Qtr. FY2008 (YTD) (April 1 to September 30, 2008)
Sales	6,463,346
Cost of sales	5,561,736
Gross profit	901,610
Sales and administrative expenses	769,603
Operating profit	132,006
Non-operating income	
Interest income	3,252
Real estate lease	7,269
Others	17,954
Total non-operating income	28,476
Non-operating expenses	
Interest expense	15,455
Real estate rental expenses	4,674
Others	5,813
Total non-operating expense	25,942
Ordinary income	134,539
Extraordinary income	
Shop closure compensation	82,909
Insurance received	7,805
Reversal of bad debt reserve	470
Total extraordinary income	91,184
Extraordinary losses	
Loss from disposal of fixed assets	29,681
Impairment loss	7,759
Others	1,986
Total extraordinary losses	39,427
Current net profit before tax	186,296
Corporate tax, inhabitant tax and enterprise tax	116,816
Amount of adjustment for corporate tax	(6,230)
Total of corporate tax and others	110,585
Current net profit	75,711



### (3) Statement of Cash Flows for the Second Quarter of FY2008

(Unit: Thousand yen)

	Second Qtr. FY2008 (YTD) (April 1 to September 30, 2008)
<b>Cash flow from operations</b>	
Current net profit before tax	186,296
Depreciation	110,744
Impairment loss	7,759
Increase (decrease) in bonus reserve	22,514
Increase (decrease) in retirement benefit reserve	5,067
Increase (decrease) in bad debt reserve	(470)
Interest received	(3,252)
Interest paid	15,455
Loss from retirement of fixed assets	29,681
Shop closure compensation	(82,909)
Insurance received	(7,805)
(Increase) decrease in accounts receivable-trade	80,395
(Increase) decrease in inventory	(9,168)
Increase (decrease) in trade payables	52,081
Others	(91,474)
<b>Sub-total</b>	<b>314,916</b>
Amount of received interest	2,534
Amount of interest payable	(15,590)
Indemnification of closed salons and shops received	82,909
Insurance received	42,673
Paid corporate taxes	(165,037)
<b>Cash flow from operations</b>	<b>262,405</b>
<b>Cash flow from investments</b>	
Payment for time deposits	(654,868)
Income from withdrawal of time deposits	486,957
Payment for acquisition of tangible fixed assets	(245,125)
Expenditure for security deposit and guarantee money payment	(51,739)
Revenue due to the recovery of security deposit and guarantee money	47,698
Others	(5,695)
<b>Cash flow from investments</b>	<b>(422,773)</b>
<b>Cash flow from financial operations</b>	
Income from additional short-term loans	350,000
Repayment of short-term loans	(356,900)
Income from long-term loans	96,000
Repayment of long-term loans	(179,404)
Increase in long-term accounts payable	115,508
Expenditure for long-term accounts payable repayment	(3,796)
Increase in lease obligation	37,888
Expenditure for lease obligation repayment	(1,334)
Outflow by redemption of corporate bonds	(90,000)
Dividend payments	(110,594)
<b>Cash flow from financial operations</b>	<b>(142,631)</b>
Increase (decrease) in cash and cash equivalents	(303,000)
Opening balance of cash and cash equivalents	1,190,095
Closing balance of cash and cash equivalents	887,095

Starting from this business year, the Company adopts “Accounting Standards Concerning Quarterly Financial Statements” (Corporate Accounting Standards No. 12) and “Guideline for Application of Accounting Standards Concerning Quarterly Financial Statements” (Corporate Accounting Standards Application Guideline No. 14). In addition, the Company prepares quarterly financial statements in accordance with “Rules on Quarterly Financial Statements and Others.”

**(4) Note concerning precondition for going business**

None

**(5) Note in the case of significant changes in shareholders' equity**

None

## Reference

### Financial statements for the same period of the previous year

#### (1) Statement of Income for the Second Quarter of FY2007 (year-to-date)

Category	Second Qtr. FY2007 (YTD) (April 1 to September 30, 2007)		
	Amount (thousand yen)	(%)	
I Sales		6,780,564	100.0
II Cost of sales		5,743,545	84.7
Gross profit		1,037,018	15.3
III Sales and administrative expenses		736,213	10.9
Operating profit		300,804	4.4
IV Non-operating income		24,300	0.4
V Non-operating expenses		24,424	0.4
Ordinary income		300,680	4.4
VI Extraordinary income		458	0.0
VII Extraordinary losses		32,889	0.5
Current net profit or loss before tax		268,249	3.9
Corporate tax, inhabitant tax and enterprise tax	145,151		
Amount of adjustment for corporate tax	441	145,593	2.1
Current net profit or loss		122,656	1.8

**(2) Statement of Cash Flows for the Second Quarter of FY2007 (year-to-date)**

	Second Qtr. FY2007 (YTD) (April 1 to September 30, 2007)
Category	Amount (thousand yen)
<b>I Cash flow from operations</b>	
Current net profit or loss before tax	268,249
Depreciation	103,092
Impairment loss	14,746
Increase in bonus reserve	1,916
Increase in retirement benefit reserve	6,968
Decrease in bad debt reserve	(458)
Interest received	(2,244)
Interest paid	15,757
Loss from retirement of fixed assets	18,143
Decrease in accounts receivable-trade	29,978
Increase in inventory	(19,713)
Increase in trade payables	36,016
Others	26,081
Sub-total	498,533
Amount of received interest	2,279
Amount of interest payments	(17,739)
Paid corporate taxes	(229,375)
Cash flow from operations	253,697
<b>II Cash flow from investments</b>	
Payment for time deposits	(516,866)
Income from withdrawal of time deposits	499,632
Payment for acquisition of tangible fixed assets	(111,946)
Expenditure for payment of security deposit and guarantee money	(14,811)
Income due to the recovery of security deposit and guarantee money	22,678
Others	(38,740)
Cash flow from investments	(160,054)
<b>III Cash flow from financial operations</b>	
Income from additional short-term loans	460,000
Repayment of short-term loans	(357,002)
Income from long-term loans	70,700
Repayment of long-term loans	(169,904)
Outflow by redemption of corporate bonds	(90,000)
Expenditure for acquiring treasury stock	(111,640)
Cash flow from financial operations	(197,846)
<b>IV Amount of decrease in cash and cash equivalents</b>	(104,202)
<b>V Opening balance of cash and cash equivalents</b>	1,417,682
<b>VI Closing balance of cash and cash equivalents</b>	1,313,480

## 6. Other information

N/A