

Brief announcement of non-consolidated financial statements for the second quarter of fiscal year ending March 31, 2010

October 28, 2009

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

Listed stock exchange: Tokyo Stock Exchange
(First Section)

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

1. Financial results for the second quarter of FY2009 (year-to-date: April 1 to September 30, 2009)

(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. FY2009 (YTD)	6,240	(3.4)	(163)	-	(159)	-
Second Qtr. FY2008 (YTD)	6,463	-	132	-	134	-

	Net profit		Net profit per share		Net profit per share after adjustment of latent shares	
	million yen	%	yen	sen	yen	sen
Second Qtr. FY2009 (YTD)	(223)	-	(44.25)	-	-	-
Second Qtr. FY2008 (YTD)	75	-	14.97	-	-	-

(2) Financial position

	Total assets		Net assets		Capital ratio		Net assets per share	
	million yen	%	million yen	%	yen	sen	yen	sen
Second Qtr. FY2009	8,319	-	4,510	54.2	-	-	891.81	-
FY2008	8,772	-	4,845	55.2	-	-	958.07	-

(Reference) Equity capital: Second quarter of FY2009: 4,510 million yen, FY2008: 4,845 million yen

2. Dividend payments

	Dividend per share						
	(Base date)	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
FY2008		-	0.00	-	22.00	22.00	-
FY2009		-	0.00	-	-	-	-
FY2009 (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 2010 (April 1, 2009 to March 31, 2010)

(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	12,640	(2.8)	(229)	-	(233)	-	(324)	-	(64.09)	-

(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: None

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

(NOTE) Please refer to Page 4, "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 2010: 5,100,000 shares; for the year ended March 2009: 5,100,000 shares

2) Number of treasury stocks, at the end of second quarter of the term ending March 2010: 42,771 shares; for the year ended March 2009: 42,731 shares

3) Average number of shares, second quarter of the term ending March 2010: 5,057,230 shares; second quarter of the term ended March 2009: 5,057,439 shares

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

1. The projected financial results we announced on May 8, 2009 have been changed to the projection shown above. For details, please refer to "Notice concerning revisions of projected business performance" dated Oct. 20, 2009.

2. The projected results above are prepared based on the information available as of the date of announcement of this material, and actual future business performance may differ from the projected figures due to various factors.

Qualitative Information, Financial Statements and Related Information

1. Qualitative Information Regarding Business Results

Some people say that in Japan, companies' inventory adjustments are almost finished, and the steep recession underway since last fall shows signs of bottoming out in the second quarter. However, the actual economy still faces harsh conditions with worsening corporate performance, revision of capital spending, and flagging employment conditions and income conditions due to the dramatic strengthening of the yen.

The beauty business also faces a difficult environment, with saving-oriented consumers suffering from decreased income and uncertainty over employment.

Under these circumstances, the Company has been striving to improve business performance by promising to satisfy each customer's needs as beauticians and hair professionals and by gaining as well as building trust with customers under this year's theme of "promise". The Company has also worked on employee training to improve technology and hospitality, including the TAYA Academy, a special education program we started this April with the goal of cultivating young beauticians at an early stage.

The Company opened four new salons (TAYA Kojimachi Salon, TAYA Tenjin Salon, Shampoo Tsunashima Salon and TAYA Futakotamagawa Salon), while strengthening our revenue base through the scrap and build method and closing four salons (TAYA blue label AEON Atsuta SC Salon, TAYA Tenjin Core Salon, TAYA Hakata Riverain Salon and Shampoo Gifu River Side Mall Salon) to consolidate them into neighboring salons. The total number of beauty salons is 144 as of the end of the second quarter, the same as the end of the previous year.

However, the consumer spending slump is still severe. Sales at existing salons decreased 4.0% from the same period last year due to a drop in the number of visiting customers (2.0% drop at existing salons on a year-to-year basis) as a result of the lengthening of the cycle in which customers visit our salons and a decrease in new customers. In addition, a decrease in average customer spending (2.0% drop at existing salons on a year-to-year basis) as a result of a drop in order treatment was also a major factor for the sales decrease.

As a result, the Company's sales for the second quarter YTD were 6,240 million yen, down 3.4% from a year earlier. The Company recorded an operating loss of 163 million yen (operating income of 132 million yen for the same period last year) and ordinary loss of 159 million yen (ordinary income of 134 million yen for the same period last year), partly due to an increase in personnel costs by securing beauticians. Meanwhile, there was a special loss of 50 million yen for retirement benefits upon retirement of the founder and 30 million yen of impairment loss. As a result, the Company's current net losses were 223 million yen (net profit of 75 million yen for the same period last year).

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 8,319 million yen, down 452 million yen from the end of the previous fiscal year.

Current assets totaled 2,184 million yen, down 442 million yen from the end of the previous fiscal year. Fixed assets amounted to 6,135 million yen, down 9 million yen from the end of the previous fiscal year. This is mainly due to a decrease of 510 million yen in cash and deposits and 75 million yen in accounts receivable.

Total liabilities as of the end of the second quarter stood at 3,809 million yen, down

117 million yen from the end of the previous fiscal year.

Current liabilities amounted to 2,370 million yen, down 139 million yen from the end of the previous fiscal year. Fixed liabilities stood at 1,438 million yen, up 22 million yen from the end of the previous fiscal year. Major items that increased from the previous fiscal year are notes payable (an increase of 30 million yen), short-term loans (145 million yen) and long-term loans (50 million yen). Major items that dropped from the previous fiscal year are corporate bonds to be redeemed within one year (a decrease of 90 million yen), accrued liabilities (91 million yen) due to the payment of retirement benefits for directors as well as other expenses and unpaid corporate taxes (136 million yen) due to payment of said taxes.

The Company's net assets as of the end of the second quarter came to 4,510 million yen, down 335 million yen from the end of the previous fiscal year. As a result, our capital adequacy ratio declined from 55.2% in the previous fiscal year to 54.2%.

(2) Cash flows

Cash and cash equivalents ("funds" hereinafter) as of the end of the second quarter decreased by 525 million yen from the previous fiscal year to 891 million yen.

Detailed cash flows and causal factors are shown below.

(Cash flow from operations)

Cash flow from operations for the second quarter YTD was negative 149 million yen (262 million yen for the same period last year).

This is primarily attributable to pretax net loss in the second quarter of 283 million yen, depreciation expense of 121 million yen, a decrease of 75 million yen in account receivables, impairment loss of 30 million yen, an increase of 26 million yen in trade payables, loss from retirement of fixed assets of 23 million yen and an income tax payment of 164 million yen.

(Cash flow from investments)

Cash flow from investments for the second quarter YTD amounted to negative 316 million yen (negative 269 million yen for the same period last year).

This is mainly due to a 267 million yen payment to purchase a fixed tangible asset for a new salon opening and a net increase of 27 million yen in security deposits and guarantee money.

(Cash flow from financial activities)

Cash flow from financial activities for the second quarter YTD was negative 59 million yen (negative 296 million yen for the same period last year).

This is mainly attributable to a net increase of 167 million yen in short and long-term loans payable (the net decrease in the same period last year was 90 million yen), bond redemption of 90 million yen and total dividend payments of 110 million yen.

3. Qualitative Information Regarding Earning Forecast

Consumer spending continues to be sluggish in the midst of uncertainty over the Japanese economy, and it is likely that the recovery of private consumption will take a significant amount of time. The Company will work on improving business efficiency while striving to provide services and programs that are appreciated by our customers. Meanwhile, considering the influence of the sales decrease of the first half of the year in addition to the continuing decline in consumer spending, we revised our earnings forecast

and announced “Notice concerning revisions of projected business performance” on October 20, 2009. Consequently, we expect sales to be 12,640 million yen for the full business year, down 2.8% from the previous fiscal year, and we project that operating loss will be 229 million yen (operating profit of 292 million yen for the previous fiscal year). We expect ordinary loss to be 233 million yen (ordinary income of 297 million yen for the previous fiscal year) and current net loss to be 324 million yen (net profit of 198 million yen for the previous fiscal year).

The projected results are prepared based on the information available as at present, and actual future business performance may differ from the projected figures due to various factors.

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

None

5. Financial Statements

(1) Balance sheet for the Second Quarter of FY 2009

(Unit: thousand yen)

	As of the end of the second quarter of FY2009 (September 30, 2009)	Summary of balance sheet as of the end of FY2008 (March 31, 2009)
Assets		
Current assets		
Cash and deposits	1,202,405	1,712,841
Accounts receivable-trade	463,835	539,254
Merchandise	43,857	43,110
Materials for beauty treatments	34,126	36,992
Others	441,703	296,620
Bad debt reserves	(1,295)	(1,528)
Total current assets	2,184,633	2,627,292
Fixed assets		
Tangible fixed assets		
Building (net value)	1,914,871	1,936,081
Land	1,377,828	1,377,828
Others (net value)	91,207	84,213
Total tangible fixed assets	3,383,907	3,398,124
Intangible fixed assets	46,916	31,941
Investments and other assets		
Security deposit and guarantee money	2,163,792	2,166,628
Others	552,148	559,972
Bad debt reserves	(11,724)	(11,733)
Total of investment and other assets	2,704,217	2,714,867
Total fixed assets	6,135,041	6,144,933
Total assets	8,319,674	8,772,225

(Unit: Thousand yen)

	As of the end of the second quarter of FY2009 (September 30, 2009)	Summary of balance sheet as of the end of FY2008 (March 31, 2009)
Liabilities		
Current liabilities		
Notes payable and trade accounts payable	458,536	432,172
Short-term loans	284,800	139,700
Long-term loans due within one year	371,760	400,492
Corporate bonds to be redeemed within one year	40,000	130,000
Accrued expenses	539,781	518,785
Unpaid corporate taxes	56,704	193,202
Bonus reserve	211,589	222,450
Others	407,417	473,400
Total current liabilities	<u>2,370,589</u>	<u>2,510,202</u>
Fixed liabilities		
Long-term loans payable	864,083	813,377
Retirement benefit reserve	312,282	299,801
Others	262,608	303,645
Total fixed liabilities	<u>1,438,973</u>	<u>1,416,824</u>
Total liabilities	<u>3,809,563</u>	<u>3,927,027</u>
Net assets		
Shareholders' equity		
Capital stock	1,480,180	1,480,180
Capital surplus	1,702,245	1,702,245
Retained earnings	1,446,259	1,781,316
Treasury stock	(118,572)	(118,543)
Total shareholders' equity	<u>4,510,111</u>	<u>4,845,198</u>
Total net assets	<u>4,510,111</u>	<u>4,845,198</u>
Total liabilities and net assets	<u>8,319,674</u>	<u>8,772,225</u>

**(2) Statement of income for the Second Quarter of FY2009
(Second quarter of FY2009 (YTD))**

(Unit: thousand yen)

	Second Qtr. FY2008 (YTD) (April 1 to September 30, 2008)	Second Qtr. FY2009 (YTD) (April 1 to September 30, 2009)
Sales	6,463,346	6,240,842
Cost of sales	5,561,736	5,618,464
Gross profit	901,610	622,377
Sales and administrative expenses	769,603	785,845
Operating profit (loss)	132,006	(163,468)
Non-operating income		
Interest income	3,252	2,508
Real estate lease	7,269	7,127
Others	17,954	18,706
Total non-operating income	28,476	28,342
Non-operating expenses		
Interest expense	15,455	17,499
Real estate rental expenses	4,674	4,242
Others	5,813	2,543
Total non-operating expense	25,942	24,286
Ordinary income (loss)	134,539	(159,411)
Extraordinary income		
Shop closure compensation	82,909	-
Insurance received	7,805	-
Gain on redemption of memberships	-	3,755
Reversal of bad debt reserve	470	242
Total extraordinary income	91,184	3,997
Extraordinary losses		
Loss from disposal of fixed assets	29,681	47,198
Impairment loss	7,759	30,905
Retirement benefits for directors	-	50,000
Others	1,986	-
Total extraordinary losses	39,427	128,103
Current net profit (loss) before tax	186,296	(283,518)
Corporate tax, inhabitant tax and enterprise tax	116,816	29,834
Amount of adjustment for corporate tax	(6,230)	(89,555)
Total of corporate tax and others	110,585	(59,721)
Current net profit (loss)	75,711	(223,797)

(3) Statement of Cash Flows for the Second Quarter of FY2009

(Unit: Thousand yen)

	Second Qtr. FY2008 (YTD) (April 1 to September 30, 2008)	Second Qtr. FY2009 (YTD) (April 1 to September 30, 2009)
Cash flow from operations		
Current net profit (loss) before tax	186,296	(283,518)
Depreciation	110,744	121,688
Impairment loss	7,759	30,905
Increase (decrease) in bonus reserve	22,514	(10,806)
Increase (decrease) in retirement benefit reserve	5,067	12,480
Increase (decrease) in bad debt reserve	(470)	(242)
Interest received	(3,252)	(2,508)
Interest paid	15,455	17,499
Loss from retirement of fixed assets	29,681	23,473
Shop closure compensation	(82,909)	-
Insurance received	(7,805)	-
Gain on redemption of memberships	-	(3,755)
Retirement benefits for directors	-	50,000
(Increase) decrease in accounts receivable-trade	80,395	75,418
(Increase) decrease in inventory	(9,168)	9,240
Increase (decrease) in trade payables	52,081	26,364
Others	(91,474)	12,937
Sub-total	314,916	79,123
Amount of received interest	2,534	3,593
Amount of interest payable	(15,590)	(17,925)
Indemnification of closed salons and shops received	82,909	-
Insurance received	42,673	-
Paid retirement benefits for directors	-	(50,000)
Paid corporate taxes	(165,037)	(164,338)
Cash flow from operations	262,405	(149,547)
Cash flow from investments		
Payment for time deposits	(654,868)	(570,869)
Income from withdrawal of time deposits	486,957	555,980
Payment for acquisition of tangible fixed assets	(91,729)	(267,779)
Expenditure for security deposit and guarantee money payment	(51,739)	(43,820)
Revenue due to the recovery of security deposit and guarantee money	47,698	15,903
Revenue from redemption of memberships	-	3,800
Others	(5,695)	9,555
Cash flow from investments	(269,376)	(316,340)

	Second Qtr. FY2008 (YTD) (April 1 to September 30, 2008)	Second Qtr. FY2009 (YTD) (April 1 to September 30, 2009)
Cash flow from financial operations		
Income from additional short-term loans	350,000	507,000
Repayment of short-term loans	(356,900)	(361,900)
Income from long-term loans	96,000	235,000
Repayment of long-term loans	(179,404)	(213,026)
Expenditure for long-term accounts payable repayment	(3,796)	(15,872)
Expenditure for lease obligation repayment	(1,334)	(10,210)
Outflow by redemption of corporate bonds	(90,000)	(90,000)
Expenditure for acquiring treasury stock	-	(29)
Dividend payments	(110,594)	(110,226)
Cash flow from financial operations	(296,028)	(59,265)
Translation adjustments on cash and cash equivalents	-	(170)
Increase (decrease) in cash and cash equivalents	(303,000)	(525,324)
Opening balance of cash and cash equivalents	1,190,095	1,416,771
Closing balance of cash and cash equivalents	887,095	891,447

(4) Note concerning precondition for going business

None

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

None

6. Other information

N/A