

Brief announcement of non-consolidated financial statements (Japanese GAAP) for the second quarter of fiscal year ending March 2014

October 31, 2013

Name of listed company: Taya Co., Ltd. Listed stock exchange: Tokyo Stock Exchange
Code number: 4679 (First Section)

(URL <http://www.taya.co.jp/>)

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Shihanki-Houkokusho to be submitted on: November 12, 2013

Preparing supplementary material for quarterly financial results: Yes

Holding quarterly financial results presentation meeting: Yes

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

1. Financial results for the second quarter of FY2013 (year-to-date: April 1 to September 30, 2013)

(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. FY2013 (YTD)	5,912	(1.8)	(130)	-	(133)	-
Second Qtr. FY2012 (YTD)	6,019	(3.3)	(14)	-	(27)	-

	Net profit		Net profit per share		Net profit per share after adjustment of latent shares	
	million yen	%	yen	sen	yen	sen
Second Qtr. FY2013 (YTD)	(125)	-	(25.20)	-	-	-
Second Qtr. FY2012 (YTD)	(67)	-	(13.47)	-	-	-

(2) Financial position

	Total assets	Net assets	Capital ratio	Net assets per share
	million yen	million yen	%	yen sen
Second Qtr. FY2013	8,177	4,024	49.2	805.41
FY2012	8,614	4,260	49.5	852.61

(Reference) Equity capital: Second quarter of FY2013: 4,024 million yen, FY2012: 4,260 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
FY2012	-	0.00	-	22.00	22.00
FY2013	-	0.00	-	-	-
FY2013 (forecast)	-	-	-	22.00	22.00

(NOTE) Revision of forecast for dividends announced recently: None

3. The projected financial results for the period ending March 2014 (April 1, 2013 to March 31, 2014)

(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	12,155	0.9	140	78.4	135	93.1	20	-	4.00

(NOTE) Revision of forecast for this quarter announced recently: None

*Notes

(1) Application of accounting procedures unique to the preparation of quarterly financial statements: None

(2) Changes in accounting policy, changes in accounting estimates and restatement

1) Changes in accounting policy associated with the revision of accounting standards, etc.: None

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

3) Changes in accounting estimates: None

4) Restatement: None

(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 2014: 5,100,000 shares; for the year ended March 2013: 5,100,000 shares

2) Number of treasury stocks, at the end of the second quarter of the term ending March 2014: 102,895 shares; for the year ended March 2013:

102,895 shares

- 3) Average number of shares, the second quarter of the term ending March 2014: 4,997,105 shares; the second quarter of the term ended March 2013: 4,997,105 shares

* Recording of Implementation Conditions regarding Quarterly Review Procedures

This quarterly financial summary does not fall within the scope of the Quarterly Review Procedures referenced in the Financial Instruments and Exchange Act. At the time of disclosure of the quarterly financial summary, the Company was in the process of implementing quarterly review procedures for its quarterly financial statements.

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

Any description regarding future developments such as the projected business performance mentioned in this material is based on the information we currently have available and on certain assumptions that we consider to be reasonable. Such description does not guarantee that we will achieve the projected business performance and may greatly differ from actual results due to various factors. For the conditions we assumed would exist when making the projected business performance and important notes for using such projected business performance, please refer to “Explanation regarding forecast information such as earnings forecast” on page 5 of the accompanying material.

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1. Qualitative information regarding results for this quarter

(1) Explanation regarding business results

The outlook for the Japanese economy in the second quarter of the term ending March 2014 continued to be clouded by uncertainty. This was due in part to concerns that a downward swing of the global economy might put downward pressure on the Japanese economy although business conditions in Japan were on a modest recovery trend as a result of the economic policies of the government.

Although consumer spending was picking up due to the sense of economic recovery, the beauty industry continued to face a tough business environment amid the low employment level and the weak income environment, in addition to intensified competition among salons in the industry.

Under these circumstances, the Company worked on “providing improved techniques and excellent services and creating beauty salons with the highest customer satisfaction in the region” and enhanced services in existing salons by stepping up customer services to build strong relations of trust with customers that last over a long period. It did this under the slogan “Creation of customer lifetime value.” However, consumer spending remained weak, in addition to the existence of customer churn due to retirement of hairstylists and irregular cycle of salon visits due to record heat during the summer months this year as well as torrential downpour. As a result, the number of customers remained low even in July, usually a busy month of the year, and the number of customers of existing salons in the second quarter YTD of the term ending March 2014 declined by 5.3% from the same quarter last year.

Regarding salons, the Company opened two new salons (TAYA Musashi Kosugi Tokyu Square, Shampoo Tsurumi) and closed one salon (Shampoo Chiba Naganuma). In addition, the Company has been fully renovating one salon (TAYA Chiba Sogo), and it was still under construction as of the end of the second quarter of the term ending March 2014. As a result, the Company had 150 beauty salons and 1 retail shop, including beauty salons closed for renovation, as of the end of the second quarter YTD of the term ending March 2014.

The Company’s sales for the second quarter YTD of the term ending March 2014 were 5,912 million yen (down 1.8% from the same quarter last year). The Company recorded an operating loss of 130 million yen (operating loss of 14 million yen for the same quarter last year) and ordinary loss of 133 million yen (ordinary loss of 27 million yen for the same quarter last year). Consequently, the Company posted a net loss of 125 million yen (net loss of 67 million yen for the same quarter last year).

(2) Explanation regarding financial position

1) Status of assets, liabilities, and shareholders’ equity

Total assets as of the end of the second quarter under review were 8,177 million yen, a decrease of 437 million yen from the end of the previous fiscal year.

Current assets totaled 2,491 million yen, down 333 million yen from the end of the previous fiscal year. Fixed assets amounted to 5,686 million yen, down 103 million yen from the end of the previous fiscal year. The main factors underlying the decrease were a decline of 242 million yen in cash and deposits, a decline of 114 million yen in accounts receivable-trade and a net decrease of 68 million yen in buildings.

Total liabilities as of the end of the second quarter stood at 4,153 million yen, down 201 million yen from the end of the previous fiscal year.

Current liabilities amounted to 2,091 million yen, down 337 million yen from the end of the previous fiscal year. Fixed liabilities stood at 2,061 million yen, up 136 million yen from the end of the previous fiscal year. The main factors underlying the increase were a net increase of 71 million yen in short-term and long-term loans payable and a rise of 45 million yen in notes payable and accounts payable-trade. The main factor underlying the decrease was redemption of corporate bonds of 50 million yen.

The Company’s net assets as of the end of the second quarter came to 4,024 million yen, down 235 million yen from the end of the previous fiscal year. As a result, our capital adequacy ratio fell from 49.5% in the previous fiscal year to 49.2%.

2) Cash flows

Cash and cash equivalents (“funds” hereinafter) as of the end of the second quarter decreased by 155 million yen from the previous fiscal year to 1,373 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 46 million yen (positive 22 million yen for the same period last year).

This is primarily attributable to a pretax net loss of 141 million yen and payment of corporate taxes of 41 million yen, while there were depreciation expenses of 160 million yen, a decrease in accounts receivable of 115 million yen and an increase in trade payables of 47 million yen.

(Cash flow from investments)

Cash flow from investments for the second quarter YTD amounted to negative 78 million yen (negative 355 million yen for the same period last year).

This is mainly attributable to an outflow for the acquisition of tangible fixed assets amounting to 174 million yen associated with the opening of new salons and renovation of a salon.

(Cash flow from financial activities)

Cash flow from financial activities for the second quarter YTD was negative 122 million yen (negative 42 million yen for the same period last year).

This is mainly attributable to redemption of corporate bonds of 50 million yen and payment of dividends of 110 million yen in spite of a net increase of short-term and long-term loans payable of 71 million yen.

(3) Explanation regarding forecast information such as earnings forecast

Based on the performance for the second quarter YTD, we published the “Notice concerning revisions of projected business performance” on October 28, 2013 in consideration of concerns for the future of consumer spending etc. According to the revision, sales are expected to total 12,155 million yen (up 0.9% from the previous fiscal year), operating income of 140 million yen (up 78.4% from the previous fiscal year), ordinary income of 135 million yen (up 93.1% from the previous fiscal year) and net profit of 20 million yen (net loss of 47 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.

2. Matters regarding summary information (Notes)

(1) Application of accounting procedures unique to the preparation of quarterly financial statements

None

(2) Changes in accounting policy, changes in accounting estimates, and restatement

None

3. Key events concerning preconditions for business as a going concern

None

4. Financial Statements

(1) Balance Sheet for the Second Quarter of FY 2013

(Unit: thousand yen)

	Previous fiscal year (as of March 31, 2013)	As of the second quarter of FY2013 (September 30, 2013)
Assets		
Current assets		
Cash and deposits	1,910,534	1,667,710
Accounts receivable-trade	557,165	442,356
Merchandise	49,197	47,683
Materials for beauty treatments	31,046	32,445
Others	278,167	302,597
Bad debt reserves	(899)	(899)
Total current assets	2,825,212	2,491,893
Fixed assets		
Tangible fixed assets		
Building (net value)	1,785,136	1,716,742
Land	1,375,445	1,375,445
Others (net value)	56,288	44,772
Total tangible fixed assets	3,216,870	3,136,960
Intangible fixed assets	54,771	50,915
Investments and other assets		
Security deposit and guarantee money	2,035,915	2,015,542
Others	482,322	482,742
Bad debt reserves	(151)	(151)
Total of investment and other assets	2,518,086	2,498,133
Total fixed assets	5,789,728	5,686,009
Total assets	8,614,941	8,177,903

(Unit: Thousand yen)

	Previous fiscal year (as of March 31, 2013)	As of the second quarter of FY2013 (September 30, 2013)
Liabilities		
Current liabilities		
Notes payable and trade accounts payable	400,408	445,993
Short-term loans payable	120,300	106,100
Corporate bonds to be redeemed within one year	100,000	100,000
Long-term loans due within one year	551,111	450,644
Unpaid corporate taxes	70,634	58,638
Bonus reserve	199,848	190,208
Asset retirement obligations	4,130	-
Others	982,990	740,089
Total current liabilities	2,429,423	2,091,673
Fixed liabilities		
Corporate bonds	230,000	180,000
Long-term loans payable	1,071,698	1,257,896
Retirement benefit reserve	384,805	382,293
Asset retirement obligations	197,726	208,248
Others	40,712	33,096
Total fixed liabilities	1,924,941	2,061,534
Total liabilities	4,354,365	4,153,208
Net assets		
Shareholders' equity		
Capital stock	1,480,180	1,480,180
Capital surplus	1,702,245	1,702,245
Retained earnings	1,237,605	1,001,725
Treasury stock	(159,455)	(159,455)
Total shareholders' equity	4,260,575	4,024,695
Total net assets	4,260,575	4,024,695
Total liabilities and net assets	8,614,941	8,177,903

**(2) Statement of Income for the Second Quarter of FY2013
(Second Quarter of FY2013 (YTD))**

(Unit: thousand yen)

	Second Qtr. FY2012 (YTD) (April 1 to September 30, 2012)	Second Qtr. FY2013 (YTD) (April 1 to September 30, 2013)
Sales	6,019,379	5,912,361
Cost of sales	5,278,583	5,300,898
Gross profit	740,795	611,463
Sales and administrative expenses	755,525	742,425
Operating loss	(14,730)	(130,962)
Non-operating income		
Interest income	728	1,082
Real estate lease	5,630	5,456
Others	5,988	10,892
Total non-operating income	12,347	17,431
Non-operating expenses		
Interest expense	14,695	13,983
Real estate rental expenses	4,121	3,946
Bond issuance cost	3,417	-
Others	3,006	1,773
Total non-operating expense	25,241	19,703
Ordinary loss	(27,624)	(133,234)
Extraordinary losses		
Loss from disposal of fixed assets	4,096	8,092
Loss on litigation	14,677	-
Total extraordinary losses	18,774	8,092
Current net loss before tax	(46,399)	(141,327)
Corporate tax, inhabitant tax and enterprise tax	29,622	30,268
Amount of adjustment for corporate tax	(8,709)	(45,651)
Total of corporate tax and others	20,912	(15,383)
Current net loss	(67,311)	(125,943)

(3) Statement of Cash Flows for the Second Quarter of FY2013

(Unit: thousand yen)

	Second Qtr. FY2012 (YTD) (April 1 to September 30, 2012)	Second Qtr. FY2013 (YTD) (April 1 to September 30, 2013)
Cash flow from operations		
Current net loss before tax	(46,399)	(141,327)
Depreciation	144,420	160,461
Increase (decrease) in bonus reserve	(18,394)	(9,640)
Increase (decrease) in retirement benefit reserve	(419)	(2,512)
Interest received	(728)	(1,082)
Interest paid	14,695	13,983
Loss from retirement of fixed assets	4,096	8,092
Loss on litigation	14,677	-
(Increase) decrease in accounts receivable-trade	91,673	115,764
(Increase) decrease in inventory	(3,013)	3,267
Increase (decrease) in trade payables	7,444	47,677
Others	39,155	(92,422)
Sub-total	247,208	102,262
Amount of received interest	313	664
Amount of interest payable	(14,364)	(15,597)
Payments for loss on litigation	(12,600)	-
Paid corporate taxes	(198,003)	(41,185)
Cash flow from operations	22,553	46,143
Cash flow from investments		
Payment for time deposits	(226,781)	(237,154)
Income from withdrawal of time deposits	206,415	324,937
Payment for acquisition of tangible fixed assets	(220,991)	(174,172)
Purchase of investment securities	(100,000)	-
Expenditure for security deposit and guarantee money payment	(21,880)	(79)
Revenue due to the recovery of security deposit and guarantee money	16,482	20,275
Others	(8,651)	(12,610)
Cash flow from investments	(355,406)	(78,803)

	Second Qtr. FY2012 (YTD) (April 1 to September 30, 2012)	Second Qtr. FY2013 (YTD) (April 1 to September 30, 2013)
Cash flow from financial operations		
Income from additional short-term loans	400,000	231,000
Repayment of short-term loans	(354,432)	(245,200)
Income from long-term loans	159,000	399,000
Repayment of long-term loans	(239,002)	(313,269)
Expenditure for long-term accounts payable repayment	(17,154)	(13,952)
Expenditure for lease obligation repayment	(19,188)	(19,724)
Proceeds from issuance of bonds	200,000	-
Outflow by redemption of corporate bonds	(63,000)	(50,000)
Dividend payments	(109,143)	(110,311)
Cash flow from financial operations	(42,920)	(122,458)
Translation adjustments on cash and cash equivalents	(112)	76
Increase (decrease) in cash and cash equivalents	(375,886)	(155,041)
Opening balance of cash and cash equivalents	1,865,423	1,528,814
Closing balance of cash and cash equivalents	1,489,536	1,373,773

(4) Notes to financial statements for the second quarter of FY 2013

(Note concerning preconditions for business as a going concern)

None

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

None