

Brief announcement of non-consolidated financial statements (Japanese GAAP) for the second quarter of fiscal year ending March 2015

October 29, 2014

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 10, 2014

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 FY2014 (year-to-date: April 1 to September 30, 2014)

(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. FY2014 (YTD)	5,767	(2.4)	(334)	-	(337)	-
Second Qtr. FY2013 (YTD)	5,912	(1.8)	(130)	-	(133)	-

	Net profit		Net profit per share		Net profit per share after adjustment of latent shares	
	million yen	%	yen	sen	yen	sen
Second Qtr. FY2014 (YTD)	(263)	-	(52.79)	-	-	-
Second Qtr. FY2013 (YTD)	(125)	-	(25.20)	-	-	-

(2) Financial position

	Total assets		Net assets		Capital ratio	Net assets per share	
	million yen		million yen		%	yen	sen
Second Qtr. FY2014	7,948		3,587		45.1	717.90	
FY2013	8,214		3,959		48.2	792.30	

(Reference) Equity capital: Second quarter of FY2014: 3,587 million yen, FY2013: 3,959 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
FY2013	-	0.00	-	22.00	22.00
FY2014	-	0.00	-	-	-
FY2014 (forecast)	-	-	-	22.00	22.00

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

3. The projected financial results for the period ending March 2015 (April 1, 2014 to March 31, 2015)

(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
Full year	11,960	0.2	(230)	-	(232)	-	(240)	-	48.03

(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.: Yes

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 2015: 5,100,000 shares; for the year ended March 2014: 5,100,000 shares

2) Number of treasury stocks, at the end of the second quarter of the term ending March 2015: 102,895 shares; for the year ended March 2014:

102,895 shares

- 3) Average number of shares, the second quarter of the term ending March 2015: 4,997,105 shares; the second quarter of the term ended March 2014: 4,997,105 shares

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.

* 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 forward-looking statements such as business performance forecasts contained in this material are based on the information available to the Company and on certain assumptions that we consider to be reasonable at the time of preparation of this document. The actual results may differ considerably due to various factors. For suppositions that form the assumptions for forecasts and important notes for using such business performance projections, 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

During the first six months of the fiscal year ending March 2015, the Japanese economy continued to move on a moderate recovery path as corporate earnings picked up and signs of improvement were apparent in employment conditions, driven by the effects of economic and monetary stimulus measures implemented by the government. However, the outlook remained uncertain due to irregular weather in the summer months and concerns about a lengthening slowdown in consumption in reaction to the last-minute demand associated with the increase in consumption tax.

Although there is anticipation for an upsurge in consumer spending supported by the betterment of employment and income conditions, the operating environment in the beauty industry continues to be extremely severe amid intensifying competition among salons within the industry plus the effects of a downturn in consumer sentiment following the consumption tax hike.

Under these circumstances, the Company worked on reinforcing services in existing salons with the aim of creating beauty salons with number-one customer satisfaction in the region. By setting our minds back to the Company's original management vision of exerting efforts "all for the sake of customers," every employee focused on maintaining this mindset and stepped up customer services to build strong and lasting relationships of trust with customers under the slogan "Making every effort to help customers look beautiful every day."

Through conveying to all customers the Company's "special offers for customers," we encouraged them to visit our salons. As a result, the number of customers of existing salons in the second quarter YTD of the fiscal year ending March 2015 increased 0.2% from the same quarter last year. On the other hand, sales per customer decreased 3.1% year on year, mainly due to the special offers and special campaign prices commemorating the Company's 50th year of founding.

Regarding salons, the Company opened one new salon (TAYA Mizonokuchi). Meanwhile, two beauty salons were closed (Courreges salon beaute Shinjuku and Courreges salon beaute AURORA MALL JUNNU). As a result, the Company had 150 beauty salons and one retail shop as of the end of the second quarter of the fiscal year ending March 2015.

As a result of the above, the Company's sales for the second quarter YTD of the fiscal year ending March 2015 were 5,767 million yen (down 2.4% from the same quarter last year). The Company recorded an operating loss of 334 million yen (operating loss of 130 million yen in the same quarter last year) and an ordinary loss of 337 million yen (ordinary loss of 133 million yen for the same quarter last year). Consequently, the Company posted a net loss of 263 million yen (net loss of 125 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 7,948 million yen, a decrease of 265 million yen from the end of the previous fiscal year.

Current assets totaled 2,317 million yen, down 211 million yen from the end of the previous fiscal year. Fixed assets amounted to 5,631 million yen, down 54 million yen from the end of the previous fiscal year. The main factors underlying the decrease were a decline of 213 million yen in cash and deposits, a net decrease of 114 million yen in buildings and a decline of 113 million yen in accounts receivable-trade.

Total liabilities as of the end of the second quarter stood at 4,360 million yen, up 105 million yen from the end of the previous fiscal year.

Current liabilities amounted to 2,263 million yen, up 187 million yen from the end of the previous fiscal year. Fixed liabilities stood at 2,097 million yen, down 81 million yen from the end of the previous fiscal year. The main factor underlying the increase was a rise of 66 million yen in notes payable and accounts payable-trade. The main factors underlying the decrease were a net decrease of 227 million yen in short-term and long-term loans payable and redemption of corporate bonds of 50 million yen.

The Company's net assets as of the end of the second quarter came to 3,587 million yen, down 371 million yen from the end of the previous fiscal year. As a result, our capital adequacy ratio fell from 48.2% in the previous fiscal year to 45.1%.

2) Cash flows

Cash and cash equivalents ("funds" hereinafter) as of the end of the second quarter decreased by 16 million yen from the previous fiscal year to 1,161 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 positive 31 million yen (positive 46 million yen for the same period last year).

This is primarily attributable to a pretax net loss of 341 million yen and payment of corporate taxes of 29 million yen, while there were depreciation expenses of 147 million yen, a decrease in accounts receivable of 113 million yen and an increase in trade payables of 56 million yen.

(Cash flow from investments)

Cash flow from investments for the second quarter YTD amounted to positive 180 million yen (negative 78 million yen for the same period last year).

This is primarily attributable to a net decrease in time deposits of 197 million yen, revenue from collection of security deposits and guarantee money of 38 million yen associated with the closure of salons, and an outflow for the acquisition of tangible fixed assets of 49 million yen associated with the opening of a new salon and renovation of existing salons.

(Cash flow from financial activities)

Cash flow from financial activities for the second quarter YTD was negative 228 million yen (negative 122 million yen for the same period last year).

This is primarily attributable to revenue from the receipt of guarantee money of 169 million yen, a net decrease of 227 million yen in short-term and long-term loans payable, and outflows of 50 million yen in redemption of corporate bonds and 109 million yen in payment of dividends.

(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 24, 2014 in consideration of concerns for the future of consumer spending, etc. According to the revision, sales are expected to total 11,960 million yen (up 0.2% from the previous fiscal year), operating loss of 230 million yen (operating loss of 150 million yen for the previous fiscal year), ordinary loss of 232 million yen (ordinary loss of 143 million yen for the previous fiscal year) and net loss of 240 million yen (net loss of 191 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

(Change in accounting policy)

Application of Accounting Standard for Retirement Benefits

Effective the first quarter of the fiscal year ending March 2015, the Company has adopted the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and “Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012) in regard to the provisions set forth in the main text of Paragraph 35 of the Accounting Standard for Retirement Benefits and that of Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits, revised the methods for calculating retirement benefit obligations and service costs, and changed the method of determining the discount rate from the method of applying the number of years close to the average remaining service period of employees for the term of bonds used as the basis of determining the discount rate to the method of using a single weighted average discount rate that reflects the expected period of payment of retirement benefits and the amount by the expected period of payment.

In regard to the application of the Accounting Standard for Retirement Benefits, the Company has reflected the amount of impact associated with the changes in the methods for calculating retirement benefit obligations and service costs on retained earnings at the beginning of the second quarter YTD of the fiscal year ending March 2015 in accordance with the transitional treatment provided in Paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result of the above, retirement benefit reserve decreased 2,982 thousand yen and retained earnings increased 1,919 thousand yen as of the beginning of the second quarter YTD of the fiscal year ending March 2015. The impact of this change on income/loss for the second quarter YTD of the fiscal year ending March 2015 is minimal.

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

None

4. Financial Statements

(1) Balance Sheet for the Second Quarter of FY 2014

(Unit: thousand yen)

	Previous fiscal year (as of March 31, 2014)	As of the second quarter of FY2014 (September 30, 2014)
Assets		
Current assets		
Cash and deposits	1,580,864	1,367,484
Accounts receivable-trade	553,310	439,396
Merchandise	36,332	55,222
Materials for beauty treatments	24,447	30,826
Others	334,097	425,051
Bad debt reserves	(852)	(852)
Total current assets	2,528,200	2,317,128
Fixed assets		
Tangible fixed assets		
Building (net value)	1,722,381	1,607,642
Land	1,375,445	1,375,445
Others (net value)	46,946	41,687
Total tangible fixed assets	3,144,773	3,024,776
Intangible fixed assets	46,657	43,989
Investments and other assets		
Security deposit and guarantee money	2,012,750	1,983,292
Others	481,776	579,155
Bad debt reserves	(1)	(1)
Total of investment and other assets	2,494,525	2,562,446
Total fixed assets	5,685,955	5,631,212
Total assets	8,214,156	7,948,340

(Unit: Thousand yen)

	Previous fiscal year (as of March 31, 2014)	As of the second quarter of FY2014 (September 30, 2014)
Liabilities		
Current liabilities		
Notes payable and trade accounts payable	401,813	467,856
Short-term loans payable	101,600	98,600
Corporate bonds to be redeemed within one year	100,000	100,000
Long-term loans due within one year	434,914	403,112
Unpaid corporate taxes	57,256	58,162
Bonus reserve	196,909	189,130
Asset retirement obligations	3,406	7,797
Others	779,847	938,955
Total current liabilities	2,075,747	2,263,613
Fixed liabilities		
Corporate bonds	130,000	80,000
Long-term loans payable	1,382,148	1,189,770
Retirement benefit reserve	384,729	381,878
Asset retirement obligations	205,987	206,498
Others	76,314	239,150
Total fixed liabilities	2,179,180	2,097,297
Total liabilities	4,254,927	4,360,911
Net assets		
Shareholders' equity		
Capital stock	1,480,180	1,480,180
Capital surplus	1,702,245	1,702,245
Retained earnings	936,258	564,459
Treasury stock	(159,455)	(159,455)
Total shareholders' equity	3,959,228	3,587,429
Total net assets	3,959,228	3,587,429
Total liabilities and net assets	8,214,156	7,948,340

**(2) Statement of Income for the Second Quarter of FY2014
(Second Quarter of FY2014 (YTD))**

(Unit: thousand yen)

	Second Qtr. FY2013 (YTD) (April 1 to September 30, 2013)	Second Qtr. FY2014 (YTD) (April 1 to September 30, 2014)
Sales	5,912,361	5,767,783
Cost of sales	5,300,898	5,338,495
Gross profit	611,463	429,287
Sales and administrative expenses	742,425	764,121
Operating loss	(130,962)	(334,834)
Non-operating income		
Interest income	1,082	1,470
Real estate lease	5,456	7,042
Others	10,892	11,442
Total non-operating income	17,431	19,954
Non-operating expenses		
Interest expense	13,983	12,856
Real estate rental expenses	3,946	4,794
Others	1,773	4,537
Total non-operating expense	19,703	22,188
Ordinary loss	(133,234)	(337,067)
Extraordinary losses		
Loss from disposal of fixed assets	8,092	4,259
Total extraordinary losses	8,092	4,259
Current net loss before tax	(141,327)	(341,327)
Corporate tax, inhabitant tax and enterprise tax	30,268	30,376
Amount of adjustment for corporate tax	(45,651)	(107,921)
Total of corporate tax and others	(15,383)	(77,544)
Current net loss	(125,943)	(263,783)

(3) Statement of Cash Flows for the Second Quarter of FY2014

(Unit: thousand yen)

	Second Qtr. FY2013 (YTD) (April 1 to September 30, 2013)	Second Qtr. FY2014 (YTD) (April 1 to September 30, 2014)
Cash flow from operations		
Current net loss before tax	(141,327)	(341,327)
Depreciation	160,461	147,817
Increase (decrease) in bonus reserve	(9,640)	(7,779)
Increase (decrease) in retirement benefit reserve	(2,512)	131
Interest received	(1,082)	(1,470)
Interest paid	13,983	12,856
Loss from retirement of fixed assets	8,092	4,259
(Increase) decrease in accounts receivable-trade	115,764	113,950
(Increase) decrease in inventory	3,267	(24,180)
Increase (decrease) in trade payables	47,677	56,809
Others	(92,422)	102,446
Sub-total	102,262	63,514
Amount of received interest	664	1,250
Amount of interest payable	(15,597)	(12,669)
Income from compensation for closed salons and shops received	-	5,159
Income taxes refund	-	3,987
Paid corporate taxes	(41,185)	(29,687)
Cash flow from operations	46,143	31,555
Cash flow from investments		
Payment for time deposits	(237,154)	(258,845)
Income from withdrawal of time deposits	324,937	456,046
Payment for acquisition of tangible fixed assets	(174,172)	(49,000)
Expenditure for security deposit and guarantee money payment	(79)	(304)
Revenue due to the recovery of security deposit and guarantee money	20,275	38,925
Others	(12,610)	(5,875)
Cash flow from investments	(78,803)	180,945

	Second Qtr. FY2013 (YTD) (April 1 to September 30, 2013)	Second Qtr. FY2014 (YTD) (April 1 to September 30, 2014)
Cash flow from financial operations		
Income from additional short-term loans	231,000	214,000
Repayment of short-term loans	(245,200)	(217,000)
Income from long-term loans	399,000	-
Repayment of long-term loans	(313,269)	(224,180)
Expenditure for long-term accounts payable repayment	(13,952)	-
Expenditure for lease obligation repayment	(19,724)	(11,477)
Outflow by redemption of corporate bonds	(50,000)	(50,000)
Proceeds from guarantee money received	-	169,200
Dividend payments	(110,311)	(109,298)
Cash flow from financial operations	(122,458)	(228,755)
Translation adjustments on cash and cash equivalents	76	74
Increase (decrease) in cash and cash equivalents	(155,041)	(16,179)
Opening balance of cash and cash equivalents	1,528,814	1,178,106
Closing balance of cash and cash equivalents	1,373,773	1,161,926

(4) Notes to financial statements for the second quarter of FY 2014

(Note concerning preconditions for business as a going concern)

None

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

None