

Brief announcement of non-consolidated financial statements (Japanese GAAP) for the second quarter of fiscal year ending March 2016

October 29, 2015

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, 2015

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 FY2015 (year-to-date: April 1 to September 30, 2015)

(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. FY2015 (YTD)	5,807	0.7	(228)	-	(227)	-
Second Qtr. FY2014 (YTD)	5,767	(2.4)	(334)	-	(337)	-

	Net profit		Net profit per share		Net profit per share after adjustment of latent shares	
	million yen	%	yen	sen	yen	sen
Second Qtr. FY2015 (YTD)	(264)	-	(52.87)	-	-	-
Second Qtr. FY2014 (YTD)	(263)	-	(52.79)	-	-	-

(2) Financial position

	Total assets		Net assets		Capital ratio	Net assets per share	
	million yen		million yen		%	yen	sen
Second Qtr. FY2015	6,999		2,694		38.5	539.18	
FY2014	7,228		2,958		40.9	592.05	

(Reference) Equity capital: Second quarter of FY2015: 2,694 million yen, FY2014: 2,958 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
FY2014	-	0.00	-	0.00	0.00
FY2015	-	0.00	-	-	-
FY2015 (forecast)	-	-	-	0.00	0.00

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

The year-end dividend will be determined based upon the business performance for the fiscal year ending March 31, 2016.

3. The projected financial results for the period ending March 2016 (April 1, 2015 to March 31, 2016)

(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	12,020	2.2	(95)	-	(96)	-	(160)	-	(32.02)

(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 2016: 5,100,000 shares; for the

- year ended March 2015: 5,100,000 shares
- 2) Number of treasury stocks, at the end of the second quarter of the term ending March 2016: 102,946 shares; for the year ended March 2015: 102,936 shares
 - 3) Average number of shares, the second quarter of the term ending March 2016: 4,997,061 shares; the second quarter of the term ended March 2015: 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 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 under review, the Japanese economy continued to show a moderate recovery as corporate earnings picked up and employment conditions improved, driven by the stimulus measures and monetary policies implemented by the government. However, the outlook of the economy and of personal consumption continued to be clouded by uncertainty due to the effects of the slowing of overseas economies and rising prices due to a weaker yen.

The beauty industry continued to face a tough business environment due to a slump in consumer sentiment caused by the hike in prices, increase in competition among salons within the industry, and difficulty in securing beauticians as a result of a change in demographics.

Under these circumstances, the Company worked to ensure that all employees “make efforts to help customers look beautiful every day” and keep to the original management vision of exerting efforts “all for the sake of customers” with the aim of eliminating loss of customers and achieving customer growth, as well as creating salons that satisfy customers. In addition, we communicated to all our customers our special offers for customers to encourage them to visit our salons and endeavored to provide our original products and services.

Regarding salons, the Company opened two new salons (TAYA Kobe Motomachi, TAYA TERASSO Himeji) and closed five salons (TAYA Kobe, TAYA Hiroshima ACCES, TAYA Marui Kichijoji, Shampoo Tsurumi, Courreges salon beaute Matsudo). As a result, the Company had 146 beauty salons and one retail shop as of the end of the second quarter YTD of the fiscal year ending March 31, 2016.

Consequently, the Company posted the following operating results for the second quarter YTD of the fiscal year ending March 31, 2016: sales of 5,807 million yen, an increase of 0.7% year on year, operating loss of 228 million yen (operating loss of 334 million yen a year earlier), ordinary loss of 227 million yen (ordinary loss of 337 million yen a year earlier), and net loss of 264 million yen (net loss of 263 million yen a year earlier).

(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 6,999 million yen, a decrease of 229 million yen from the end of the previous fiscal year.

Current assets totaled 2,247 million yen, down 117 million yen from the end of the previous fiscal year. Fixed assets amounted to 4,751 million yen, down 111 million yen from the end of the previous fiscal year. The main factor underlying the increase was an increase of 61 million yen in cash and deposits. The main factors underlying the decrease were a decrease of 100 million from redemption of securities, a decrease of 59 million yen in accounts receivable-trade, a decrease of 67 million yen in security deposit and guarantee money associated with salon closings, and a decrease of 47 million yen in buildings due to salon closings and depreciation.

Total liabilities as of the end of the second quarter stood at 4,304 million yen, up 34 million yen from the end of the previous fiscal year.

Current liabilities amounted to 2,629 million yen, up 378 million yen from the end of the previous fiscal year. Fixed liabilities stood at 1,675 million yen, down 344 million yen from the end of the previous fiscal year. The main factor underlying the increase was a net increase of 163 million yen in short-term and long-term loans payable. The main factors underlying the decrease were a decrease of 50 million yen from redemption of corporate bonds, a decrease of 20 million yen in notes and accounts payable-trade, and a decrease of 19 million yen in income taxes payable.

The Company's net assets as of the end of the second quarter came to 2,694 million yen, down 264 million yen from the end of the previous fiscal year. As a result, our capital adequacy ratio fell from 40.9% in the previous fiscal year to 38.5%.

2) Cash flows

Cash and cash equivalents (“funds” hereinafter) as of the end of the second quarter increased by 63 million yen from the previous fiscal year to 1,136 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 85 million yen (positive 31 million yen for the same period last year).

This is primarily attributable to a pretax net loss of 236 million yen and payment of corporate taxes of 60 million yen, while there were depreciation expenses of 132 million yen, a decrease in accounts receivable of 60 million yen.

(Cash flow from investments)

Cash flow from investments for the second quarter YTD amounted to positive 47 million yen (positive 180 million yen for the same period last year).

This is primarily attributable to proceeds of 100 million yen from the redemption of investment securities, proceeds of 51 million yen from the collection of security deposit and guarantee money associated with store closings, and the outflow of 76 million yen for purchase of tangible fixed assets associated with the opening of new salons and renovation of existing salons.

(Cash flow from financial activities)

Cash flow from financing activities for the second quarter YTD was positive 101 million yen (negative 228 million yen for the same period for the same period last year).

This is primarily attributable to a net increase of 163 million yen in short-term and long-term loans payable and outflow of 50 million yen in redemption of corporate bonds.

(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 23, 2015 in consideration of concerns for the future of consumer spending. According to the revision, sales are expected to total 12,020 million yen (up 2.2% from the previous fiscal year), operating loss of 95 million yen (operating loss of 421 million yen for the previous fiscal year), ordinary loss of 96 million yen (ordinary loss of 409 million yen for the previous fiscal year) and net loss of 160 million yen (net loss of 892 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 2015

(Unit: thousand yen)

	Previous fiscal year (as of March 31, 2015)	As of the second quarter of FY2015 (September 30, 2015)
Assets		
Current assets		
Cash and deposits	1,397,762	1,458,906
Accounts receivable-trade	524,834	465,069
Securities	100,000	-
Merchandise	63,042	67,775
Materials for beauty treatments	24,910	30,260
Others	255,139	226,081
Bad debt reserves	(745)	(745)
Total current assets	2,364,944	2,247,348
Fixed assets		
Tangible fixed assets		
Building (net value)	1,420,710	1,373,694
Land	1,375,445	1,375,445
Others (net value)	34,261	41,343
Total tangible fixed assets	2,830,417	2,790,483
Intangible fixed assets		
Investments and other assets		
Security deposit and guarantee money	1,949,544	1,881,764
Others	43,033	41,130
Bad debt reserves	(2)	(2)
Total of investment and other assets	1,992,574	1,922,892
Total fixed assets	4,863,692	4,751,783
Total assets	7,228,637	6,999,132

(Unit: Thousand yen)

	Previous fiscal year (as of March 31, 2015)	As of the second quarter of FY2015 (September 30, 2015)
Liabilities		
Current liabilities		
Notes payable and trade accounts payable	483,199	462,286
Short-term loans payable	86,800	113,300
Corporate bonds to be redeemed within one year	70,000	40,000
Long-term loans due within one year	386,577	725,911
Unpaid corporate taxes	79,092	59,477
Bonus reserve	204,996	194,118
Asset retirement obligations	17,832	9,642
Others	921,947	1,024,560
Total current liabilities	2,250,445	2,629,296
Fixed liabilities		
Corporate bonds	60,000	40,000
Long-term loans payable	1,125,138	922,432
Retirement benefit reserve	382,718	390,615
Asset retirement obligations	205,201	203,074
Others	246,643	119,414
Total fixed liabilities	2,019,701	1,675,536
Total liabilities	4,270,147	4,304,832
Net assets		
Shareholders' equity		
Capital stock	1,480,180	1,480,180
Capital surplus	1,702,245	1,702,245
Retained earnings	(64,445)	(328,628)
Treasury stock	(159,489)	(159,497)
Total shareholders' equity	2,958,489	2,694,299
Total net assets	2,958,489	2,694,299
Total liabilities and net assets	7,228,637	6,999,132

**(2) Statement of Income for the Second Quarter of FY2015
(Second Quarter of FY2015 (YTD))**

(Unit: thousand yen)

	Second Qtr. FY2014 (YTD) (April 1 to September 30, 2014)	Second Qtr. FY2015 (YTD) (April 1 to September 30, 2015)
Sales	5,767,783	5,807,666
Cost of sales	5,338,495	5,276,690
Gross profit	429,287	530,975
Sales and administrative expenses	764,121	759,152
Operating loss	(334,834)	(228,176)
Non-operating income		
Interest income	1,470	294
Real estate lease	7,042	6,598
Others	11,442	11,827
Total non-operating income	19,954	18,719
Non-operating expenses		
Interest expense	12,856	11,002
Real estate rental expenses	4,794	4,612
Others	4,537	2,807
Total non-operating expense	22,188	18,422
Ordinary loss	(337,067)	(227,878)
Extraordinary losses		
Loss from retirement of fixed assets	4,259	8,621
Total extraordinary losses	4,259	8,621
Current net loss before tax	(341,327)	(236,500)
Corporate tax, inhabitant tax and enterprise tax	30,376	30,407
Amount of adjustment for corporate tax	(107,921)	(2,725)
Total of corporate tax and others	(77,544)	27,682
Current net loss	(263,783)	(264,182)

(3) Statement of Cash Flows for the Second Quarter of FY2015

(Unit: thousand yen)

	Second Qtr. FY2014 (YTD) (April 1 to September 30, 2014)	Second Qtr. FY2015 (YTD) (April 1 to September 30, 2015)
Cash flow from operations		
Current net loss before tax	(341,327)	(236,500)
Depreciation	147,817	132,427
Increase (decrease) in bonus reserve	(7,779)	(10,878)
Increase (decrease) in retirement benefit reserve	131	7,896
Interest received	(1,470)	(294)
Interest paid	12,856	11,002
Loss from retirement of fixed assets	4,259	8,621
(Increase) decrease in accounts receivable-trade	113,950	60,255
(Increase) decrease in inventory	(24,180)	(10,359)
Increase (decrease) in trade payables	56,809	(17,608)
Others	102,446	27,820
Sub-total	63,514	(27,615)
Amount of received interest	1,250	1,891
Amount of interest payable	(12,669)	(11,262)
Income from compensation for closed salons and shops received	5,159	12,265
Income taxes refund	3,987	-
Paid corporate taxes	(29,687)	(60,593)
Cash flow from operations	31,555	(85,314)
Cash flow from investments		
Payment for time deposits	(258,845)	(284,565)
Income from withdrawal of time deposits	456,046	287,054
Proceeds from sales and redemption of investment securities	-	100,000
Payment for acquisition of tangible fixed assets	(49,000)	(76,899)
Expenditure for security deposit and guarantee money payment	(304)	(5,713)
Revenue due to the recovery of security deposit and guarantee money	38,925	51,844
Others	(5,875)	(24,421)
Cash flow from investments	180,945	47,299

	Second Qtr. FY2014 (YTD) (April 1 to September 30, 2014)	Second Qtr. FY2015 (YTD) (April 1 to September 30, 2015)
Cash flow from financial operations		
Income from additional short-term loans	214,000	252,000
Repayment of short-term loans	(217,000)	(225,500)
Income from long-term loans	-	353,000
Repayment of long-term loans	(224,180)	(216,372)
Expenditure for lease obligation repayment	(11,477)	(10,638)
Outflow by redemption of corporate bonds	(50,000)	(50,000)
Purchase of treasury stocks	-	(7)
Proceeds from guarantee money received	169,200	-
Dividend payments	(109,298)	(833)
Cash flow from financial operations	(228,755)	101,648
Translation adjustments on cash and cash equivalents	74	0
Increase (decrease) in cash and cash equivalents	(16,179)	63,633
Opening balance of cash and cash equivalents	1,178,106	1,072,701
Closing balance of cash and cash equivalents	1,161,926	1,136,335

(4) Notes to financial statements for the second quarter of FY 2015

(Note concerning preconditions for business as a going concern)

None

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

None