

# Brief announcement of non-consolidated financial statements (Japanese GAAP) for the second quarter of fiscal year ending March 2020

October 29, 2019

Name of listed company: Taya Co., Ltd. Listed stock exchange: Tokyo Stock Exchange  
 Code number: 4679 (First Section)  
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Shihanki-Houkokusho to be submitted on: November 12, 2019  
 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 FY2019 (year-to-date: April 1 to September 30, 2019)

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

	Net sales		Operating profit		Ordinary profit	
	million yen	%	million yen	%	million yen	%
Second Qtr. FY2019 (YTD)	4,565	(6.7)	(139)	-	(145)	-
Second Qtr. FY2018 (YTD)	4,894	(8.3)	(55)	-	(58)	-

	Profit		Earnings per share		Earnings per share after adjustment of latent shares	
	million yen	%	yen	sen	yen	sen
Second Qtr. FY2019 (YTD)	44	-	8.83	-	-	-
Second Qtr. FY2018 (YTD)	(83)	-	(16.68)	-	-	-

(2) Financial position

	Total assets		Net assets		Capital ratio	Net assets per share	
	million yen		million yen		%	yen	sen
Second Qtr. FY2019	5,646		2,468		43.7	493.91	
FY2018	5,801		2,423		41.8	485.08	

(Reference) Equity capital: Second quarter of FY2019: 2,468 million yen, FY2018: 2,423 million yen

2. Dividend payments

	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
FY2018	-	0.00	-	0.00	0.00
FY2019	-	0.00	-	-	-
FY2019 (forecast)	-	-	-	-	-

(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, 2020.

3. The projected financial results for the period ending March 2020 (April 1, 2019 to March 31, 2020)

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

	Net sales		Operating profit		Ordinary profit		Profit		Earnings per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
Full year	9,318	(4.2)	18	30.5	11	7.5	146	-	29.35

(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 shares), at the end of the second quarter of the term ending March 2020: 5,100,000 shares; for the year ended March 2019: 5,100,000 shares

2) Number of treasury shares, at the end of the second quarter of the term ending March 2020: 102,946 shares; for the year ended March 2019: 102,946 shares

3) Average number of shares, the second quarter of the term ending March 2020: 4,997,054 shares; the second quarter of the term ended March 2019: 4,997,054 shares

\* This quarterly financial summary does not fall within the scope of the Quarterly Review Procedures by certified public accountants or auditing firms.

\* 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, Japan's economy continued to recover at a modest pace, supported by improvements in corporate earnings and employment conditions underpinned by various economic policies implemented by the government. However, the outlook for the economy remained uncertain against the backdrop of increased uncertainties in overseas economies due to factors including the impacts of the U.S.–China trade friction.

In the beauty industry, the business environment surrounding the Company remained tough because of factors such as consumers becoming more budget conscious, an increase in competition among salons, and difficulty in securing beauticians as a result of tightening supply-demand conditions in the labor market.

Under these circumstances, the Company made company-wide efforts to further enhance the excellent technical and service capabilities of our beauticians with “Always Smile” as a slogan and bring smiles to the faces of many customers by further strengthening sales measures, as well as implementing initiatives centered on three measures: (1) Strengthening the human resources base, (2) Strengthening branding, and (3) Growth measures.

The Company closed four salons (TAYA Station Hotel Kokura store, Shampoo Nishijin store, TAYA Hakata Hyatt store, Shampoo AEON Mall Sanko store). As a result, the Company had 118 salons and 1 retail shop as of the end of the second quarter of the fiscal year under review.

Consequently, the Company posted the following operating results for the second quarter YTD of the fiscal year ending March 31, 2020: net sales of 4,565 million yen (down 6.7% from a year earlier), operating loss of 139 million yen (operating loss of 55 million yen a year earlier), and ordinary loss of 145 million yen (ordinary loss of 58 million yen a year earlier). As a result of posting extraordinary income from compensation for forced store closings following store closings, profit stood at 44 million yen for the second quarter of the fiscal year under review (loss of 83 million yen a year earlier).

### **(2) Explanation regarding financial position**

#### **1) Status of assets, liabilities, and net assets**

Total assets as of the end of the second quarter under review were 5,646 million yen, a decrease of 154 million yen from the end of the previous fiscal year.

Current assets totaled 1,704 million yen, down 75 million yen from the end of the previous fiscal year. Non-current assets amounted to 3,942 million yen, down 78 million yen from the end of the previous fiscal year. The main factor underlying the increase was an increase of 217 million yen in accounts receivable-other included in “Other” under current assets. The main factors underlying the decrease were a decrease of 214 million yen in cash and deposits, a decrease of 90 million yen in accounts receivable-trade, and a decrease of 64 million in buildings.

Total liabilities as of the end of the second quarter stood at 3,178 million yen, down 198 million yen from the end of the previous fiscal year.

Current liabilities amounted to 1,749 million yen, down 82 million yen from the end of the previous fiscal year. Non-current liabilities stood at 1,429 million yen, down 116 million yen from the end of the previous fiscal year. The main factors underlying the decrease were a net decrease of 107 million in long-term borrowings, a decrease of 55 million yen in accrued expenses included in “Other” under current liabilities, and a decrease of 50 million yen in deposits received.

The Company's net assets as of the end of the second quarter came to 2,468 million yen, up 44 million yen from the end of the previous fiscal year.

As a result, our capital ratio rose from 41.8% in the previous fiscal year to 43.7%.

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

Cash and cash equivalents (“funds” hereinafter) as of the end of the second quarter decreased by 223

million yen from the previous fiscal year to 658 million yen.

Detailed cash flows and causal factors are shown below.

(Cash flows from operating activities)

Funds used in operating activities for the second quarter YTD were 84 million yen (provided 74 million yen for the same period last year).

This is mainly attributable to the fact that profit before income tax was 77 million yen for the quarter, depreciation expenses were 113 million yen and trade receivables decreased by 100 million yen, with a 45 million yen payment of income taxes, a deferral of receipt of 220 million yen in compensation for forced store closings to the third quarter of the fiscal year under review or thereafter, and a decrease of 105 million yen in accrued expenses and deposits received due to the effect of a deferral of payment of social security premiums to the following month because the end of the previous fiscal year fell on a bank holiday.

(Cash flows from investing activities)

Funds used in investing activities for the second quarter YTD amounted to 24 million yen (used 141 million yen for the same period last year).

This is primarily attributable to an outflow of 25 million yen for the purchase of property, plant and equipment associated with opening and renovating salons and an outflow of 19 million yen from the payments of leasehold and guarantee deposits, while there were proceeds of 40 million yen from refund of leasehold and guarantee deposits associated with store closings.

(Cash flows from financing activities)

Funds used in financing activities for the second quarter YTD were 114 million yen (provided 17 million yen for the same period last year).

This is primarily attributable to a net decrease of 107 million yen in long-term borrowings.

### **(3) Explanation regarding forecast information such as earnings forecast**

Regarding the projected business performance for the fiscal year ending March 31, 2020, we considered concerns about the future of consumer spending and published the “Notice concerning posting of extraordinary income and losses and revision of the projected business performance” on August 20, 2019. According to the projection, net sales are expected to total 9,318 million yen (down 4.2% from the previous fiscal year), operating profit of 18 million yen (up 30.5% from the previous fiscal year), ordinary profit of 11 million yen (up 7.5% from the previous fiscal year) and profit of 146 million yen (loss of 41 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. Quarterly Financial Statements and Main Notes

### (1) Balance Sheet for the Second Quarter of FY2019

(Unit: thousand yen)

	Previous fiscal year (as of March 31, 2019)	Second Qtr. FY2019 (as of September 30, 2019)
<b>Assets</b>		
Current assets		
Cash and deposits	1,096,032	881,130
Accounts receivable-trade	460,360	370,236
Merchandise	60,127	57,761
Materials for beauty treatments	19,211	21,914
Other	144,725	373,686
Allowance for doubtful accounts	(235)	(235)
Total current assets	1,780,222	1,704,494
Non-current assets		
Property, plant and equipment		
Buildings, net	1,218,718	1,154,118
Land	1,193,505	1,193,505
Other, net	77,811	81,510
Total property, plant and equipment	2,490,035	2,429,134
Intangible assets	31,136	31,355
Investments and other assets		
Leasehold and guarantee deposits	1,478,210	1,459,501
Other	21,554	22,444
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	1,499,764	1,481,944
Total non-current assets	4,020,936	3,942,434
Total assets	5,801,158	5,646,929

(Unit: Thousand yen)

	Previous fiscal year (as of March 31, 2019)	Second Qtr. FY2019 (as of September 30, 2019)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	202,889	189,471
Electronically recorded obligations-operating	135,994	144,165
Short-term borrowings	369,420	371,900
Current portion of long-term borrowings	212,698	205,490
Income taxes payable	88,365	80,109
Provision for bonuses	63,584	62,851
Asset retirement obligations	2,898	-
Other	756,028	695,722
Total current liabilities	1,831,878	1,749,711
Non-current liabilities		
Long-term borrowings	948,161	845,416
Provision for retirement benefits	377,386	371,589
Asset retirement obligations	195,221	192,950
Other	24,532	19,173
Total non-current liabilities	1,545,302	1,429,129
Total liabilities	3,377,181	3,178,840
<b>Net assets</b>		
Shareholders' equity		
Share capital	1,480,180	1,480,180
Capital surplus	1,702,245	1,702,245
Retained earnings	(598,951)	(554,839)
Treasury shares	(159,497)	(159,497)
Total shareholders' equity	2,423,976	2,468,088
Total net assets	2,423,976	2,468,088
Total liabilities and net assets	5,801,158	5,646,929

**(2) Statement of Income for the Second Quarter of FY2019  
(Second Quarter of FY2019 (YTD))**

(Unit: thousand yen)

	Second Qtr. FY2018 (YTD) (April 1 to September 30, 2018)	Second Qtr. FY2019 (YTD) (April 1 to September 30, 2019)
Net sales	4,894,294	4,565,635
Cost of sales	4,301,365	4,047,424
Gross profit	592,929	518,211
Selling, general and administrative expenses	648,133	658,150
Operating loss	(55,204)	(139,939)
Non-operating income		
Interest income	54	41
Dividend income of insurance	-	2,170
Commission income	550	2,525
Other	14,270	3,125
Total non-operating income	14,875	7,861
Non-operating expenses		
Interest expenses	11,421	10,320
Other	7,239	2,752
Total non-operating expense	18,660	13,072
Ordinary loss	(58,989)	(145,150)
Extraordinary income		
Compensation for forced store closings	-	220,000
Compensation for forced relocation	-	39,686
Total extraordinary income	-	259,686
Extraordinary losses		
Loss on retirement of non-current assets	-	35,183
Other	-	1,992
Total extraordinary losses	-	37,175
Profit (loss) before income taxes	(58,989)	77,360
Income taxes-current	24,736	33,939
Income taxes-deferred	(353)	(691)
Total income taxes	24,382	33,248
Profit (loss)	(83,371)	44,111



### (3) Statement of Cash Flows for the Second Quarter of FY2019

(Unit: thousand yen)

	Second Qtr. FY2018 (YTD) (April 1 to September 30, 2018)	Second Qtr. FY2019 (YTD) (April 1 to September 30, 2019)
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	(58,989)	77,360
Depreciation	126,740	113,247
Increase (decrease) in provision for bonuses	(5,596)	(732)
Increase (decrease) in provision for retirement benefits	(13,517)	(5,797)
Increase (decrease) in allowance for doubtful accounts	(132)	-
Interest income	(54)	(41)
Interest expenses	11,421	10,320
Commission for syndicated loans	2,092	2,101
Loss on retirement of non-current assets	-	35,183
Compensation for forced store closings	-	(220,000)
Compensation for forced relocation	-	(39,686)
Decrease (increase) in trade receivables	87,618	100,099
Decrease (increase) in inventories	9,113	(1,230)
Increase (decrease) in trade payables	(29,915)	4,420
Other, net	8,336	(143,845)
Subtotal	137,117	(68,601)
Interest received	50	41
Interest paid	(11,381)	(10,770)
Proceeds from compensation for forced relocation	-	39,686
Income taxes paid	(51,063)	(45,102)
Net cash provided by (used in) operating activities	74,723	(84,747)
<b>Cash flows from investing activities</b>		
Payments into time deposits	(168,566)	(169,329)
Proceeds from withdrawal of time deposits	154,563	160,570
Purchase of property, plant and equipment	(180,496)	(25,963)
Payments of leasehold and guarantee deposits	(236)	(19,679)
Proceeds from refund of leasehold and guarantee deposits	81,887	40,538
Payments for asset retirement obligations	(25,087)	(5,050)
Other, net	(3,659)	(5,300)
Net cash provided by (used in) investing activities	(141,594)	(24,213)
<b>Cash flows from financing activities</b>		
Proceeds from short-term borrowings	180,000	172,000
Repayments of short-term borrowings	(223,812)	(169,520)
Proceeds from long-term borrowings	162,000	-
Repayments of long-term borrowings	(93,281)	(109,953)
Repayments of lease obligations	(7,029)	(6,309)
Payments of commission for syndicated loans	(551)	(896)
Net cash provided by (used in) financing activities	17,325	(114,679)
Effect of exchange rate change on cash and cash equivalents	77	(20)
Net increase (decrease) in cash and cash equivalents	(49,468)	(223,660)
Cash and cash equivalents at beginning of period	965,654	882,111
Cash and cash equivalents at end of period	916,185	658,450

**(4) Notes to financial statements for the second quarter of FY2019**

**(Note concerning preconditions for business as a going concern)**

None

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

None

**3. Others**

Key events concerning preconditions for business as a going concern

The Company posted an operating profit and an ordinary profit for the previous fiscal year. However, the Company is still in the course of establishing a solid earnings base that allows it to steadily post profits, and is aware of the existence of events or conditions that may cast significant doubt over the preconditions of a going concern.

However, in order to eliminate such events or conditions, the Company will work to improve profits at salons by further strengthening sales measures, as well as enhancing the function to support beauticians from both human resources and education aspects, improving productivity through the efficient allocation of personnel, strengthening product sales, and further stepping up salon measures.

On the financial front, the Company concluded a syndicated loan agreement in December 2016 with the correspondent financial institutions, with the purpose of raising funds for refinancing the existing borrowings to strengthen its financial strength. After examining cash flow for the fiscal year under review and future cash flow, the Company has determined that there are no concerns about the continuity of business activities in the immediate future nor are there any significant uncertainties relating to the preconditions of a going concern.