

Brief announcement of non-consolidated financial statements for the accounting period ending March 2005

May 9, 2005

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)
Location of head office: Tokyo

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Date of the Board of Directors' meeting for closing: May 9, 2005
Scheduled date of starting the payment of dividend: June 22, 2005
Interim dividend system applicable to the Company: Applied
Date of the general shareholders' meeting: June 21, 2005

Whether the stock trade unit system is adopted or not: Adopted
(Stock trade unit: 100 stocks)

1. Financial results for the accounting period ending March 2005 (April 1, 2004 to March 31, 2005)

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

	Sales		Operating income		Ordinary income	
	million yen	%	million yen	%	million yen	%
Period ending March 2005	13,935	0.1	(7)	-	(44)	-
Period ending March 2004	13,924	(5.1)	64	(91.9)	62	(92.0)

	Current net profit		Current net profit per share	Current net profit per share after adjustment of latent shares	Return on shareholder's equity	Ratio of ordinary income to total assets	Ratio of ordinary income to sales
	million yen	%	yen sen	yen sen	%	%	%
Period ending March 2005	(194)	-	(38.39)	-	(4.2)	(0.4)	(0.3)
Period ending March 2004	(118)	-	(23.51)	-	(2.5)	0.7	0.4

- (NOTE) 1) Profit and loss on investments based on the equity method for the term ending March 2005: - million yen; for the term ending March 2004: - million yen.
2) Average number of shares during the term for the term ending March 2005: 5,057,500 shares; for the term ending March 2004: 5,057,500 shares.
3) Changes in the methods of accounting treatment: nil
4) The percentages shown for sales, operating income, ordinary income, and current net profit represent the rates of increase or decrease over the previous accounting period.

(2) Dividend payments

	Annual dividend per share			Annual total amount of dividends	Divided payout ratio	Ratio of dividend to shareholders' equity
	Interim dividend	Final dividend	Final dividend			
Period ending March 2005	yen sen 25.00	yen sen 0.00	yen sen 25.00	million yen 126	% -	% 2.9
Period ending March 2004	25.00	0.00	25.00	126	-	2.7

(NOTE) Breakdown of the final dividend for the term ending March 2005: no commemorative dividend per share; and no special dividend.

(3) Financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	million yen	million yen	%	yen sen
Period ending March 2005	9,636	4,411	45.8	872.23
Period ending March 2004	9,388	4,731	50.4	935.62

- (NOTE) 1) Number of outstanding shares at the end of the term for the term ending March 2005: 5,057,500 shares; for the term ending March 2004: 5,057,500 shares.
2) Number of the treasury stock at the end of the current term ending March 2005: 42,500 shares; for the term ending March 2004: 42,500 shares.

(4) Cash flow

	Cash flow from operations	Cash flow from investments	Cash flow from financial operations	Closing balance of cash and cash equivalents
	million yen	million yen	million yen	million yen
Period ending March 2005	299	(346)	309	1,762
Period ending March 2004	62	(392)	(28)	1,500

2. Projected business performance for the term ending March 2006 (April 1, 2005 to March 31, 2006)

	Sales	Ordinary income	Current net profit	Annual dividend per share		
				Interim dividend	Final dividend	
First half	million yen 7,050	million yen 205	million yen (30)	yen sen 0.00	yen sen -	yen sen -
Full term	14,200	645	115	-	20.00	20.00

(Reference) Projected net profit per share for the current term (full year): Yen 22.73.

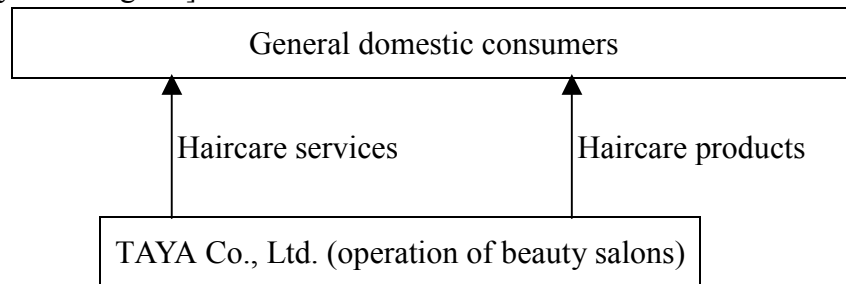
* The projected business performance includes the figures forecast based on future outlooks and plans as of the date of announcement. The projection includes uncertain factors, so actual business performance may differ from the projected business performance. Please refer to page 8 of the attached material for the above projected business performance.

Attached materials

Status of the corporate group

The company operates beauty salons based on the “Beauticians Law” (called “beauty shops” under that Law). At the beauty salons, beauticians with national licenses provide customers with haircare (treatments such as haircuts, permanents, and hair coloring), and sell haircare products suitable for those customers.

[Business system diagram]



1. Management policy

1-1. Basic management policy

The Company aims to enhance the techniques, creativity, sensitivity and service quality of its beauty therapists, while placing great emphasis throughout its businesses on the use of exceptional practical techniques. Our Company's principal goal is to add beauty to the lives of our customers through haircare, in line with the Company's mission statement: "Our contribution to society is to provide everybody with hopes and dreams."

The Company acknowledges that its role in society, in conducting its businesses, is to pursue the four goals of customer satisfaction, shareholder satisfaction, employee satisfaction and community satisfaction.

1-2. Basic dividend policy

It is the Company's basic policy to ensure the stable distribution of dividends to its shareholders, to return profits to shareholders in line with the Company's business results, and to make every effort to expand its operations. The retained earnings of the Company will be used to strengthen its financial position by maximizing corporate value. Retained earnings will also be used to expand the Company's businesses in the future to meet the expectations of shareholders.

To enable the rapid execution of capital policies in response to changes in the management environment, the acquisition of treasury shares according to the resolution of the board of directors' meeting was approved as a management option at the general meeting of shareholders held on June 22, 2004. The final decision, size, timing, method, and other details of the acquisition of treasury shares will be properly decided in a timely manner in light of market movements and management needs.

1-3. Targeted financial indexes

The Company aims at achieving the major financial indexes below:

- (1) Return on shareholders' equity ...15%
- (2) Ratio of ordinary income to sales ...10%
- (3) Current net profit per share ...150 yen

1-4. Medium to long-term corporate strategy

Under the theme of creating three kinds of assets, "Creation of Customer Assets," "Creation of Brand Assets" and "Creation of Employee Assets," the Company has mapped out "Paradigm Change 45" (a fundamental management improvement plan) for business innovation and early recovery of business performance. In order to promote it functionally and efficiently, the Company as a whole will make every effort to carry out this plan. The outline of this plan is as follows:

Gist of "Paradigm Change 45" (fundamental management improvement plan)

"Paradigm Change 45" will be effective for two years from April 2004 to March 2006, and corporate systems, business policies and profit structures will be reviewed to cope with major changes in business environment.

Medium-term corporate strategy

(1) Business policy

(i) Business promotion

The Company will conduct national campaigns separately for the period to attract new customers and for the period to offer fine-tuned services to customers. It will also use image characters to seasonally promote proposals by target generation through mass media. By boosting its profile and brand image, the Company will motivate many consumers to revisit its beauty salons and thus develop customer assets.

In addition, the Company will increase its share of customer through further quality improvement of “hair treatment” which it has worked on ahead of other companies in this industry, as well as through the introduction of new product lineups and renewals of salons to meet the needs of consumers.

(ii) Improvement of attitude toward customers (pursuit of customer satisfaction)

In order to improve the quality of customer services and to maintain their level at all salons, a customer service special division will be set up, and all employees from receptionists to salon managers will be provided with thorough instruction and training in their attitude toward customers.

Furthermore, by receiving fair and objective evaluation based on thorough surveys on salons and employees by external institutions, the Company will operate salons in a way the customers will fully appreciate.

For beauticians and technical trainers, a new personnel system based on performance will be introduced to strengthen their motivation for their own jobs and higher performances. More flexible personnel transfers will be conducted to maintain the balance of efficient workforce at each salon. Internal and external seminars on self-development will be offered to cultivate employees not only versed in haircare but also with rich humanity. Thus, the Company will establish a relationship of trust with customers.

For salons, key points to business promotion and customer services will be narrowed down by brand, location and customer segment. Salon managers will be relieved from managerial work to specialize in “customer services” and “training of staff (beauticians).” As a result, the gap between the needs of customers and services provided at salons will be closed, and efficient sales promotion and training will be realized. As for managerial work, the Company will establish a system for salons to be able to concentrate on pursuit of customer satisfaction with the introduction of IT and full support of headquarters.

(2) Profit structure improvement policy

(i) Expansion of existing salons

To ensure profits at existing salons, the Company will proceed with “curtailment of new openings,” “renovation of old salons for revitalization,” and “disposal of unprofitable salons.”

(ii) Establishment of a flagship salon

A flagship salon will be set up for each brand, and positioned as a model shop for brand-specific techniques, services and salon designing. With brand concepts

clarified and brand quality maintained, it will be utilized as a place for an on-the-job training.

(iii) Reduction of fixed costs

Losses will be eliminated by reducing costs through sales promotion focusing on OEM products, thorough technical education on rational utilization of agents (used in perm and coloring), and reduction of stock goods at salons.

By heightening the motivation of employees through the introduction of new personnel systems and flexible personnel transfers, the resigning of employees will be reduced and mid-career recruitment costs will be lowered.

1-5. Corporate strategy of the Company and items to be considered

In accordance with its mission statement, the Company will keep on creating an environment that benefits its customers, regardless of age, sex or nationality. The Company, as a leading company in the haircare industry, will pursue profitability and growth, with an emphasis on the development of new technology, training of employees, dissemination of information, increase in the number of its beauty salons, and reasonable cost reductions.

The Company will also cope flexibly and quickly with changes in its environment such as economic conditions and social situations, and work hard to improve and strengthen the Company's corporate structure.

1-6. Basic concept of corporate governance and implementation of related measures

<Basic concept of corporate governance>

The Company believes that the establishment of an organizational system, which is sound, transparent and responsive to the changes in the management environment, and which can facilitate prompt, appropriate decision-making, is a highly critical management issue.

<Implementation of corporate governance related measures>

The board of directors is positioned as the core of our management strategy, and consists of 14 directors (external directors are not appointed) as of the end of the current term. The board meets once a month to take decisions after sufficient considerations. Extraordinary board meetings will also be held if necessary, and the directors are jointly responsible for management and business operations.

Three statutory auditors, including two external statutory auditors, attend the meetings of the board of directors and other important meetings and carry out examinations and audits of the business and financial conditions of the Company. The statutory auditors also supervise the execution of duties by the directors. One external statutory auditor is a lawyer and the other being a registered tax accountant, who appropriately supervise and direct the Company's compliance issues.

The Internal Audit Section has been set up under the Strategic Planning Office, and four full-time internal auditors have been designated to conduct internal audits to verify that the operations are conducted lawfully and efficiently in compliance with the internal rules and regulations. They will point out and recommend any issues to be improved, and also advise reform measures to improve our operational quality and efficiency.

Wako Audit Corporation is the Company's accounting auditor and audits the closing accounts. In addition, it provides advice on other matters, such as management and organizational issues, to the Company whenever necessary.

Over the past year, the Company has held board of directors' meetings at least once a month to determine the Company's basic policies and its critical issues. In addition, the Company has promoted a timely disclosure of information to shareholders and investors by releasing through its homepage financial statements and monthly sales information on the tenth of every month.

<Remuneration to directors and statutory auditors>

The remuneration to directors of the Company is 196 million yen. This includes the amount equivalent to the salary as employee for the directors having duties in employees' capacities, and it does not include the amount equivalent to bonuses as employee.

The remuneration to statutory auditors is 8 million yen.

<Fee to the accounting auditor>

The fee paid for the account audit based on the audit agreement concluded between the Company and Wako Audit Corporation is 16 million yen.

1-7. Purpose and policy of the reduced number of unit shares

As additional incentive for investors to purchase the Company's shares and to promote the trading of these shares, the Company reduced the number of unit shares from 1000 to 100 on August 1, 2000.

2. Operating results and financial position

2-1. Overview of the current term

The Japanese economy kept a steady pace of recovery throughout the current term being supported by the recovery of corporate income and the increase of capital investments. However, due to the concerns over the future employment and income conditions, the consumer spending did not show full-scale recovery as yet.

In the haircare industry, the overall business continued to move in low gear because of the unseasonable weather such as long hot summer and warm winter and, in addition, repeated natural disasters.

In spite of such business circumstances, the Company moved ahead on the “Paradigm Change 45”, a two-year drastic management improvement plan which the company had announced in March 2004, in pursuit of the business innovation and the early recovery of operating performance.

As to the salon deployment strategy, the Company constrained new opening of salons to 7 and focused on the reactivation of existing salons by moving two salons and completing the renewal of 8 salons including the conversion of the brands and the partial refurbishing of 3 salons. Also, in order to reinforce the financial strength, the Company closed 10 unprofitable salons. As the result, the number of Company’s directly operated salons as of the end of current term decreased by 3 from the number as of the end of previous term to become 154 beauty salons plus 1 retail shop.

As to the sales strategy, the Company strived to entrench the existing customers and expand the customer share by means of staying away from the price-cutting war prevailing in the industry and achieving a differentiation from other salons under the keywords of “High Quality”. In haircare services, the Company upgraded its proprietary hair treatment (brand name: “Moisture Fix”) and launched such value-added services to satisfy the diversified needs of customers as the scalp massage, personal color diagnosis and home styling. In addition, various efforts were made to heighten the “Customer Satisfaction”, which is the basics of service industry, such as the improvement of customer reception and services, new establishment of a headquarter department specialized in the customer reception and services which provides continual education and instruction to all employees, including salon managers and novices, and the survey of salon operation status by the hands of outside research organization, which picked up and elicited the objective improvement issues for the betterment of service qualities.

Although it took considerable time for these measures to be widely appreciated by the customer, the effects gradually showed up in the second half of current term and the sales of the salons located in eastern Japan, consisting of Kanto and other northern areas, recovered steadily. However, the sales of salons in western Japan, consisting of Chubu and other western areas, could not take advantage of the effects and stayed stagnant.

Consequently, the sales totaled only 13,935 million yen (increase by 0.1% on a year-on-year basis) and, despite the curtailment of salon opening expenses by the suppression of new salon openings, the closing of unprofitable salons and such other expense cutting efforts as the reduction of recruiting expense, the ordinary profit/loss ended up as minus 44 million yen (the previous term was ordinary profit of 62 million yen), being affected by the

cost of advertisement using the media and the pro forma standard taxation introduced to the corporate enterprise tax. The net profit/loss of current term was also a deficit of 194 million yen (the previous term was a net loss of 118 million yen) due to such causes as the retirement of fixed assets by the refurbishment and closing of salons.

[Operation status of beauty salons in the current term]

Brand	TAYA	Courreges salon de beaute	TAYA & CO. GINZA	Capelli Punto NY	MICHEL DERVYN	Shampoo	Total
Newly opened	3		1		1	2	7
Closed	(4)		(1)	(1)		(4)	(10)
Moved	2						2
Refurbished	6	2					8
Brand conversion	3					(3)	-
Number at the end of the term	77	28	6	5	1	37	154

2-2. Cash flow

Cash and cash equivalents (“funds” hereinafter) at the end of the current term were 1,762 million yen (an increase of 262 million yen from the end of the previous term).

Detailed cash flows in the current term are as shown below.

<Cash flow from operating activities>

Funds from operating activities came to 299 million yen (an increase of 236 million yen from the same period last year); despite the gain in cash by operating activities, the net loss before tax of the current term was 208 million yen mainly because of the depreciation loss of 230 million yen, the fixed asset retirement loss of 103 million yen and the fixed asset disposal loss of 67 million yen.

<Cash flow from investment activities>

Funds used for investment in the current term stood at 346 million yen (down 45 million yen from the same period last year).

The cash flow from investment activities mainly consists of an outflow of 342 million yen for the acquisition of tangible fixed asset in association with the new salon openings and renewals, an outflow of 176 million yen for the lease and guarantee deposits associated with the new salon openings and an income of 132 million yen for the recovery of lease and guarantee deposits due to the closing of salons.

<Cash flow from financial activities>

Funds from financial activities in the current term was 309 million yen (use of 28 million yen in the previous term), mainly reflecting a net decrease in long-term borrowings of 414 million yen and a net increase of 850 million yen from the issuance of corporate bonds.

	29th term (April 1, 2002 to March 31, 2003)	30th term (April 1, 2003 to March 31, 2004)	31th term (April 1, 2004 to March 31, 2005)
Capital ratio (%)	51.3	50.4	45.8
Mark-to-market capital ratio (%)	47.5	51.1	46.6
Debt retirement (years)	6.1	55.7	11.5
Interest coverage ratio	11.1	1.3	6.2

Capital ratio: Net worth/Total assets

Mark-to-market capital ratio: Total market capitalization/Total assets

Debt retirement: Interest bearing debts/Operating cash flows

Interest coverage ratio: Operating cash flows/Interest payment

* 1. Total market capitalization was computed based on “closing stock prices at year-end” × “total outstanding shares at year-end.”

2. Operating cash flow represents cash flow from operating activities in the cash flow statement. Interest-bearing debts represent all interest-bearing debts recorded on the balance sheet. In addition, interest payments represent the interest payment recorded in the cash flow statement.

2-3. Outlook for the next term

Although slow recovery of business is expected as the general economic climate hereafter, the business environment surrounding the Company will likely remain difficult since significant improvement of the consumer spending is not expectable yet.

To cope with such conditions, under the corporate philosophy of “Contributing to the society through dreams and hopes to all people” and the themes to create three corporate assets consisting of “Creation of Customer Assets”, “Creation of Brand Assets” and “Creation of Employee Assets”, the Company will strive for thorough implementation of the action plans set by the on-going “Paradigm Change 45” (drastic management improvement plan) and will pursue the improvement of business performance as the result.

As regards the salon strategy, the Company will concentrate upon the upgrading of existing salons and proceed on the “Scrap and build” of salons in pursuit of the effective utilization of management resources.

Furthermore, the reinforcement of sales activities in western Japan area, where the business stagnated in the current term, will be made through the enhanced area marketing by adopting the sales strategies which match up with the regional characteristics and the environment around the salons, aiming to realize the recovery of overall business performance.

Considering the above factors, sales are expected to reach 14,200 million yen, with recurring profits of 645 million yen and net profits of 115 million yen for the next term.

2-4. Business and other management risks

Regarding the operation status, financial conditions, etc., stated in this brief announcement of account settlement, the remarks made hereunder explain such matters which may significantly affect the judgment of the investors.

(1) Specific management policy adopted by the Company:

It is essential for the business development of the Company to employ beauticians having national licenses. For the maintenance and improvement of its service quality, the Company has been recruiting such licensed beauticians as regular salaried employees in principle and sending them out to the job after educating them by the novice training course or the mid-career new employee training course held at the Company’s training facilities and offices. When the recruiting or the educational training does not proceed on as planned, the business development, operation performance, etc., of the Company may be disturbed.

(2) Situation to cause unusual fluctuation of the financial conditions and the operation performance:

The sales amount of the Company tends to increase in July, when the sense of season is felt strongly, December among other winter months and March, when the entrance and graduation ceremonies of kindergartens, schools and companies as well as the welcome parties are held, in comparison with other months of the year. On the other hand, such bad weathers as cool summer, warm winter, long rain and typhoon may adversely affect the business development, operation performance, etc., of the Company.

- (3) Heavy dependence on specific business partners, etc., with which the continuity of business is unstable:

For majority cases of the business development by the Company, the salons are located in the rental spaces or the shops of other businesses rather than the Company's own properties. Although the relations with the landlords and developers are favorable at this moment, when such occasion arises that the continuation of such business partner becomes questionable, there may be the possibility that the lease and guarantee deposits cannot be recovered or the Company's salon has to be removed or the business has to be discontinued, and the business development, operation performance, etc. of the Company may be disturbed.

- (4) Heavy dependence on specific products or technologies, of which future prospects are unknown:

For the development of the Company's business, as stated above, it is deemed important to have the beauticians, who have national licenses and are highly supported by the customers, do the job. If such specialists quit the Company in large number, the business development, operation performance, etc. of the Company may be disturbed.

- (5) Others (related to the management of personal information):

The Company has been doing its best to perfectly protect the security of personal information by continuously improving the customer database access conditions and the security systems. In addition, the Company has reinforced the internal security control environment by conducting thorough education of the employees to heighten their consciousness in the handling of information, constraining the number of staff authorized to access the information and constructing a supervision system.

The Company will conduct tight security control of personal information hereafter; however, should a leakage of personal information occur, the business development, operation performance, etc. of the Company may be disturbed.

3. Financial statements

Comparative balance sheet

Unit: thousand yen

Accounts	Term	Previous term (as of March 31, 2004)		Current term (as of March 31, 2005)		Increase or decrease
		Amount	Breakdown	Amount	Breakdown	
(Assets)			%		%	
Current assets						
Cash and deposits		1,661,415		1,939,793		278,378
Accounts receivable-trade		564,890		547,043		(17,847)
Merchandise		85,878		83,175		(2,703)
Materials for beauty treatments		61,569		51,953		(9,616)
Supplies		44,741		48,633		3,891
Prepaid expenses		113,658		115,961		2,302
Deferred tax assets		94,572		153,083		58,510
Other accounts receivable		95,697		32,808		(62,889)
Others		3,667		3,841		173
Allowance for bad debts		(6,680)		(5,990)		690
Total current assets		2,719,411	29.0	2,970,303	30.8	(250,891)
Fixed assets						
Tangible fixed assets						
Buildings		2,329,092		2,353,298		24,206
Structures		14,542		10,190		(4,352)
Furniture and fixtures		13,298		9,433		(3,864)
Land		1,461,114		1,377,828		(83,285)
Construction in progress		7,824		-		(7,824)
Total		3,825,872	40.7	3,750,750	38.9	(75,121)
Intangible fixed assets						
Software		6,052		5,864		(188)
Others		30,067		30,097		29
Total		36,120	0.4	35,961	0.4	(158)
Investments and other assets						
Investments in subsidiaries and affiliated companies		105		110		5
Long-term loans to employees		14,457		2,647		(11,810)
Bankruptcy reorganization claims		19,150		11,650		(7,500)
Long-term prepaid expenses		94,696		74,213		(20,482)
Deferred tax assets		92,796		111,103		18,307
Key money and guarantee money		2,579,199		2,667,572		88,372
Membership rights		12,390		10,190		(2,200)
Others		15,750		13,500		(2,250)
Long-term bad debt reserves		(21,350)		(11,650)		9,700
Total		2,807,195	29.9	2,879,337	29.9	72,142
Total fixed assets		6,669,187	71.0	6,666,050	69.2	(3,137)
Total assets		9,388,599	100.0	9,636,353	100.0	247,754

Unit: thousand yen

Accounts	Previous term (as of March 31, 2004)		Current term (as of March 31, 2005)		Increase or decrease
	Amount	Breakdown	Amount	Breakdown	
(Liabilities)		%		%	
Current liabilities					
Notes payable	365,059		375,656		10,597
Trade accounts payable	109,239		82,069		(27,169)
Short-term loans	149,000		88,303		(60,697)
Long-term loans due within one year	625,779		618,038		(7,741)
Corporate bonds to be redeemed within one year	-		180,000		180,000
Accounts payable-other	403,929		404,555		625
Accrued expenses	586,910		586,150		(759)
Unpaid corporate taxes	34,634		111,562		76,928
Unpaid consumption taxes	56,314		68,092		11,777
Advance payments received	-		446		446
Deposits received	31,783		31,587		(195)
Unearned revenues	1,599		1,474		(124)
Bonus reserve	136,061		156,713		20,651
Total current liabilities	2,500,311	26.6	2,704,649	28.1	204,338
Fixed liabilities					
Corporate bonds	-		670,00		670,000
Long-term loans payable	1,481,059		1,134,571		(346,488)
Retirement benefit reserve	203,914		231,827		27,912
Long-term accounts payable	471,409		484,007		12,597
Total fixed liabilities	2,156,383	23.0	2,520,405	26.1	364,022
Total liabilities	4,656,695	49.6	5,225,055	54.2	568,360
(Shareholders' equity)					
Capital stock	1,480,180	15.8	1,480,180	15.3	-
Capital surplus	1,702,245	18.1	1,702,245	17.7	-
Capital reserve	1,702,245		1,702,245		-
Retained earnings	1,667,856	17.8	1,347,250	14.0	(320,606)
Profit reserve	66,920		66,920		-
Voluntary reserve	860,000		860,000		-
Separate reserve	860,000		860,000		-
Unappropriated retained earnings	740,936		420,330		(320,606)
Treasury stock	(118,377)	(1.3)	(118,377)	(1.2)	-
Total shareholders' equity	4,731,904	50.4	4,411,298	45.8	(320,606)
Total liabilities and shareholders' equity	9,388,599	100.0	9,636,353	100.0	247,754

Comparative income statement

Unit: thousand yen

Accounts	Term		Current term (April 1, 2004 to March 31, 2005)		Comparison with the previous term	
	Previous term (April 1, 2003 to March 31, 2004)		Amount	Breakdown	Increase or decrease	Ratio to the previous term
		%				%
I Sales	13,924,928	100.0	13,935,322	100.0	10,393	100.1
II Cost of sales	12,403,764	89.1	12,450,589	89.3	46,824	100.4
Gross profit	1,521,164	10.9	14,484,733	10.7	(36,431)	97.6
III Sales and administrative expenses	1,456,681	10.5	1,491,758	10.7	35,077	102.4
Operating profit (loss)	64,483	0.4	(7,025)	0.0	(71,508)	(10.9)
IV Non-operating income	68,850	0.5	41,546	0.3	(27,304)	60.3
Interest income	859		424		(435)	
Real estate lease income	13,897		14,844		946	
No-business compensation income	16,000		-		(16,000)	
Others	38,093		26,277		(11,816)	
V Non-operating expenses	71,211	0.5	79,213	0.6	8,001	111.2
Interest expense	50,457		46,727		(3,730)	
Interest paid for corporate bonds	-		2,947		2,947	
Corporate bond issuance expenses	-		19,550		19,550	
Real estate rental expenses	10,954		8,993		(1,961)	
Others	9,799		995		(8,804)	
Ordinary income (loss)	62,122	0.4	(44,692)	(0.3)	(106,814)	(71.9)
VI Extraordinary income	-	-	6,990	0.0	6,990	-
Indemnification gain on closed salons and shops	-		6,300		6,300	
Reversal of allowance for bad debts	-		690		690	
VII Extraordinary losses	145,847	1.0	171,028	1.2	25,181	117.3
Loss from disposal of fixed assets	137,750		103,819		(33,931)	
Loss on sales of fixed assets	816		67,209		66,393	
Bad debt expense	7,280		-		(7,280)	
Current net loss before tax	(83,725)	(0.6)	(208,731)	(1.5)	(125,006)	-
Corporate tax, inhabitant tax and enterprise tax	58,851	0.4	62,255	0.4	3,403	105.8
Amount of adjustment for corporate tax	(23,651)	(0.1)	(76,817)	(0.5)	(53,166)	324.8
Current net loss	(118,924)	(0.9)	(194,168)	(1.4)	(75,244)	163.3
Profits carried-over from the previous term	859,861		614,499		(245,362)	
Unappropriated retained earnings at the end of the current term	740,936		420,330		(320,606)	

Cash flow statement

Unit: thousand yen

Accounts	Term	Previous term (April 1, 2003 to March 31, 2004)	Current term (April 1, 2004 to March 31, 2005)
		Amount	Amount
I. Cash flow from operations			
Current net loss before tax		(83,725)	(208,731)
Depreciation		216,672	230,098
Increase (decrease) in bonus reserve		(32,776)	20,651
Increase in retirement benefit reserve		23,493	27,912
Increase (decrease) in bad debt reserve		7,280	(10,390)
Interest received		(859)	(424)
Interest paid		50,457	49,675
Loss from retirement of fixed assets		137,750	103,819
Loss on sales of tangible fixed assets		816	67,209
Income from compensation for closed beauty salons		-	(6,300)
Decrease in accounts receivable-trade		9,633	18,293
Decrease in inventory		23,427	8,428
Increase (decrease) in trade payables		61,328	(52,381)
Increase (decrease) in unpaid consumption tax, etc.		(62,190)	11,777
Others		(52,644)	119,246
Sub-total		298,664	378,883
Amount of received interest		880	423
Amount of interest payments		(49,786)	(48,576)
Paid corporate taxes		(187,187)	(31,420)
Cash flow from operations		62,569	299,310
II. Cash flow from investments			
Payment for time deposits		(570,700)	(200,231)
Income from withdrawal of time deposits		855,901	184,196
Payment for acquisition of tangible fixed assets		(472,019)	(342,683)
Income from sale of tangible fixed assets		-	52,000
Expenditure for payment of security deposit and guarantee money		(206,627)	(176,175)
Income due to the recovery of security deposit and guarantee money		10,610	132,752
Others		(9,415)	3,813
Cash flow from investments		(392,250)	(346,327)
III. Cash flow from financial operations			
Income from additional short-term loans		738,000	369,000
Repayment of short-term loans		(798,400)	(429,697)
Income from long-term loans		630,000	275,000
Repayment of long-term loans		(471,878)	(629,229)
Income from issuance of corporate bonds		-	900,000
Outflow by redemption of corporate bonds		-	(50,000)
Dividend payments		(125,733)	(125,713)
Cash flow from financial operations		(28,011)	309,360
IV. Amount of increase (decrease) in cash and cash equivalents		(357,692)	262,343
V. Opening balance of cash and cash equivalents		1,858,162	1,500,469
VI. Closing balance of cash and cash equivalents		1,500,469	1,762,813

Comparative profit disposal plan

Unit: thousand yen

Term	Previous term (April 1, 2003 to March 31, 2004)	Current term (April 1, 2004 to March 31, 2005)	Comparison with the previous term
Accounts	Amount	Amount	Amount
I. Unappropriated retained earnings at the end of the current term	740,936	420,330	(320,606)
II. Amount of profit disposal Dividends to shareholders	126,437 (25 yen per share)	126,437 (25 yen per share)	-
III. Profits carried-forward to the next term	614,499	293,893	(320,606)

Material accounting policy

1. Standards for and methods of evaluating assets
 - Inventories
 - Merchandise and materials for beauty treatments: at cost, based on the moving average method.
 - Supplies: at cost, based on the final purchase cost.
 2. Depreciation of fixed assets
 - (1) Tangible fixed assets
 - Declining method. However, the straight-line method is applied to the buildings acquired on and after April 1, 1998 (excluding attached equipment).
 - Useful lives: Buildings: 8 to 60 years
Furniture and fixtures: 3 to 10 years
 - (2) Intangible fixed assets
 - Straight-line method. The straight-line method is applied to software for the Company's use based on the usable period in the Company (five years).
 - (3) Long-term prepaid expenses
 - Straight-line method.
3. Accounting method of deferred assets
 - Corporate bond issuance expenses
 - Full amount is accounted as the expenses at the time of payment.
4. Accounting standards for reserves
 - (1) Reserves for bad debts
 - As the reserve for losses from the default on payment of accounts receivable, the amount that it is impossible to collect is set aside based on the actual bad debt ratio for general receivables and by individually considering the possibility of collecting specified receivables, such as receivables over which there is concern about their collection.
 - (2) Bonus reserve
 - A reserve is set aside for the payment of bonuses to employees to provide for bonuses accrued in the current term, based on bonuses to be paid in the future.
 - (3) Retirement benefits and allowances reserve
 - A reserve for the retirement benefits of employees. A certain amount is set aside based on the expected amount of retirement benefit liabilities at the end of the current term.
 - The entire amount of the difference from the actuarial calculation shall be treated as an expense in the accounting term when that difference occurs.
5. Lease transactions
 - Finance lease transactions, other than those under which ownership of the leased equipment is transferred to the lessee, are based on the accounting method applied to operating lease transactions.

6. Method for hedging accounting
 - (1) Method for hedging accounting

Because interest rate swap transactions satisfy the requirements for special treatment, this special treatment is applied to these transactions.
 - (2) Hedging vehicles and hedged items
 - 1) Hedging vehicles: Interest rate swap
 - 2) Hedged items: Borrowings
 - (3) Hedging policy

The Company uses hedging transactions in order to avert risks associated with interest rate changes in the future.
 - (4) Valuation method for the effectiveness of hedging activities

The Company's method satisfies the requirements for special treatment of interest rate swap transactions, and the effectiveness of hedging activities is determined based on the effectiveness of that method.
7. Scope of cash in the Cash Flow Statement

Cash in the Cash Flow Statement (cash and cash equivalents) consist of cash on hand, deposits that can be withdrawn at any time, and short-term investments that can be converted into cash easily, involve only a minor risk of price fluctuation, and can be reimbursed within three months of their acquisition.
8. Consumption tax

Based on net sales exclusive of taxes.

Notes

Unit: thousand yen

[Notes on Balance Sheet]

	Previous term (as of March 31, 2004)	Current term (as of March 31, 2005)
1. Accumulated amount of depreciation on tangible fixed assets	1,269,600	1,344,943
2. Assets provided as security		
(1) Assets provided as security		
Buildings	540,494	609,145
Land	1,398,741	1,317,838
Key money and guarantee money	499,244	616,674
(2) Liabilities in connection with the above		
Short-term loans payable	149,000	88,303
Long-term loans payable (including long-term loans repayable within one year)	2,099,258	1,749,589
3. Contingent liabilities		
Guarantee for borrowings from financial institutions		
• Guarantees for ex-employees based on a program to assist employees in becoming independent	16,450	8,075

[Notes on Cash Flow Statement]

Relationship between the closing balance of cash and cash equivalents and the amount recorded in the Balance Sheet

	Previous term (as of March 31, 2004)	Current term (as of March 31, 2005)
Cash and cash accounts	1,661,415	1,939,793
Time deposit, deposited for a period of three months or more	(160,945)	(176,980)
Cash and cash equivalents	1,500,469	1,762,813

[Notes on lease transactions]

	Previous term (April 1, 2003 to March 31, 2004)	Current term (April 1, 2004 to March 31, 2005)
(1) Amount equivalent to the acquisition price of leased property	1,310,209	1,350,864
Amount equivalent to accumulated depreciation	599,820	668,204
Amount equivalent to closing balance	710,388	682,659
(2) Amount equivalent to the closing balance of prepaid lease fees	740,150	690,960
(Amount included in the above for the period of one year or less)	272,037	250,441
(Amount included in the above for a period exceeding one year)	468,112	440,519
(3) Lease fees paid	305,901	291,204
Amount equivalent to depreciation expenses	289,393	278,377
Amount equivalent to paid interest	16,605	11,610
(4) Method of calculating the amount equivalent to depreciation expenses		
This was calculated based on the straight-line method over the lease period as its useful life with a residual value of zero.		
(5) Method of calculating the amount equivalent to interest paid		
The difference between the total amount of lease fees and the amount equivalent to the acquisition price of the leased properties is assumed to be the amount equivalent to the interest paid, and the method of allocation to each term is based on the interest method.		

4. Comparison of sales by category

Unit: thousand yen

Accounts	Term	Previous term (April 1, 2003 to March 31, 2004)		Current term (April 1, 2004 to March 31, 2005)		Comparison with the previous term	
		Amount	Breakdown	Amount	Breakdown	Amount	Ratio to the previous term
			%		%		%
Haircare services		12,468,801	89.6	12,538,723	90.0	69,921	100.6
Merchandise		1,371,094	9.8	1,322,822	9.5	(48,271)	96.5
Others		85,033	0.6	73,776	0.5	(11,256)	86.8
Total		13,924,928	100.0	13,935,322	100.0	10,393	100.1

5. Securities

Market value of securities (Unit: thousand yen)

Current term

Securities

Details of major “securities” not valued on a market value basis

N.A.

Previous term

Securities

Details of major “securities” not valued on a market value basis

N.A.

6. Derivative transactions

Current term

Derivative transactions were not indicated because the Company adopted the hedging accounting for all these transactions.

Previous term

Derivative transactions were not indicated because the Company adopted the hedging accounting for all these transactions.

7. Profit or loss under the equity method

Current term

N.A.

Previous term

N.A.

8. Retirement benefits

(1) Outline of the Company's retirement benefit system

The Company has adopted a lump sum retirement allowance system based on a defined benefit system.

(2) Details of retirement benefit liabilities

(Unit: thousand yen, less than thousand yen was rounded down)

	Previous term (as of March 31, 2004)	Current term (as of March 31, 2005)
Retirement benefit liabilities	(203,914)	(231,827)
Retirement benefit reserves	(203,914)	(231,827)

(3) Details of retirement benefits costs

(Unit: thousand yen, less than thousand yen was rounded down)

	Previous term (April 1, 2003 to March 31, 2004)	Current term (April 1, 2004 to March 31, 2005)
Service costs	44,981	48,435
Interest expense	3,608	4,078
Disposed amount of the expense for the difference in actuarial calculation	3,981	4,906
Retirement benefits cost (+ +)	52,571	57,420

(4) Assumptions for the calculation of retirement benefit liabilities

Periodic allocation method of expected retirement benefit amounts:	Periodic fixed amount standard
Discount rate	2.0%
Number of years for amortization of the difference in actuarial calculation:	Writing off of the entire amount in the term it occurred

9. Tax effect accounting

(1) Breakdown of the reasons for deferred tax assets and deferred tax liabilities:

(Unit: thousand yen, less than thousand yen was rounded down)

	Previous term (as of March 31, 2003)	Current term (as of March 31, 2004)
Deferred tax assets		
Amount exceeding the limit of the addition to bonus reserve	55,363	63,766
Excess amount of retirement benefit reserve	78,091	91,889
Amount of loss carried forward	-	61,584
Others	53,915	46,946
Total deferred tax assets	187,369	264,187
Net deferred tax assets	187,369	264,187

Note: Breakdown of the major items of material difference between a legal effective tax rate and tax rate for corporate tax after the application of tax effect accounting is not shown due to a net loss before tax for the current term.

10. Transactions with related parties

Current term

N.A.

Previous term

N.A.

11. Change in officials (As of June 21, 2005)

There was no change in officials.