May 8, 2006

Brief announcement of non-consolidated financial statements for the accounting period ending March 2006

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

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

Representative: Kazumasa Taya
President

Inquiries to be addressed to: Hisashi Tashiro
Director, General Manager of Management Planning Office TEL (03) 5772 – 8411

Date of the Board of Directors' meeting for closing: May 8, 2006
Interim dividend system applicable to the Company: Applied
Scheduled date of starting the payment of dividend: June 21, 2006
Date of the general shareholders' meeting: June 20, 2006
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 2006 (April 1, 2005 to March 31, 2006)

(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 2006	14,017	0.6	570	-	553	-
Period ending March 2005	13,935	0.1	(7)	-	(44)	-

	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 2006	112	-	22.34	-	2.6	6.0	3.9
Period ending March 2005	(194)	-	(38.39)	-	(4.2)	(0.4)	(0.3)

(NOTE)
1) Profit and loss on investments based on the equity method for the term ending March 2006: - million yen; for the term ending March 2005: - million yen.
2) Average number of shares during the term for the term ending March 2006: 5,057,500 shares; for the term ending March 2005: 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			
	yen sen	yen sen	yen sen	million yen	%	%
Period ending March 2006	20.00	0.00	20.00	101	89.5	2.3
Period ending March 2005	25.00	0.00	25.00	126	-	2.9

(NOTE) Breakdown of the final dividend for the term ending March 2006: 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 2006	8,908	4,397	49.4	869.57
Period ending March 2005	9,636	4,411	45.8	872.23

(NOTE)
1) The number of outstanding shares at the end of the term for the term ending March 2006: 5,057,500 shares; for the term ending March 2005: 5,057,500 shares.
2) The number of the treasury stock at the end of the current term ending March 2006: 42,500 shares; for the term ending March 2005: 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 2006	764	(51)	(802)	1,673
Period ending March 2005	299	(346)	309	1,762

2. Projected financial results for the term ending March 2007 (April 1, 2006 to March 31, 2007)

	Sales	Ordinary income	Current net profit	Annual dividend per share		
				Interim dividend	Final dividend	
	million yen	million yen	million yen	yen sen	yen sen	yen sen
First half	7,150	345	120	0.00	-	-
Full term	14,500	890	360	-	22.00	22.00

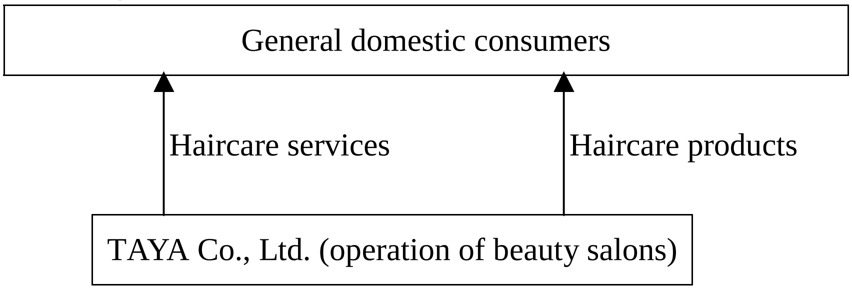
(Reference) Projected net profit per share for the current term (full year): Yen 71.18.

* The projected financial results include 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 5, 6 of the attached material for the above projected business performance.

1. 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 services (treatments such as haircuts, permanents, and hair coloring), and sell haircare products suitable for those customers.

[Business system diagram]



2. Management policy

2-1. 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.

2-2. 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.

2-3. Purpose and policy of the reduced number of unit shares

The Company considers the setting up of conditions to facilitate investment in the Company's stock to be an important management issue. The purpose of this is to diversify the Company's investor structure and encourage trading of the Company's stocks. (The Company changed its unit of stocks from 1,000 shares to 100 shares on August 1, 2000.)

2-4. 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

2-5. 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 mapped out "Paradigm Change 45" (a fundamental management improvement plan) aiming for business innovation and early recovery of business performance and promoted it for two years, from April 2004 to March 2006, in the following manner:

(Major business policies)

(1) Making the Company more well known and improving its brand image by planning and developing new sales promotions via mass media and the Internet
(2) Improving customer satisfaction by reinforcing the instruction and education of all staff regarding the way they serve customers
(3) Improving employees' motivation by introducing a new performance-based personnel system

(Major profit structure improvement policy)

(1) Reinforcing the profitability of the existing salons by such measures as “curtailing new openings,” “revitalizing the Company by renovating old salons,” and “disposing of unprofitable salons.”

(2) Reducing losses and costs by decreasing the inventory of cosmetic treatment materials and merchandise, and curtailing fixed costs by minimizing such things as staff retirement to reduce recruitment costs.

By implementing this management improvement plan, the Company consolidated the existing customers and such customers visited the Company’s stores more frequently, which put the business on a road to recovery. However, the Company’s performance was not as good as expected. Under such circumstances, the management intends to continue promoting “Paradigm Change 45” in the coming fiscal year and will strive for further recovery in business performance and reinforcement of the management foundation. Regarding this, the Company will announce a new medium-term corporate strategy by the end of fiscal 2006.

The Company is aiming to position its corporate brand at the top of the domestic hairdressing business. In order to do this, the Company will strive to expand its market share by cultivating many excellent cosmetic technicians and developing salons, which can provide services that will be favorably received by customers all over the country, as well as promoting the rationalization and streamlining of its management.

2-6. Items to be considered

In accordance with its mission statement, the Company will continue to create an environment that benefits its customers, regardless of their age, gender or race. The Company, as a leading company in the hairdressing industry, will simultaneously pursue profitability and growth, with the emphasis on continuously developing new technology, training its employees, disseminating information, increasing the number of its beauty salons, and reasonably reducing costs.

The Company will also comply with laws and ordinances, further enhance its internal control system and strive to improve and reinforce its corporate culture to be able to quickly and flexibly cope with changes in such management environments as the economic structure and social situation.

2-7. Matters related to the parent company

N.A.

3. Operating results and financial condition

3-1. Business performance

[Overview of the current term]

The Japanese economy during the current fiscal year basically saw a steady and gradual recovery, supported by active capital investments based on the recovery of corporate business performance and the upturn of personal consumption, which in turn were based on an improved employment and income environment. However, there has not yet been a full recovery in personal consumption owing to unstable weather conditions, and the psychological effects of abolishing the fixed-rate tax reduction system and increasing social insurance premiums.

The hairdressing industry also faced increasingly intense competition since the number of hairdressing establishments outstripped market demand and, as a consequence, prices were lower.

Under these circumstances, since April 2004 the Company has been developing “Paradigm Change 45” (2-year plan), a drastic management reform plan, aiming to reform its business and quickly recover its business performance. During the current fiscal year in particular, the Company strived to improve its business performance by focusing on improving its existing salons and efficiently distributing its management resources.

In line with this beauty salon revitalization plan the Company continued to open new salons, it renovated eight existing salons and at the same time closed ten salons, including eight unprofitable ones. As a result, the number of operations that the Company directly conducted as of the end of the current fiscal year decreased by ten from the previous fiscal year, to 144 beauty salons and one retail shop.

As the sales strategy, the Company strived to retain regular customers and increase its customer market share by offering unique services to differentiate itself from its competitors, rather than by engaging in price competition. In the hairdressing field in the first half of the fiscal year, the Company started to provide such added value services as proposing the Otonabi Hair service, which can bring out the charming features of each customer, and “Massage by Hand.” In the second half of the fiscal year, the Company made efforts to stimulate customers’ underlying demand for perms by providing a “Pseudo-perm” service, a service developed by the Company, and it also tried to increase the number of hairstyles offered. Furthermore, the Company strived to enhance its “Sense of Mission,” “Technique” and “Quality” by continuously providing education and training to all its employees throughout the fiscal year, in order to further pursue “Customer Satisfaction" and “Customer Service.”

Thanks to these measures, customers visited the Company more frequently and spent more money each time they visited, resulting in a 1.3% increase in the sales of the existing salons in the current fiscal year. At the same time, the Company strived to improve its operating efficiency by improving the technical ability of its beauticians and properly deploying personnel, and the Company also tried to increase its profitability by closing loss-making salons and minimizing needless expenses.

Consequently, although the number of shops decreased, sales increased to 14,017 million yen (an increase of 0.6% from the same period last year) and ordinary income reached 553 million yen (compared to an ordinary loss of 44 million yen for the same period last year). The current net profit was 112 million yen (194 million yen net loss for the same period last year), which reflected losses from the disposal of fixed assets owing to the renovation and closure of beauty salons, and extraordinary losses posted in relation to impairment losses.

[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							
Closed	(2)		(3)	(1)		(4)	(10)
Refurbished	7					1	8
Number at the end of the term	75	28	3	4	1	33	144

[Outlook for the next term]

Japanese economy in the fiscal year to come is predicted to maintain gradual recovery of business but there still remains uncertainty such as the long lasting crude oil price hike, concerns of rising interest rate and future change of taxation system. And, therefore, a full recovery of personal consumption is assumed to take more time, and the hairdressing industry will face crucial management environment by the intensified price competition.

Under such circumstances, the Company is determined to renew its challenge in more strengthened manner by reviewing the contents of each measure under the management improvement plan which the Company implemented in these two years. Thus, the Company will further improve the operation of existing salons, realize full-scale recovery of the business performance and establish a stable management foundation.

As a measure to reinforce the salon operation, the Company will continue to renovate the existing salons and will look for appropriate locations for restarting the opening of new salons.

In addition, “Morale enhancement activities” will be promoted on a corporate level, aiming to further up-grade the manner and services to care the customers and to provide “High-quality services” which will hit the customers in their heart and remain in their memory.

Taking the above into account, the business performance of the next fiscal year is predicted to be as follows:

(Overlook for the business performance in the fiscal year ending March 2007)

Sales	14,500 million yen	(Year-on year increase: 3.4%)
Operating income	930 million yen	(Year-on year increase: 63.1%)
Ordinary income	890 million yen	(Year-on year increase: 60.9%)
Current net profit	360 million yen	(Year-on year increase: 218.7%)

3-2. Financial status

Total asset at the end of the current fiscal year was 8,908 million yen, a decrease of 727 million yen from the same period last year.

Remaining balance of current assets was 2,862 million yen, a decrease of 108 million yen from the same period last year.

Remaining balance of fixed assets was 6,046 million yen, a decrease of 619 million yen from the same period last year.

This decrease mainly consists of 265 million yen decrease of building account due to losses from the disposal of fixed assets caused by the renovation and closure of beauty salons and the depreciation, and 362 million yen decrease of security deposits and guarantee money due to the closure of beauty salons.

Total liabilities at the end of the current fiscal year was 4,510 million yen, a decrease of 714 million yen from the same period last year.

Remaining balance of current liabilities was 2,520 million yen, a decrease of 184 million yen from the same period last year.

Remaining balance of fixed liabilities was 1,990 million yen, a decrease of 529 million yen from the same period last year.

The decease is mainly caused by the due repayment of long-term loans and the payment for a redemption of corporate bonds.

Shareholders' equity at the end of the current fiscal year was 4,397 million yen, a decrease of 13 million yen from the same period last year.

[Cash flows]

Cash and cash equivalents ("funds" hereinafter) at the end of the current fiscal year decreased 89 million yen from the same period last year, to 1,673 million yen.

Detailed cash flows in the current term are shown below.

(Cash flow from operations)

Funds from operating activities amounted to 764 million yen in the current fiscal year (an increase of 465 million yen from the same period last year). This was primarily due to the current net profit before tax, which was 309 million yen.

(Cash flow from investments)

Funds used for investments in the current fiscal year were 51 million yen (a decrease of 294 million yen from the same period last year). This was attributable to an outflow of 288 million yen for the acquisition of tangible fixed asset and a collection of security deposits and guarantee money that amounted to 246 million yen as a result of the closure of salons.

(Cash flow from financial activities)

Funds used in financing activities in the current fiscal year were 802 million yen (an inflow of 309 million in the same period last year). This primarily reflected a reduction of 495 million yen in long- and short-term borrowings, a payment of 180 million yen to redeem corporate bonds and a dividend payment of 127 million yen.

	30th term ended March 2004	31st term ended March 2005	32nd term ended March 2006
Capital ratio (%)	50.4	45.8	49.4
Mark-to-market capital ratio (%)	51.1	46.6	60.2
Debt retirement (years)	55.7	11.5	3.4
Interest coverage ratio	1.3	6.2	20.5

Capital ratio: Net worth/Total assets

Mark-to-market capital ratio: Total market capitalization/Total assets
Debt retirement (years): Interest bearing debt/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 debt represents all interest-bearing debts recorded on the balance sheet. In addition, interest payments represent the interest payment recorded in the cash flow statement.

3-3. 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 money 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) Specific legal regulations, etc.

The Beauticians Law, which applies to the Company, may possibly be revised or the way in which this law is construed may alter if there is any change in the social situation, or such like. This may affect the Company's business.

(6) 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.

4. Financial statements, etc.

(1) Balance sheet

Unit: thousand yen

		Previous fiscal year (as of March 31, 2005)		Current fiscal year (as of March 31, 2006)		Year-on-year increase/ decrease
Items	Notes	Amount	Breakdown	Amount	Breakdown	Increase or decrease
(Assets)			%		%	
I. Current assets						
1. Cash and deposits		1,939,793		1,866,479		(73,314)
2. Accounts receivable-trade		547,043		526,681		(20,361)
3. Merchandise		83,175		64,804		(18,370)
4. Materials for beauty treatments		51,953		56,633		4,680
5. Supplies		48,633		34,763		(13,869)
6. Prepaid expenses		115,961		115,274		(687)
7. Deferred tax assets		153,083		101,573		(51,509)
8. Other accounts receivable		-		97,582		97,582
9. Others		36,649		1,582		(35,067)
10. Bad debt reserves		(5,990)		(3,324)		2,666
Total current assets		2,970,303	30.8	2,862,051	32.1	(108,251)
II. Fixed assets						
(1) Tangible fixed assets						
1. Buildings	*1	2,353,298		2,087,923		(265,374)
2. Structures		10,190		8,781		(1,408)
3. Furniture and fixtures		9,433		5,143		(4,290)
4. Land	*1	1,377,828		1,377,828		-
Total tangible fixed assets		3,750,750	38.9	3,479,677	39.1	(271,073)
(2) Intangible fixed assets						
1. Software		5,864		4,826		(1,037)
2. Others		30,097		30,097		-
Total intangible fixed assets		35,961	0.4	34,924	0.4	(1,037)
(3) Investments and other assets						
1. Investments in subsidiaries and affiliated companies		110		126		16
2. Long-term loans to employees		2,647		4,044		1,396
3. Bankruptcy reorganization claims		11,650		11,650		-
4. Long-term prepaid expenses		74,213		41,215		(32,998)
5. Deferred tax assets		111,103		136,897		25,793
6. Key money and guarantee money	*1	2,667,572		2,304,626		(362,945)
7. Membership rights		10,190		10,190		-
8. Others		13,500		35,221		21,721
9. Long-term Bad debt reserves		(11,650)		(11,866)		(216)
Total of investment and other assets		2,879,337	29.9	2,532,104	28.4	(347,232)
Total fixed assets		6,666,050	69.2	6,046,706	67.9	(619,344)
Total assets		9,636,353	100.0	8,908,757	100.0	(727,596)

Unit: thousand yen

		Previous fiscal year (as of March 31, 2005)		Current fiscal year (as of March 31, 2006)		Year-on-year increase/ decrease
Items	Notes	Amount	Breakdown	Amount	Breakdown	Increase or decrease
(Liabilities)			%		%	
I. Current liabilities						
1. Notes payable		375,656		399,836		24,179
2. Trade accounts payable		82,069		82,218		148
3. Short-term loans	*1	88,303		107,800		19,497
4. Long-term loans due within one year	*1	618,038		325,890		(292,148)
5. Corporate bonds to be redeemed within one year		180,000		180,000		-
6. Accounts payable-other		404,555		356,075		(48,480)
7. Accrued expenses		586,150		547,538		(38,612)
8. Unpaid corporate taxes		111,562		200,225		88,663
9. Unpaid consumption taxes		68,092		94,858		26,766
10. Advance payments received		446		-		(446)
11. Deposits received		31,587		35,847		4,260
12. Unearned revenues		1,474		1,212		(261)
13. Bonus reserve		156,713		188,534		31,820
Total current liabilities		2,704,649	28.1	2,520,036	28.3	(184,613)
II. Fixed liabilities						
1. Corporate bonds		670,000		490,000		(180,000)
2. Long-term loans payable	*1	1,134,571		912,181		(222,390)
3. Retirement benefit reserve		231,827		253,997		22,169
4. Long-term accounts payable		484,007		329,920		(154,087)
5. Others		-		4,795		4,795
Total fixed liabilities		2,520,405	26.1	1,990,894	22.3	(529,511)
Total liabilities		5,225,055	54.2	4,510,930	50.6	(714,124)
(Shareholders' equity)						
I. Capital stock	*2	1,480,180	15.3	1,480,180	16.6	-
II. Capital surplus		1,702,245	17.7	1,702,245	19.1	-
1. Capital reserve		1,702,245		1,702,245		-
III. Retained earnings		1,347,250	14.0	1,333,779	15.0	(13,471)
1. Profit reserve		66,920		66,920		-
2. Voluntary reserve		860,000		860,000		-
Separate reserve		860,000		860,000		-
3. Unappropriated retained earnings		420,330		406,859		(13,471)
IV. Treasury stock	*4	(118,377)	(1.2)	(118,377)	(1.3)	-
Total shareholders' equity		4,411,298	45.8	4,397,826	49.4	(13,471)
Total liabilities and shareholders' equity		9,636,353	100.0	8,908,757	100.0	(727,596)

(2) Income statement

Unit: thousand yen

Items	Notes	Previous fiscal year (April 1, 2004 to March 31, 2005) Amount	Breakdown	Current fiscal year (April 1, 2005 to March 31, 2006) Amount	Breakdown	Year-on-year increase/ decrease Increase or decrease
			%		%	
I. Sales		13,935,322	100.0	14,017,103	100.0	81,780
II. Cost of sales		12,450,589	89.3	12,054,235	86.0	(396,354)
Gross profit		1,484,733	10.7	1,962,867	14.0	478,134
III. Sales and administrative expenses	*1	1,491,758	10.7	1,392,774	9.9	(98,984)
Operating profit (loss)		(7,025)	(0.0)	570,093	4.1	577,118
IV. Non-operating income		41,546	0.3	42,516	0.3	970
1. Interest income		424		515		90
2. Real estate lease income		14,844		14,900		55
3. Others		26,277		27,101		823
V. Non-operating expenses		79,213	0.6	59,403	0.5	(19,810)
1. Interest expense		46,727		37,697		(9,030)
2. Interest paid for corporate bonds		2,947		4,561		1,613
3. Corporate bond issuance expenses		19,550		-		(19,550)
4. Payment guarantee		-		5,151		5,151
5. Real estate rental expenses		8,993		9,862		869
6. Others		995		2,130		1,135
Ordinary income (loss)		(44,692)	(0.3)	553,206	3.9	597,899
VI. Extraordinary income		6,990	0.0	18,264	0.2	11,274
1. Indemnification gain on closed salons and shops		6,300		15,814		9,514
2. Reversal of allowance for bad debts		690		2,450		1,760
VII. Extraordinary losses		171,028	1.2	261,655	1.9	90,627
1. Loss from disposal of fixed assets	*2	103,819		228,283		124,463
2. Loss on sales of fixed assets	*3	67,209		-		(67,209)
3. Impairment loss	*4	-		33,372		33,372
Current net profit or loss before tax		(208,731)	(1.5)	309,815	2.2	518,546
Corporate tax, inhabitant tax and enterprise tax		62,255	0.4	171,133	1.2	108,878
Amount of adjustment for corporate tax		(76,817)	(0.5)	25,716	0.2	102,533
Current net profit or loss		(194,168)	(1.4)	112,966	0.8	307,134
Profits carried-over from the previous term		614,499		293,893		(320,606)
Unappropriated retained earnings at the end of the current term		420,330		406,859		(13,471)

(3) Cash flow statement

Unit: thousand yen

Items	Notes	Previous fiscal year (April 1, 2004 to March 31, 2005) Amount	Current fiscal year (April 1, 2005 to March 31, 2006) Amount
I. Cash flow from operations			
Current net profit or loss before tax		(208,731)	309,815
Depreciation		230,098	228,465
Impairment loss		-	33,372
Increase (decrease) in bonus reserve		20,651	31,820
Increase in retirement benefit reserve		27,912	22,169
Increase (decrease) in bad debt reserve		(10,390)	(2,450)
Interest received		(424)	(515)
Interest paid		49,675	37,697
Loss from retirement of fixed assets		103,819	228,283
Loss on sales of tangible fixed assets		67,209	-
Income from compensation for closed beauty salons		(6,300)	(15,814)
Decrease in accounts receivable-trade		18,293	19,915
Decrease in inventory		8,428	27,560
Increase (decrease) in trade payables		(52,381)	33,492
Increase (decrease) in unpaid consumption tax, etc.		11,777	26,766
Others		119,246	(48,325)
Sub-total		378,883	932,253
Amount of received interest		423	513
Amount of interest payments		(48,576)	(37,343)
Paid corporate taxes		(31,420)	(130,789)
Cash flow from operations		299,310	764,634

Unit: thousand yen

		Previous fiscal year (April 1, 2004 to March 31, 2005)	Current fiscal year (April 1, 2005 to March 31, 2006)
Items	Notes	Amount	Amount
II. Cash flow from investments			
Payment for time deposits		(200,231)	(279,183)
Income from withdrawal of time deposits		184,196	263,334
Payment for acquisition of tangible fixed assets		(342,683)	(288,953)
Income from sale of tangible fixed assets		52,000	-
Expenditure for payment of security deposit and guarantee money		(176,175)	(5,629)
Income due to the recovery of security deposit and guarantee money		132,752	246,705
Others		3,813	12,157
Cash flow from investments		(346,327)	(51,568)
III. Cash flow from financial operations			
Income from additional short-term loans		369,000	490,000
Repayment of short-term loans		(429,697)	(470,503)
Income from long-term loans		275,000	120,000
Repayment of long-term loans		(629,229)	(634,538)
Income from issuance of corporate bonds		900,000	-
Outflow by redemption of corporate bonds		(50,000)	(180,000)
Dividend payments		(125,713)	(127,188)
Cash flow from financial operations		309,360	(802,229)
IV. Amount of increase (decrease) in cash and cash equivalents		262,343	(89,163)
V. Opening balance of cash and cash equivalents		1,500,469	1,762,813
VI. Closing balance of cash and cash equivalents	*	1,762,813	1,673,649

(4) Profit disposal plan

Unit: thousand yen

Items	Notes	Previous fiscal year Approved by General Meeting of Shareholders held on June 21, 2005 Amount		Current fiscal year To be approved by General Meeting of Shareholders held on June 20, 2006 Amount		Year-on-year increase/decrease Increase or decrease
I. Unappropriated retained earnings at the end of the current term			420,330		406,859	(13,471)
II. Amount of profit disposal						
1. Dividend		126,437	126,437	101,150	101,150	(25,287)
III. Profits carried-forward to the next term			293,893		305,709	11,816

Material accounting policy

Items	Previous fiscal year (April 1, 2004 to March 31, 2005)	Current fiscal year (April 1, 2005 to March 31, 2006)
1. Standard and method of evaluating inventories	Merchandise and materials for beauty treatment: at cost, based on the moving average method. Supplies: at cost, based on the final purchase cost.	Merchandise and materials for beauty treatment: Same as on the left Supplies: Same as on the left
2. Depreciation of fixed assets	(1) Tangible fixed assets Declining method. However, the straight-line method is used for buildings acquired on or after April 1, 1998 (excluding attached equipment). Major items are deemed to have the following 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.	(1) Tangible fixed assets Same as on the left (2) Intangible fixed assets Same as on the left (3) Long-term prepaid expenses Same as on the left
3. Accounting method of deferred assets	(1) 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 The Company sets aside an amount based on the expected amount of retirement benefit liabilities at the end of the Current fiscal year, to cover employees' retirement benefits and allowances. The entire difference from the actuarial calculation shall be treated as an expense in the accounting term when that difference occurs.	(1) Reserves for bad debts Same as on the left (2) Bonus reserve Same as on the left (3) Retirement benefits and allowances reserve Same as on the left

Items	Previous fiscal year (April 1, 2004 to March 31, 2005)	Current fiscal year (April 1, 2005 to March 31, 2006)
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.	Same as on the left
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 Hedging vehicles: Interest rate swap 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.	(1) Method for hedging accounting Same as on the left (2) Hedging vehicles and hedged items Hedging vehicles: Same as on the left Hedged items: Same as on the left (3) Hedging policy Same as on the left (4) Valuation method for the effectiveness of hedging activities Same as on the left
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.	Same as on the left
8. Other important matters that are the bases for the preparation of interim financial statements	(1) Accounting for consumption taxes, etc. Based on net sales exclusive of taxes.	(1) Accounting for consumption taxes, etc. Same as on the left

Change of accounting method

Previous fiscal year (April 1, 2004 to March 31, 2005)	Current fiscal year (April 1, 2005 to March 31, 2006)
————————	(Accounting standards for impairment of fixed assets) The Company adopted accounting standards for impairment of fixed assets from the current fiscal year, in accordance with the “Opinions concerning the establishment of accounting standards for impairment of fixed assets” (Financial Accounting Council, August 9, 2002) and the “Implementation guide of accounting standards for impairment of fixed assets” (Implementation guide of corporate accounting standards No. 6, October 31, 2003). As a result, the current net profit before tax decreased by 33,372 thousand yen. In addition, the accumulated impairment loss was directly deducted from each asset amount based on the revised regulations for financial statements.

Supplemental information

Previous fiscal year (April 1, 2004 to March 31, 2005)	Current fiscal year (April 1, 2005 to March 31, 2006)
“Law to revise a part of Local Taxation Law, etc.” (Law No. 9 enforced in 2003) was implemented on March 31, 2003, and pro forma standard taxation was introduced from the fiscal year beginning on or after April 1, 2004. Accordingly, in line with the “Actual accounting procedure regarding the indication of the pro forma standard tax portion of corporate tax on the statement of profit and loss” (Actual Accounting Method Report No. 12 dated February 13, 2004, by Corporate Accounting Standard Committee), the corporate taxes based on added value and capital amount are counted as the cost of sales and sales and administrative expenses. As a result, the cost of sales and sales and administrative expenses increased by 46,093 thousand yen, and the operating loss, ordinary loss and current net loss before tax increased by 46,093 thousand yen.	————————

Change of indication method

Previous fiscal year (April 1, 2004 to March 31, 2005)	Current fiscal year (April 1, 2005 to March 31, 2006)
(Balance sheet) “Accrued revenue” which had been stated separately until the previous fiscal year became less than one percent of the total amount of assets (the balance at the end of the current fiscal year was 32,808 thousand yen) and therefore is included in the “Others” of current assets.	(Balance sheet) “Accrued revenue” which had been included in the “Others” of current assets until the previous fiscal year exceeded one percent of the total amount of assets, and therefore is indicated separately. “Accrued revenue” as of the end of previous fiscal year was 32,808 thousand yen.

Notes
(Notes on balance sheet)

Unit: thousand yen

Previous fiscal year (as of March 31, 2005)	Current fiscal year (as of March 31, 2006)
*1. Assets provided as security (1) Assets provided as security Buildings 609,145 Land 1,317,838 Security deposit and guarantee money 616,674 Total 2,543,658 (2) Liabilities in connection with the above Short-term loans payable 88,303 Long-term loans payable (including long-term loans repayable within one year) 1,749,589 Total 1,837,892	*1. Assets provided as security (1) Assets provided as security Buildings 581,256 Land 1,317,838 Security deposit and guarantee money 408,041 Total 2,307,135 (2) Liabilities in connection with the above Short-term loans payable 107,800 Long-term loans payable (including long-term loans repayable within one year) 1,238,071 Total 1,345,871
*2. Authorized and outstanding shares Authorized shares Common stock 16,000,000 shares Outstanding shares Common stock 5,100,000 shares	*2. Authorized and outstanding shares Authorized shares Common stock 16,000,000 shares Outstanding shares Common stock 5,100,000 shares
3. Contingent liabilities Guarantee for borrowings from financial institutions Guarantees for ex-employees based on a program to assist employees become independent 8,075	3. Contingent liabilities Guarantee for borrowings from financial institutions Guarantees for ex-employees based on a program to assist employees become independent 19,672
*4 Treasury stock The Company owns 42,500 shares of common stock as treasury stock.	*4 Treasury stock The Company owns 42,500 shares of common stock as treasury stock.

(Notes on income statement)

Unit: thousand yen

Previous fiscal year (April 1, 2004 to March 31, 2005)	Current fiscal year (April 1, 2005 to March 31, 2006)
*1. The percentage of sales and administrative expenses that are classified as cost of sales is approximately 8.7%, and the same percentage of general expenses is approximately 91.3%. The major items and their amounts are as follows: Remuneration to directors 173,510 Salary and bonuses 538,676 Reserve for bonus additionally counted 27,373 Retirement benefit expenses 7,716 Welfare expenses 87,368 Recruiting expenses 28,947 Traveling & transportation expenses 74,766 Land and house rent 35,826 Technical license fee 33,917 Depreciation costs 27,983	*1. The percentage of sales and administrative expenses that are classified as cost of sales is approximately 5.6%, and the same percentage of general expenses is approximately 94.4%. The major items and their amounts are as follows: Remuneration to directors 198,963 Salary and bonuses 514,807 Reserve for bonus additionally counted 28,193 Retirement benefit expenses 4,924 Welfare expenses 83,758 Recruiting expenses 19,955 Traveling & transportation expenses 62,082 Land and house rent 35,830 Technical license fee 33,349 Depreciation costs 25,629
*2. Fixed assets disposal loss Buildings 77,693 Others 26,126 Total 103,819	*2. Fixed assets disposal loss Buildings 113,041 Restoration expenses 75,208 Others 40,033 Total 228,283
*3. Fixed assets sales loss Buildings 28,704 Land 38,285 Others 218 Total 67,209	――――――――
――――――――	*4. Impairment loss The Company posted an impairment loss for the following asset groups in the current fiscal year: Location / Purpose of usage / Type: Chuo-ku, Fukuoka city / Salon / Buildings, furniture and fixtures, lease assets Atsuta-ku, Nagoya city / Salon / Building, lease assets The Company regards each salon as a group, by considering it to be a basic and minimum unit that generates cash flows. The book value of a group of assets of salons whose operating activities continuously result in losses is reduced to a collectible value, and the reduced value is posted as impairment loss in the extraordinary loss section. The impairment loss consists of 20,845 thousand yen for buildings, 10,455 thousand yen for lease assets and 2,070 thousand yen for others. In addition, the collectible value of such group of assets is measured based on usable value, and future cash flows are discounted by 2%.

(Notes on cash flow statement)

Unit: thousand yen

<table>
<tr><th>Previous fiscal year
(April 1, 2004 to
March 31, 2005)</th><th>Current fiscal year
(April 1, 2005 to
March 31, 2006)</th></tr>
<tr><td>* Relationship between the closing balance of cash and cash equivalents and the amount recorded in the Balance Sheet (as of March 31, 2005)

Cash and cash accounts 1,939,793
Time deposit, deposited for
a period of three months or more (176,980)
Cash and cash equivalents 1,762,813</td><td>* Relationship between the closing balance of cash and cash equivalents and the amount recorded in the Balance Sheet (as of March 31, 2006)

Cash and cash accounts 1,866,479
Time deposit, deposited for
a period of three months or more (192,829)
Cash and cash equivalents 1,673,649</td></tr>
</table>

(1) Note on lease transactions

Unit: thousand yen

<table>
<tr><th>Previous fiscal year
(April 1, 2004 to
March 31, 2005)</th><th>Current fiscal year
(April 1, 2005 to
March 31, 2006)</th></tr>
<tr><td>1. Finance lease transactions, excluding transactions that involve a transference of the ownership of the lease subject to the borrower
(1) Acquisition price of leased property, accumulated depreciation and closing balance

<table>
<tr><th></th><th>Acquisition price of leased property</th><th>Accumulated depreciation</th><th>Closing balance</th></tr>
<tr><td>Tools and fixtures</td><td>1,329,624</td><td>660,770</td><td>668,853</td></tr>
<tr><td>Software</td><td>21,240</td><td>7,434</td><td>13,806</td></tr>
<tr><td>Total</td><td>1,350,864</td><td>668,204</td><td>682,659</td></tr>
</table>
(2) Closing balance of prepaid lease fees
One year or less 250,441
Over one year 440,519
Total 690,960

(3) Lease fees paid, amount equivalent to depreciation expenses and amount equivalent to paid interest

Lease fees paid 291,204
Amount equivalent to
depreciation expenses 278,377
Amount equivalent to paid interest 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 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.</td>
<td>1. Finance lease transactions, excluding transactions that involve a transference of the ownership of the lease subject to the borrower
(1) Acquisition price of leased property, accumulated depreciation, accumulated impairment loss and closing balance

<table>
<tr><th></th><th>Acquisition price of leased property</th><th>Accumulated depreciation</th><th>Accumulated impairment loss</th><th>Closing balance</th></tr>
<tr><td>Tools and fixtures</td><td>1,110,367</td><td>638,278</td><td>4,795</td><td>467,293</td></tr>
<tr><td>Software</td><td>21,240</td><td>11,682</td><td>-</td><td>9,558</td></tr>
<tr><td>Total</td><td>1,131,607</td><td>649,960</td><td>4,795</td><td>476,851</td></tr>
</table>
(2) Closing balance of prepaid lease fees
One year or less 211,465
Over one year 277,789
Total 489,255

Balance of impairment loss of lease assets 4,795

(3) Lease fees paid, reversal of impairment loss of lease assets, amount equivalent to depreciation expenses, amount equivalent to paid interest and impairment loss
Lease fees paid 266,185
Reversal of impairment loss of
lease assets 5,659
Amount equivalent to
depreciation expenses 257,609
Amount equivalent to paid interest 9,169
Impairment loss 10,455
(4) Method of calculating the amount equivalent to depreciation expenses
Same as on the left

(5) Method of calculating the amount equivalent to interest paid
Same as on the left</td></tr>
</table>

(2) Securities

Previous fiscal year (as of March 31, 2005)

Securities

N.A.

Current fiscal year (as of March 31, 2006)

Securities

N.A.

(3) Derivative transactions

Previous fiscal year (April 1, 2004 to March 31, 2005)

The description of derivative transactions is omitted because the Company adopted accounting for hedging transactions for all these transactions.

Current fiscal year (April 1, 2005 to March 31, 2006)

The description about derivative transactions is omitted because the Company adopted the accounting for hedging transactions for all these transactions.

(4) 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. Retirement benefit payment liability and its breakdown

Unit: thousand yen

	Previous fiscal year (as of March 31, 2005)	Current fiscal year (as of March 31, 2006)
Retirement benefit payment liability (1) Retirement benefit liabilities	(231,827)	(253,997)
(2) Retirement benefit reserves	(231,827)	(253,997)

3. Breakdown of retirement benefit payment expenses

Unit: thousand yen

	Previous fiscal year (April 1, 2004 to March 31, 2005)	Current fiscal year (April 1, 2005 to March 31, 2006)
Retirement benefit cost	57,420	59,163
(1) Service costs	48,435	50,957
(2) Interest expense	4,078	4,636
(3) Disposed amount of the expense for the difference in actuarial calculation	4,906	3,569

4. Assumption for the calculation of retirement benefit liabilities

	Previous fiscal year (as of March 31, 2005)	Current fiscal year (as of March 31, 2006)
(1) Periodic allocation method of expected retirement benefit amounts	Periodic fixed amount standard	Periodic fixed amount standard
(2) Discount rate	2.0%	2.0%
(3) Number of years for amortization of the difference in actuarial calculation	Writing off of the entire amount in the term it occured	Same as on the left

(5) Notes on deferred tax accounting

Previous fiscal year (as of March 31, 2005)	Current fiscal year (as of March 31, 2006)
1. Breakdown of the reasons for deferred tax assets and deferred tax liabilities (Unit: thousand yen) Previous fiscal year Amount exceeding the limit of the addition to bonus reserve 63,766 Denial of unpaid corporate tax, etc. 25,362 Excess amount to retirement benefit reserve 91,889 Amount of loss carried forward 61,584 Others 21,584 Total deferred tax assets 264,187 Net deferred tax assets 264,187 2. Because the Company posted a current net loss before tax in the previous fiscal year, the Company did not give a breakdown of the main items, which constituted the difference between the legal effective tax rate and the corporate tax rate after the adoption of deferred tax accounting.	1. Breakdown of the reasons for deferred tax assets and deferred tax liabilities (Unit: thousand yen) Current fiscal year Amount exceeding the limit of the addition to bonus reserve 76,714 Impairment loss 10,725 Denial of unpaid corporate tax, etc. 18,196 Excess amount to retirement benefit reserve 103,351 Others 29,483 Total deferred tax assets 238,471 Net deferred tax assets 238,471 2. Breakdown of main items which caused significant difference, if any, between the legal effective tax rate and the corporate tax rate after the adoption of deferred tax accounting (Unit: %) Current fiscal year Legal effective tax rate 40.7 (Adjustment) Items which are not counted permanently as the loss such as entertainment expenses 3.2 Per capita levy of local residential tax 19.6 Others 0.0 Corporate tax rate after the adoption of deferred tax accounting 63.5

(6) Profit and loss under the equity method, etc.

Previous fiscal year (April 1, 2004 to March 31, 2005)

N.A.

Current fiscal year (April 1, 2005 to March 31, 2006)

N.A.

(7) Transactions with related parties

Previous fiscal year (April 1, 2004 to March 31, 2005)

N.A.

Current fiscal year (April 1, 2005 to March 31, 2006)

N.A.

(Important post-balance sheet events)

N.A.

5. Comparison of sales by category

(Unit: thousand yen)

Items	Previous term (April 1, 2004 to March 31, 2005)		Current term (April 1, 2005 to March 31, 2006)		Comparison with the previous term
	Amount	Breakdown	Amount	Breakdown	Increase or decrease
		%		%	
Haircare services	12,538,723	90.0	12,672,525	90.4	133,802
Merchandise	1,322,822	9.5	1,292,976	9.2	(29,846)
Others	73,776	0.5	51,600	0.4	(22,175)
Total	13,935,322	100.0	14,017,103	100.0	81,780

6. Change in officials (as of June 20, 2006)

(1) Change in the representatives
N.A.

(2) Change in other officials
Please refer to the "Notice regarding the introduction of executive officer system and the changes of officers" announced on May 8, 2006.