

Brief announcement of non-consolidated financial statements (Japanese GAAP) for the accounting period ended March 2016

April 27, 2016

Name of listed company: Taya Co., Ltd. Listed stock exchange: Tokyo Stock Exchange (First Section)
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 Scheduled date of the general shareholders' meeting: June 21, 2016 Scheduled date of submission of financial statements: June 22, 2016
 Scheduled date of starting the payment of dividend: -
 Supplementary material on financial results: to be prepared
 Financial results briefing: to be held
 (For institutional investors and securities analysts)

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

1. Financial results for the accounting period ended March 2016 (April 1, 2015 to March 31, 2016)

(1) Operating results (The percentages represent the rates of increase or decrease over the previous accounting period)

| | Sales | | Operating income | | Ordinary income | |
|-------------------------|-------------|-------|------------------|---|-----------------|---|
| | million yen | % | million yen | % | million yen | % |
| Period ended March 2016 | 11,843 | 0.7 | (231) | - | (228) | - |
| Period ended March 2015 | 11,763 | (1.4) | (421) | - | (409) | - |

| | 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 operating income to sales |
|-------------------------|--------------------|---|------------------------------|--|--------------------------------|--|------------------------------------|
| | million yen | % | yen sen | yen sen | % | % | % |
| Period ended March 2016 | (182) | - | (36.45) | - | (6.4) | (3.3) | (2.0) |
| Period ended March 2015 | (892) | - | (178.64) | - | (25.8) | (5.3) | (3.6) |

(NOTE) Profit and loss on investments based on the equity method for the year ended March 2016: - million yen; for the year ended March 2015: - million yen.

(2) Financial position

| | Total assets | Net assets | Capital ratio | Net assets per share |
|-------------------------|--------------|-------------|---------------|----------------------|
| | million yen | million yen | % | yen sen |
| Period ended March 2016 | 6,798 | 2,776 | 40.8 | 555.60 |
| Period ended March 2015 | 7,228 | 2,958 | 40.9 | 592.05 |

(NOTE) Shareholders' equity at the end of the year ended March 2016: 2,776 million yen; for the year ended March 2015: 2,958 million yen.

(3) 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 ended March 2016 | 17 | 453 | (281) | 1,262 |
| Period ended March 2015 | 150 | 126 | (382) | 1,072 |

2. Dividend payments

| | Annual amount of dividend per share | | | | | Annual total amount of dividends | Dividend payout ratio | Ratio of dividend to net assets |
|---------------------------------------|-------------------------------------|----------------|---------------|--------------|--------------|----------------------------------|-----------------------|---------------------------------|
| | First quarter | Second quarter | Third quarter | Final | Full year | | | |
| Period ended March 2015 | yen sen - | yen sen 0.00 | yen sen - | yen sen 0.00 | yen sen 0.00 | million yen - | % - | % - |
| Period ended March 2016 | yen sen - | yen sen 0.00 | yen sen - | yen sen 0.00 | yen sen 0.00 | million yen - | % - | % - |
| Period ending March 2017 (Projection) | yen sen - | yen sen 0.00 | yen sen - | yen sen - | yen sen - | million yen - | % - | % - |

Note: The year-end dividend will be determined in consideration of the Company's business performance in the future.

3. Projected financial results for the period ending March 2017 (April 1, 2016 to March 31, 2017)

Earnings forecast for the accounting period ending March 2017 is not included with this document because it is undecided as the Company cannot provide a reasonable earnings forecast at this time. The reasons are as described in "1. Operating results (1) Analysis of business performance, 2) Outlook for the next period" on page 4 of the accompanying material.

*Notes

(1) Changes in accounting policy, changes in accounting estimates and restatement

- 1) Changes in accounting policy associated with the revision of accounting standards, etc. : None
- 2) Changes in accounting policy other than those in 1) above : None
- 3) Changes in accounting estimates : None
- 4) Restatement : None

(2) The number of outstanding shares (common stock)

1) The number of outstanding shares (including treasury stocks) at the end of the year ended March 2016: 5,100,000 shares; for the year ended March 2015: 5,100,000 shares.

2) The number of the treasury stock at the end of the current year ended March 2016: 102,946 shares; for the year ended March 2015: 102,936 shares.

3) The average number of shares outstanding for the year ended March 2016: 4,997,058 shares; for the year ended March 2015: 4,997,103 shares.

(NOTE) Please refer to page 36 (Per share information) of the accompanying material for the number of shares to be the base for the calculation of current net profit per share.

* Representation of Implementation Conditions regarding Audit Procedures

This brief announcement of non-consolidated financial statements does not fall within the scope of the Audit Procedures for Financial Statements referenced in the Financial Instruments and Exchange Act. At the time of disclosure of the brief announcement of non-consolidated financial statements, the audit procedures based on the Financial Instruments and Exchange Act were being conducted.

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1. Operating results

(1) Analysis of business performance

1) Operating results of the current fiscal year

During the fiscal year under review, Japan's economy recovered at a modest pace with further improvements of corporate earnings and employment conditions. However, the outlook for the economy is uncertain on the back of slowdowns in the growth rates of China's economy and other emerging economies in Asia, and concerns about fluctuations in exchange rates and stock prices.

The beauty industry continued to face an extremely tough business environment due to factors such as consumers becoming more budget-minded, increase in competition among salons within the industry, and difficulty securing beauticians as a result of tightening supply-demand conditions in the labor market.

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

Regarding salons, the Company opened two new salons (TAYA Kobe Motomachi, TAYA TERASSO Himeji). Meanwhile, eight salons were closed (TAYA Kobe, TAYA Hiroshima ACCES, TAYA Marui Kichijoji, TAYA Seibu Kasukabe, Shampoo Tsurumi, Shampoo Seibu Odawara, Courreges salon beaute Matsudo, and Courreges salon beaute Kitaoji VIVRE). As a result, the Company had 143 beauty salons and one retail shop as of the end of the fiscal year under review.

As a result of implementing the above measures, the number of customer visits increased 1.7% and sales per customer rose 1.2% year-on-year, and existing-store sales grew 2.9% year-on-year. However, the measures have yet to achieve sufficient results for increasing customer footfall by stopping the decrease in new customers and shortening intervals between visits by customers, etc. Consequently, the Company's sales for the fiscal year ended March 31, 2016 increased 0.7% year-on-year to 11,843 million yen.

On the profit front, the Company made efforts to reduce costs by means such as eliminating the excessive use of materials for beauty treatment and cutting advertising expenses, although it incurred cost increases, such as personnel expenses and expenses associated with salon closures. As a result, the Company recorded an operating loss of 231 million yen (operating loss of 421 million yen a year earlier) and ordinary loss of 228 million yen (ordinary loss of 409 million yen a year earlier), posting losses for the third consecutive period, unfortunately, although losses decreased. Meanwhile, the Company recorded losses on the retirement of fixed assets in association with salon closures and an impairment loss on unprofitable salons as extraordinary losses, while recording a gain on sales associated with the transfer of real estate owned and compensation income on the closure of salons as extraordinary income. As a result, the Company recorded a net loss of 182 million yen (net loss of 892 million yen a year earlier) for the fiscal year under review.

2) Outlook for the next period

The outlook for the business environment in the coming period is expected to remain tough as the trend of consumer sentiment will be unstable due to concerns about the economy, such as the introduction of negative interest rates by the Bank of Japan and slowdown of China's economy, as well as price increases and another tax increase scheduled for next spring.

Under these circumstances, the Company will "make company-wide efforts to help customers look beautiful every day" and create beauty salons that can satisfy customers by promoting the following three core policies: "eliminating the loss of customers and focusing on winning new ones," "enhancing profit-earning power," and "creating a bright future for our employees." To improve earnings promptly, the Company is reviewing its medium to long-term management plan, which has been underway since 2012, and is drawing up a radical improvement plan.

The Company will draft the improvement plan promptly and disclose the outlook for the next period as soon as the plan is finalized.

(Note) The projected business performance is based on the information we currently have available. Actual results may greatly differ from the projections due to various factors that may arise in the future.

(2) Analysis of financial status

1) Status of assets, liabilities and shareholders' equity

The total assets as of the end of the fiscal year under review were 6,798 million yen, a decrease of 430 million yen from the end of the previous fiscal year.

Current assets total 2,375 million yen, up 10 million yen from the end of the previous fiscal year. Fixed assets amount to 4,422 million yen, down 440 million yen from the end of the previous fiscal year. The main factor underlying the increase was an increase in cash and deposits of 141 million yen, while the main factors for the decrease were a reduction in land of 181 million yen, due to the sale of a company dormitory, a decrease in security deposits and guarantee money of 143 million yen, a decrease in buildings of 120 million yen due to salon closures, impairment loss, and sale of a company dormitory, and redemption of securities of 100 million yen.

The total liabilities as of the end of the fiscal year under review stood at 4,022 million yen, down 247 million yen from the end of the previous fiscal year.

Current liabilities amount to 2,595 million yen, up 344 million yen from the end of the previous fiscal year. Fixed liabilities stood at 1,427 million yen, down 592 million yen from the end of the previous fiscal year. The main factors underlying the increase were an increase in the provision for retirement benefits of 32 million yen, an increase in accounts payable-other of 25 million yen, and an increase in income taxes payable of 16 million yen. The main factors underlying the decrease were redemption of corporate bonds of 70 million yen, net decrease in short-term and long-term loans payable of 64 million yen, decrease in notes payable of 41 million yen, and repayments of guarantee money received of 125 million yen, which are included in "others" in fixed liabilities.

The Company's net assets as of the end of the fiscal year under review came to 2,776 million yen, down 182 million yen from the end of the previous fiscal year. As a result, our capital ratio declined to 40.8% from 40.9% at the end of the previous fiscal year.

2) Cash flows

Cash and cash equivalents (“funds” hereinafter) as of the end of the current fiscal year increased by 189 million yen from the previous fiscal year to 1,262 million yen.

Detailed cash flows in the current period are shown below.

(Cash flow from operations)

Cash flow provided by operating activities for the fiscal year under review was 17 million yen (150 million yen for the previous fiscal year).

This is primarily attributable to a pretax net loss of 125 million yen, gain on sales of tangible fixed assets of 103 million yen, payment of corporate taxes of 60 million yen, and decrease in trade payables of 28 million yen, while there were depreciation expenses of 261 million yen, increase in retirement benefit reserve of 32 million yen, and increase in accounts payable-other of 26 million yen.

(Cash flow from investments)

Cash flow provided by investing activities for the fiscal year under review amounted to 453 million yen (126 million yen for the previous fiscal year).

This is primarily attributable to proceeds from sales of tangible fixed assets of 341 million yen, income from recovery of security deposits and guarantee money of 218 million yen associated with the closure of salons, and proceeds from the redemption of investment securities of 100 million yen, while there were payments for acquisition of tangible fixed assets of 171 million yen in association with the opening of new salons and renovation of existing salons, and expenditure for security deposits and guarantee money payments of 43 million yen.

(Cash flow from financial activities)

Cash flow used in financing activities for the fiscal year under review was 281 million yen (382 million yen for the previous fiscal year).

This is primarily attributable to repayments of guarantee money received of 125 million yen, outflow by redemption of corporate bonds of 70 million yen, and net decrease in short-term and long-term loans payable of 64 million yen.

(Reference) Trend of cash flow indices

| | 40th period ended March 2014 | 41st period ended March 2015 | 42nd period ended March 2016 |
|---|------------------------------------|------------------------------------|------------------------------------|
| Capital ratio (%) | 48.2 | 40.9 | 40.8 |
| Mark-to-market capital ratio (%) | 45.0 | 55.5 | 50.4 |
| Interest-bearing debt/Operating cash flow ratio (year) | 47.9 | 11.5 | 91.2 |
| Interest coverage ratio (multiple) | 1.6 | 6.3 | 0.8 |

Capital ratio: Net worth/Total assets

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

Interest-bearing debt/Operating cash flow ratio: Interest bearing debt/Operating cash flows

Interest coverage ratio: Operating cash flows/Interest payment

- * 1. Total market capitalization was computed by multiplying closing stock prices at year-end by total outstanding shares (excluding treasury stocks) 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) Basic dividend policy and dividend of current year and next year

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.

Unfortunately, however, the Company decided to pass its dividend for the fiscal year under review in consideration of its business results for period.

Although we will make company-wide efforts for the prompt recovery of earnings, the dividend for the next fiscal year is undecided at this time. We will make an announcement as soon as we are able to make a dividend forecast.

(4) Business and other management risks

The operating results, stock price and financial conditions of the Company may be affected by risks which are explained as below.

The matters concerning the future mentioned in the following are judged by the Company based on the current conditions at the end of the current fiscal year.

- 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 business the Company engages in, 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) 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.

- 7) Accounting for the impairment

When impairment is needed for assets of the Company due to the decline of the substantial value, there may be some impact on the Company's operating results.

(5) Key events concerning preconditions for business as a going concern

The Company recorded operating loss and ordinary loss for the third consecutive period for the fiscal year under review, which constitutes events or conditions that may cast significant doubt over the preconditions of a going concern.

However, the Company determined that there are no concerns about the continuity of business activities in the immediate future after examining cash flow

during the fiscal year under review and future cash flow. To eliminate such events or conditions, the Company is taking measures, such as stepping up the sales measures to “eliminate the loss of customers and focusing on winning new ones,” as well as increasing productivity through the efficient allocation of personnel, consolidating and closing unprofitable salons, inventory adjustments, sales of assets, and reductions of capital investment. In addition, the Company is drawing up a radical medium-term improvement plan that includes the above-mentioned various measures, and will disclose the plan as soon as it is finalized.

The Company will strive to improve its profitability by implementing those measures and maintaining favorable transaction relationships with financial institutions, which will ensure that its financial position is not undermined. Considering this, the Company has determined that there are no events or conditions that may cast a significant doubt over the preconditions of a going concern.

2. Status of the corporate group

The statement is omitted, since there is no material change from the “Business System Diagram (Outline of Business)” shown in the latest financial report (published on June 17, 2015).

3. Management policy

(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 hair care, 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) Targeted financial indexes

The Company aims at achieving the major financial indexes below:

- 1) Return on shareholders’ equity 10% (Results of current period: (6.4) %)
- 2) Ratio of ordinary income to sales 10% (Results of current period: (1.9) %)
- 3) Current net profit per share 150 yen (Results of current period: (36.45) yen)

(3) Medium- to long-term corporate strategy

The Company has been promoting the medium to long-term management plan “MLP 2019” (announced on May 7, 2012), based on its basic management policy. However, there was a large gap between results and target values for the fiscal year ended March 2016, which is the target year of the first stage.

[Comparison between numerical targets for the medium to long-term management plan “MLP2019” and the results]

Unit: million yen

| | [First-stage numerical targets] Target year: FY2015 (Fiscal Year Ended March 2016) | | [Second-stage numerical targets] Target year: FY2019 (Fiscal Year Ending March 2020) | | [First-stage results] FY2015 (Fiscal Year Ended March 2016) | | [First-stage results estimate] Target year: FY2015 Comparison between target values and results | |
|---|---|----------------|---|----------------|--|----------------|--|------------------|
| | Amount | Ratio to sales | Amount | Ratio to sales | Amount | Ratio to sales | Amount | Achievement rate |
| Sales | 13,600 | 100.0 | 15,500 | 100.0 | 11,843 | 100.0 | (1,756) | 87.1 |
| Gross profit | 2,300 | 16.9 | 3,125 | 20.2 | 1,272 | 10.7 | (1,028) | 55.3 |
| Operating income | 790 | 5.8 | 1,555 | 10.0 | (231) | (2.0) | (1,021) | - |
| Ordinary income | 785 | 5.8 | 1,550 | 10.0 | (228) | (1.9) | (1,013) | - |
| Current net profit | 370 | 2.7 | 750 | 4.8 | (182) | (1.5) | (552) | - |
| EPS (yen) | 74 | | 150 | | (36.45) | | (110.45) | |
| ROE (%) | 7.1 | | 10.9 | | (6.4) | | (13.5) | |
| The number of salons at year-end (salons) | 160 | | 181 | | 143 | | (17) | |
| The average number of staff during period (persons) | 2,003 | | 2,264 | | 1,652 | | (351) | |

In the light of the current operating results of the Company that led to the gap between results and target values in the plan, the Company is considering a review of the medium to long-term management plan. Aiming to achieve an early recovery

of earnings and reinforce its financial position, the Company is drawing up a radical medium-term improvement plan, under which we will increase management efficiency by fundamentally reviewing “Human resources measures,” “Sales measures,” and “Salon measures,” and implementing an optimal allocation of resources from the viewpoint of selecting and concentrating management resources, as well as enhancing the profit-earning strengths for implementing the envisaged reforms. The Company will draft the improvement plan promptly and announce it as soon as it is finalized.

(4) Items to be addressed

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, responding to diversifying customer needs and lifestyles, 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.

4. Basic idea for selection of accounting policy

The Company prepares non-consolidated financial statements based on the Japanese GAAP. While paying attention to the trends in adoption of International Financial Reporting Standards (IFRS), the Company is striving to develop a system to adapt appropriately to trends.

5. Financial statements

(1) Balance sheet

| | Unit: thousand yen | |
|--|--|---|
| | Previous fiscal year (as of March 31, 2015) | Current fiscal year (as of March 31, 2016) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 1,397,762 | 1,539,061 |
| Accounts receivable-trade | 524,834 | 529,700 |
| Securities | 100,000 | - |
| Merchandise | 63,042 | 81,200 |
| Materials for beauty treatments | 24,910 | 34,974 |
| Supplies | 16,398 | 14,968 |
| Prepaid expenses | 122,378 | 115,087 |
| Others | * ¹ 116,363 | 61,177 |
| Bad debt reserves | (745) | (324) |
| Total current assets | 2,364,944 | 2,375,845 |
| Fixed assets | | |
| Tangible fixed assets | | |
| Buildings | 4,330,056 | 4,252,749 |
| Accumulated depreciation | (2,909,346) | (2,952,472) |
| Buildings (net value) | * ¹ 1,420,710 | * ¹ 1,300,277 |
| Structures | 26,304 | 25,794 |
| Accumulated depreciation | (22,715) | (22,932) |
| Structures (net value) | 3,589 | 2,861 |
| Equipment, tools and fixtures | 40,016 | 40,016 |
| Accumulated depreciation | (39,502) | (39,641) |
| Equipment, tools and fixtures (net value) | 513 | 374 |
| Land | * ¹ 1,375,445 | * ¹ 1,193,505 |
| Lease assets | 69,989 | 86,898 |
| Accumulated depreciation | (39,830) | (37,791) |
| Lease assets (net value) | 30,158 | 49,106 |
| Total tangible fixed assets | 2,830,417 | 2,546,124 |
| Intangible fixed assets | | |
| Software | 3,125 | 3,578 |
| Lease assets | 7,476 | 2,199 |
| Others | 30,097 | 30,097 |
| Total intangible fixed assets | 40,700 | 35,875 |
| Investments and other assets | | |
| Investments in subsidiaries and affiliated companies | 119 | 119 |
| Long-term loans to employees | 2,030 | 865 |
| Long-term prepaid expenses | 33,451 | 24,101 |
| Security deposit and guarantee money | * ¹ 1,949,544 | * ¹ 1,806,505 |
| Others | 7,433 | 9,155 |
| Long-term bad debt reserves | (2) | (1) |
| Total of investment and other assets | 1,992,574 | 1,840,746 |
| Total fixed assets | 4,863,692 | 4,422,746 |
| Total assets | 7,228,637 | 6,798,592 |

Unit: thousand yen

| | Previous fiscal year (as of March 31, 2015) | Current fiscal year (as of March 31, 2016) |
|--|--|---|
| Liabilities | | |
| Current liabilities | | |
| Notes payable | 409,818 | 368,082 |
| Accounts payable-trade | 73,381 | 76,605 |
| Short-term loans payable | * ¹ 86,800 | * ¹ 101,800 |
| Corporate bonds to be redeemed within one year | 70,000 | 40,000 |
| Long-term loans payable due within one year | * ¹ 386,577 | * ¹ 688,102 |
| Lease obligations | 17,712 | 18,470 |
| Accounts payable-other | 117,727 | 143,500 |
| Accrued expenses | 502,181 | 495,480 |
| Unpaid corporate taxes | 79,092 | 95,717 |
| Unpaid consumption taxes | 250,483 | 228,713 |
| Advances received | 502 | 62 |
| Deposits received | 32,221 | 34,810 |
| Unearned revenues | 1,119 | - |
| Bonus reserve | 204,996 | 213,195 |
| Asset retirement obligations | 17,832 | 5,049 |
| Others | - | 85,581 |
| Total current liabilities | 2,250,445 | 2,595,172 |
| Fixed liabilities | | |
| Corporate bonds | 60,000 | 20,000 |
| Long-term loans payable | * ¹ 1,125,138 | * ¹ 744,356 |
| Lease obligations | 19,786 | 32,751 |
| Deferred tax liabilities | 12,204 | 10,053 |
| Retirement benefit reserve | 382,718 | 415,516 |
| Asset retirement obligations | 205,201 | 202,380 |
| Others | 214,652 | 2,015 |
| Total fixed liabilities | 2,019,701 | 1,427,074 |
| Total liabilities | 4,270,147 | 4,022,247 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,480,180 | 1,480,180 |
| Capital surplus | | |
| Capital reserve | 1,702,245 | 1,702,245 |
| Total capital surplus | 1,702,245 | 1,702,245 |
| Retained earnings | | |
| Profit reserve | 66,920 | 66,920 |
| Other retained earnings | | |
| Separate reserve | 560,000 | - |
| Earned surplus carried forward | (691,365) | (313,503) |
| Total retained earnings | (64,445) | (246,583) |
| Treasury stock | (159,489) | (159,497) |
| Total shareholders' equity | 2,958,489 | 2,776,344 |
| Total net assets | 2,958,489 | 2,776,344 |
| Total liabilities and net assets | 7,228,637 | 6,798,592 |

(2) Income statement

| | Unit: thousand yen | |
|--|--|---|
| | Previous fiscal year (April 1, 2014 to March 31, 2015) | Current fiscal year (April 1, 2015 to March 31, 2016) |
| Sales | | |
| Sales of beauty treatments | 10,382,128 | 10,428,671 |
| Sales of goods | 1,338,425 | 1,377,110 |
| Others | 42,554 | 37,832 |
| Totals sales | 11,763,108 | 11,843,613 |
| Cost of sales | | |
| Cost of beauty treatments | 10,043,924 | 9,923,332 |
| Cost of goods sold | 612,636 | 630,004 |
| Others | 22,273 | 18,166 |
| Total cost of sales | 10,678,834 | 10,571,504 |
| Gross profit | 1,084,274 | 1,272,109 |
| Sales and administrative expenses | * ¹ 1,505,276 | * ¹ 1,503,686 |
| Operating loss | (421,002) | (231,576) |
| Non-operating income | | |
| Interest received | 2,560 | 536 |
| Interest on securities | 752 | 31 |
| Dividend income | 905 | - |
| Real estate lease | 13,203 | 10,363 |
| Compensation income | - | 6,000 |
| Others | 36,767 | 22,940 |
| Total non-operating income | 54,188 | 39,871 |
| Non-operating expenses | | |
| Interest expense | 22,877 | 21,218 |
| Interest paid for corporate bonds | 1,191 | 577 |
| Real estate rental expenses | 7,081 | 7,750 |
| Others | 11,897 | 7,451 |
| Total non-operating expenses | 43,048 | 36,998 |
| Ordinary loss | (409,861) | (228,703) |
| Extraordinary income | | |
| Gain on sales of fixed assets | - | * ² 103,868 |
| Income from compensation for closed salons and shops | 12,265 | 26,899 |
| Others | 76 | - |
| Total extraordinary income | 12,342 | 130,768 |
| Extraordinary losses | | |
| Loss from disposal of fixed assets | * ³ 33,071 | * ³ 15,313 |
| Impairment loss | * ⁴ 43,734 | * ⁴ 11,969 |
| Total extraordinary losses | 76,805 | 27,283 |
| Current net loss before tax | (474,324) | (125,217) |
| Corporate tax, inhabitant tax and enterprise tax | 51,283 | 59,070 |
| Amount of adjustment for corporate tax | 367,080 | (2,150) |
| Total of corporate tax and others | 418,363 | 56,919 |
| Current net loss | (892,688) | (182,137) |

(3) Statement of shareholders' equity

Previous fiscal year (April 1, 2014 to March 31, 2015)

(Unit: thousand yen)

| | Shareholders' equity | | | | | | |
|--|----------------------|-----------------|-----------------------|------------------|--------------------------------|-----------|-------------------------|
| | Capital stock | Capital surplus | | Profit reserve | Retained earnings | | Total retained earnings |
| | | Capital reserve | Total capital surplus | | Other retained earnings | | |
| | | | | Separate reserve | Earned surplus carried forward | | |
| Balance as of previous fiscal year | 1,480,180 | 1,702,245 | 1,702,245 | 66,920 | 860,000 | 9,338 | 936,258 |
| Cumulative effects of changes in accounting policies | | | | | | 1,919 | 1,919 |
| Restated balance | 1,480,180 | 1,702,245 | 1,702,245 | 66,920 | 860,000 | 11,258 | 938,178 |
| Changes during the current fiscal year | | | | | | | |
| Reversal of separate reserve | | | | | (300,000) | 300,000 | - |
| Acquisition of treasury stock | | | | | | | |
| Dividend of surplus | | | | | | (109,936) | (109,936) |
| Current net loss | | | | | | (892,688) | (892,688) |
| Net changes during the current fiscal year | - | - | - | - | (300,000) | (702,624) | (1,002,624) |
| Balance as of current fiscal year | 1,480,180 | 1,702,245 | 1,702,245 | 66,920 | 560,000 | (691,365) | (64,445) |

| | Shareholders' equity | | Total net asset |
|--|----------------------|----------------------------|-----------------|
| | Treasury stock | Total shareholders' equity | |
| Balance as of previous fiscal year | (159,455) | 3,959,228 | 3,959,228 |
| Cumulative effects of changes in accounting policies | | 1,919 | 1,919 |
| Restated balance | (159,455) | 3,961,148 | 3,961,148 |
| Changes during the current fiscal year | | | |
| Reversal of separate reserve | | - | - |
| Acquisition of treasury stock | (34) | (34) | (34) |
| Dividend of surplus | | (109,936) | (109,936) |
| Current net loss | | (892,688) | (892,688) |
| Net changes during the current fiscal year | (34) | (1,002,658) | (1,002,658) |
| Balance as of current fiscal year | (159,489) | 2,958,489 | 2,958,489 |

Current fiscal year (April 1, 2015 to March 31, 2016)

(Unit: thousand yen)

| | Shareholders' equity | | | | | | |
|--|----------------------|-----------------|-----------------------|----------------|-------------------------|--------------------------------|-------------------------|
| | Capital stock | Capital surplus | | Profit reserve | Retained earnings | | |
| | | Capital reserve | Total capital surplus | | Other retained earnings | | Total retained earnings |
| | | | | | Separate reserve | Earned surplus carried forward | |
| Balance as of previous fiscal year | 1,480,180 | 1,702,245 | 1,702,245 | 66,920 | 560,000 | (691,365) | (64,445) |
| Cumulative effects of changes in accounting policies | | | | | | | - |
| Restated balance | 1,480,180 | 1,702,245 | 1,702,245 | 66,920 | 560,000 | (691,365) | (64,445) |
| Changes during the current fiscal year | | | | | | | |
| Reversal of separate reserve | | | | | (560,000) | 560,000 | - |
| Acquisition of treasury stock | | | | | | | |
| Dividend of surplus | | | | | | | |
| Current net loss | | | | | | (182,137) | (182,137) |
| Net changes during the current fiscal year | - | - | - | - | (560,000) | 377,862 | (182,137) |
| Balance as of current fiscal year | 1,480,180 | 1,702,245 | 1,702,245 | 66,920 | - | (313,503) | (246,583) |

| | Shareholders' equity | | Total net asset |
|--|----------------------|----------------------------|-----------------|
| | Treasury stock | Total shareholders' equity | |
| Balance as of previous fiscal year | (159,489) | 2,958,489 | 2,958,489 |
| Cumulative effects of changes in accounting policies | | - | - |
| Restated balance | (159,489) | 2,958,489 | 2,958,489 |
| Changes during the current fiscal year | | | |
| Reversal of separate reserve | | - | - |
| Acquisition of treasury stock | (7) | (7) | (7) |
| Dividend of surplus | | - | - |
| Current net loss | | (182,137) | (182,137) |
| Net changes during the current fiscal year | (7) | (182,145) | (182,145) |
| Balance as of current fiscal year | (159,497) | 2,776,344 | 2,776,344 |

(4) Cash flow statement

(Unit: Thousand yen)

| | Previous fiscal year (April 1, 2014 to March 31, 2015) | Current fiscal year (April 1, 2015 to March 31, 2016) |
|---|--|---|
| Cash flow from operations | | |
| Current net loss before tax | (474,324) | (125,217) |
| Depreciation | 307,644 | 261,128 |
| Impairment loss | 43,734 | 11,969 |
| Increase (decrease) in bonus reserve | 8,086 | 8,199 |
| Increase (decrease) in retirement benefit reserve | 971 | 32,798 |
| Increase (decrease) in bad debt reserve | (105) | (423) |
| Interest received and dividend income | (3,465) | (536) |
| Interest income on securities | (752) | (31) |
| Interest paid | 22,877 | 21,218 |
| Loss from retirement of fixed assets | 33,071 | 15,188 |
| Loss (gain) on sales of tangible fixed assets | - | (103,868) |
| Income from compensation for closed salons and shops | (12,265) | (26,899) |
| (Increase) decrease in accounts receivable-trade | 27,748 | (5,305) |
| (Increase) decrease in inventory | (26,006) | (26,792) |
| Increase (decrease) in trade payables | 71,824 | (28,468) |
| Increase (decrease) in accounts payable-other | 4,258 | 26,645 |
| Increase (decrease) in unpaid consumption tax, etc. | 199,475 | (21,769) |
| Others | (11,064) | 20,289 |
| Sub-total | 191,707 | 58,124 |
| Interest and dividend income received | 3,636 | 2,147 |
| Amount of interest payments | (23,715) | (21,729) |
| Income from compensation for closed salons and shops received | 5,159 | 39,165 |
| Income taxes refund | 3,987 | - |
| Paid corporate taxes | (30,219) | (60,225) |
| Cash flow from operations | 150,556 | 17,482 |

| | (Unit: Thousand yen) | |
|--|--|---|
| | Previous fiscal year (April 1, 2014 to March 31, 2015) | Current fiscal year (April 1, 2015 to March 31, 2016) |
| Cash flow from investments | | |
| Payment for time deposits | (445,298) | (687,175) |
| Income from withdrawal of time deposits | 622,995 | 735,534 |
| Purchase of investment securities | (99,960) | - |
| Proceeds from sales and redemption of investment securities | 100,037 | 100,000 |
| Payment for acquisition of tangible fixed assets | (66,971) | (171,443) |
| Proceeds from sales of tangible fixed assets | - | 341,000 |
| Expenditure for security deposit and guarantee money payment | (6,810) | (43,417) |
| Income due to the recovery of security deposit and guarantee money | 45,169 | 218,896 |
| Others | (23,129) | (39,398) |
| Cash flow from investments | 126,032 | 453,995 |
| Cash flow from financial operations | | |
| Income from additional short-term loans | 392,000 | 664,000 |
| Repayment of short-term loans | (406,800) | (649,000) |
| Income from long-term loans | 150,000 | 353,000 |
| Repayment of long-term loans | (455,347) | (432,257) |
| Expenditure for lease obligation repayment | (21,115) | (21,216) |
| Outflow by redemption of corporate bonds | (100,000) | (70,000) |
| Expenditure for acquisition of treasury stock | (34) | (7) |
| Proceeds from guarantee money received | 169,200 | - |
| Repayment of guarantee money received | - | (125,544) |
| Dividend payments | (110,094) | (873) |
| Cash flow from financial operations | (382,190) | (281,899) |
| Translation adjustments on cash and cash equivalents | 195 | 78 |
| Amount of increase (decrease) in cash and cash equivalents | (105,404) | 189,658 |
| Opening balance of cash and cash equivalents | 1,178,106 | 1,072,701 |
| Closing balance of cash and cash equivalents | *1,072,701 | *1,262,359 |

(5) Notes on financial statements

(Note concerning events or conditions that may cast significant doubt over the precondition of a going concern)

N/A

(Material accounting policy)

1. Standard and method of evaluating inventories

Merchandise and materials for beauty treatment:

Stated at cost, determined primarily by the moving-average method.

(The carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability.)

Supplies:

Stated at cost, determined by the recent purchase method.

(The carrying amount in the balance sheet is calculated with consideration of write-downs due to decreased profitability.)

2. Depreciation of fixed assets

1) Tangible fixed assets (excluding lease assets)

Tangible fixed assets (excluding lease assets) are depreciated using the declining-balance method. However, buildings acquired on or after April 1, 1998, excluding fixtures, are depreciated using the straight-line method.

Major items are deemed to have the following useful lives:

Buildings: 8 to 60 years

Furniture and fixtures: 3 to 10 years

Depreciation for buildings leased on fixed term contracts is calculated based on each fixed term instead of their useful lives.

2) Intangible fixed assets (excluding lease assets)

Intangible fixed assets (excluding lease assets) are amortized using the straight-line method.

Amortization of software for internal use is calculated based on the estimated useful lives (five years).

3) Lease assets

Depreciation of lease assets is calculated by the straight-line method, with lease periods of such assets being useful lives, and residual values being zero.

4) Long-term prepaid expenses

Long-term prepaid expenses are amortized using the straight-line method.

3. 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 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 fiscal year, 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.

1) Method of attributing expected benefit to periods

To calculate retirement benefit obligation, the estimated amount of retirement benefits is attributed to the consolidated fiscal year under review based on the straight-line attribution method.

2) Method of amortization of actuarial gain or loss

The entire difference from the actuarial calculation shall be treated as an expense in the accounting period when that difference occurs.

4. Scope of funds in the Cash Flow Statement

Funds 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 value fluctuation, and can be reimbursed within three months of their acquisition.

5. Other important matters that are the bases for the preparation of financial statements

Accounting for consumption taxes, etc.

Based on net sales exclusive of taxes.

(Notes on balance sheet)

*1. Assets provided as security and secured debt

Assets provided as security are as follows:

| | Unit: thousand yen | |
|---|--|---|
| | Previous fiscal year (as of March 31, 2015) | Current fiscal year (as of March 31, 2016) |
| Buildings | 371,972 | 317,574 |
| Land | 1,315,455 | 1,133,514 |
| Security deposit and guarantee money | 240,275 | 240,275 |
| Others (Current assets) | 33,314 | - |
| Total | 1,961,017 | 1,691,364 |

Secured debts are as follows:

| | Unit: thousand yen | |
|--|--|---|
| | Previous fiscal year (as of March 31, 2015) | Current fiscal year (as of March 31, 2016) |
| Short-term loans payable | 86,800 | 101,800 |
| Long-term loans payable (including long-term loans repayable within one year) | 1,219,188 | 1,240,499 |
| Total | 1,305,988 | 1,342,299 |

2. Guarantee liabilities

| | Unit: thousand yen | |
|---|--|---|
| | Previous fiscal year (as of March 31, 2015) | Current fiscal year (as of March 31, 2016) |
| Guarantee money for obligation to reimburse deposit money, which the Company bears to the financial institution of the lender, for part of the security deposit and guarantee of leasehold based on a contract in which the financial institution pays security deposit on behalf of the Company, signed by the Company, lender and the financial institution. | 72,463 | 47,267 |

3. The Company has made an overdraft agreement with banks so as to effectively raise working capital. The amount not to be funded under the agreement at the end of the current fiscal year is as follows:

| | Unit: thousand yen | |
|-----------------|--|---|
| | Previous fiscal year (as of March 31, 2015) | Current fiscal year (as of March 31, 2016) |
| Overdraft limit | 600,000 | 250,000 |
| Funded amount | - | - |
| Balance | 600,000 | 250,000 |

(Notes on income statement)

*1 The percentages of sales and administrative expenses for the previous and current fiscal years that are classified as sales expenses are approximately 11.2% and 9.6%, respectively, and the same percentages of general expenses are approximately 88.8% and 90.4%, respectively.

The major items and their amounts are as follows:

| | Unit: thousand yen | |
|--|--|---|
| | Previous fiscal year (April 1, 2014 to March 31, 2015) | Current fiscal year (April 1, 2015 to March 31, 2016) |
| Advertising expenses | 168,656 | 144,136 |
| Remuneration to officers | 180,899 | 189,569 |
| Salary and bonuses | 545,813 | 535,179 |
| Reserve for bonus additionally counted | 64,549 | 65,540 |
| Retirement benefit expenses | 3,562 | 8,128 |
| Depreciation costs | 26,827 | 26,628 |
| Additional bad debt reserves | (105) | (423) |

*2 Gain on sales of fixed assets consists of the following items.

| | Unit: thousand yen | |
|-----------|--|---|
| | Previous fiscal year (April 1, 2014 to March 31, 2015) | Current fiscal year (April 1, 2015 to March 31, 2016) |
| Buildings | - | 48,313 |
| Land | - | 55,555 |
| Total | - | 103,868 |

*3 Loss from disposal of fixed assets consists of the following items.

| | Unit: thousand yen | |
|-----------|--|---|
| | Previous fiscal year (April 1, 2014 to March 31, 2015) | Current fiscal year (April 1, 2015 to March 31, 2016) |
| Buildings | 31,374 | 4,725 |
| Others | 1,696 | 10,588 |
| Total | 33,071 | 15,313 |

*4 Impairment loss

Previous fiscal year (April 1, 2014 to March 31, 2015)

The Company posted an impairment loss for the following asset groups:

| Location | Purpose of usage | Type |
|-------------------------|------------------|-----------------------|
| Niigata-shi, Niigata | Salon | Building |
| Minato-ku, Tokyo | Salon | Building, lease asset |
| Meguro-ku, Tokyo | Salon | Building, lease asset |
| Yokohama-shi, Kanagawa | Salon | Building |
| Kyoto-shi, Kyoto | Salon | Building |
| Suita-shi, Osaka | Salon | Building, lease asset |
| Izumisano-shi, Osaka | Salon | Building, lease asset |
| Kitakyushu-shi, Fukuoka | Salon | Building, lease asset |
| Kumamoto-shi, Kumamoto | Salon | Building, lease asset |

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 40,207 thousand yen for buildings and 3,526 thousand yen for leased assets.

In addition, the collectible value of such group of assets is measured based on usable value, and future cash flows are discounted by 4%.

Current fiscal year (April 1, 2015 to March 31, 2016)

The Company posted an impairment loss for the following asset groups:

| Location | Purpose of usage | Type |
|--------------------------|------------------|----------|
| Yokohama-shi, Kanagawa | Salon | Building |
| Sagamihara-shi, Kanagawa | Salon | Building |
| Fukuoka-shi, Fukuoka | Salon | Building |
| Saitama-shi, Saitama | Salon | Building |
| Niigata-shi, Niigata | Salon | Building |

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.

Impairment loss consists of 11,969 thousand yen for buildings.

In addition, the collectible value of such group of assets is measured based on usable value, and future cash flows are discounted by 3%.

(Notes on statement of shareholders' equity)

Previous fiscal year (April 1, 2014 to March 31, 2015)

1. Matters concerning the types and total number of shares outstanding and the types and number of treasury stocks

Unit: shares

| | Balance at the beginning of the current fiscal year | Increase during the current fiscal year | Decrease during the current fiscal year | Balance at the end of the current fiscal year |
|---------------------|---|---|---|---|
| Shares outstanding | | | | |
| Common stock | 5,100,000 | - | - | 5,100,000 |
| Total | 5,100,000 | - | - | 5,100,000 |
| Treasury stock | | | | |
| Common stock (Note) | 102,895 | 41 | - | 102,936 |
| Total | 102,895 | 41 | - | 102,936 |

(Note) Increase of 41 shares in common stock held as treasury shares is due to the purchase of odd-lot shares.

2. Statement on stock warrant and treasury stock warrant

N/A

3. Matters concerning dividend

(1) Dividend paid

| Resolution | Types of shares | Total amount of dividend paid (thousand yen) | Dividend per share (yen) | Record date | Effective date |
|---|-----------------|--|--------------------------|----------------|----------------|
| General shareholders' meeting held on June 17, 2014 | Common stock | 109,936 | 22 | March 31, 2014 | June 18, 2014 |

(2) Dividends for which record date belongs to current fiscal year and effective date belongs to the next fiscal year

N/A

Current fiscal year (April 1, 2015 to March 31, 2016)

1. Matters concerning the types and total number of shares outstanding and the types and number of treasury stocks

Unit: shares

| | Balance at the beginning of the current fiscal year | Increase during the current fiscal year | Decrease during the current fiscal year | Balance at the end of the current fiscal year |
|---------------------------|---|---|---|---|
| Shares outstanding | | | | |
| Common stock | 5,100,000 | - | - | 5,100,000 |
| Total | 5,100,000 | - | - | 5,100,000 |
| Treasury stock | | | | |
| Common stock (Note) | 102,936 | 10 | - | 102,946 |
| Total | 102,936 | 10 | - | 102,946 |

(Note) Increase of 10 shares in common stock held as treasury shares is due to the purchase of odd-lot shares.

2. Statement on stock warrant and treasury stock warrant

N/A

3. Matters concerning dividend

(1) Dividend paid

N/A

(2) Dividends for which record date belongs to current fiscal year and effective date belongs to the next fiscal year

N/A

(Notes on cash flow statement)

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

Unit: thousand yen

| | Previous fiscal year (April 1, 2014 to March 31, 2015) | Current fiscal year (April 1, 2015 to March 31, 2016) |
|--|--|---|
| Cash and cash accounts | 1,397,762 | 1,539,061 |
| Time deposit, deposited for a period of more than three months | (325,061) | (276,701) |
| Cash and cash equivalents | 1,072,701 | 1,262,359 |

(Note on lease transactions)

1. Finance lease transactions

Finance lease transactions, excluding transactions that involve transference of the ownership of the lease subject to the lessee.

1) Contents of lease assets

a) Tangible fixed assets

Facilities in the beauty industry (equipment, tools and fixtures)

b) Intangible fixed assets

Software

2) Method for calculating depreciation of lease assets

As stated in Material accounting policy “2. Depreciation of fixed assets”

2. Operating lease transactions

Of operating lease transactions, unexpired lease fees related to noncancellable operating leases are as follows:

Unit: thousand yen

| | Previous fiscal year (as of March 31, 2015) | Current fiscal year (as of March 31, 2016) |
|------------------|--|---|
| One year or less | 1,540 | 1,540 |
| Over one year | 2,311 | 770 |
| Total | 3,852 | 2,311 |

(Financial products)

1. Matters concerning situations of financial instruments

(1) Policy for handling financial instruments

The Company raises funds required for equipment in light of its equipment plan (mainly by borrowing from banks or the issuance of corporate bonds). The Company invests extra funds in principal-protected time deposits and corporate bonds with credit ratings above a certain level. The Company raises short-term working capital by borrowing from banks. The Company conducts derivatives transactions in order to avoid the risks to be explained later, without making speculative transactions.

(2) Descriptions and risk of financial instruments

Operating receivables including sales receivables, security deposit and guarantee money are exposed to the credit risks of trading counterparties. Securities are held-to-maturity bonds, and are exposed to the credit risks of issuers.

Most operating payables including notes payable and accounts payable are due and payable within three months.

Long-term debt and corporate bonds, mainly for the purpose of fund raising for equipment investment, are paid or redeemed with fixed amounts in a certain period of time.

(3) Risk management system concerning financial instruments

1) Management of credit risk (Risk concerning nonperformance by counterparties)

Sales groups and branches in the business division periodically monitor the situation of major transaction counterparties for operating receivables, security deposit and guarantee money and the accounting group manages due dates and outstanding balances every month in order to grasp concerns on

collection due to the worsening of their financial conditions in early stage and alleviate these concerns.

In time deposits, we transact only with highly-rated banks. In securities and investment securities, we invest only in corporate bonds with high credit ratings. Therefore, our credit risk is small.

In derivatives transactions, there is almost no credit risk since counterparties are limited to banks which are rated high.

2) Management of market risk (Interest fluctuation risk)

In corporate bonds, we regularly check their market values.

The department in charge performs and manages derivatives transactions with the approval of the board of directors. Transaction results are reported monthly to the board of directors.

3) Management on liquidity risk concerning fund raising (Risk on the failure of the payment on due dates)

In this Company the department in charge develops and updates cash management plans at appropriate times based on reports from each department and maintains liquidity in hands in order to manage liquidity risks.

(4) Supplemental explanation about the market value of financial instruments

The market value of financial instruments includes the value based on the market value, as well as the value based on reasonable estimate for financial instruments when an instrument has no market value. In estimating the said value, fluctuating factors are incorporated, and the said value may change if different assumptions are adopted.

2. Matters on the market value of financial instruments

Previous fiscal year (as of March 31, 2015)

| | Amount recorded on the balance sheet (thousand yen) | Market value (thousand yen) | Balance (thousand yen) |
|---|---|--------------------------------|---------------------------|
| (1) Cash and deposits | 1,397,762 | 1,397,762 | - |
| (2) Accounts receivable-trade | 524,834 | 524,834 | - |
| (3) Securities | 100,000 | 99,980 | (20) |
| (4) Security deposit and guarantee money | 1,949,544 | 1,941,712 | (7,832) |
| Total assets | 3,972,141 | 3,964,289 | (7,852) |
| (1) Notes payable | 409,818 | 409,818 | - |
| (2) Trade accounts payable | 73,381 | 73,381 | - |
| (3) Short-term loans | 86,800 | 86,800 | - |
| (4) Accounts payable-other | 117,727 | 117,727 | - |
| (5) Unpaid corporate taxes | 79,092 | 79,092 | - |
| (6) Unpaid consumption taxes | 250,483 | 250,483 | - |
| (7) Corporate bonds | 130,000 | 130,903 | 903 |
| (8) Long-term loans payable | 1,511,715 | 1,522,109 | 10,394 |
| (9) Lease obligations | 37,498 | 37,149 | (349) |
| Total Liabilities | 2,696,516 | 2,707,465 | 10,948 |

Current fiscal year (as of March 31, 2016)

| | Amount recorded on the balance sheet (thousand yen) | Market value (thousand yen) | Balance (thousand yen) |
|---|---|--------------------------------|---------------------------|
| (1) Cash and deposits | 1,539,061 | 1,539,061 | - |
| (2) Accounts receivable-trade | 529,700 | 529,700 | - |
| (3) Securities | - | - | - |
| (4) Security deposit and guarantee money | 1,806,505 | 1,806,225 | (280) |
| Total assets | 3,875,267 | 3,874,986 | (280) |
| (1) Notes payable | 368,082 | 368,082 | - |
| (2) Trade accounts payable | 76,605 | 76,605 | - |
| (3) Short-term loans | 101,800 | 101,800 | - |
| (4) Accounts payable-other | 143,500 | 143,500 | - |
| (5) Unpaid corporate taxes | 95,717 | 95,717 | - |
| (6) Unpaid consumption taxes | 228,713 | 228,713 | - |
| (7) Corporate bonds | 60,000 | 60,392 | 392 |
| (8) Long-term loans payable | 1,432,458 | 1,443,666 | 11,208 |
| (9) Lease obligations | 51,222 | 50,537 | (684) |
| Total Liabilities | 2,558,100 | 2,569,017 | 10,916 |

(Note) The calculation method of the market value of financial instruments

Assets

(1) Cash and deposits, (2) Accounts receivable-trade

As they are settled in a short time and the market value is almost the same as book value, the book value is used.

(3) Securities

The prices quoted by correspondent financial institutions are used for the market value of corporate bonds.

(4) Security deposit and guarantee money

The market value for security deposit and guarantee money is calculated with the discounted present value obtained from the cash flow for each tenant with yields of government bonds depending on the residual period.

Liabilities

(1) Notes payable, (2) Trade accounts payable, (3) Short-term loans, (4) Accounts payable-other, (5) Unpaid corporate taxes and (6) Unpaid consumption taxes, etc.

As they are settled in a short time and the market value is almost the same as book value, the book value is used.

(7) Corporate bonds

The market value of corporate bonds is calculated with the discounted present value obtained with interest rate and guarantee fee, which are expected to be adopted for the additional issuance of similar corporate bonds. Corporate bonds to be scheduled to be redeemed within a year are also included.

(8) Long-term loans payable

The market value of long-term loans payable is calculated with the discounted present value obtained from principal and interest with interest rate estimated to be adopted for the similar borrowing. Long-term loans payable to be scheduled to be repaid within a year is included in long-term loans payable.

(9) Lease obligations

The market value is calculated with the present value of total lease payments for the unexpired term, discounted by the interest rate assumed to be used when a similar lease transaction is newly contracted. Lease obligations include current and fixed liabilities.

3. Scheduled redeemed amount of monetary receivables after settlement day

Previous fiscal year (as of March 31, 2015)

| | Within a year (thousand yen) | More than one year and within five years (thousand yen) | More than five years and within ten years (thousand yen) | More than ten years (thousand yen) |
|------------------------------------|---------------------------------|--|---|--|
| Cash and deposits | 1,397,762 | - | - | - |
| Accounts receivable-trade | 524,834 | - | - | - |
| Securities | | | | |
| Bonds to be held until maturity | 100,000 | - | - | - |
| Total | 2,022,597 | - | - | - |

(Note) Security deposits and guarantee money are not written because scheduled redemption is not determined.

Current fiscal year (as of March 31, 2016)

| | Within a year (thousand yen) | More than one year and within five years (thousand yen) | More than five years and within ten years (thousand yen) | More than ten years (thousand yen) |
|---------------------------|---------------------------------|--|---|--|
| Cash and deposits | 1,539,061 | - | - | - |
| Accounts receivable-trade | 529,700 | - | - | - |
| Total | 2,068,761 | - | - | - |

(Note) Security deposits and guarantee money are not written because scheduled redemption is not determined.

4. Scheduled redeemed amount and repayment amount of corporate bonds, long-term loans payable, lease obligations and other interest-bearing debts after the book closing date

Previous fiscal year (as of March 31, 2015)

| | Within a year (thousand yen) | More than one year and within two years (thousand yen) | More than two years and within three years (thousand yen) | More than three years and within four years (thousand yen) | More than four years and within five years (thousand yen) | More than five years (thousand yen) |
|--------------------------|---------------------------------|---|--|---|--|--|
| Short-term loans payable | 86,800 | - | - | - | - | - |
| Corporate bonds | 70,000 | 40,000 | 20,000 | - | - | - |
| Long-term loans payable | 386,577 | 619,942 | 229,939 | 173,259 | 64,430 | 37,568 |
| Lease obligations | 17,712 | 11,854 | 5,025 | 2,667 | 239 | - |
| Total | 561,089 | 671,796 | 254,964 | 175,926 | 64,669 | 37,568 |

Current fiscal year (as of March 31, 2016)

| | Within a year (thousand yen) | More than one year and within two years (thousand yen) | More than two years and within three years (thousand yen) | More than three years and within four years (thousand yen) | More than four years and within five years (thousand yen) | More than five years (thousand yen) |
|--------------------------|---------------------------------|---|--|---|--|--|
| Short-term loans payable | 101,800 | - | - | - | - | - |
| Corporate bonds | 40,000 | 20,000 | - | - | - | - |
| Long-term loans payable | 688,102 | 293,099 | 241,419 | 137,590 | 53,034 | 19,214 |
| Lease obligations | 18,470 | 11,362 | 9,283 | 7,135 | 3,421 | 1,548 |
| Total | 848,372 | 324,461 | 250,702 | 144,725 | 56,455 | 20,762 |

(Notes on investment securities)

1. Held-to-maturity bonds

Previous fiscal year (as of March 31, 2015)

| | Category | Amount recorded on the balance sheet (thousand yen) | Market value (thousand yen) | Balance (thousand yen) |
|--|--|---|-----------------------------|------------------------|
| The market value exceeds the balance sheet amount | (1) Government bonds and municipal bonds, etc. | - | - | - |
| | (2) Corporate bonds | - | - | - |
| | (3) Others | - | - | - |
| | Sub total | - | - | - |
| The market value is below the balance sheet amount | (1) Government bonds and municipal bonds, etc. | - | - | - |
| | (2) Corporate bonds | 100,000 | 99,980 | (20) |
| | (3) Others | - | - | - |
| | Sub total | 100,000 | 99,980 | (20) |
| Total | | 100,000 | 99,980 | (20) |

Current fiscal year (as of March 31, 2016)

N/A

2. Other securities sold

Previous fiscal year (from April 1, 2014 to March 31, 2015)

| Category | Proceeds from sales (thousand yen) | Total amount of gain (thousand yen) | Total amount of loss (thousand yen) |
|---|------------------------------------|-------------------------------------|-------------------------------------|
| (1) Stocks | - | - | - |
| (2) Bonds | | | |
| 1) Government bonds and municipal bonds, etc. | - | - | - |
| 2) Corporate bonds | - | - | - |
| 3) Others | - | - | - |
| (3) Others | 99,774 | 76 | - |
| Total | 99,774 | 76 | - |

Current fiscal year (from April 1, 2015 to March 31, 2016)

N/A

(Derivative transactions)

N/A.

(Retirement benefits)

1. Outline of the retirement benefit plan adopted by the Company

The Company has adopted the lump-sum retirement benefit plan as an unfunded defined benefit plan to provide for payments of retirement benefits to employees.

2. Defined benefit plan

(1) Adjustment schedule for the beginning and ending balance of retirement benefit obligations

| | Unit: thousand yen | |
|---|--|---|
| | Previous fiscal year (April 1, 2014 to March 31, 2015) | Current fiscal year (April 1, 2015 to March 31, 2016) |
| Beginning balance of retirement benefit obligations | 384,729 | 382,718 |
| Cumulative effects of changes in accounting policies | (2,982) | - |
| Restated balance | 381,747 | 382,718 |
| Service cost | 52,677 | 55,721 |
| Interest cost | 1,841 | 3,107 |
| Accrued unrecognized net actuarial gain or loss | (8,184) | 17,845 |
| Amount of retirement benefits paid | (45,364) | (43,876) |
| Ending balance of retirement benefit obligations | 382,718 | 415,516 |

(2) Adjustment schedule for the ending balance of retirement benefit obligations and provision for retirement benefits recognized in the balance sheet

| | Previous fiscal year (April 1, 2014 to March 31, 2015) | Current fiscal year (April 1, 2015 to March 31, 2016) |
|---|--|---|
| Retirement benefit obligations in the unfunded defined benefit plan | 382,718 | 415,516 |
| Unfunded retirement benefit obligations | 382,718 | 415,516 |
| Net amount of liabilities and assets recognized in the balance sheet | 382,718 | 415,516 |
| Retirement benefit reserve | 382,718 | 415,516 |
| Net amount of liabilities and assets recognized in the balance sheet | 382,718 | 415,516 |

(3) Amount of retirement benefit expenses and the sub-items

| | Previous fiscal year (April 1, 2014 to March 31, 2015) | Current fiscal year (April 1, 2015 to March 31, 2016) |
|--|--|---|
| Service cost | 52,677 | 55,721 |
| Interest cost | 1,841 | 3,107 |
| Amortization of unrecognized actuarial gain or loss | (8,184) | 17,845 |
| Retirement benefit expenses for the defined benefit plan | 46,335 | 76,674 |

(4) Matters concerning the basis of actuarial calculation

The basic discount rate used for principal actuarial calculation

| | Previous fiscal year (April 1, 2014 to March 31, 2015) | Current fiscal year (April 1, 2015 to March 31, 2016) |
|---------------|--|---|
| Discount rate | 0.8% | 0.0% |

(Note) The discount rate applied for actuarial calculations at the beginning of the current fiscal year was 0.8%. However, the Company reexamined the discount rate at the end of the period and determined that the change in the discount rate will have a significant effect on the amount of retirement benefit obligations. Accordingly, the discount rate was changed to 0.0%.

(Stock options and others)

N/A

(Deferred tax accounting)

1. Breakdown of the reasons for deferred tax assets and deferred tax liabilities

| | Previous fiscal year (as of March 31, 2015) | Current fiscal year (as of March 31, 2016) |
|---------------------------------------|--|---|
| (Unit: thousand yen) | | |
| (Deferred tax assets) | | |
| Denial of bonus reserve | 66,295 | 65,280 |
| Loss carried forward | 152,696 | 154,153 |
| Impairment loss | 24,538 | 21,962 |
| Denial of retirement benefit reserve | 123,771 | 127,231 |
| Asset retirement obligations | 72,129 | 63,514 |
| Others | 41,754 | 43,849 |
| Total deferred tax assets | 481,186 | 475,992 |
| Valuation reserve | (481,186) | (475,992) |
| Net deferred tax assets | - | - |
| (Deferred tax liabilities) | | |
| Asset retirement obligations | (12,204) | (10,053) |
| Total deferred tax liabilities | (12,204) | (10,053) |
| Net deferred tax assets (liabilities) | (12,204) | (10,053) |

2. Significant components of difference between statutory tax rate and effective tax rate after adjustments for tax effect accounting.

| Previous fiscal year (as of March 31, 2015) | Current fiscal year (as of March 31, 2016) |
|---|---|
| As the Company posted a loss before income taxes, there is no listing of the significant components of the difference between the statutory tax rate and effective tax rate after adjustments for tax effect accounting | As the Company posted a loss before income taxes, there is no listing of the significant components of the difference between the statutory tax rate and effective tax rate after adjustments for tax effect accounting |

3. Revision of amounts of deferred tax assets and deferred tax liabilities resulting

from the change in income tax rates

Following enactment of the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 15 of 2016) and the “Act for Partial Amendment of the Local Tax Act, etc.” (Act No. 13 of 2016) by the Diet on March 29, 2016, corporate tax rates were changed for the fiscal years beginning on or after April 1, 2016. Accordingly, the effective statutory tax rate used to calculate deferred tax assets and liabilities was changed from 32.3% to 30.9% for temporary differences expected to be eliminated in the fiscal year beginning on April 1, 2016 and on April 1, 2017, and to 30.6% for temporary differences expected to be eliminated in the fiscal years beginning on or after April 1, 2018.

As a result of this change in tax rate, deferred tax liabilities decreased 526 thousand yen and income taxes-deferred decreased by the same amount.

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

N/A

(Asset retirement obligations)

1. Asset retirement obligations posted on the Balance Sheet

a. Outline of these asset retirement obligations posted

Obligations of the restoration to the original conditions on fixed-period lease agreement of beauty salons.

b. Calculation method of the amount of the subject asset retirement obligations

The amount of the asset retirement obligation is calculated for the property leased on the fixed-period agreement, estimating the lease period, using yield of government bond depending on the lease period as the discount rate.

c. Increase or decrease of the total amount of the subject asset retirement obligations

| | Unit: thousand yen | |
|--|--|---|
| | Previous fiscal year (April 1, 2014 to March 31, 2015) | Current fiscal year (April 1, 2015 to March 31, 2016) |
| Opening balance (Note) | 209,394 | 223,034 |
| Increase due to the acquisition of tangible fixed assets | — | 8,404 |
| Adjustment by the lapse of time | 996 | 742 |
| Decrease due to the fulfillment of asset retirement obligations | (12,984) | (30,439) |
| Other increase (decrease) | 25,628 | 5,686 |
| Closing balance | 223,034 | 207,429 |

2. Asset retirement obligations for those other than that posted on the balance sheet

The Company assumes liabilities concerning the restoration to original conditions at the evacuation for salons used on the lease agreement. However, it is impossible to make a reasonable estimation of asset retirement liabilities for lease agreements other than fixed term lease agreements, if the use period of the leases assets is not clear and transfer is not scheduled at the present time. Therefore, asset retirement obligations for them are not posted.

(Real estate leasing and others)

N/A

(Segment information)

[Segment information]

Previous fiscal year (From April 1, 2014 to March 31, 2015) and Current fiscal year (From April 1, 2015 to March 31, 2016)

As the Company consists of one segment of beauty business, the description is omitted.

[Associated information]

Previous fiscal year (From April 1, 2014 to March 31, 2015)

1. Information for each product or service

(Unit: thousand yen)

| | Beauty treatments | Merchandise | Others | Total |
|------------------------------|-------------------|-------------|--------|------------|
| Sales for external customers | 10,382,128 | 1,338,425 | 42,554 | 11,763,108 |

2. Information for each region

(1) Sales amount

As the sales to external customers in Japan exceed 90% of those on the income statement, the description is omitted.

(2) Tangible fixed assets

As the amount of tangible fixed assets the Company possesses in Japan exceeds 90% of the amount of tangible fixed assets on the balance sheet, the description is omitted.

3. Information for each major customer

In sales to external customers, there is no customer that exceeds 10% of sales in the income statement. Accordingly, the description is omitted.

Current fiscal year (From April 1, 2015 to March 31, 2016)

1. Information for each product or service

(Unit: thousand yen)

| | Beauty treatments | Merchandise | Others | Total |
|------------------------------|-------------------|-------------|--------|------------|
| Sales for external customers | 10,428,671 | 1,377,110 | 37,832 | 11,843,613 |

2. Information for each region

(1) Sales amount

As the sales to external customers in Japan exceed 90% of those on the income statement, the description is omitted.

(2) Tangible fixed assets

As the amount of tangible fixed assets the Company possesses in Japan exceeds 90% of the amount of tangible fixed assets on the balance sheet, the description is omitted.

3. Information for each major customer

In sales to external customers, there is no customer that exceeds 10% of sales in the income statement. Accordingly, the description is omitted.

[Information on the impairment loss of fixed assets for each reportable segment]

Previous fiscal year (From April 1, 2014 to March 31, 2015)

As the Company consists of one segment, the description is omitted.

Current fiscal year (From April 1, 2015 to March 31, 2016)

As the Company consists of one segment, the description is omitted.

[Information concerning amortization of goodwill and unamortized balance by reporting segment]

Previous fiscal year (from April 1, 2014 to March 31, 2015)

N/A

Current fiscal year (from April 1, 2015 to March 31, 2016)

N/A

[Information concerning gain on negative goodwill by reporting segment]

Previous fiscal year (from April 1, 2014 to March 31, 2015)

N/A

Current fiscal year (from April 1, 2015 to March 31, 2016)

N/A

(Information concerning related parties)

Previous fiscal year (from April 1, 2014 to March 31, 2015)

N/A

Current fiscal year (from April 1, 2015 to March 31, 2016)

N/A

(Per share information)

| | Previous fiscal year (April 1, 2014 to March 31, 2015) | Current fiscal year (April 1, 2015 to March 31, 2016) |
|---|--|--|
| Net assets per share (yen) | 592.05 | 555.60 |
| Current net loss per share (yen) | 178.64 | 36.45 |
| Current net profit per share after adjustment of latent shares | Diluted current net profit per share is not presented since current net loss per share was posted and there were no residual securities | Diluted current net profit per share is not presented since current net loss per share was posted and there were no residual securities |

Note: The base data for calculating current net loss per share is as follows.

| | Previous fiscal year (April 1, 2014 to March 31, 2015) | Current fiscal year (April 1, 2015 to March 31, 2016) |
|--|--|---|
| Current net loss (thousand yen) | 892,688 | 182,137 |
| Amount which does not belong to shareholders of common stock (thousand yen) | - | - |
| Current net loss which belongs to common stock (thousand yen) | 892,688 | 182,137 |
| Average number of common stocks outstanding for the fiscal year (thousand shares) | 4,997 | 4,997 |

(Important post-balance sheet events)

N/A

6. Others

(1) Change in officers

The Company separately disclosed the “Notice Regarding Change in Representative Director” and “Notice Regarding Change in Officers after Transition to a Company with Audit and Supervisory Committee” effective today (April 27, 2016).

(2) Others

Comparison of sales by category

(Unit: thousand yen)

| Items | Previous fiscal year (April 1, 2014 to March 31, 2015) | | Current fiscal year (April 1, 2015 to March 31, 2016) | | Comparison with the previous year |
|-------------------|--|-----------|---|-----------|---|
| | Amount | Breakdown | Amount | Breakdown | Increase or decrease |
| Beauty treatments | 10,382,128 | % 88.2 | 10,428,671 | % 88.1 | 46,542 |
| Merchandise | 1,338,425 | 11.4 | 1,377,110 | 11.6 | 38,684 |
| Others | 42,554 | 0.4 | 37,832 | 0.3 | (4,722) |
| Total | 11,763,108 | 100.0 | 11,843,613 | 100.0 | 80,504 |