

Brief announcement of non-consolidated financial statements (Japanese GAAP) for the accounting period ended March 2017

April 27, 2017

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>)

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Scheduled date of the general shareholders' meeting: June 20, 2017 Scheduled date of submission of financial statements: June 21, 2017

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 2017 (April 1, 2016 to March 31, 2017)

(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 2017	11,401	(3.7)	28	–	(31)	–
Period ended March 2016	11,843	0.7	(231)	–	(228)	–

	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 2017	(177)	–	(35.61)	–	(6.6)	(0.5)	0.3
Period ended March 2016	(182)	–	(36.45)	–	(6.4)	(3.3)	(2.0)

(NOTE) Profit and loss on investments based on the equity method for the year ended March 2017: – million yen; for the year ended March 2016: – million yen.

(2) Financial position

	Total assets		Net assets		Capital ratio	Net assets per share	
	million yen		million yen		%	yen sen	
Period ended March 2017	6,114		2,598		42.5	519.99	
Period ended March 2016	6,798		2,776		40.8	555.60	

(NOTE) Shareholders' equity at the end of the year ended March 2017: 2,598 million yen; for the year ended March 2016: 2,776 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 2017	(33)		(104)		(264)		859	
Period ended March 2016	17		453		(281)		1,262	

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 2016	–	0.00	–	0.00	0.00	–	–	–
Period ended March 2017	–	0.00	–	0.00	0.00	–	–	–
Period ending March 2018 (Projection)	–	0.00	–	–	–	–	–	–

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 2018 (April 1, 2017 to March 31, 2018)

(The percentages shown for full year represent the rates of increase or decrease over the previous accounting period.

The percentages shown for second quarter represent the rates of increase or decrease over the second quarter of the previous year.)

	Sales		Operating income		Ordinary income		Current net profit		Current net profit per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen sen
Second quarter (Accumulated total)	5,600	(1.7)	2	–	(4)	–	(48)	–	(9.64)
Full year	11,371	(0.3)	190	559.0	182	–	70	–	14.01

*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. : Yes
 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 2017: 5,100,000 shares; for the year ended March 2016: 5,100,000 shares.
- 2) The number of the treasury stock at the end of the current year ended March 2017: 102,946 shares; for the year ended March 2016: 102,946 shares.
- 3) The average number of shares outstanding for the year ended March 2017: 4,997,054 shares; for the year ended March 2016: 4,997,058 shares.

* Brief announcements of non-consolidated financial statements do not fall within the scope of Audits..

* Explanation on an appropriate use of the projected business performance and other remarks

(Notes on forward-looking statements)

Any forward-looking statements such as business performance forecasts contained in this material are based on the information available to the Company and on certain assumptions that we consider to be reasonable at the time of preparation of this document. The Company does not promise the realization of the forecasts in this report. The actual results may differ considerably due to various factors. For suppositions that form the assumptions for forecasts and important notes for using such business performance projections, please refer to “1. Overview of operating results, etc. (4) Outlook for the next period” on page 6 of the accompanying material.

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1. Overview of operating results, etc.

(1) Overview of operating results of the current fiscal year

During the fiscal year under review, Japan's economy continued to recover at a moderate pace, supported by improvements in corporate earnings and employment conditions, which were underpinned by various economic policies implemented by the government. However, the outlook for the economy remained uncertain on the back of growing uncertainties surrounding overseas economies, notably in the U.S. and Europe, and fluctuations in financial and capital markets.

The beauty industry faced a tougher business environment due to factors such as a slump in consumer sentiment as consumers became more budget-minded, an 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 introduced new menu items and worked to improve customer service skills to "help customers look beautiful every day and anywhere."

During the fiscal year under review, the first year of the "Medium-term Management Improvement Plan (FY2016–FY2018)," we promoted initiatives centered on four priority measures: (1) Human resources measures, (2) Sales measures, (3) Salon measures, and (4) Corporate measures.

Regarding salons, the Company relocated and reopened three salons (TAYA Sangen-jaya, TAYA Tama Center, and TAYA Ichigao) and changed the brand of two salons (Courreges salon beaute atre Oimachi to TAYA atre Oimachi and Courreges salon beaute atre Ebisu to TAYA atre Ebisu). Meanwhile, eight salons were closed (TAYA Ekoda, TAYA Yutenji, Courreges salon beaute Kumamoto Shimodori, Shampoo GRANDBERRY MALL Minami Machida, Courreges salon beaute Tenjin, TAYA Bandai City BILLBOARD PLACE, Shampoo Niigata, and TAYA mina Kyoto). As a result, the Company has 135 beauty salons and one retail shop as of the end of the fiscal year under review.

As a result of implementing the above measures, sales per customer rose 4.4% year-on-year on the existing store basis. However, the number of customer visits declined 5.5% year-on-year due to the effects of longer intervals between visits by customers and bad weather, etc. As a result, existing-store sales declined 1.3% year-on-year. In addition, the number of salons decreased as a result of closure of unprofitable salons. Consequently, the Company's sales for the fiscal year ended March 31, 2017 decreased 3.7% year-on-year to 11,401 million yen. On the profit front, the Company made efforts to reduce personnel expenses and rents associated with closure of salons, eliminate the excessive use of materials for beauty treatment, and cut down wasteful costs. As a result, the Company returned to profitability, recording an operating income of 28 million yen (operating loss of 231 million yen a year earlier). However, the Company recorded expenses associated with setting up a syndicated loan for the purpose of procuring funds to refinance existing borrowings under non-operating expenses. Consequently, the Company recorded an ordinary loss of 31 million yen (ordinary loss of 228 million yen a year earlier). In addition, the Company recorded loss on the retirement of fixed assets in association with salon closures and impairment loss on unprofitable salons as extraordinary losses. As a result, the Company recorded a net loss of 177 million yen (net loss of 182 million yen a year earlier) for the fiscal year under review.

(2) Overview of financial status for the current fiscal year

The total assets as of the end of the fiscal year under review were 6,114 million yen, a decrease of 684 million yen from the end of the previous fiscal year.

Current assets totaled 1,931 million yen, down 444 million yen from the end of the previous fiscal year. Fixed assets amounted to 4,182 million yen, down 239 million yen from the end of the previous fiscal year. The main factors underlying the decrease were decreases in cash and deposits of 456 million yen, buildings of 145 million yen due to salon closures and impairment loss, etc., and security deposits and guarantee money of 77 million yen.

The total liabilities as of the end of the fiscal year under review stood at 3,515 million yen, down 506 million yen from the end of the previous fiscal year.

Current liabilities amounted to 1,894 million yen, down 700 million yen from the end of the previous fiscal year. Fixed liabilities stood at 1,621 million yen, up 194 million yen from the end of the previous fiscal year. The main factors underlying the increase were increases in income taxes payable of 28 million yen and asset retirement obligations of 27 million yen. The main factors underlying the decrease were decreases in accrued consumption taxes of 158 million yen, bonus reserve of 147 million yen, redemption of corporate bonds of 60 million yen, net decrease in short-term and long-term loans payable of 34 million yen, and repayments of guarantee money received of 85 million yen, which are included in “others” in fixed liabilities.

In addition, the Company refinanced existing borrowings during the fiscal year under review and made the borrowing period longer, which resulted in a decrease in current liabilities and an increase in fixed liabilities.

The Company’s net assets as of the end of the fiscal year under review came to 2,598 million yen, down 177 million yen from the end of the previous fiscal year. As a result, our capital ratio rose from 40.8% at the end of the previous fiscal year to 42.5%.

(3) Overview of cash flows for the current fiscal year

Cash and cash equivalents (“funds” hereinafter) as of the end of the current fiscal year decreased 403 million yen from the previous fiscal year to 859 million yen.

Detailed cash flows in the current period are shown below.

(Cash flow from operations)

Cash flow from operating activities for the fiscal year under review was negative 33 million yen (positive 17 million yen for the previous fiscal year).

This is primarily attributable to a pretax net loss of 115 million yen, a decrease in accrued consumption taxes of 158 million yen, a decrease in bonus reserve of 147 million yen, and payments of corporate taxes of 59 million yen, while there were depreciation expenses of 280 million yen, an impairment loss of 107 million yen, and commission for syndicate loan of 62 million yen.

(Cash flow from investments)

Cash flow from investing activities for the fiscal year under review amounted to negative 104 million yen (positive 453 million yen for the previous fiscal year).

These is mainly attributable to payments for acquisition of tangible fixed

assets of 138 million yen in association with renovation of existing salons and expenditure for security deposits and guarantee money payments of 62 million yen, while there was income from recovery of security deposits and guarantee money of 78 million yen associated with closure of salons, etc.

(Cash flow from financial activities)

Cash flow from financing activities for the fiscal year under review was negative 264 million yen (negative 281 million yen for the previous fiscal year).

This is primarily attributable to repayments of guarantee money received of 85 million yen, payments of commission for syndicate loan of 65 million yen, outflow by redemption of corporate bonds of 60 million yen, and net decrease in short-term and long-term loans payable of 34 million yen.

(Reference) Trend of cash flow indices

	41st period ended March 2015	42nd period ended March 2016	43th period ended March 2017
Capital ratio (%)	40.9	40.8	42.5
Mark-to-market capital ratio (%)	55.5	50.4	53.9
Interest-bearing debt/Operating cash flow ratio (year)	11.5	91.2	–
Interest coverage ratio (multiple)	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. Figures for “Interest-bearing debt/Operating cash flow ratio” and “Interest coverage ratio” are not provided for the fiscal year ended March 31, 2017 because the Company had negative operating cash flows for the period.

(4) Outlook for the next period

The outlook for the business environment in the coming period is expected to remain tough as consumers will stay budget-minded, although the domestic market is expected to recover at a moderate pace, due to concerns that the uncertainty in the global situation will put a downward pressure on the Japanese economy.

Under these circumstances, the Company will continue to make company-wide efforts to create beauty salons that can satisfy customers by encouraging customers to visit our salons by offering three special benefits and strengthening product sales by offering a new product line to “help customers look

beautiful every day and anywhere,” under the slogan of “ALWAYS Beautiful.”

In addition, the Company will steadily implement the “Medium-term Management Improvement Plan” currently under way and restructure the management base.

As for the projection of business performance for the next fiscal year, sales are expected to total 11,371 million yen (down 0.3% from the previous fiscal year), operating income to total 190 million yen (up 559.0% from the previous fiscal year), ordinary income to total 182 million yen (an increase of 214 million yen from the previous fiscal year), and net income to total 70 million yen (an increase of 247 million yen from the previous fiscal year).

(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.

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

The Company recorded an operating income of 28 million yen for the fiscal year under review. Meanwhile, we are still in the course of establishing a business performance base that allows us to stably record operating income, and we are aware that there still are events or conditions that may cast significant doubt over the preconditions of a going concern.

To eliminate such events or conditions, the Company released the “Medium-term Management Improvement Plan (FY2016–FY2018),” which started from FY2016 and is designed to improve business performance at an early date and establish a corporate structure that allows a shift to a growth strategy.

Under the plan, we will implement the following four priority measures: (1) Human resources measures, (2) Sales measures, (3) Salon measures, and (4) Corporate measures. The aim is to enhance technical and service capabilities for our customers, as well as to secure sales by encouraging customers to use the special benefits offered to them and increasing product sales to customers, while improving profits at salons by closing and relocating unprofitable salons and renovating existing salons. In addition, we will promote the consolidation of head office functions by systematizing operations to achieve a small head office and reduce costs for profitability improvement.

On the financing front, the Company signed a syndicated loan agreement with our correspondent financial institution in December 2016 for the purpose of procuring funds to refinance existing borrowings to strengthen the financial position. After examining cash flow during the fiscal year under review and future cash flow, the Company determined that there are no concerns about the continuity of business activities in the immediate future and there are no events or conditions that may cast a significant doubt over the preconditions of a going concern.

2. 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.

3. Financial statements and important notes

(1) Balance sheet

	Previous fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
Unit: thousand yen		
Assets		
Current assets		
Cash and deposits	1,539,061	1,082,908
Accounts receivable-trade	529,700	507,041
Merchandise	81,200	88,474
Materials for beauty treatments	34,974	25,893
Supplies	14,968	13,219
Prepaid expenses	115,087	106,647
Others	61,177	107,252
Bad debt reserves	(324)	(359)
Total current assets	2,375,845	1,931,078
Fixed assets		
Tangible fixed assets		
Buildings	4,252,749	4,159,315
Accumulated depreciation	(2,952,472)	(3,004,390)
Buildings (net value)	1,300,277	1,154,925
Structures	25,794	26,014
Accumulated depreciation	(22,932)	(23,418)
Structures (net value)	2,861	2,596
Equipment, tools and fixtures	40,016	41,452
Accumulated depreciation	(39,641)	(37,970)
Equipment, tools and fixtures (net value)	374	3,482
Land	1,193,505	1,193,505
Lease assets	86,898	70,553
Accumulated depreciation	(37,791)	(34,310)
Lease assets (net value)	49,106	36,243
Total tangible fixed assets	2,546,124	2,390,752
Intangible fixed assets		
Software	3,578	2,956
Lease assets	2,199	-
Others	30,097	30,097
Total intangible fixed assets	35,875	33,053
Investments and other assets		
Investments in subsidiaries and affiliated companies	119	119
Long-term loans to employees	865	860
Long-term prepaid expenses	24,101	20,188
Security deposit and guarantee money	1,806,505	1,728,814
Others	9,155	9,164
Long-term bad debt reserves	(1)	(1)
Total of investment and other assets	1,840,746	1,759,145
Total fixed assets	4,422,746	4,182,951
Total assets	6,798,592	6,114,029

Unit: thousand yen

	Previous fiscal year (as of March 31, 2016)	Current fiscal year (as of March 31, 2017)
Liabilities		
Current liabilities		
Notes payable	368,082	351,801
Accounts payable-trade	76,605	58,736
Short-term loans payable	101,800	397,300
Corporate bonds to be redeemed within one year	40,000	–
Long-term loans payable due within one year	688,102	137,100
Lease obligations	18,470	13,278
Accounts payable-other	143,500	142,025
Accrued expenses	495,480	469,298
Unpaid corporate taxes	95,717	124,041
Unpaid consumption taxes	228,713	70,499
Advances received	62	894
Deposits received	34,810	30,511
Bonus reserve	213,195	65,431
Asset retirement obligations	5,049	33,257
Others	85,581	–
Total current liabilities	2,595,172	1,894,175
Fixed liabilities		
Corporate bonds	20,000	–
Long-term loans payable	744,356	965,500
Lease obligations	32,751	28,829
Deferred tax liabilities	10,053	15,453
Retirement benefit reserve	415,516	406,605
Asset retirement obligations	202,380	201,592
Others	2,015	3,454
Total fixed liabilities	1,427,074	1,621,434
Total liabilities	4,022,247	3,515,610
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		
Earned surplus carried forward	(313,503)	(491,428)
Total retained earnings	(246,583)	(424,508)
Treasury stock	(159,497)	(159,497)
Total shareholders' equity	2,776,344	2,598,419
Total net assets	2,776,344	2,598,419
Total liabilities and net assets	6,798,592	6,114,029

(2) Income statement

	Unit: thousand yen	
	Previous fiscal year (April 1, 2015 to March 31, 2016)	Current fiscal year (April 1, 2016 to March 31, 2017)
Sales		
Sales of beauty treatments	10,428,671	10,067,424
Sales of goods	1,377,110	1,299,192
Others	37,832	35,195
Totals sales	11,843,613	11,401,812
Cost of sales		
Cost of beauty treatments	9,923,332	9,340,038
Cost of goods sold	630,004	602,496
Others	18,166	17,586
Total cost of sales	10,571,504	9,960,121
Gross profit	1,272,109	1,441,691
Sales and administrative expenses	1,503,686	1,412,816
Operating income (loss)	(231,576)	28,874
Non-operating income		
Interest received	536	169
Interest on securities	31	-
Real estate lease	10,363	-
Dividend income of insurance	4,523	2,819
Co-sponsor fee	6,005	5,206
Office work fee	2,777	3,703
Compensation income	6,000	6,300
Others	9,634	6,522
Total non-operating income	39,871	24,721
Non-operating expenses		
Interest expense	21,218	18,538
Interest paid for corporate bonds	577	210
Commission for syndicate loan	-	62,811
Real estate rental expenses	7,750	-
Others	7,451	3,766
Total non-operating expenses	36,998	85,326
Ordinary loss	(228,703)	(31,730)
Extraordinary income		
Gain on sales of fixed assets	103,868	-
Income from compensation for closed salons and shops	26,899	-
Income from compensation for transfer	-	37,730
Total extraordinary income	130,768	37,730
Extraordinary losses		
Loss from disposal of fixed assets	15,313	14,488
Impairment loss	11,969	107,362
Total extraordinary losses	27,283	121,851
Current net loss before tax	(125,217)	(115,851)
Corporate tax, inhabitant tax and enterprise tax	59,070	56,674
Amount of adjustment for corporate tax	(2,150)	5,399
Total of corporate tax and others	56,919	62,074
Current net loss	(182,137)	(177,925)

(3) Statement of shareholders' equity

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

(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	560,000	(691,365)	(64,445)
Changes during the current fiscal year							
Reversal of separate reserve					(560,000)	560,000	-
Acquisition of treasury stock							
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
Changes during the current fiscal year			
Reversal of separate reserve		-	-
Acquisition of treasury stock	(7)	(7)	(7)
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

Current fiscal year (April 1, 2016 to March 31, 2017)

(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	-	(313,503)	(246,583)
Changes during the current fiscal year							
Reversal of separate reserve							
Acquisition of treasury stock							
Current net loss						(177,925)	(177,925)
Net changes during the current fiscal year	-	-	-	-	-	(177,925)	(177,925)
Balance as of current fiscal year	1,480,180	1,702,245	1,702,245	66,920	-	(491,428)	(424,508)

	Shareholders' equity		Total net asset
	Treasury stock	Total shareholders' equity	
Balance as of previous fiscal year	(159,497)	2,776,344	2,776,344
Changes during the current fiscal year			
Reversal of separate reserve			-
Acquisition of treasury stock			-
Current net loss		(177,925)	(177,925)
Net changes during the current fiscal year	-	(177,925)	(177,925)
Balance as of current fiscal year	(159,497)	2,598,419	2,598,419

(4) Cash flow statement

(Unit: Thousand yen)

	Previous fiscal year (April 1, 2015 to March 31, 2016)	Current fiscal year (April 1, 2016 to March 31, 2017)
Cash flow from operations		
Current net loss before tax	(125,217)	(115,851)
Depreciation	261,128	280,560
Impairment loss	11,969	107,362
Increase (decrease) in bonus reserve	8,199	(147,764)
Increase (decrease) in retirement benefit reserve	32,798	(8,911)
Increase (decrease) in bad debt reserve	(423)	35
Interest received and dividend income	(536)	(169)
Interest income on securities	(31)	–
Interest paid	21,218	18,538
Commission for syndicate loan	–	62,811
Loss from retirement of fixed assets	15,188	14,488
Loss (gain) on sales of tangible fixed assets	(103,868)	–
Income from compensation for closed salons and shops	(26,899)	–
Income from compensation for transfer	–	(37,730)
(Increase) decrease in accounts receivable-trade	(5,305)	23,490
(Increase) decrease in inventory	(26,792)	3,556
Increase (decrease) in trade payables	(28,468)	(40,704)
Increase (decrease) in accounts payable-other	26,645	(41,481)
Increase (decrease) in unpaid consumption tax, etc.	(21,769)	(158,214)
Others	20,289	45,523
Sub-total	58,124	5,538
Interest and dividend income received	2,147	201
Amount of interest payments	(21,729)	(17,510)
Income from compensation for closed salons and shops received	39,165	–
Income from compensation for transfer received	–	37,730
Paid corporate taxes	(60,225)	(59,070)
Cash flow from operations	17,482	(33,111)

	(Unit: Thousand yen)	
	Previous fiscal year (April 1, 2015 to March 31, 2016)	Current fiscal year (April 1, 2016 to March 31, 2017)
Cash flow from investments		
Payment for time deposits	(687,175)	(443,304)
Income from withdrawal of time deposits	735,534	496,431
Proceeds from sales and redemption of investment securities	100,000	-
Payment for acquisition of tangible fixed assets	(171,443)	(138,629)
Proceeds from sales of tangible fixed assets	341,000	-
Expenditure for security deposit and guarantee money payment	(43,417)	(62,608)
Income due to the recovery of security deposit and guarantee money	218,896	78,829
Others	(39,398)	(35,640)
Cash flow from investments	453,995	(104,920)
Cash flow from financial operations		
Income from additional short-term loans	664,000	1,199,300
Repayment of short-term loans	(649,000)	(903,800)
Income from long-term loans	353,000	1,130,000
Repayment of long-term loans	(432,257)	(1,459,858)
Outflow by redemption of corporate bonds	(70,000)	(60,000)
Expenditure for lease obligation repayment	(21,216)	(19,566)
Repayment of guarantee money received	(125,544)	(85,581)
Payments for commission for syndicate loan	-	(65,061)
Expenditure for acquisition of treasury stock	(7)	-
Dividend payments	(873)	(417)
Cash flow from financial operations	(281,899)	(264,985)
Translation adjustments on cash and cash equivalents	78	(7)
Amount of increase (decrease) in cash and cash equivalents	189,658	(403,025)
Opening balance of cash and cash equivalents	1,072,701	1,262,359
Closing balance of cash and cash equivalents	1,262,359	859,333

(5) Notes on financial statements

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

N/A

(Change in accounting policy)

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

The Company applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32, issued on June 17, 2016) for the fiscal year under review, following the revision of the Corporation Tax Act. Accordingly, the depreciation method of facilities attached to buildings and structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

As a result of this change, operating income, ordinary income, and profit before income taxes for the fiscal year under review each increased 3,972 thousand yen.

(Additional information)

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

Effective from the fiscal year under review, the Company applied “Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, issued on March 28, 2016).

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

N/A

(Segment information)

[Segment information]

Previous fiscal year (From April 1, 2015 to March 31, 2016) and Current fiscal year (From April 1, 2016 to March 31, 2017)

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

[Associated information]

Previous 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.

Current fiscal year (From April 1, 2016 to March 31, 2017)

1. Information for each product or service

(Unit: thousand yen)

	Beauty treatments	Merchandise	Others	Total
Sales for external customers	10,067,424	1,299,192	35,195	11,401,812

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, 2015 to March 31, 2016)

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

Current fiscal year (From April 1, 2016 to March 31, 2017)

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, 2015 to March 31, 2016)

N/A

Current fiscal year (from April 1, 2016 to March 31, 2017)

N/A

[Information concerning gain on negative goodwill by reporting segment]

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

N/A

Current fiscal year (from April 1, 2016 to March 31, 2017)

N/A

(Per share information)

	Previous fiscal year (April 1, 2015 to March 31, 2016)	Current fiscal year (April 1, 2016 to March 31, 2017)
Net assets per share (yen)	555.60	519.99
Current net loss per share (yen)	36.45	35.61
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, 2015 to March 31, 2016)	Current fiscal year (April 1, 2016 to March 31, 2017)
Current net loss (thousand yen)	182,137	177,925
Amount which does not belong to shareholders of common stock (thousand yen)	–	–
Current net loss which belongs to common stock (thousand yen)	182,137	177,925
Average number of common stocks outstanding for the fiscal year (thousand shares)	4,997	4,997

(Important post-balance sheet events)

N/A

5. Others

(1) Change in officers

N/A

(2) Others

Comparison of sales by category

(Unit: thousand yen)

Items	Previous fiscal year (April 1, 2015 to March 31, 2016)		Current fiscal year (April 1, 2016 to March 31, 2017)		Comparison with the previous year
	Amount	Breakdown	Amount	Breakdown	Increase or decrease
Beauty treatments	10,428,671	% 88.1	10,067,424	% 88.3	(361,246)
Merchandise	1,377,110	11.6	1,299,192	11.4	(77,917)
Others	37,832	0.3	35,195	0.3	(2,636)
Total	11,843,613	100.0	11,401,812	100.0	(441,800)