Nov 9, 2004

Brief announcement of non-consolidated interim financial statements for the accounting period ending September 2004

Name of listed company: TAYA Co., Ltd. Listed stock exchange: Tokyo
Code number: 4679 Location of head office: Tokyo
(URL http://www.taya.co.jp/)
Representative: Kazumasa Taya
President
Inquiries to be addressed to: Mitsumasa Taya
Director, Administrative Headquarters TEL (03) 5772 - 8402
Date of the board of directors' meeting for interim financial results: Nov 9, 2004
Commencement date of interim dividend payments: -
The interim dividend system applicable to the Company: Applied
Whether the stock trade unit system is adopted or not:
Adopted (Stock trade unit: 100 stocks)

1. Financial results for the interim period ended September 2004 (April 1, 2004 to September 30, 2004)

(1) Business results (In millions of yen)

	Sales		Operating income		Ordinary income	
	million yen	%	million yen	%	million yen	%
Interim period ended September 2004	6,894	(0.1)	(143)	-	(166)	-
Interim period ended September 2003	6,904	(6.7)	(69)	-	(69)	-
Period ending March 2004	13,924		64		62	

	Net income for the current interim period		Net income per share for the current interim period	Fully diluted earnings per share for the current interim period
	million yen	%	yen	yen
Interim period ended September 2004	(202)	-	(40.01)	-
Interim period ended September 2003	(153)	-	(30.43)	-
Period ending March 2004	(118)		(23.51)	-

(NOTE)
1) Profit and loss on investments based on the equity method for the term ending September 2004: - million yen; for the term ending September 2003: - million yen; for the term ending March 2004: - million yen.
2) Average number of shares during the term for the term ending September 2004: 5,057,500 shares; for the term ending September 2003: 5,057,500 shares; for the term ending March 2004: 5,057,500 shares.
3) Changes in the methods of accounting treatment: nil
4) Percentages for sales, operating income, ordinary income and net income for the current interim period represent changes from the interim period of the previous year.

(2) Dividend payments

	Interim dividends per share	Annual dividends per share
	yen	yen
Interim period ended September 2004	-	-
Interim period ended September 2003	-	-
Period ending March 2004	-	25.00

(3) Financial position

	Total assets	Shareholders' equity	Ratio of shareholders' equity to total assets	Shareholders' equity per share
	million yen	million yen	%	yen
Interim period ended September 2004	9,453	4,403	46.6	870.61
Interim period ended September 2003	9,698	4,696	48.4	928.70
Period ending March 2004	9,388	4,731	50.4	935.62

(NOTE)
1) The number of outstanding shares at the end of the term for the term ending September 2004: 5,057,500 shares; for the term ending September 2003: 5,057,500 shares; for the term ending March 2004: 5,057,500 shares.
2) The number of treasury stocks for the term ending September 2004: 42,500 shares; for the term ending September 2003: 42,500 shares; for the term ending March 2004: 42,500 shares.

(4) Cash flow

	Cash flow from operations	Cash flow from investments	Cash flow from financial operations	Closing balance of cash and cash equivalents
	million yen	million yen	million yen	million yen
Interim period ended September 2004	85	(148)	154	1,592
Interim period ended September 2003	(18)	(408)	132	1,564
Period ending March 2004	62	(392)	(28)	1,500

2. Projected financial results for the term ending March 2005 (April 1, 2004 to March 31, 2005)

	Sales	Ordinary income	Current net profit	Annual dividend per share	
				Final dividend	
	million yen	million yen	million yen	yen	yen
Full year	14,220	100	(100)	25.00	25.00

(Reference) Projected net profit per share for the current term (full year): (19.77) yen.

*Please note that these forecasts are projections for the future based on information that the company has been able to acquire up to this point in time and, as such, may differ materially from actual results due to a variety of factors. Therefore, please refrain from making any judgment solely on the basis of these projected results. Refer to page 8 of the attached material for the above projected business performance.

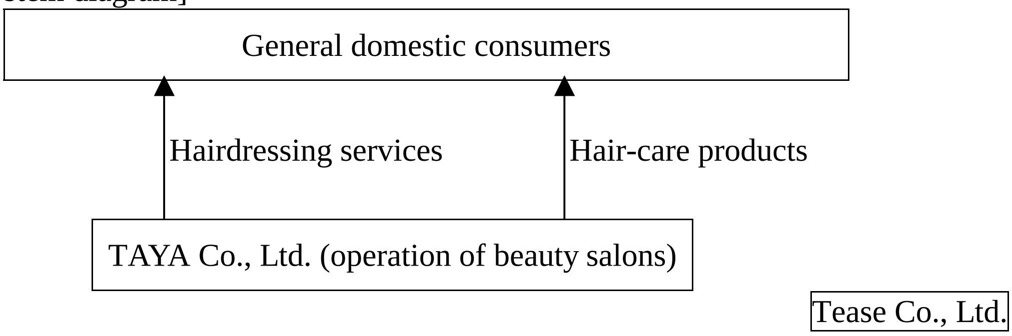
Attached materials

1. Status of the corporate group

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

Tease Co., Ltd., although an affiliate of the Company, engages in real estate leasing business and no commercial transactions exist with each other.

[Business system diagram]



2. Management policy

2-1. Basic management policy

The Company aims to enhance the techniques, creativity, sensitivity and service quality of its beauty therapists, while placing greatest 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 hairdressing, in line with the Company's mission statement: "Our contribution to society is to provide everybody with hopes and dreams."

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

2-2. Basic dividend policy

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

To enable the rapid implementation of capital policies in response to changes in the corporate management environment, modification of the Articles of Incorporation was approved at the shareholders' meeting held on June 22 of this year, as a management option. This allows the acquisition of treasury shares in accordance with the resolution of the board of directors. The final decision, size, timing, method, and other details of the acquisition of treasury shares will be properly decided in a timely manner in light of market movements and management needs.

2-3. Targeted financial indexes

The Company aims at achieving the major financial indexes below:

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

2-4. Medium to long-term corporate strategy

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

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

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

Medium-term corporate strategy

(1) Business policy

(i) Business promotion

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

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

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

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

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

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

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

(2) Profit structure improvement policy

(i) Expansion of existing salons

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

(ii) Establishment of a flagship salon

A flagship salon will be set up for each brand, and positioned as a model shop for brand-specific techniques, services and salon designing. With brand concepts clarified and brand quality maintained, it will be utilized as a place for an on-the-job training.

(iii) Reduction of fixed costs

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

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

2-5. Corporate strategy and issues faced by the Company

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

The Company will also cope flexibly and quickly with changes in its environment such as economic and social conditions, while working hard to improve and strengthen its corporate structure.

2-6. Basic concept of corporate governance and the implementation of related measures

<Basic concept of corporate governance>

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

<Implementation of measures related to corporate governance>

The Company has positioned the board of directors at the core of its management strategy. At the end of the current term, there are 14 directors (the Company has no external directors). The board holds discussions at its monthly meetings and makes its decisions at that time. Special meetings of the board of directors are held whenever necessary. Directors are jointly and severally responsible for the Company's management and the conduct of its operations.

Three statutory auditors, including two external statutory auditors, attend the meetings of the board of directors and other important meetings and have carried out investigations and audits of the business and financial conditions of the Company. The statutory auditors also supervise the execution of duties by the directors. One external statutory auditor is a lawyer and the other is a registered tax accountant. The supervision and direction of the Company's compliance issues are functioning properly.

The Internal Audit Section is established in the Management Planning Office. Four full-time internal auditors are responsible for conducting internal audits to verify that the Company's operations have been conducted lawfully, efficiently and in compliance with the internal regulations of the Company. The internal auditors must report any problems that they find, and provide and recommend measures for improvement, thereby endeavoring to improve the quality and efficiency of operations.

Wako Audit Corporation is the Company's external auditor, and has audited the financial statements. In addition, it provides advice on other matters, such as management and organizational problems, to the Company whenever necessary.

In addition, the Company promotes the timely disclosure of information to shareholders and investors by disclosing financial statements earlier and by announcing its monthly sales information through its homepage on the tenth of every month.

2-7. Purpose and policy of the reduced number of unit shares

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

3. Operating results and financial condition

3-1. Overview of the current interim term

There are some bright indicators in Japanese economy, including an improvement in corporate performances resulting from a recovery of stock prices. Still this is due to the restructuring and production adjustments, causing slow increases in wage levels, credibility gaps in the pension system, and caution against a hike in consumption taxes. Thus, more time is required for consumer spending to recover.

The hairdressing industry also confronted increasingly intense competition between the various corporate players as well as beauty salons themselves. The battle to survive is likely to continue.

In response, the Company developed “Paradigm Change 45,” a drastic management reform plan started in April of this year, and has endeavored to reform its business for early recovery of performances based on the theme of creating three assets, “Customer assets,” “Brand assets” and “Employee assets.”

The Company opened a total of four new beauty salons, including one TAYA salon, one TAYA & CO. GINZA salon, and two Shampoo salons. It also relocated and expanded one TAYA salon, and partially renovated three beauty salons and two Courreges Salon de Beaute salons, in order to revitalize existing beauty salons. On the other hand, the Company closed four TAYA salons and two Shampoo salons, in order to strengthen its internal structure.

As a result, the Company is directly operating 155 beauty salons and one retail shop as of the end of the current interim term, including 72 TAYA salons, 28 Courreges Salon de Beaute salons, 42 Shampoo salons, seven TAYA & CO. GINZA salons, and 6 Capelli Punto N.Y. salons.

In hairdressing, the Company has gradually renewed its proprietary “hair treatment” product (name: Moisture Fix) in order to increase customer market shares and differentiate itself from competitors.

The Company also endeavored to improve customer services by pursuing “Customer Satisfaction,” the alpha and omega of the services industry. Then, it established the customer service division, and has continuously instructed and trained all employees. In addition, an outside institution conducted an investigation into the actual conditions of the Company’s beauty salons, with the result that matters in need of improvement were objectively clarified.

However, the Company’s sales at existing salons were lower than the previous year despite the existence of signs of a recovery trend, reflecting slower than initially expected emergence of effects of the current “Customer Satisfaction” measures taken, while there are not many means to stimulate consumer motivation in spending for haircare. The effect of new beauty salons was lower than the expectation because of much time spent to set off them.

Consequently and despite the Company’s efforts to reduce costs, sales totaled only 6,894 million yen (a decrease of 0.1% from the same period last year), and the ordinary loss was 166 million yen (69 million yen for the same period last year). The interim net loss was 202 million yen (153 million yen for the same period last year), reflecting losses on sales and retirement of fixed assets due to the renovation of beauty salons, etc.

3-2. Interim cash flows

Cash and cash equivalents (“funds” hereinafter) at the end of the current interim term were 1,592 million yen (an increase of 91 million yen from the same period last year).

In addition, cash flows in the current interim fiscal term were as follows:

(Cash flow from operations)

Funds from operating activities amounted to 85 million yen (an increase of 103 million yen from the same period last year) in the current interim term. This is primarily because the payment of income taxes decreased 122 million yen even though the net loss before taxes resulted in 279 million yen.

(Cash flow from investments)

Funds used in investments in the current interim term stood at 148 million yen (a decrease of 259 million yen from the same period last year).

This result is primarily attributable to the acquisition of tangible fixed assets resulting from the new opening of salons, expenditures for the payment of initial deposits and security deposits, as well as other factors.

(Cash flow from financial activities)

Funds from financing activities in the current interim term were 154 million yen (an increase of 22 million yen from the same period last year).

This primarily reflects the 500 million yen received from the issuance of corporate bonds despite a net decrease in long-term borrowings of 220 million yen.

	Current interim term	Previous interim term	Previous fiscal year
Capital ratio (%)	46.6	48.4	50.4
Mark-to-market capital ratio (%)	46.8	53.6	51.1
Debt retirement (years)	35.0	-	55.7
Interest coverage ratio	3.5	-	1.3

Capital ratio: Net worth/Total assets

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

Debt retirement: Interest bearing debt/Operating cash flows

Interest coverage ratio: Operating cash flows/Interest payment

3-3. Outlook for the next term

The management environment is likely to remain difficult in the next term, given the continued prospects for pessimism due to soaring crude oil prices and uncertain global circumstances. However, a gradual improvement is likely in consumer sentiment.

Despite the challenging conditions, the Company is promoting “Paradigm Change 45,” a drastic management reform plan started at the beginning of year.

Effects of efforts for securing customers are gradually emerging by focusing on “Customer Satisfaction,” and the business base to enable a recovery in the second half of the year is being restructured. In addition, the Company will promote visits of more customers, and recover performances by conducting its “40th anniversary campaign” from October of this year.

For the fiscal year ending March 2005, sales are expected to be 14,220 million yen; ordinary income 100 million yen, and net loss 100 million yen.

4. Interim financial statements, etc.

4-1. Comparative balance sheet

Unit: thousand yen

Accounts \ Term	End of the current interim term (as of September 30, 2004) Amount	Breakdown	End of the previous interim term (as of September 30, 2003) Amount	Breakdown	Balance sheet for the previous fiscal year (as of March 31, 2004) Amount	Breakdown
(Assets)		%		%		%
I Current assets						
Cash and deposits	1,763,485		1,813,237		1,661,415	
Accounts receivable	495,163		462,355		564,890	
Securities	-		193,936		-	
Inventories	229,443		208,924		192,190	
Deferred tax assets	198,919		160,217		94,572	
Others	229,338		178,050		213,023	
Allowance for bad debts	(5,970)		(5,560)		(6,680)	
Total current assets	2,910,379	30.8	3,011,161	31.0	2,719,411	29.0
II Fixed assets						
Tangible fixed assets *1						
Buildings *2	2,293,189		2,247,682		2,329,092	
Land *2	1,377,828		1,461,114		1,461,114	
Others	28,984		117,339		35,665	
Total	3,700,003		3,826,136		3,825,872	
Intangible fixed assets	36,868		36,485		36,120	
Investments and other assets						
Initial deposit and guarantee deposit *2	2,595,701		2,588,811		2,579,199	
Long-term deferred tax assets	98,614		85,689		92,796	
Others	133,447		172,053		156,549	
Long-term bad debt reserves	(21,350)		(21,350)		(21,350)	
Total	2,806,412		2,825,204		2,807,195	
Total fixed assets	6,543,284	69.2	6,687,825	69.0	6,669,187	71.0
Total assets	9,453,663	100.0	9,698,987	100.0	9,388,599	100.0

Unit: thousand yen

Accounts / Term	End of the current interim term (as of September 30, 2004)		End of the previous interim term (as of September 30, 2003)		Balance sheet for the previous fiscal year (as of March 31, 2004)	
	Amount	Breakdown	Amount	Breakdown	Amount	Breakdown
(Liabilities)		%		%		%
I Current liabilities						
Notes payable	448,616		411,215		365,059	
Trade debts payable	98,744		110,377		109,239	
Short-term loans *2	108,000		222,360		149,000	
Long-term loans due within one year *2	801,875		450,931		625,779	
Corporate bonds to be redeemed within one year	100,000		-		-	
Accounts payable	397,249		408,334		403,929	
Accrued expenses	573,391		584,046		586,910	
Unpaid corporate taxes	59,747		34,127		34,634	
Bonus reserve	170,874		168,081		136,061	
Others *4	101,302		112,530		89,697	
Total current liabilities	2,859,801	30.2	2,502,004	25.8	2,500,311	26.6
II Fixed liabilities						
Corporate bonds	400,000		-		-	
Long-term loans *2	1,125,626		1,742,311		1,481,059	
Retirement benefit reserve	214,791		190,570		203,914	
Long-term accounts payable	450,323		567,183		471,409	
Total fixed liabilities	2,190,741	23.2	2,500,064	25.8	2,156,383	23.0
Total liabilities	5,050,543	53.4	5,002,069	51.6	4,656,695	49.6
(Shareholders' equity)						
I Capital stock	1,480,180	15.7	1,480,180	15.3	1,480,180	15.8
II Capital surplus						
Capital reserve	1,702,245	18.0	1,702,245	17.5	1,702,245	18.1
III Retained earnings						
Profit reserve	66,920		66,920		66,920	
Voluntary reserve	860,000		860,000		860,000	
Unappropriated retained earnings	412,153		705,950		740,936	
Total retained earnings	1,339,073	14.2	1,632,870	16.8	1,667,856	17.8
IV Company's own stock	(118,377)	(1.3)	(118,377)	(1.2)	(118,377)	(1.3)
Total shareholder's equity	4,403,120	46.6	4,696,918	48.4	4,731,904	50.4
Total liabilities and shareholders' equity	9,453,663	100.0	9,698,987	100.0	9,388,599	100.0

4-2. Interim income statement

Unit: thousand yen

Accounts \ Term		Current term (April 1 to September 30, 2004)		Previous term (April 1 to September 30, 2003)		Comparison with the previous term (April 1, 2003 to March 31, 2004)	
		Amount	Breakdown	Amount	Breakdown	Amount	Breakdown
			%		%		%
I Sales		6,894,214	100.0	6,904,463	100.0	13,924,928	100.0
II Cost of sales		6,284,827	91.2	6,211,525	90.0	12,403,764	89.1
Gross profit		609,386	8.8	692,938	10.0	1,521,164	10.9
III Sales and administrative expenses		752,659	10.9	762,672	11.0	1,456,681	10.5
Operating profit		(143,272)	(2.1)	(69,733)	(1.0)	64,483	0.4
IV Non-operating income	*1	18,213	0.3	41,211	0.6	68,850	0.5
V Non-operating expenses	*2	41,819	0.6	41,438	0.6	71,211	0.5
Ordinary income		(166,878)	(2.4)	(69,960)	(1.0)	62,122	0.4
VI Extraordinary income	*3	7,010	0.1	-	-	-	-
VII Extraordinary losses	*4	119,525	1.7	140,995	2.0	145,847	1.0
Income before taxes		(279,394)	(4.0)	(210,956)	(3.0)	(83,725)	(0.6)
Corporate tax, inhabitants tax and enterprise tax		33,115	0.5	25,142	0.4	58,851	0.4
Amount of adjustment for corporate tax		(110,164)	(1.6)	(82,189)	(1.2)	(23,651)	(0.1)
Net income		(202,346)	(2.9)	(153,910)	(2.2)	(118,924)	(0.9)
Profits carried-over from the previous term		614,499		859,861		859,861	
Unappropriated retained earnings		412,153		705,950		740,936	

4-3. Interim cash flow statement

Unit: thousand yen

Accounts \ Term	Current term (April 1 to September 30, 2004)	Previous term (April 1 to September 30, 2003)	Interim cash flow statement with the previous term (April 1, 2003 to March 31, 2004)
	Amount	Amount	Amount
I Cash flow from operations			
Income before taxes	(279,394)	(210,956)	(83,725)
Depreciation	112,002	103,495	216,672
Increase/decrease in bonus reserve	34,812	(756)	(32,776)
Increase in retirement benefit reserve	10,876	10,148	23,493
Increase/decrease in doubtful accounts reserve	(710)	6,160	7,280
Interest received	(248)	(411)	(859)
Interest paid	25,392	25,323	50,457
Loss from disposal of fixed assets	52,316	134,019	137,750
Loss on sales of fixed assets	67,209	-	816
Decrease in accounts receivable	69,726	113,146	9,633
Decrease in inventory	(37,253)	6,693	23,427
Increase/decrease in trade payables	57,245	79,159	61,328
Others	28,605	(105,353)	(114,834)
Sub-total	140,582	160,669	298,664
Amount of received interest	249	415	880
Amount of interest payments	(24,201)	(25,129)	(49,786)
Paid corporate taxes	(31,397)	(153,986)	(187,187)
Cash flow from operations	85,232	(18,030)	62,569
II Cash flow from investments			
Payment for time deposits	(99,605)	(448,841)	(570,700)
Income from withdrawal of time deposits	89,086	452,301	855,901
Payment for the acquisition of tangible fixed assets	(159,923)	(252,422)	(472,019)
Income for the acquisition of tangible fixed assets	52,000	-	-
Expenditure for payment of initial deposit and guarantee deposit	(78,235)	(152,692)	(206,627)
Income due to the recovery of initial deposit and guarantee deposit	46,683	8,657	10,610
Others	1,628	(15,141)	(9,415)
Cash flow from investments	(148,366)	(408,139)	(392,250)
III Cash flow from financial operations			
Income from additional short-term loans	194,000	435,000	738,000
Repayment of short-term loans	(235,000)	(422,040)	(798,400)
Income from additional long-term loans	45,000	480,000	630,000
Repayment of long-term loans	(224,337)	(235,474)	(471,878)
Income from issuance of corporate bonds	500,000	-	-
Dividend payments	(124,977)	(124,990)	(125,733)
Cash flow from financial operations	154,685	132,495	(28,011)
IV Amount of increase/decrease in cash and cash equivalents	91,551	(293,674)	(357,692)
V Opening balance of cash and cash equivalents	1,500,469	1,858,162	1,858,162
VI Cash and cash equivalents at end	1,592,020	1,564,488	1,500,469

(Important accounting policy for the preparation of interim financial statements)

1. Standards and methods for the evaluation of securities
   (1) Securities

   Other securities

   Without market price: at cost, based on the moving average method.

   (2) Inventories

   Merchandise and materials for hairdressing: at cost, based on the moving average method.

   Supplies: at cost, based on the final purchase cost.
2. Depreciation of fixed assets
   (1) Tangible fixed assets

   Declining method. However, the straight-line method is applied to the buildings acquired on and after April 1, 1998 (excluding attached equipment).

   Useful lives: Buildings: 8 to 60 years

   Equipment and apparatus: 3 to 10 years

   (2) Intangible fixed assets

   Straight-line method. The straight-line method is applied to software for the Company's use based on the usable period in the Company (five years).

   (3) Long-term prepaid expenses

   Straight-line method.

3. Accounting standards for reserves
   (1) Reserves for bad debts

   To create a reserve for losses from defaults on payment of accounts receivable, a sum is set aside to cover what cannot be collected. This amount is calculated based on the actual bad debt ratio for general receivables and by individually considering the potential for collecting certain receivables, such as receivables the collection of which is in doubt.

   (2) Bonus reserve

   A reserve is set aside for the payment of bonuses to employees to provide for bonuses accrued in the current interim term, based on bonuses to be paid in the future.

   (3) Retirement benefits and allowances reserve

   A certain amount that is deemed to have accrued at the end of the current interim term is set aside to provide for retirement benefits and allowances to employees based on the expected amount of retirement benefit liabilities at the end of the current interim term.

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

4. Lease transactions

   Finance lease transactions other than those under which ownership of the leased equipment is transferred to the lessee are based on the accounting method applied to operating lease transactions.

5. Accounting for hedging activities
   (1) Accounting for hedging activities

Because interest rate swap transactions satisfy the requirements for special treatment, this special treatment is applied to these transactions.

(2) Hedging vehicles and hedged items

1) Hedging vehicles: Interest rate swap

2) Hedged items: Borrowings

(3) Hedging policy

The Company uses hedging transactions in order to avert risks associated with interest rate changes in the future.

(4) Valuation method for the effectiveness of hedging activities

The Company's method satisfies the requirements for special treatment of interest rate swap transactions, and the effectiveness of hedging activities is determined based on the effectiveness of that method.

6. Scope of assets in the interim cash flow statements

Funds (cash and cash equivalents) in the interim cash flow statements are cash on hand, demand deposits and highly liquid short-term investments easily convertible to cash with minimum risks against price fluctuations and a maturity of less than three months when purchased.

7. Consumption tax

Based on net sales exclusive of taxes.

Notes

Unit: thousand yen

[Notes on Balance Sheet]

		End of the current interim term (as of September 30, 2004)	End of the previous interim term (as of September 30, 2003)	End of the previous fiscal year (as of March 31, 2004)
*1.	Accumulated amount of depreciation on tangible fixed assets	1,284,085	1,168,454	1,269,600
*2.	Assets provided as security			
	(1) Assets provided as security			
	Buildings	614,734	572,529	540,494
	Land	1,317,838	1,398,741	1,398,741
	Initial deposit and guarantee money	499,244	499,244	499,244
	(2) Liabilities in connection with the above			
	Short-term loans payable	108,000	222,360	149,000
	Long-term loans payable (including long-term loans repayable within one year)	1,922,201	2,183,382	2,099,258
3.	Contingent liabilities			
	Guarantee for borrowings from financial institutions			
	Guarantees for ex-employees based on a program to assist employees become independent	11,750	20,740	16,450

*4. Notes on the interim balance sheet
The net amount of suspense payments and receipts for consumption taxes, etc. was presented as part of “Other” of the current liabilities.

Unit: thousand yen

[Notes on the interim income statement]

	End of the current interim term (April 1 to September 30, 2004)	End of the previous interim term (April 1 to September 30, 2003)	End of the previous fiscal year (April 1, 2003 to March 31, 2004)
*1. Major items in non-operating income			
Interests received	248	411	859
*2. Major items in non-operating expenses			
Interest paid	25,392	25,323	50,457
*3. Major items in extraordinary income			
Income from compensation for closed beauty salons	6,300	-	-
*4. Major items in extraordinary losses			
Loss on sale of fixed assets	67,209	-	816
Loss on depletion of fixed assets	52,316	134,019	137,750
5. Amount of depreciation			
Tangible fixed assets	111,167	103,127	215,551
Intangible fixed assets	835	367	1,120

Unit: thousand yen

[Notes on the interim cash flow statement]

Relationship between the interim closing balance of cash and cash equivalents and the amount recorded in the interim balance sheet

	End of the current interim term (April 1 to September 30, 2004)	End of the previous interim term (April 1 to September 30, 2003)	End of the previous fiscal year (April 1, 2003 to March 31, 2004)
Cash and cash accounts	1,763,485	1,813,237	1,661,414
Time deposit, deposited for a period of three months or more	(171,464)	(442,686)	(160,945)
Securities	-	193,936	-
Cash and cash equivalents	1,592,020	1,564,488	1,500,469

Unit: thousand yen

[Notes on lease transactions]

	End of the current interim term (April 1 to September 30, 2004)	End of the previous interim term (April 1 to September 30, 2003)	End of the previous fiscal year (April 1, 2003 to March 31, 2004)
(1) Amount equivalent to the acquisition price of leased property	1,290,166	1,355,214	1,310,209
Amount equivalent to accumulated depreciation	645,127	541,195	599,820
Amount equivalent to the interim closing balance	645,039	814,019	710,388
(2) Amount equivalent to the closing balance of prepaid lease fees	670,215	851,104	740,150
(Amount included in the above for the period of one year or less)	258,333	287,120	272,037
(Amount included in the above for a period exceeding one year)	411,882	563,983	468,112
(3) Lease fees paid	146,653	152,859	305,901
Amount equivalent to depreciation expenses	139,309	145,042	289,393
Amount equivalent to paid interest	6,282	9,099	16,605

(4) Method of calculating the amount equivalent to depreciation expenses
This was calculated based on the straight-line method over the lease period with a residual value of zero.

(5) Method of calculating the amount equivalent to interest paid
The difference between the total amount of lease fees and the amount equivalent to the acquisition price of the leased properties is assumed to be the amount equivalent to the interest paid, and the method of allocation to each term is based on the interest method.

5. Comparison of sales by category

Unit: thousand yen

Accounts \ Term	End of the current interim term (April 1 to September 30, 2004)		End of the previous interim term (April 1 to September 30, 2003)		End of the previous fiscal year (April 1, 2003 to March 31, 2004)	
	Amount	Breakdown	Amount	Breakdown	Amount	Breakdown
		%		%		%
Hairdressing	6,223,500	90.3	6,178,475	89.5	12,468,801	89.5
Merchandise	647,485	9.4	684,334	9.9	1,371,094	9.8
Others	23,228	0.3	41,653	0.6	85,033	0.6
Total	6,894,214	100.0	6,904,463	100.0	13,924,928	100.0

6. Securities

Market value of securities

Unit: thousand yen

(Current interim term)

Major “securities” not valued on a market value basis

N.A.

(Previous interim term)

Major “securities” not valued on a market value basis

		An amount shown on the interim balance sheet
Other securities		
	Money management fund	193,936

(Previous year)

Major “securities” not valued on a market value basis

N.A.

7. Derivative transactions

(Current interim term)

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

(Previous interim term)

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

(Previous year)

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

8. Profit or loss under the equity method

(Current interim term)

N.A.

(Previous interim term)

N.A.

(Previous fiscal year)

N.A.