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

Nov 9, 2005

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: Hisashi Tashiro
Director, General Manager of Management Planning Office TEL (03) 5772 – 8411
Date of the board of directors' meeting for interim financial results: Nov 9, 2005
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 2005 (April 1, 2005 to September 30, 2005)

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

	Sales		Operating income		Ordinary income	
	million yen	%	million yen	%	million yen	%
Interim period ended September 2005	7,010	1.7	169	-	160	-
Interim period ended September 2004	6,894	(0.1)	(143)	-	(166)	-
Period ending March 2005	13,935		(7)		(44)	

	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 sen	yen sen
Interim period ended September 2005	(63)	-	(12.64)	-
Interim period ended September 2004	(202)	-	(40.01)	-
Period ending March 2005	(194)		(38.39)	-

(NOTE) 1) Profit and loss on investments based on the equity method for the term ending September 2005: - million yen; for the term ending September 2004: - million yen; for the term ending March 2005: - million yen.
2) Average number of shares during the term for the term ending September 2005: 5,057,500 shares; for the term ending September 2004: 5,057,500 shares; for the term ending March 2005: 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 sen	yen sen
Interim period ended September 2005	0	0	-
Interim period ended September 2004	0	0	-
Period ending March 2005	-		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 sen
Interim period ended September 2005	8,973	4,220	47.0	834.59
Interim period ended September 2004	9,453	4,403	46.6	870.61
Period ending March 2005	9,636	4,411	45.8	872.23

(NOTE) 1) The number of outstanding shares at the end of the term for the term ending September 2005: 5,057,500 shares; for the term ending September 2004: 5,057,500 shares; for the term ending March 2005: 5,057,500 shares.
2) The number of treasury stocks for the term ending September 2005: 42,500 shares; for the term ending September 2004: 42,500 shares; for the term ending March 2005: 42,500 shares.

(4) Cash flow

	Cash flow from operations	Cash flow from investments	Cash flow from financial operations	Closing balance of cash and cash equivalents
	million yen	million yen	million yen	million yen
Interim period ended September 2005	235	34	(464)	1,568
Interim period ended September 2004	85	(148)	154	1,592
Period ending March 2005	299	(346)	309	1,762

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

	Sales	Ordinary income	Current net profit	Annual dividend per share	
				Final dividend	
	million yen	million yen	million yen	yen sen	yen sen
Full year	14,140	590	115	20.00	20.00

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

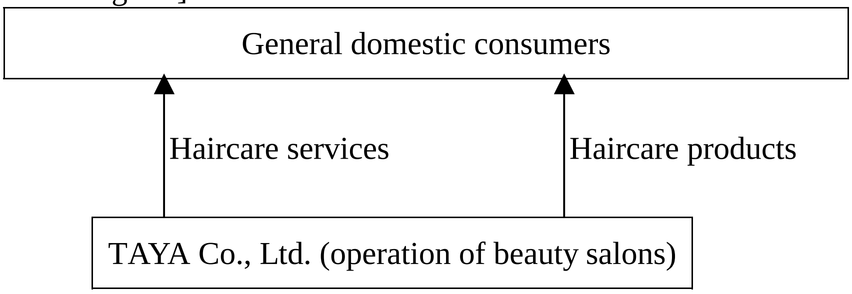
*The projected business includes the figures forecast based on future outlooks and plans as of the date of announcement. The projection includes uncertain factors, so actual business performance may differ from the projected business performance. Please refer to page 10 of the attached material for the above projected business performance.

Attached materials

Status of the corporate group

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

[Business system diagram]



1. Management policy

1-1. Basic management policy

The Company aims to enhance the techniques, creativity, sensitivity and service quality of its beauty therapists, while placing 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.

1-2. Basic dividend policy

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

1-3. Targeted financial indexes

The Company aims at achieving the major financial indexes below:

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

1-4. Medium to long-term corporate strategy

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

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

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

Medium-term corporate strategy

(1) Business policy

(i) Business promotion

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

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

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

In order to improve the quality of customer services and to maintain 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, 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.

1-5. Items to be considered

In accordance with its mission statement, the Company will keep on creating an environment that benefits its customers, regardless of age, 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.

Under this current harsh management environment, the Company will strive to improve and strengthen its corporate structure by making every effort to promote “Paradigm Change 45,” a fundamental management improvement plan, and respond flexibly and rapidly to changes in the environment, such as economic restructuring or changes in social circumstances.

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

<Basic concept of corporate governance>

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

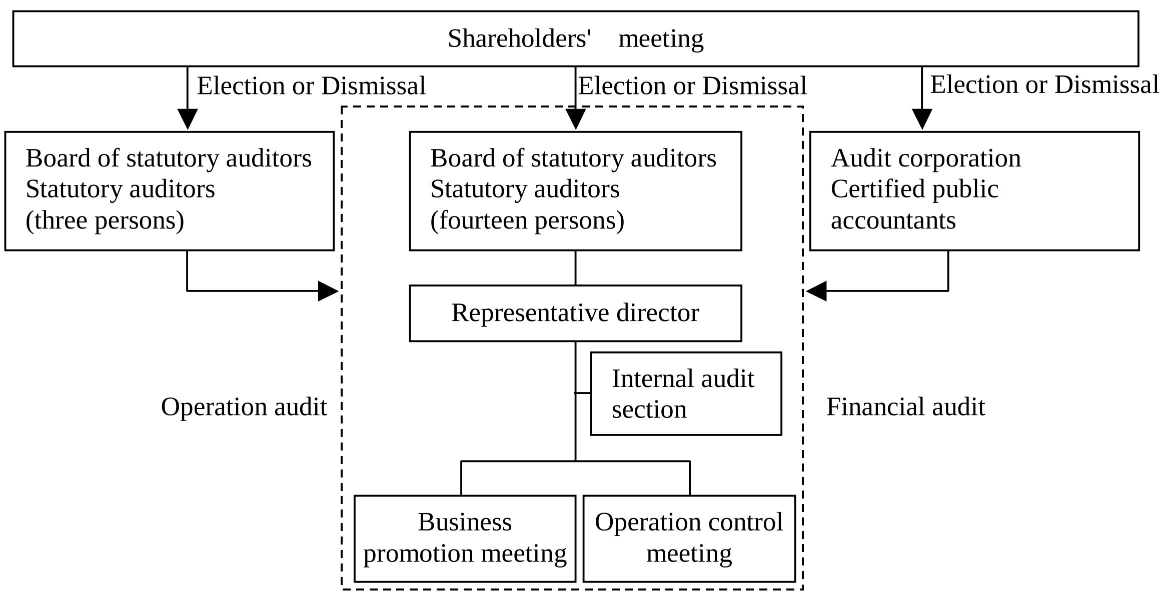
<Implementation of measures related to corporate governance>

(1) The Company's governing bodies and internal control system

(i) Basic explanation about the Company's governing bodies

In accordance with the statutory auditor system, the Company has established a board of statutory auditors consisting of one full-time statutory auditor and two external statutory auditors. The Company has no external directors. 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 to supervise the execution of duties by the directors. The board of directors consists of 14 directors, regularly holds discussions at its monthly meetings, and makes its management decisions at that time after adequate discussions. Special meetings of the board of directors are held whenever necessary. In addition, "business promotion meetings" are held on a monthly basis, and "operation control meetings" are held whenever necessary, so that the Company can make rapid and practical management decisions.

(ii) Relationships between the Company's governing bodies and internal control system



(iii) Description of the Company’s operations and internal control system

As an internal control system that can prevent the occurrence of risks such as scandals, the Company has established an Internal Audit Section in the Management Planning Office. This Section is responsible for conducting internal audits to verify the Company’s entire operations, such as the validity of policies, plans and procedures; the efficiency of business implementation; and the compliance with laws and regulations. The internal auditors also provide and recommend specific measures for the improvement of operations.

(iv) Internal audits and statutory auditors' audits

Four full-time internal auditors of the Internal Audit Section of the Management Planning Office have conducted internal audits to verify that the Company’s operations have been conducted lawfully, efficiently and in compliance with the internal regulations of the Company, reported problems that they found, and provided and recommended measures for improvement, thereby endeavoring to improve the quality and efficiency of operations. When internal audits are conducted, specified internal audit procedures are followed in accordance with the annual audit plans, and the results of such audits and the proposals for improvement are directly reported to the president. Statutory auditors and external auditors are in close cooperation with internal auditors, and these results and proposals are also reported to such statutory auditors and external auditors.

(v) Financial audits

Wako Audit Corporation is the Company’s external auditor, and Yoshio Takagi (9 years experience in auditing), Masahiro Araki (9 years experience in auditing), and Yutaka Oshima were in charge of the audits of the Company. Also, three certified public accountants were involved in the financial audits as assistants. Financial audits were conducted in accordance with the Commercial Law and the Securities Exchange Law. In addition, Wako Audit Corporation provides advice on matters, such as management and organizational issues, to the Company whenever necessary, through discussions with the president and other responsible directors.

(vi) Relationships between external directors and external statutory auditors

The Company does not elect external directors. There are no personal relationships, capital relationships, transactional relationships, or other conflicts of interests between external statutory auditors and the Company.

(2) Risk management system

Under the Company’s risk management system, the head of each division is responsible for reporting issues with customers, operational problems, internal troubles and other issues to the Management Planning Office or the General Affairs Division, if these issues are mainly related to salon management.

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.

(3) The Company's efforts toward improved corporate governance during the current interim term

The Company held eight meetings of the board of directors to decide its basic policies and other important matters.

In addition, the Company considers that the protection of personal data is an important management issue, and has internally established a "Compliance Program Operation Committee" in order to promote proper management of data, and protect personal data.

1-7. Matters related to the parent company

N.A.

2. Operating results and financial condition

2-1. Overview of the current interim term

The Japanese economy during the current interim term gradually recovered, because corporate performances improved and capital investments increased mainly in the manufacturing sector. Also, there were some signs of recovery in personal consumption, due to withdrawal of concerns about employment and income prospects. However, the prospects of personal consumption are still not clear due to the effects of soaring crude oil prices on the economy and discussions that were held to revise fixed-rate tax reduction rules and consumption taxes. As a result, the economy was not able to recover fully.

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

Under these circumstances, the Company has developed “Paradigm Change 45,” a drastic management reform plan (2-year plan) which started last year, and has also endeavored to reform its business to quickly recover its performances. During the current term in particular, the Company has striven to execute plans by focusing on improving existing salons and integrating management resources.

The Company renovated six beauty salons, as part of a drive to revitalize existing beauty salons. In addition, it closed six unprofitable salons, in order to strengthen its internal structure. As a result, the Company directly operated 148 beauty salons and one retail shop, as of the end of current interim term.

In order to promote sales, the Company has striven to retain regular customers and increase customer market shares by differentiating itself from its competitors, rather than by engaging in price competition. In hairdressing, the Company started to propose a service of *Otonabi Hair*, which can bring out the charming features of each customer, and to provide added value services such as “Massage by Hand,” in addition to “Personal Color Diagnosis” and “Scalp Massage” which started last year. Furthermore, the Company has striven for “Wish,” “Technique” and “Quality” and continuously trained and instructed all employees, in order to further pursue “Customer Satisfaction" and “Customer Service.”

Thanks to these measures, spending levels by customers increased, and the sales of existing salons increased 1.4% year-on-year in the current interim term. On the other hand, the Company has striven to improve management efficiency by properly deploying personnel, raising the levels of hairdressing techniques, minimizing needless expenses, and closing unprofitable salons.

Consequently, sales totaled 7,010 million yen (an increase of 1.7% from the same period last year), and ordinary income was 160 million yen (compared to an ordinary loss of 166 million yen for the same period last year). The interim net loss was 63 million yen (202 million yen for the same period last year), reflecting losses from disposal of fixed assets due to the renovation and closure of beauty salons, and extraordinary losses posted in relation to impairment losses.

2-2. Cash flows

Cash and cash equivalents (“funds” hereinafter) at the end of the current interim term decreased 193 million yen from the same period last year, and were 1,568 million yen. In addition, cash flows in the current interim term were as follows:

(Cash flow from operations)

Funds from operating activities amounted to 235 million yen (an increase of 150 million yen from the same period last year) in the current interim term. This was primarily due to depreciation expenses of 113 million yen and loss on disposal of fixed assets of 178 million yen, despite a net loss before taxes of 48 million yen.

(Cash flow from investments)

Funds from investments in the current interim term were 34 million yen (an increase of 183 million yen from the same period last year). This is primarily attributable to a collection of security deposits and guarantee money amounting to 200 million yen as a result of the closure of salons.

(Cash flow from financial activities)

Funds used in financing activities in the current interim term were 464 million yen (a decrease of 618 million yen from the same period last year). This primarily reflects the reduction of long- and short-term borrowings of 247 million yen, and the payment for a redemption of corporate bonds of 90 million yen.

[Trend of cash flow indices]

	30th term Interim term ended September 2003	31st term Interim term ended September 2004	32nd term Interim term ended September 2005	30th term Year ended March 2004	31st term Year ended March 2005
Capital ratio (%)	48.4	46.6	47.0	50.4	45.8
Mark-to-market capital ratio (%)	53.6	46.8	49.7	51.1	46.6
Debt retirement (years)	-	35.0	6.4	55.7	11.5
Interest coverage ratio	-	3.5	10.6	1.3	6.2

Capital ratio: Net worth/Total assets

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

Debt retirement: Interest bearing debt/Operating cash flows

Debt retirement (years) during the interim term: Interest bearing debt/(Operating cash flows × 2)

Interest coverage ratio: Operating cash flows/Interest payment

*1 Total market capitalization was calculated by multiplying the closing stock price at interim term-end (year-end) by the total number of outstanding shares at interim term-end (year-end) (after deducting treasury stocks).

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.

2-3. Outlook for the full year

The future economic environment is generally considered to be in a phase of gradual recovery, but the hairdressing industry is forecast to continue to face intense conditions because there is no expectation of a full-scale recovery in personal consumption.

Under these circumstances, the Company is making harder efforts than ever to promote "Paradigm Change 45," a drastic management reform plan, so that this plan can generate better performance.

Sales of existing salons are forecast to continue to be strong in the second half of the year too, and December and March are the busy months for the hairdressing industry. In addition, the cost reduction effects of the closure of unprofitable salons in the first half of the year will materialize in the second half. Furthermore, the Company will execute action plans to efficiently utilize its management resources, by focusing on improving the conditions of existing salons.

For the fiscal year ending March 2006, sales are expected to be 14,140 million yen, ordinary income 590 million yen, and net income 115 million yen.

2-4. Business and other management risks

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

(1) Specific management policy adopted by the Company:

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

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

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

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

For majority cases of the business development by the Company, the salons are located in the rental spaces or the shops of other businesses rather than the Company's own properties. Although the relations with the landlords and developers are favorable at this moment, when such occasion arises that the continuation of such business partner becomes questionable, there may be the possibility that the lease and guarantee 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) Others (related to the management of personal information):

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

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

3. Interim financial statements, etc.

3-1. Comparative balance sheet

Unit: thousand yen

Accounts \ Term		End of the current interim term (as of September 30, 2005) Amount	Breakdown	End of the previous interim term (as of September 30, 2004) Amount	Breakdown	Balance sheet for the previous fiscal year (as of March 31, 2005) Amount	Breakdown
(Assets)			%		%		%
I Current assets							
Cash and deposits		1,756,705		1,763,485		1,939,793	
Accounts receivable-trade		457,601		495,163		547,043	
Inventories		174,855		229,443		183,761	
Deferred tax assets		150,097		198,919		153,083	
Others		248,817		229,338		152,610	
Bad debt reserves		(3,110)		(5,970)		(5,990)	
Total current assets		2,784,966	31.0	2,910,379	30.8	2,970,303	30.8
II Fixed assets							
Tangible fixed assets	*1						
Buildings	*2	2,195,352		2,293,189		2,353,298	
Land	*2	1,377,828		1,377,828		1,377,828	
Others		16,347		28,984		19,623	
Total		3,589,528		3,700,003		3,750,750	
Intangible fixed assets		35,847		36,868		35,961	
Investments and other assets							
Deferred tax assets		129,029		98,614		111,103	
Security deposit and guarantee money	*2	2,351,027		2,595,701		2,667,572	
Others		95,074		133,447		112,312	
Bad debt reserves		(11,650)		(21,350)		(11,650)	
Total		2,563,480		2,806,412		2,879,337	
Total fixed assets		6,188,856	69.0	6,543,284	69.2	6,666,050	69.2
Total assets		8,973,823	100.0	9,453,663	100.0	9,636,353	100.0

Unit: thousand yen

Accounts \ Term	End of the current interim term (as of September 30, 2005)		End of the previous interim term (as of September 30, 2004)		Balance sheet for the previous fiscal year (as of March 31, 2005)	
	Amount	Breakdown	Amount	Breakdown	Amount	Breakdown
(Liabilities)		%		%		%
I Current liabilities						
Notes payable	368,493		448,616		375,656	
Trade accounts payable	80,053		98,744		82,069	
Short-term loans *2	135,200		108,000		88,303	
Long-term loans due within one year *2	379,113		801,875		618,038	
Corporate bonds to be redeemed within one year	180,000		100,000		180,000	
Accounts payable-other	363,289		397,249		404,555	
Accrued expenses	541,364		573,391		586,150	
Unpaid corporate taxes	59,643		59,747		111,562	
Bonus reserve	207,107		170,874		156,713	
Others *4	114,599		101,302		101,600	
Total current liabilities	2,428,863	27.1	2,859,801	30.2	2,704,649	28.1
II Fixed liabilities						
Corporate bonds	580,000		400,000		670,000	
Long-term loans payable *2	1,079,225		1,125,626		1,134,571	
Retirement benefit reserve	241,342		214,791		231,827	
Long-term accounts payable	415,771		450,323		484,007	
Others	7,665		-		-	
Total fixed liabilities	2,324,004	25.9	2,190,741	23.2	2,520,405	26.1
Total liabilities	4,752,867	53.0	5,050,543	53.4	5,225,055	54.2
(Shareholders' equity)						
I Capital stock	1,480,180	16.5	1,480,180	15.7	1,480,180	15.3
II Capital surplus						
Capital reserve	1,702,245	18.9	1,702,245	18.0	1,702,245	17.7
III Retained earnings						
Profit reserve	66,920		66,920		66,920	
Voluntary reserve	860,000		860,000		860,000	
Unappropriated retained earnings	229,987		412,153		420,330	
Total retained earnings	1,156,907	12.9	1,339,073	14.2	1,347,250	14.0
IV Treasury stock	(118,377)	(1.3)	(118,377)	(1.3)	(118,377)	(1.2)
Total shareholder's equity	4,220,955	47.0	4,403,120	46.6	4,411,298	45.8
Total liabilities and shareholders' equity	8,973,823	100.0	9,453,663	100.0	9,636,353	100.0

3-2. Interim income statement

Unit: thousand yen

Accounts \ Term	Current term (April 1 to September 30, 2005)		Previous term (April 1 to September 30, 2004)		Comparison with the previous term (April 1, 2004 to March 31, 2005)	
	Amount	Breakdown	Amount	Breakdown	Amount	Breakdown
		%		%		%
I Sales	7,010,054	100.0	6,894,214	100.0	13,935,322	100.0
II Cost of sales	6,121,335	87.3	6,284,827	91.2	12,450,589	89.3
Gross profit	888,718	12.7	609,386	8.8	1,484,733	10.7
III Sales and administrative expenses	719,482	10.3	752,659	10.9	1,491,758	10.7
Operating profit (loss)	169,236	2.4	(143,272)	(2.1)	(7,025)	(0.0)
IV Non-operating income *1	21,391	0.3	18,213	0.3	41,546	0.3
V Non-operating expenses *2	30,331	0.4	41,819	0.6	79,213	0.6
Ordinary income (loss)	160,295	2.3	(166,878)	(2.4)	(44,692)	(0.3)
VI Extraordinary income *3	2,880	0.0	7,010	0.1	6,990	0.0
VII Extraordinary losses *4, 6	211,564	3.0	119,525	1.7	171,028	1.2
Current net loss before taxes	48,388	(0.7)	279,394	(4.0)	208,731	(1.5)
Corporate tax, inhabitant tax and enterprise tax	30,457	0.4	33,115	0.5	62,255	0.4
Amount of adjustment for corporate tax	(14,939)	(0.2)	(110,164)	(1.6)	(76,817)	(0.5)
Current net loss	63,905	(0.9)	202,346	(2.9)	194,168	(1.4)
Profits carried-over from the previous term	293,893		614,499		614,499	
Unappropriated retained earnings at the end of the current term	229,987		412,153		420,330	

3-3. Interim cash flow statement

Unit: thousand yen

Accounts / Term	Current term (April 1 to September 30, 2005)	Previous term (April 1 to September 30, 2004)	Interim cash flow statement with the previous term (April 1, 2004 to March 31, 2005)
	Amount	Amount	Amount
I Cash flow from operations			
Current net loss before taxes	(48,388)	(279,394)	(208,731)
Depreciation	113,823	112,002	230,098
Impairment loss	33,372	-	-
Increase in bonus reserve	50,393	34,812	20,651
Increase in retirement benefit reserve	9,514	10,876	27,912
Decrease in bad debt reserve	(2,880)	(710)	(10,390)
Interest received	(271)	(248)	(424)
Interest paid	22,551	25,392	49,675
Loss from disposal of fixed assets	178,191	52,316	103,819
Loss on sales of tangible fixed assets	-	67,209	67,209
Income from compensation for closed beauty salons	-	-	(6,300)
Decrease in accounts receivable-trade	89,331	69,726	18,293
Decrease (increase) in inventory	8,906	(37,253)	8,428
Increase (decrease) in trade payables	(9,179)	57,245	(52,381)
Others	(80,285)	28,606	131,023
Sub-total	365,081	140,582	378,883
Amount of received interest	271	249	423
Amount of interest payments	(22,234)	(24,201)	(48,576)
Paid corporate taxes	(107,711)	(31,397)	(31,420)
Cash flow from operations	235,407	85,232	299,310
II Cash flow from investments			
Payment for time deposits	(170,997)	(99,605)	(200,231)
Income from withdrawal of time deposits	160,206	89,086	184,196
Payment for the acquisition of tangible fixed assets	(150,411)	(159,923)	(342,683)
Income from sale of tangible fixed assets	-	52,000	52,000
Expenditure for payment of security deposit and guarantee money	(2,217)	(78,235)	(176,175)
Income due to the recovery of security deposit and guarantee money	200,893	46,683	132,752
Others	(2,563)	1,628	3,813
Cash flow from investments	34,911	(148,366)	(346,327)
III Cash flow from financial operations			
Income from additional short-term loans	270,000	194,000	369,000
Repayment of short-term loans	(223,103)	(235,000)	(429,697)
Income from long-term loans	120,000	45,000	275,000
Repayment of long-term loans	(414,271)	(224,337)	(629,229)
Income from issuance of corporate bonds	-	500,000	900,000
	(90,000)	-	(50,000)
Dividend payments	(126,823)	(124,977)	(125,713)
Cash flow from financial operations	(464,197)	154,685	309,360
IV Amount of increase (decrease) in cash and cash equivalents	(193,879)	91,551	262,343
V Opening balance of cash and cash equivalents	1,762,813	1,500,469	1,500,469
VI Closing balance of cash and cash equivalents	1,568,934	1,592,020	1,762,813

Important accounting policy for the preparation of interim financial statements

1. Standards for and methods of evaluating assets

   Inventories

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

   Supplies: at cost, based on the final purchase cost.

2. Depreciation of fixed assets

   (1) Tangible fixed assets

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

   Useful lives: Buildings: 8 to 60 years

   Furniture and fixtures: 3 to 10 years

   (2) Intangible fixed assets

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

   (3) Long-term prepaid expenses

   Straight-line method.

3. Accounting standards for reserves

   (1) Reserves for bad debts

   As the reserve for losses from the default on payment of accounts receivable, the amount that it is impossible to collect is set aside based on the actual bad debt ratio for general receivables and by individually considering the possibility of collecting specified receivables, such as receivables over which there is concern about their collection.

   (2) Bonus reserve

   A reserve is set aside for the payment of bonuses to employees to provide for bonuses accrued in the current 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 fiscal 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. Method for hedging accounting

(1) Method for hedging accounting

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

(2) Hedging vehicles and hedged items

(i) Hedging vehicles: Interest rate swap

(ii) 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 funds 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. Other important matters that are the bases for the preparation of interim financial statements

Accounting for consumption taxes, etc.

Based on net sales exclusive of taxes.

Changes of important matters that are the bases for the preparation of interim financial statements

(Accounting standards for impairment of fixed assets)

Accounting standards for impairment of fixed assets ("Opinions concerning the establishment of accounting standards for impairment of fixed assets" (Financial Accounting Council, August 9, 2002) and "Implementation guide of accounting standards for impairment of fixed assets" (Implementation guide of corporate accounting standards No. 6, October 31, 2003) are effective for financial statements for the years beginning on or after April 1, 2005. The Company adopts these accounting standards and implementation guide from the current interim accounting term. As a result of this adoption, interim net loss before taxes increased 33,372,000 yen.

In addition, accumulated impairment loss was directly deducted from each asset amount based on the revised regulations for interim financial statements.

Notes

Unit: thousand yen

[Notes on Balance Sheet]

	End of the current interim term (as of September 30, 2005)	End of the previous interim term (as of September 30, 2004)	End of the previous fiscal year (as of March 31, 2005)
*1. Accumulated amount of depreciation on tangible fixed assets	1,367,757	1,284,085	1,344,943
*2. Assets provided as security and secured liabilities			
(1) Assets provided as security			
Buildings	594,634	614,734	609,145
Land	1,317,838	1,317,838	1,317,838
Security deposit and guarantee money	491,660	499,244	616,674
(2) Liabilities in connection with the above			
Short-term loans payable	135,200	108,000	88,303
Long-term loans payable (including long-term loans repayable within one year)	1,457,598	1,922,201	1,749,589
3. Contingent liabilities			
Guarantee for borrowings from financial institutions			
Guarantees for ex-employees based on a program to assist employees become independent	22,730	11,750	8,075

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

Unit: thousand yen

[Notes on the interim income statement]

	End of the current interim term (April 1 to September 30, 2005)	End of the previous interim term (April 1 to September 30, 2004)	End of the previous fiscal year (April 1, 2003 to March 31, 2005)
*1. Major items in non-operating income			
Interests received	271	248	424
*2. Major items in non-operating expenses			
Interest paid	20,087	25,392	46,727
*3. Major items in extraordinary income			
Gain on reversal of allowance for bad debts	-	6,300	6,300
Income from compensation for closed beauty salons	2,880	710	690
*4. Major items in extraordinary losses			
Loss on sale of fixed assets	-	67,209	67,209
Loss from disposal of fixed assets	178,191	52,316	103,819
Impairment loss	33,372	-	-
5. Amount of depreciation			
Tangible fixed assets	112,908	111,167	228,356
Intangible fixed assets	914	835	1,741

*6. Impairment loss

The Company posted impairment loss for the following asset groups in the current interim term.

Location	Purpose of usage	Type	Impairment loss posted
Chuo-ku, Fukuoka city	Salon	Buildings, furniture and fixtures, lease assets	25,788
Atsuta-ku, Nagoya city	Salon	Building, lease assets	7,583
Total			33,372

The Company regards each salon as a group, by considering it to be a basic and minimum unit that generates cash flows. The book value of a group of assets of salons whose operating activities continuously result in losses is reduced to a collectible value, and the reduced value is posted as impairment loss in the extraordinary loss section.

The impairment loss consists of 20,845,000 yen for buildings, 2,070,000 yen for others, and 10,455,000 yen for lease assets.

In addition, the collectible value of such group of assets is measured based on usable value, and future cash flows are discounted by 2%.

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, 2005)	End of the previous interim term (April 1 to September 30, 2004)	End of the previous fiscal year (April 1, 2004 to March 31, 2005)
Cash and cash accounts	1,756,705	1,763,485	1,939,793
Time deposit, deposited for a period of three months or more	(187,771)	(171,464)	(176,980)
Cash and cash equivalents	1,568,934	1,592,020	1,762,813

Unit: thousand yen

[Notes on lease transactions]

	End of the current interim term (April 1 to September 30, 2005)	End of the previous interim term (April 1 to September 30, 2004)	End of the previous fiscal year (April 1, 2004 to March 31, 2005)
(1) Amount equivalent to the acquisition price of leased property	1,214,887	1,290,166	1,350,864
Amount equivalent to accumulated depreciation	629,154	645,127	668,204
Amount equivalent to accumulated impairment loss	7,665	-	-
Amount equivalent to the closing balance	578,068	645,039	682,659
(2) Amount equivalent to the closing balance of prepaid lease fees	594,241	670,215	690,960
(Amount included in the above for the period of one year or less)	234,504	258,333	250,441
(Amount included in the above for a period exceeding one year)	359,736	411,882	440,519
Balance of impairment loss of lease assets	7,665	-	-
(3) Lease fees paid	138,463	146,653	291,204
Reversal of impairment loss of lease assets	2,790	-	-
Amount equivalent to depreciation expenses	134,661	139,309	278,377
Amount equivalent to paid interest	4,895	6,282	11,610
Impairment loss	10,455	-	-

(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.

4. Comparison of sales by category

Unit: thousand yen

Accounts \ Term	End of the current interim term (April 1 to September 30, 2005)		End of the previous interim term (April 1 to September 30, 2004)		End of the previous fiscal year (April 1, 2004 to March 31, 2005)	
	Amount	Breakdown	Amount	Breakdown	Amount	Breakdown
		%		%		%
Haircare services	6,346,975	90.5	6,223,500	90.3	12,538,723	90.0
Merchandise	648,340	9.3	647,485	9.4	1,322,822	9.5
Others	14,738	0.2	23,228	0.3	73,776	0.5
Total	7,010,054	100.0	6,894,214	100.0	13,935,322	100.0

5. Securities

Market value of securities

(Current interim term)
Details of major "securities" not valued on a market value basis
N.A.
(Previous interim term)
Details of major "securities" not valued on a market value basis
N.A.
(Previous year)
Details of major "securities" not valued on a market value basis
N.A.

6. 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.

7. Profit or loss under the equity method

(Current interim term)
N.A.
(Previous interim term)
N.A.
(Previous fiscal year)
N.A.