

**Nonconsolidated Financial and Operating Results  
for the Year Ended March 2005**

May 20, 2005

Company name	NAFCO Corporation	Listed on	JASDAQ
Code number	2790	Head Office Location	Fukuoka Prefecture
(URL <a href="http://www.nafco.tv">http://www.nafco.tv</a> )			
Representative	Katsuyoshi Fukamachi, President and CEO		
Contact person	Kanji Muraoka, Managing Director & General Manager, Accounting Division		
(Responsible official)	TEL +81-93-521-7030		

Date of board meeting for approval of accounts: May 20, 2005

Planned date for starting payment of dividends: June 30, 2005

Unit share system is applied (one unit equals 100 shares).

Interim dividend system is applied.

Date of the annual general meeting of shareholders: June 29, 2005

**1. Financial and Operating Results for the Year Ended March 2005 (April 1, 2004, through March 31, 2005)**

**(1) Operating results**

Note: Amounts below one million yen are truncated.

	Net sales		Operating income		Ordinary income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2005	185,094	(1.8)	10,800	(3.9)	11,229	(4.7)
Year ended March 31, 2004	181,786	(3.9)	10,397	(16.1)	10,724	(15.4)

	Net income		Net income per share	Diluted net income per share	Return on equity	Rate of ordinary income on total capital	Rate of ordinary income on sales
	Millions of yen	(%)	Yen	Yen	%	%	%
Year ended March 31, 2005	6,116	(9.5)	205.12	204.52	8.2	8.4	6.1
Year ended March 31, 2004	5,588	(13.0)	203.26	202.64	8.4	8.5	5.9

Notes:

(1) Equity in gain (loss) under equity method: - (March 2005 term) - (March 2004 term)

(2) Average number of shares outstanding: 29,644,400 (March 2005 term) 27,317,016 (March 2004 term)

(3) Any change in the method of accounting: None

(4) The above percentages in net sales, operating income, ordinary income and net income represent the rates of year-over-year changes.

**(2) Dividends**

Note: Amounts below one million yen are truncated.

	Yearly dividend per share			Total yearly dividends	Payout ratio	Dividend ratio for shareholders' equity
	Yen	Interim	Year-end			
Year ended March 31, 2005	25.00	12.50	12.50	741	12.2	1.0
Year ended March 31, 2004	25.00	-	25.00	741	12.3	1.0

**(3) Financial position**

Note: Amounts below one million yen are truncated.

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
Year ended March 31, 2005	135,083	77,262	57.2	2,605.08
Year ended March 31, 2004	133,611	72,240	54.1	2,435.67

Notes:

(1) Number of shares issued at end of year: 29,644,400 (March 2005 term) 29,644,400 (March 2004 term)

(2) Number of shares held in treasury at end of year: - (March 2005 term) - (March 2004 term)

**(4) Cash flows**

Note: Amounts below one million yen are truncated.

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2005	6,171	(7,088)	(3,534)	11,354
Year ended March 31, 2004	8,828	(6,944)	3,919	15,804

**2. Projected Operating Results for the Year Ending March 2006 (April 1, 2005, through March 31, 2006)**

Note: Amounts below one million yen are truncated.

	Net sales	Ordinary income	Net income	Yearly dividend per share		
	Millions of yen	Millions of yen	Millions of yen	Interim Yen	Year-end Yen	Yen
Interim	96,184	5,895	2,890	13.00	-	-
Full year	193,000	12,200	6,393	-	13.00	26.00

Reference: Predicted net income per share for the year ending March 31, 2006 (Full-year): ¥214.44

Note: The aforementioned projections are based on information available at the date when this document was released. Changing business conditions may cause actual results to differ from the above forecasts.

For details on the above projections, refer to page 7 of the attached document.

**Financial Statements**
**(1) Balanced Sheet**

(Millions of yen)

Account item	Previous Fiscal Year (As of March 31, 2004)		Current Fiscal Year (As of March 31, 2005)		Year-over-year change
	Amount	Composi- tion ratio	Amount	Composi- tion ratio	Amount
		%		%	
( Assets )					
I. Current Assets					
Cash and bank deposits	18,566		14,222		(4,343)
Accounts receivable—trade	1,215		1,330		115
Inventories - Merchandise	37,707		39,783		2,076
Inventories - Supplies	3		3		(0)
Advance payment	—		11		11
Prepaid expenses	628		653		24
Deferred income taxes, current	756		707		(49)
Accrued income	96		119		22
Other	77		110		32
Allowance for doubtful accounts	(14)		(14)		—
Total current assets	59,038	44.2	56,929	42.1	(2,109)
II. Fixed Assets					
Property, plant and equipment					
Buildings	47,146		51,303		
Accumulated depreciation	(19,120)	28,026	(20,848)	30,454	2,428
Structure	8,548		9,380		
Accumulated depreciation	(4,941)	3,607	(5,521)	3,859	251
Transportation equipment	175		197		
Accumulated depreciation	(134)	41	(152)	44	2
Tool, furniture, and fixtures	2,985		3,442		
Accumulated depreciation	(1,896)	1,088	(2,304)	1,137	48
Land	29,625		29,931		305
Construction in progress	967		1,175		207
Total property, plant and equipment	63,356	47.4	66,602	49.3	3,245
Intangible assets					
Lease holds rights	777		877		100
Computer software costs	341		321		(20)
Telephone subscription rights	46		46		0
Other	17		19		1
Total intangible assets	1,183	0.9	1,265	1.0	82
Investments and other assets					
Investment securities	255		367		112
Equity securities for nonconsolidated and affiliates	80		80		—
Investment in partnership	14		10		(3)
Investment in partnership for nonconsolidated and affiliates	1		1		—
Long-term prepaid expenses	624		708		83
Deferred income taxes, noncurrent	1,744		1,799		54
Lease deposits/Guarantee deposits	5,137		5,323		185
Construction support money	1,842		1,641		(201)
Other	331		355		24
Total investments and other assets	10,032	7.5	10,287	7.6	254
Total fixed assets	74,572	55.8	78,154	57.9	3,582
Total assets	133,611	100.0	135,083	100.0	1,472

( Millions of yen)

Account item	Previous Fiscal Year (As of March 31, 2004)		Current Fiscal Year ( As of March 31, 2005 )		Year-over-year change
	Amount	Composi- tion ratio	Amount	Composi- tion ratio	Amount
Liabilities		%		%	
I. Current Liabilities					
Notes payable from customer	17,873		16,243		(1,629)
Trade accounts payable	11,538		12,320		781
Short-term borrowings	8,020		6,730		(1,290)
Long-term borrowings, current portion	2,491		2,844		352
Accounts payable	2,933		2,821		(111)
Income taxes payable	3,400		3,350		(50)
Consumption taxes payable	369		357		(11)
Advance deposits received	1,064		1,196		131
Deposits received	252		230		(22)
Deferred revenue	11		11		0
Reserve for bonuses	950		891		(59)
Construction notes payable	2,463		2,034		(428)
Current liabilities, other	118		97		(21)
Total current liabilities	51,487	38.5	49,128	36.4	(2,358)
II. Noncurrent Liabilities					
Long-term borrowings	5,456		3,969		(1,486)
Liability for retirement benefits	2,852		3,096		244
Reserve for officers retirement	1,325		1,388		62
Noncurrent liabilities, other	250		238		(12)
Total noncurrent liabilities	9,884	7.4	8,692	6.4	(1,191)
Total Liabilities	61,371	45.9	57,821	42.8	(3,549)
Shareholders' Equity					
I. Capital Stock	3,461	2.6	3,461	2.6	
II. Capital Surplus					
Capital reserve	4,146		4,146		
Total capital surplus	4,146	3.1	4,146	3.1	
III. Retained Earnings					
Legal reserve	37		37		
Voluntary reserve					
Gain of tangible fixed asset reserve	197		197		
General reserve	56,000		61,000		5,000
Unappropriated retained earnings	8,388		8,357		(30)
Total retained earnings	64,622	48.4	69,592	51.5	4,969
IV. Appreciation by Revaluation of Investment Securities	9	0.0	62	0.0	52
Total shareholders' equity	72,240	54.1	77,262	57.2	5,022
Total liabilities and shareholders' equity	133,611	100.0	135,083	100.0	1,472

## (2) Statements of Income

(Millions of yen)

Account item	Previous Fiscal Year (From April 1, 2003 to March 31, 2004)		Current Fiscal Year ( From April 1, 2004 to March 31, 2005 )		Year-over-year change		
	Amount		Percent- age	Amount		Percent- age	Amount
I. Net Sales		181,786	% 100.0		185,094	% 100.0	3,307
II. Cost of Sales							
Cost of merchandise – Beginning inventories		34,494			37,707		
Cost of merchandise – Purchase of merchandises, net		131,210			131,554		
Cost of merchandise – Subtotal		165,705			169,261		
Cost of merchandise – Closing inventories		37,707	127,998	70.4	39,783	129,477	70.0
Gross profit		53,788	29.6		55,616	30.0	1,828
III. Selling, General and Administrative Expenses							
Advertising expense		4,580			4,392		
Delivery expense		1,878			1,888		
Director's remuneration and employee payroll		14,573			14,918		
Employee bonuses		1,094			866		
Provision for reserve for bonuses		950			891		
Periodic retirement benefit cost		504			510		
Provision for reserve for officers retirement		75			62		
Legal welfare expense		1,552			1,563		
Land and house rent		5,149			6,016		
Depreciation		3,015			3,215		
Utilities expense		2,522			2,767		
Security expense		992			1,070		
Taxes other than income taxes		1,095			1,310		
Other expense		5,406	43,390	23.9	5,343	44,816	24.2
Operating Profit		10,397	5.7		10,800	5.8	403
IV. Nonoperating Income							
Interest income		9			11		
Dividends income		5			5		
Rental income		128			153		
Support money income		248			151		
Charges for ordering paperwork		120			126		
Commission income		221			246		
Other nonoperating income		55	790	0.4	70	765	0.4
							(24)

( Millions of yen )

Account item	Previous Fiscal Year (From April 1, 2003 to March 31, 2004)		Current Fiscal Year (From April 1, 2004 to March 31, 2005)		Year-over-year change	
	Amount		Amount		Amount	
		Percent- age		Percent- age		
		%		%		
V. Nonoperating Expenses						
Interest expense	307		263			
New share issue expense	88					
Cost of rental income			56			
Other	66	462	0.2	15	335	0.1
Ordinary profit		10,724	5.9		11,229	6.1
VI. Extraordinary Income						
Gain on sale of fixed assets	55		27			
Compensation on relocation of structures	64		40			
Gain on fixed assets donated	1					
Insurance received			115			
Other		121	0.0	11	195	0.0
VII. Extraordinary Losses						
Loss on disposal of fixed assets	69		114			
Loss on sale of fixed assets	17					
Loss on devaluation of investment securities	1		6			
Loss on cancellation of lease agreement			31			
Repair expenses arising from casualty			79			
Other		89	0.0	24	255	0.1
Income before income taxes		10,757	5.9		11,169	6.0
Income taxes—current	5,610		5,093			
Income taxes—deferred	(441)	5,168	2.8	(41)	5,052	2.7
Net Income		5,588	3.1		6,116	3.3
Unappropriated retained earnings brought forward		2,799			2,610	(188)
Interim dividends					370	370
Unappropriated retained earnings		8,388			8,357	(30)

## (3) Statement of Cash Flows

( Millions of yen )

	Previous Fiscal Year (From April 1, 2003 to March 31, 2004)	Current Fiscal Year (From April 1, 2004 to March 31, 2005 )	Year-over-year change
Account item	Amount	Amount	Amount
<b>I. Cash Flows from Operating Activities</b>			
Income before income taxes	10,757	11,169	411
Depreciation and amortization	2,849	3,024	175
Amortization of intangible assets	124	137	12
Amortization of long-term prepaid expenses	62	75	13
Loss on retirement of tangible fixed assets	49	54	4
Loss on sales of tangible fixed assets	17		(17)
Gain on sales of tangible fixed assets	(55)	(27)	28
Increase in reserve for employees' retirement benefits	248	244	(3)
Increase in reserve for directors' retirement allowances	67	62	(4)
Increase (decrease) in reserve for bonuses	280	(59)	(339)
Dividend and interest income	(15)	(17)	(2)
Interest expense	307	263	(43)
New share issuing expense	88		(88)
Gain on tangible fixed assets donated	(1)		1
Loss on devaluation of investment securities	1	6	5
Decrease in trade receivables	1	16	14
Increase in inventories	(3,213)	(2,076)	1,137
Increase (decrease) in trade payables	2,080	(847)	(2,928)
Increase (decrease) in consumption taxes payable	219	(11)	(231)
Increase in other assets	(71)	(61)	9
Increase (decrease) in other liabilities	294	(329)	(623)
Bonuses to directors paid	(32)	(36)	(3)
Subtotal	14,061	11,588	(2,473)
Interest and dividends received	10	12	2
Interest paid	(333)	(285)	47
Income taxes paid	(4,910)	(5,143)	(233)
Net cash provided by operating activities	8,828	6,171	(2,656)
<b>II. Cash Flows from Investing Activities:</b>			
Payments for acquisition of tangible fixed assets	(5,962)	(6,616)	(654)
Proceeds from sales of tangible fixed assets	154	43	(111)
Payments for acquisition of intangible assets	(242)	(219)	23
Payments for purchase of investment securities		(30)	(30)
Payments for leasehold deposits and guarantee money	(781)	(294)	486
Proceeds from collection of leasehold deposits and guarantee money	109	109	(0)
Increase in other investments	(222)	(79)	142
Net cash used in investing activities	(6,944)	(7,088)	(143)

(Millions of yen)

	Previous Fiscal Year (From April 1, 2003 to March 31, 2004)	Current Fiscal Year ( From April 1, 2004 to March 31,2005 )	Year-over-year change
Account item	Amount	Amount	Amount
III. Cash Flows from Financing Activities:			
Decrease in short-term borrowings	(1,100)	(1,290)	(190)
Increase in long-term debt	1,100	1,710	610
Payments for repayment of long-term debt	(2,391)	(2,843)	(452)
Proceeds from issuance of shares	6,574	—	(6,574)
Cash dividends paid	(262)	(1,110)	(847)
Net cash provided by (used in) financing activities	3,919	(3,534)	(7,454)
IV. Net increase in cash and cash equivalents	5,803	(4,450)	(10,254)
V. Cash and cash equivalents at beginning of year	10,000	15,804	5,803
VI. Cash and cash equivalents at end of year	15,804	11,354	(4,450)