

**Non-consolidated Financial and Operating Results
for the Year Ended March 31, 2006**

May 19, 2006

Company name	NAFCO Corporation	Listed on	JASDAQ
Code number	2790	Head office location	Fukuoka Prefecture
(URL: http://www.nafco.tv)			

Representative:	Katsuyoshi Fukamachi, President and CEO
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Date of board meeting for approval of accounts: May 19, 2006
 Date for starting payment of interim dividends: June 30, 2006
 Unit share system is applied (one unit is equal to 100 shares).
 Interim dividend system is applied.
 Date of Ordinary General Shareholders Meeting: June 29, 2006

1. Financial and Operating Results for the Year Ended March 31, 2006 (April 1, 2005 through March 31, 2006)

(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	%
The year ended March 31, 2006	190,144	[2.7]	11,314	[4.8]	11,795	[5.0]
The year ended March 31, 2005	185,094	[1.8]	10,800	[3.9]	11,229	[4.7]

	Net income		Net income per share	Diluted net income per share
	Millions of yen	[%]	Yen	Yen
The year ended March 31, 2006	6,156	[0.6]	205.98	205.63
The year ended March 31, 2005	6,116	[9.5]	205.12	204.52
	Return on equity		Rate of ordinary income on total capital	Rate of ordinary income on sales
		%	%	%
The year ended March 31, 2006	7.7		8.5	6.2
The year ended March 31, 2005	8.2		8.4	6.1

Notes:

- (1) Equity gain (loss) under equity method: — (March 31, 2006) — (March 31, 2005)
- (2) Average number of shares outstanding: 29,713,566 (March 31, 2006) 29,644,400 (March 31, 2005)
- (3) Any change in the method of accounting: Yes
- (4) The above percentages in net sales, operating income, ordinary income, and net income for the year 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
	Interim	Year-end				
	Yen	Yen	Yen	Millions of yen	%	%
The year ended March 31, 2006	26.00	13.00	13.00	773	12.6	0.9
The year ended March 31, 2005	25.00	12.50	12.50	741	12.2	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
The year ended March 31, 2006	143,056	82,874	57.9	2,784.08
The year ended March 31, 2005	135,083	77,262	57.2	2,605.08

Notes:

(1) Number of shares issued at the end of the term: 29,754,400 (March 31, 2006) 29,644,400 (March 31, 2005)

(2) Number of treasury shares held at the end of the term: — (March 31, 2006) — (March 31, 2005)

(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 term
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
The year ended March 31, 2006	4,562	(11,089)	245	5,073
The year ended March 31, 2005	6,171	(7,088)	(3,534)	11,354

2. Projected Operating Results for the Year Ending March 31, 2007 (April 1, 2006 through March 31, 2007)

Note: Amounts below one million yen are truncated.

	Net sales	Ordinary income	Net income	Yearly dividend per share		
				Six months Yen	Year-end Yen	Yen
Six months	99,699	7,484	3,951	13.50	-	-
Full year	197,000	12,500	6,600	-	13.50	27.00

Reference: Projected net income per share for the year ending March 31, 2007 (Full-year): ¥221.81

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.

Financial Statements
(1) Balanced Sheet

(Millions of yen)

Account item	Previous fiscal year (As of March 31, 2005)		Current fiscal year (As of March 31, 2006)		Year-over-year change
	Amount	Compos ition ratio %	Amount	Compos ition ratio %	Amount
(Assets)					
I. Current Assets					
Cash and bank deposits	14,222		9,243		(4,978)
Accounts receivable—trade	1,330		1,390		60
Merchandise	39,783		44,465		4,681
Inventories	3		8		4
Advance payment	11		-		(11)
Prepaid expenses	653		710		57
Deferred income tax asset	707		727		20
Accrued income	119		114		(5)
Current assets, other	110		224		113
Allowance for doubtful account	(14)		(20)		(6)
Total current assets	56,929	42.1	56,864	39.7	(64)
II. Fixed Assets					
Property, plant and equipment					
Buildings	51,303		56,316		3,076
Accumulated depreciation	(20,848)	30,454	(22,785)	33,531	
Structures	9,380		10,330		335
Accumulated depreciation	(5,521)	3,859	(6,136)	4,194	
Transportation equipment	197		207		1
Accumulated depreciation	(152)	44	(160)	46	
Tool, furniture, and fixtures	3,442		3,824		3
Accumulated depreciation	(2,304)	1,137	(2,684)	1,140	
Land		29,931		33,763	3,832
Construction in progress		1,175		1,090	(84)
Total property, plant and equipment	66,602	49.3	73,767	51.6	7,164
Intangible assets					
Land lease right	877		976		98
Computer software costs	321		366		45
Telephone subscription rights	46		46		0
Intangible assets, other	19		17		(1)
Total intangible assets	1,265	1.0	1,406	1.0	141
Investments and other assets					
Investment securities	367		588		220
Investment in affiliates' securities	80		80		-
Investment	10		10		0
Investment in affiliates	1		1		-
Long-term prepaid expenses	708		989		281
Deferred income tax assets	1,799		1,867		68
Lease deposits/Guarantee deposits	5,323		5,690		367
Construction support money	1,641		1,436		(204)
Other	355		352		(2)
Total investments and other assets	10,287	7.6	11,017	7.7	730
Total fixed assets	78,154	57.9	86,191	60.3	8,036
Total assets	135,083	100.0	143,056	100.0	7,972

(Millions of yen)

Account item	Previous Fiscal Year (As of March 31, 2005)		Current Fiscal Year (As of March 31, 2006)		Year-over-year change
	Amount	Composi- tion ratio	Amount	Composi- tion ratio	Amount
Liabilities		%		%	
I. Current Liabilities					
Trade notes payable	16,243		16,915		671
Accounts payable-trade	12,320		11,836		(484)
Short-term borrowings	6,730		6,730		-
Current portion of long-term borrowings	2,844		2,974		129
Accounts payable	2,821		2,936		115
Accrued Income taxes payable	3,350		2,980		(370)
Consumption taxes payable	357		165		(191)
Advance deposits received	1,196		1,112		(83)
Deposits received	230		266		36
Revenue received in advance	11		12		0
Reserve for bonuses	891		905		14
Notes payable to equipment	2034		3,566		1,532
Current liabilities, other	97		117		20
Total current liabilities	49,128	36.4	50,519	35.3	1,390
II. Fixed Liabilities					
Long-term borrowings	3,969		4,721		752
Allowance for retirement benefits	3,096		3,271		174
Reserve for directors' retirement benefits	1,388		1,417		28
Fixed liabilities, other	238		251		12
Total fixed liabilities	8,692	6.4	9,661	6.8	968
Total Liabilities	57,821	42.8	60,181	42.1	2,359
Shareholders' Equity					
I. Capital Stock	3,461	2.6	3,521	2.5	60
II. Capital Surplus					
Capital reserve	4,146		4,206		60
Total capital surplus	4,146	3.1	4,206	2.9	60
III. Retained Earnings					
Legal reserve	37		37		-
Voluntary reserve					
Reserve from unappropriated profit	197		197		
General reserve	61,000		66,000		5,000
Unappropriated retained earnings	8,357		8,720		363
Total retained earnings	69,592	51.5	74,955	52.4	5,363
IV. Balance on revaluation of other securities	62	0.0	190	0.1	128
Total shareholders' equity	77,262	57.2	82,874	57.9	5,612
Total liabilities and shareholders' equity	135,083	100.0	143,056	100.0	7,972

(2) Statements of Income

(Millions of yen)

Account item	Previous Fiscal Year (From April 1, 2004 to March 31, 2005)		Current Fiscal Year (From April 1, 2005 to March 31, 2006)		Year-over-year change		
	Amount		Percent- age	Amount		Percent- age	Amount
I. Net Sales		185,094	% 100.0		190,114	% 100.0	5,019
II. Cost of Sales							
Inventories – at the beginning	37,707			39,783			
Purchase amount of merchandises	131,554			136,276			
Cost of merchandise – total	169,261			176,059			
Inventories – at the end of the term	39,783	129,477	70.0	44,465	131,594	69.2	2,116
Gross profit		55,616	30.0		58,519	30.8	2,903
III. Selling, General and Administrative Expenses							
Advertising expense	4,392			4,864			
Delivery expense	1,888			1,989			
Director's remuneration and employee payroll	14,918			15,401			
Employee bonuses	866			1,023			
Provision of reserve for bonuses	891			905			
Expense for retirement benefit	510			457			
Provision of allowance for directors retirement benefit	62			59			
Legal welfare expense	1,563			1,684			
Land and house rent	6,016			6,436			
Depreciation and amortization	3,215			3,310			
Heat, light and water	2,767			2,755			
Security expense	1,070			1,142			
Taxes other than income taxes	1,310			1,513			
Other expense	5,343	44,816	24.2	5,661	47,205	24.8	2,388
Operating Profit		10,800	5.8		11,314	6.0	514
IV. Non-operating Income							
Interest income	11			17			
Dividends income	5			7			
Rental income	153			166			
Support money income	151			123			
Charges for ordering paperwork	126			129			
Commission income	246			260			
Non-operating income, other	70	765	0.4	93	798	0.4	33

(Millions of yen)

Account item	Previous Fiscal Year (From April 1, 2004 to March 31, 2005)		Current Fiscal Year (From April 1, 2005 to March 31, 2006)		Year-over-year change		
	Amount		Percent- age	Amount		Percent- age	Amount
			%			%	
V. Non-operating Expenses							
Interest expense	263			236			
Cost of rental income	56			61			
Other	15	335	0.1	19	318	0.2	(17)
Ordinary profit		11,229	6.1		11,795	6.2	565
VI. Extraordinary Income							
Gain on sale of fixed assets	27			10			
Compensation on relocation of structures	40			-			
Insurance received	115			-			
Other	11	195	0.0	-	10	0.0	(184)
VII. Extraordinary Losses							
Loss on disposal of fixed assets	114			69			
Loss on sale of fixed assets	-			0			
Loss on devaluation of investment securities	6			-			
Loss on cancellation of lease agreement	31			-			
Repair expenses arising from casualty	79			-			
Impairment loss	-			185			
Other	24	255	0.1	232	486	0.3	230
Income before income taxes		11,169	6.0		11,318	5.9	149
Income tax, inhabitant tax and enterprise tax	5,093			5,338			
Deferred income taxes	(41)	5,052	2.7	(175)	5,162	2.7	110
Net Income		6,116	3.3		6,156	3.2	39
Unappropriated retained earnings brought forward		2,610			2,950		339
Interim dividends		370			386		15
Unappropriated retained earnings		8,357			8,720		363

(3) Statement of Cash Flows

(Millions of yen)

	Previous fiscal year (From April 1, 2004 to March 31, 2005)	Current fiscal year (From April 1, 2005 to March 31, 2006)	Year-over-year change
Account item	Amount	Amount	Amount
I. Cash Flows from Operating Activities			
Income before income taxes	11,169	11,318	149
Depreciation and amortization	3,024	3,116	92
Impairment loss on fixed assets	-	185	185
Amortization of intangible assets	137	140	3
Loss on Amortization of long-term prepaid expenses	75	79	3
Loss on retirement of tangible fixed assets	54	55	1
Loss on sale of tangible fixed assets	-	0	0
Loss on retirement of investment assets and other	-	1	1
Gain on sale of tangible fixed assets	(27)	(10)	16
Increase in allowance for doubtful account	-	6	6
Increase in reserve for employees' retirement benefits	244	174	(69)
Increase (decrease) in reserve for directors' retirement allowances	62	28	(34)
Increase (decrease) in reserve for bonuses	(59)	14	73
Dividend and interest income	(17)	(24)	(7)
Interest expense	263	236	(26)
Loss on devaluation of investment securities	6	-	(6)
Decrease (increase) in trade receivables	16	(143)	(160)
Increase in inventories	(2,076)	(4,686)	(2,610)
Increase (decrease) in trade payables	(847)	187	1,034
Decrease in consumption taxes payable	(11)	(191)	(179)
Increase in other assets	(61)	(132)	(71)
Increase (decrease) in other liabilities	(329)	190	520
Bonuses to directors paid	(36)	(36)	-
Subtotal	11,588	10,510	(1,077)
Interest and dividends received	12	19	7
Interest paid	(285)	(257)	27
Income taxes paid	(5,143)	(5,709)	(566)
Net cash provided by operating activities	6,171	4,562	(1,609)
II. Cash Flows from Investing Activities:			
Payments for acquisition of tangible fixed assets	(6,616)	(9,015)	(2,399)
Proceeds from sale of tangible fixed assets	43	32	(10)
Payments for acquisition of intangible assets	(219)	(282)	(63)
Payments for purchase of investment securities	(30)	(5)	25
Payments for leasehold deposits and guarantee money	(294)	(477)	(183)
Proceeds from collection of leasehold deposits and guarantee money	109	109	0
Decrease (increase) in other investments	(79)	(1,450)	(1,370)
Net cash used in investing activities	(7,088)	(11,089)	(4,000)

(Millions of yen)

	Previous fiscal year (From April 1, 2004 to March 31, 2005)	Current fiscal year (From April 1, 2005 to March 31, 2006)	Year-over-year change
Account item	Amount	Amount	Amount
III. Cash Flows from Financing Activities:			
Decrease in short-term borrowings	(1,290)	-	1,290
Proceeds from long-term debt	1,710	4,000	2,290
Payments for repayment of long-term debt	(2,843)	(3,118)	(274)
Proceeds from issuance of shares	-	121	121
Cash dividends paid	(1,110)	(756)	353
Net cash used in financing activities	(3,534)	245	3,780
IV. Net decrease in cash and cash equivalents	(4,450)	(6,280)	(1,829)
V. Cash and cash equivalents at beginning of term	15,804	11,354	(4,450)
VI. Cash and cash equivalents at the end of term	11,354	5,073	(6,280)