

**Non-consolidated Financial and Operating Results
for the Nine Months Ended December 31, 2006**

February 9, 2007

Company Name: NAFCO Corporation
 (URL: <http://www.nafco.tv>)
 Listed on: JASDAQ (Stock code: 2790)

Inquiries: Katsuyoshi Fukamachi
 President and CEO
 Kanji Muraoka
 Managing Director & General Manager, Accounting Division
 TEL +81-93-521-7030

1. Matters related to the preparation of the quarterly financial information

- ① Adoption of a simplified accounting method: Yes;
 Corporate tax accounting standards are calculated in accordance with predicted yearly tax based on the present legally effective tax rate.
- ② Change in accounting method compared with the most recent fiscal year: None

2. Financial and Operating Results for the Nine Months Ended December 31, 2006 (April 1, 2006 through December 31, 2006)

(1) Operating results

Note: Amounts rounded to the nearest million.

	Sales		Operating income		Ordinary income	
	Millions of yen	Y-on-Y,%	Millions of yen	Y-on-Y,%	Millions of yen	Y-on-Y,%
Nine months ended December 31, 2006	151,138	+ 1.5	11,765	+12.4	11,951	+11.2
December 31, 2005	148,959	+3.0	10,470	+10.7	10,751	+9.9
Year ended March 31, 2006 (Reference)	190,114		11,314		11,795	

	Net income		Earnings per common share-Basic	Earnings per common share-Diluted
	Millions of yen	Y-on-Y,%	Yen	Yen
Nine months ended December 31, 2006	6,490	+16.1	218.14	217.99
December 31, 2005	5,590	+8.2	188.19	187.85
Year ended March 31, 2006 (Reference)	6,156		205.98	205.63

Note: The above percentages in sales, operating income, ordinary income, and net income for nine months represent the rates of year-over-year changes.

[Major Factors Affecting Financial and Operating Results]

In the 3rd quarter, although the Japanese economy recorded favorable growth in the corporate sector, the lack of a corresponding strengthening in household demand created slight unease. However, improved corporate revenues resulted in increases in both capital investment and manufacturing, indicating the slow recovery trend is continuing. In the furniture and home-center industry, competition continued to intensify and unseasonable weather had a major impact on the operating environment. Despite these conditions, NAFCO, based on its philosophy of providing "100% Customer Satisfaction," continued to strengthen sales capability through ongoing personnel education and training and improved product strategies aimed at meeting customers' needs. In line with the expansion of our operating base, 11 new stores were opened, but to improve business efficiency 2 stores were closed. As a result, as at the end of the 3rd quarter the total number of NAFCO retail outlets is 210, centering on our three core product lines of "hardware, DIY

and gardening,” “daily living” and “furniture and home fashion.” NAFCO continued to strengthen both its product appeal and differentiation from competitors, while at the same time as aiming to increase total sales revenues and to decrease operating costs through increases in operational efficiency. As a result, at the end of the 3rd quarter NAFCO recorded sales of 151,138 million yen, operating income of 11,765 million yen, ordinary income of 11,951 million yen, and net income of 6,490 million yen.

(2) Financial position

Note: Amounts rounded to the nearest million.

	Total assets	Net assets	Ratio of shareholders' equity	Net assets per share
Nine months ended	Millions of yen	Millions of yen	%	Yen
December 31, 2006	157,576	88,505	56.2	2,974.51
December 31, 2005	152,155	82,304	54.1	2,768.92
Year ended March 31, 2006 (Reference)	143,056	82,874	57.9	2,784.08

Cash flows

Note: Amounts rounded to the nearest million.

	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
Nine months ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2006	13,834	(6,179)	3,722	16,451
December 31, 2005	9,420	(9,244)	3,084	14,614
Year ended March 31, 2006 (Reference)	4,562	(11,089)	245	5,073

[Major Factors Affecting Changes in Financial Position]

As of the end of the 3rd quarter, total assets are 157,576 million yen, an increase of 14,520 million yen compared to the end of the previous fiscal year. In addition, net assets increased by 5,630 million yen, to 88,505 million yen, for a shareholders' equity ratio of 56.2%.

(Cash Flows from Operating Activities)

Net cash provided by operating activities is 13,834 million yen. The major items as at the end of the 3rd quarter are income before income taxes of 12,019 million yen and an increase in trade payables of 5,250 million yen as against income taxes paid of 5,486 million yen.

(Cash Flows from Investing Activities)

Net cash used in investing activities is 6,179 million yen. The major items are payment for acquisition of tangible fixed assets of 5,870 million yen.

(Cash Flows from Financing Activities)

Net cash provided by financing activities is 3,722 million yen. The major items are an increase in short-term borrowings of 3,300 million yen and proceeds from long-term debt of 3,500 million yen.

As a result cash and cash equivalents at the end of the 3rd quarter are 16,451 million yen, an increase of 11,377 million yen compared to the end of the previous fiscal year.

[Reference]

Forecast Results for the Fiscal Period Ending March 31, 2007 (From April 1, 2006 to March 31, 2007)

Note: Amounts are rounded to the nearest million.

	Sales	Ordinary Income	Net Income
	Millions of yen	Millions of yen	Millions of yen
Year Ending March 31, 2007 (Full-year)	196,000	12,500	6,600

(Reference) Expected net income per share (Full-year) ¥221.81

[Major Factors Affecting Forecast Financial Results]

No factors have arisen that will affect the total fiscal year forecast results published on November 17, 2006. However, as forecast results are based upon information available at the time of publication of this report, they may differ from actual results.

[Reference Materials]

(1) Balance Sheet (Abbreviated)

(Millions of yen)

Account Item	Nine months ended December 31, 2006		Nine months ended December 31, 2005		Increase/Decrease		March 31, 2006 (Reference)	
	Amount	Com- posi- tion ratio	Amount	Com- posi- tion ratio	Amount	Ratio	Amount	Com- posi- tion ratio
(Assets)		%		%		%		%
I. Current Assets								
Cash and cash equivalents	20,588		18,745		1,842		9,243	
Accounts receivable—trade	1,449		1,337		111		1,390	
Inventories	44,895		45,518		(623)		44,473	
Current assets , other	2,012		1,805		207		1,777	
Allowance for doubtful account	(20)		(18)		(2)		(20)	
Total current assets	68,925	43.7	67,389	44.3	1,535	2.3	56,864	39.7
II. Fixed Assets								
Property, plant and equipment	76,058		72,524		3,534		73,767	
Intangible assets	1,403		1,365		37		1,406	
Total investments and other assets	11,188		10,875		313		11,017	
Total fixed assets	88,650	56.3	84,765	55.7	3,885	4.6	86,191	60.3
Total assets	157,576	100.0	152,155	100.0	5,421	3.6	143,056	100.0
(Liabilities)								
I. Current Liabilities								
Trade notes payable	18,983		19,759		(776)		16,915	
Accounts payable- trade	15,019		16,883		(1,864)		11,836	
Short-term borrowings	10,030		8,730		1,300		6,730	
Current portion of Long-term borrowings	2,883		3,070		(186)		2,974	
Current liabilities, other	11,099		11,055		43		12,063	
Total current liabilities	58,015	36.8	59,499	39.1	(1,484)	(2.5)	50,519	35.3
II. Fixed Liabilities								
Long-term borrowings	6,024		5,498		525		4,721	
Allowance for retirement benefits	3,323		3,224		99		3,271	
Reserve for director's retirement benefit	1,462		1,402		59		1,417	
Fixed liabilities, other	245		226		19		251	
Total fixed liabilities	11,055	7.0	10,350	6.8	704	6.8	9,661	6.8
Total Liabilities	69,071	43.8	69,850	45.9	(779)	(1.1)	60,181	42.1
(Shareholders' Equity)								
I. Capital Stock	—	—	3,505	2.3	—	—	3,521	2.5
II. Capital Surplus								
Capital reserve	—	—	4,190		—	—	4,206	
Total capital surplus	—	—	4,190	2.8	—	—	4,206	2.9
III. Retained Earnings								
Legal reserve	—	—	37		—	—	37	
Voluntary reserve	—	—	66,197		—	—	66,197	
Unappropriated retained earnings	—	—	8,154		—	—	8,720	
Total retained earnings	—	—	74,389	48.9	—	—	74,955	52.4
IV. Balance on revaluation of other Securities	—	—	219	0.1	—	—	190	0.1
Total shareholders' equity	—	—	82,304	54.1	—	—	82,874	57.9
Total liabilities and shareholders' equity	—	—	152,155	100.0	—	—	143,056	100.0

Account Item	Nine months ended December 31, 2006		Nine months ended December 31, 2005		Increase/Decrease		March 31, 2006 (Reference)	
	Amount	Comp osition ratio	Amount	Comp osition ratio	Amount	Ratio	Amount	Comp osition ratio
(Net assets)		%		%		%		%
I. Shareholders' equity								
1. Capital stock	3,521	2.2	—	—	—	—	—	—
2. Capital surplus								
Capital reserve	4,206		—	—	—	—	—	—
Total capital surplus	4,206	2.7	—	—	—	—	—	—
3. Retained earnings								
(1) Legal reserve	37		—	—	—	—	—	—
(2) Other retained earnings								
Advanced depreciation	197		—	—	—	—	—	—
General reserve	71,000		—	—	—	—	—	—
Retained earnings brought forward	9,387		—	—	—	—	—	—
Total retained earnings	80,621	51.2	—	—	—	—	—	—
Total shareholders' equity	88,350	56.1	—	—	—	—	—	—
II. Valuation and translation differences								
Balance on revaluation of other Securities	154		—	—	—	—	—	—
Total valuation and translation differences	154	0.1	—	—	—	—	—	—
Total net assets	88,505	56.2	—	—	—	—	—	—
Total liabilities and net assets	157,576	100.0	—	—	—	—	—	—

Note: Amounts rounded to the nearest million.

(2) Statements of Income (Abbreviated)

(Millions of yen)

Account Item	Nine months in the current fiscal year (From April 1, 2006 to December 31, 2006)		Nine months in the previous fiscal year (From April 1, 2005 to December 31, 2005)		Increase/Decrease		The previous fiscal year (From April 1, 2005 to March 31, 2006) (Reference)	
	Amount	Percentage	Amount	Percentage	Amount	Ratio	Amount	Percentage
I. Net sales	151,138	100.0	148,959	100.0	2,178	1.5	190,114	100.0
II. Cost of Sales	103,257	68.3	103,056	69.2	200	0.2	131,594	69.2
Gross profit	47,881	31.7	45,903	30.8	1,978	4.3	58,519	30.8
III. Selling, General and Administrative Expenses	36,115	23.9	35,432	23.8	682	1.9	47,205	24.8
Operating Income	11,765	7.8	10,470	7.0	1,295	12.4	11,314	6.0
IV. Nonoperating Income	491	0.3	579	0.4	(88)	(15.2)	798	0.4
V. Nonoperating Expenses	306	0.2	299	0.2	6	2.2	318	0.2
Ordinary Income	11,951	7.9	10,751	7.2	1,200	11.2	11,795	6.2
VI. Extraordinary Income	70	0.1	—	—	70	0.0	10	0.0
VII. Extraordinary Losses	1	0.0	392	0.2	(390)	(99.5)	486	0.3
Income before income taxes	12,019	8.0	10,358	7.0	1,661	16.0	11,318	5.9
Income taxes—current	5,529	3.7	4,768	3.2	761	16.0	5,338	2.7
Income taxes—deferred	—	—	—	—	—	—	(175)	0.0
Net Income	6,490	4.3	5,590	3.8	900	16.1	6,156	3.2
Unappropriated retained earnings brought forward	—		2,950		—		2,950	
Interim dividends	—		386		—		386	
Unappropriated retained earnings	—		8,154		—		8,720	

Note: Amounts rounded to the nearest million.

3. Statement of Change in Shareholders' Equity etc.

Nine months ended December 31, 2006 (From April 1, 2006 to December 31, 2006)

Item	Shareholders' Equity								
	Capital Stock	Capital Surplus		Legal reserve	Retained Earnings			Total retained earnings	Total shareholders' equity
		Capital reserve	Total capital surplus		Other retained Earnings				
					Advanced depreciation	General reserve	Retained earnings brought forward		
Balance as at March 31, 2006 (Millions of yen)	3,521	4,206	4,206	37	197	66,000	8,720	74,955	82,683
Change during the 3 rd quarter									
Appropriation of Unappropriated Earnings (Note)	—	—	—	—	—	—	(788)	(788)	(788)
Directors' bonuses (Note)	—	—	—	—	—	—	(35)	(35)	(35)
Special reserve (Note)	—	—	—	—	—	5,000	(5,000)	—	—
Net income as at the end of the 3 rd quarter	—	—	—	—	—	—	6,490	6,490	6,490
Change during the 3 rd quarter except for shareholders' equity (Net)									
Total Change amount during the 3 rd quarter (Millions of yen)	—	—	—	—	—	5,000	666	5,666	5,666
Balance as at December 31, 2006 (Millions of yen)	3,521	4,206	4,206	37	197	71,000	9,387	80,621	88,350

Item	Valuation and translation differences		Total net assets
	Balance on revaluation of other Securities	Total valuation and translation differences	
Balance as at March 31, 2006 (Millions of yen)	190	190	82,874
Change during the 3 rd quarter			
Appropriation of Unappropriated Earnings	—	—	(788)
Directors' bonuses (Note)	—	—	(35)
Special reserve (Note)	—	—	—
Net income as at the end of the 3 rd quarter	—	—	6,490
Change during the 3 rd quarter except for shareholders' equity (Net)	(36)	(36)	(36)
Total Change amount during the 3 rd quarter (Millions of yen)	(36)	(36)	5,630
Balance as at December 31, 2006 (Millions of yen)	154	154	88,505

(Note) Appropriation items were determined at the ordinary general meeting of shareholders held on June 29, 2006 and the Board of Directors meeting on October 20, 2006.

(4) Statement of Cash Flows (Abbreviated)

(Millions of yen)

	Nine months in the current fiscal year (From April 1, 2006 to December 31, 2006)	Nine months in the previous fiscal year (From April 1, 2005 to December 31, 2005)	The previous fiscal year (From April 1, 2005 to March 31, 2006) (Reference)
Account item	Amount	Amount	Amount
I. Cash Flows from Operating Activities			
Income before income taxes	12,019	10,358	11,318
Depreciation and amortization	2,420	2,276	3,116
Impairment loss on fixed assets	1	185	185
Amortization of intangible assets	92	101	140
Amortization of long-term prepaid expenses	55	59	79
Loss on retirement of tangible fixed assets	—	13	55
Gain on sale of tangible fixed assets	—	—	(10)
Loss on sale of tangible fixed assets	—	—	0
Loss on retirement of investment assets and other	—	1	1
Increase in allowance for doubtful account	—	4	6
Increase in reserve for employees' retirement benefits	52	127	174
Increase in reserve for directors' retirement allowances	45	14	28
Increase (decrease) in reserve for bonuses	(415)	(370)	14
Dividend and interest income	(15)	(19)	(24)
Interest expense	204	192	236
Decrease (increase) in trade receivables	(714)	(706)	(143)
Decrease (increase) in inventories	(421)	(5,731)	(4,686)
Increase (decrease) in trade payables	5,250	8,078	187
Increase (decrease) in consumption taxes payable	557	(75)	(191)
Increase in other assets	(122)	(144)	(132)
Increase in other liabilities	554	980	190
Bonuses to directors paid	(35)	(36)	(36)
Subtotal	19,528	15,310	10,510
Interest and dividends received	12	17	19
Interest paid	(219)	(192)	(257)
Income taxes paid	(5,486)	(5,713)	(5,709)
Net cash provided by operating activities	13,834	9,420	4,562
II. Cash Flows from Investing Activities:			
Payments for acquisition of tangible fixed assets	(5,870)	(7,398)	(9,015)
Proceeds from sale of tangible fixed assets	—	—	32
Payments for acquisition of intangible assets	(89)	(202)	(282)
Payments for purchase of investment securities	—	(5)	(5)
Payments for leasehold deposits and guarantee money	(160)	(330)	(477)
Proceeds from collection of leasehold deposits and guarantee money	43	84	109
Decrease (increase) in other investments	(102)	(1,392)	(1,450)
Net cash used in investing activities	(6,179)	(9,244)	(11,089)
III. Cash Flows from Financing Activities:			
Increase in short-term borrowings	3,300	2,000	—
Proceeds from long-term debt	3,500	4,000	4,000
Payments for repayment of long-term debt	(2,288)	(2,245)	(3,118)
Proceeds from issuance of shares	—	88	121
Cash dividends paid	(788)	(757)	(756)
Net cash provided by financing activities	3,722	3,084	245
IV. Net increase (decrease) in cash and cash equivalents	11,377	3,260	(6,280)
V. Cash and cash equivalents at beginning of term	5,073	11,354	11,354
VI. Cash and cash equivalents at the end of term	16,451	14,614	5,073

Note: Amounts rounded to the nearest million.

Sales by Sector

(Millions of yen)

Segment	Nine months in the current fiscal year (From April 1, 2006 to December 31, 2006)		Nine months in the previous fiscal year (From April 1, 2005 to December 31, 2005)		Y-on-Y	The previous fiscal year (From April 1, 2005 to March 31, 2006) (Reference)	
	Amount	Composition ratio	Amount	Composition ratio		Amount	Composition ratio
Hardware, DIY, Gardening	56,149	37.2	53,789	36.1	104.4	67,404	35.5
Daily Living	43,223	28.6	43,249	29.0	99.9	54,790	28.8
Furniture, Home Fashion	36,001	23.8	36,342	24.4	99.1	47,789	25.1
Other	15,763	10.4	15,577	10.5	101.2	20,129	10.6
Total	151,138	100.0	148,959	100.0	101.5	190,114	100.0

(Note) Composition according to each sector is as follows.

Hardware, DIY, Gardening	(Carpentry tools, fasteners, paint, brushes, masonry, gardening, plumbing, exterior items, timber, shelves, room accessories, hardware, trees, electrical wiring, etc.)
Daily Living	(Home-use items, seasonal goods, storage, everyday items, stationery, footwear, cooking appliances)
Furniture, Home Fashion	(Furniture, flooring, drapes, interior items, lighting, bedding)
Other	(Automotive goods, bicycles, pet goods, remodeling items, heating oil, etc.)