

**Non-Consolidated Financial Results  
for the Fiscal Year Ended March 31, 2018  
[Japanese GAAP]**

May 11, 2018

Company name: NAFCO Corporation

Stock exchange listing: Tokyo Stock Exchange

Code number: 2790

URL: <http://www.nafco.tv>

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Scheduled date of Annual General Meeting of Shareholders: June 28, 2018

Scheduled date of filing annual securities report: June 29, 2018

Scheduled date of commencing dividend payments: June 29, 2018

Availability of supplementary briefing material on annual financial results: Available

Schedule of annual financial results briefing session: Scheduled (for institutional investors and securities analysts)

(Amounts below one million yen are truncated.)

**1. Financial and Operating Results for the Fiscal Year Ended March 31, 2018 (April 1, 2017 to March 31, 2018)**

(1) Operating Results (Percentages refer to changes from the corresponding period of the preceding fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2018	225,511	(2.4)	7,654	(12.4)	8,093	(11.7)	4,380	0.5
March 31, 2017	231,040	0.5	8,733	0.3	9,170	(1.5)	4,358	(16.2)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
Fiscal year ended	Yen	Yen	%	%	%
March 31, 2018	147.06	-	3.2	3.6	3.4
March 31, 2017	146.33	-	3.3	4.1	3.8

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2018	224,507	137,503	61.2	4,616.67
As of March 31, 2017	224,327	134,202	59.8	4,505.85

(Reference) Equity: As of March 31, 2018: ¥137,503 million

As of March 31, 2017: ¥134,202 million

(3) Cash Flows

	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
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2018	12,696	(7,593)	(2,539)	24,226
March 31, 2017	15,249	(12,828)	(1,287)	21,663

## 2. Dividends

	Annual dividends					Total dividends	Payout ratio	Net asset payout ratio
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2017	-	19.00	-	19.00	38.00	1,131	26.0	0.8
March 31, 2018	-	19.00	-	19.00	38.00	1,131	25.8	0.8
Fiscal year ending March 31, 2019 (Forecast)	-	19.00	-	19.00	38.00		24.1	

## 3. Projected Operating Results for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half (Cumulative)	116,300	(0.9)	5,600	(1.1)	5,700	(3.3)	3,100	(1.5)	104.08
Full year	226,000	0.2	8,800	15.0	9,000	11.2	4,700	7.3	157.80

### \* Notes:

#### (1) Changes in accounting policies, changes in accounting estimates and retrospective restatement

- 1) Changes in accounting policies due to the revision of accounting standards: No
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

#### (2) Total number of issued shares (common shares)

##### 1) Total number of issued shares at the end of the term (including treasury stock):

March 31, 2018: 29,784,400 shares  
 March 31, 2017: 29,784,400 shares

##### 2) Total number of treasury stock at the end of the term:

March 31, 2018: 294 shares  
 March 31, 2017: 294 shares

##### 3) Average number of shares during the term:

Fiscal year ended March 31, 2018: 29,784,106 shares  
 Fiscal year ended March 31, 2017: 29,784,106 shares

\* These financial results are outside the scope of audit by a certified public accountant or an audit corporation.

### \* Explanation of the proper use of financial results forecast and other notes

- The earnings forecasts and other forward-looking statements provided herein are based on information that is currently available to the Company and certain assumptions that the Company deems reasonable, and the Company does not in any way guarantee the achievement of the projections. Actual results may differ significantly from the forecasts due to various factors. For details on the assumptions of the earnings forecasts and points to be noted in using the earnings forecasts, please refer to "1. Overview of Operating Results, etc. (1) Overview of Operating Results for the Current Fiscal Year" on page 3 of the attached document.
- The Company plans to hold a financial results briefing for institutional investors and analysts on May 14 and 15, 2018. The materials that will be used at the briefing are scheduled to be posted on our website promptly after their disclosure.

### 3. Financial Statements and Primary Notes

#### (1) Balance Sheets

(Millions of yen)

	End of Previous Fiscal year (March 31, 2017)	End of Current Fiscal year (March 31, 2018)
<b>Assets</b>		
<b>Current assets</b>		
Cash and bank deposits	24,554	27,118
Accounts receivable - trade	2,697	2,849
Merchandise in inventory	57,179	56,263
Supplies	9	4
Prepaid expenses	1,042	967
Deferred income tax assets	1,046	1,062
Accrued income	148	114
Short-term loans receivable	500	—
Current assets, other	572	526
Allowance for doubtful accounts	(3)	(1)
<b>Total current assets</b>	<b>87,748</b>	<b>88,903</b>
<b>Fixed assets</b>		
<b>Property, plant and equipment</b>		
Buildings	118,751	121,148
Accumulated depreciation	(52,904)	(56,102)
Buildings (net)	65,846	65,045
Structures	21,801	22,179
Accumulated depreciation	(15,859)	(16,720)
Structures (net)	5,941	5,458
Transportation equipment	230	199
Accumulated depreciation	(229)	(198)
Transportation equipment (net)	1	0
Tools, furniture and fixtures	8,949	9,385
Accumulated depreciation	(7,478)	(8,060)
Tools, furniture and fixtures (net)	1,471	1,324
Land	46,453	47,937
Leased assets	10,091	10,844
Accumulated depreciation	(6,973)	(7,967)
Leased assets (net)	3,118	2,876
Construction in progress	1,092	329
<b>Total property, plant and equipment</b>	<b>123,924</b>	<b>122,973</b>
<b>Intangible assets</b>		
Land lease rights	2,399	2,447
Software	103	70
Telephone subscription rights	47	47
Leased assets	321	224
Intangible assets, other	116	109
<b>Total intangible assets</b>	<b>2,988</b>	<b>2,898</b>
<b>Investments and other assets</b>		
Investment securities	351	427
Investment in affiliates' securities	21	21
Investments	0	0
Claims provable in bankruptcy, claims provable in rehabilitation and other	2	1
Long-term prepaid expenses	601	483
Deferred income tax assets	1,828	2,052
Lease deposits/guarantee deposits	6,681	6,629
Construction support money	184	119
Other	6	6

Allowance for bad debts	(11)	(10)
Total investments and other assets	9,666	9,731
Total fixed assets	136,579	135,604
Total assets	224,327	224,507
<b>Liabilities</b>		
Current liabilities		
Trade notes payable	16,256	16,210
Accounts payable - trade	14,817	15,055
Short-term borrowings	22,630	22,630
Current portion of long-term borrowings	3,002	2,724
Lease obligations	1,286	1,119
Accounts payable	4,358	4,198
Accrued income taxes payable	1,439	1,838
Consumption taxes payable	1,431	503
Advance deposits received	1,145	1,070
Deposits received	304	301
Revenue received in advance	20	27
Reserve for bonuses	1,080	1,055
Reserve for directors' bonuses	34	31
Provision for point card certificates	1,250	1,245
Notes payable - facilities	4,311	1,723
Asset retirement obligations	—	43
Current liabilities, other	249	245
Total current liabilities	73,618	70,024
Fixed liabilities		
Long-term borrowings	4,572	4,810
Lease obligations	2,224	1,882
Allowance for retirement benefits	2,950	3,164
Reserve for directors' retirement benefits	1,541	1,554
Asset retirement obligations	5,062	5,271
Fixed liabilities, other	154	297
Total fixed liabilities	16,506	16,980
Total liabilities	90,124	87,004

(Millions of yen)

	End of Previous Fiscal year (March 31, 2017)	End of Current Fiscal year (March 31, 2018)
Net assets		
Shareholders' equity		
Capital stock	3,538	3,538
Capital surplus		
Capital reserve	4,223	4,223
Total capital surplus	4,223	4,223
Retained earnings		
Legal reserve	37	37
Other retained earnings		
Reserve for advanced depreciation of non-current assets	633	630
General reserve	115,000	118,000
Retained earnings brought forward	10,667	10,918
Total retained earnings	126,338	129,586
Treasury stock	(0)	(0)
Total shareholders' equity	134,099	137,347
Valuation and translation adjustments		
Other valuation adjustments on marketable securities	103	156
Total valuation and translation adjustments	103	156
Total net assets	134,202	137,503
Total liabilities and net assets	224,327	224,507

## (2) Statements of Income

### Statements of Income

(Millions of yen)

	Previous Fiscal year (From April 1, 2016 to March 31, 2017)	Current Fiscal year (From April 1, 2017 to March 31, 2018)
Net sales	231,040	225,511
Cost of sales		
Inventories – at the beginning of the term	60,889	57,179
Purchases of merchandise	151,602	151,235
Total cost of merchandise	212,491	208,414
Inventories – at the end of the term	57,179	56,263
Total cost of sales	155,312	152,151
Gross profit	75,727	73,360
Selling, general and administrative expenses		
Advertising expense	5,061	4,239
Delivery expense	2,661	2,533
Transfer to allowance for bad debt	1	(1)
Directors' compensations, salaries and allowances	19,703	19,464
Employee bonuses	1,134	1,056
Provision of reserve for directors' bonuses	34	31
Provision of reserve for bonuses	1,080	1,055
Provision for point card certificates	(87)	(4)
Expense for retirement benefits	654	615
Provision of allowance for directors' retirement benefits	52	52
Legal welfare expense	2,725	2,691
Land and house rent	9,448	9,429
Depreciation and amortization	6,747	6,386
Heat, light and water	3,431	3,653
Security expense	1,560	1,520
Taxes other than income taxes	2,570	2,613
Other expense	10,213	10,367
Total selling, general and administrative expenses	66,994	65,705
Operating profit	8,733	7,654
Non-operating income		
Interest income	29	25
Dividend income	8	8
Rental income	218	265
Charges for ordering paperwork	52	54
Commission income	154	145
Non-operating income, other	298	297
Total non-operating income	762	797

(Millions of yen)

	Previous Fiscal year (From April 1, 2016 to March 31, 2017)	Current Fiscal year (From April 1, 2017 to March 31, 2018)
<b>Non-operating expenses</b>		
Interest expense	171	159
Cost of rental income	88	135
Other	64	63
<b>Total non-operating expenses</b>	<b>325</b>	<b>358</b>
Ordinary profit	9,170	8,093
<b>Extraordinary income</b>		
Gain on sale of fixed assets	1	1
Insurance received	86	16
Reversal of asset retirement obligations	—	14
<b>Total extraordinary income</b>	<b>88</b>	<b>32</b>
<b>Extraordinary losses</b>		
Loss on disposal of fixed assets	48	122
Impairment loss	959	680
Loss on disaster	1,048	—
Other	26	115
<b>Total extraordinary losses</b>	<b>2,082</b>	<b>917</b>
Income before income taxes	7,176	7,208
Income tax, inhabitant tax and enterprise tax	2,988	3,091
Deferred income taxes	(170)	(262)
<b>Total income taxes</b>	<b>2,818</b>	<b>2,828</b>
Net income	4,358	4,380

### (3) Statements of Changes in Net Assets

Previous Fiscal Year (From April 1, 2016 to March 31, 2017)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal reserve	Retained earnings			Total retained earnings
		Capital reserve	Total capital surplus		Other retained earnings			
				Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward		
Balance at beginning of the term	3,538	4,223	4,223	37	638	112,000	10,436	123,111
Changes of items during the term								
Reserve for advanced depreciation of non-current assets					(4)		4	—
General reserve						3,000	(3,000)	—
Dividends of surplus							(1,131)	(1,131)
Net income							4,358	4,358
Net changes of items other than shareholders' equity								
Total changes of items during the term	—	—	—	—	(4)	3,000	231	3,226
Balance at the end of the term	3,538	4,223	4,223	37	633	115,000	10,667	126,338

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Other valuation adjustments on marketable securities	Total valuation and translation adjustments	
Balance at beginning of the term	(0)	130,872	75	75	130,948
Changes of items during the term					
Reserve for advanced depreciation of non-current assets		—			—
General reserve		—			—
Dividends of surplus		(1,131)			(1,131)
Net income		4,358			4,358
Net changes of items other than shareholders' equity			28	28	28
Total changes of items during the term	—	3,226	28	28	3,254
Balance at the end of the term	(0)	134,099	103	103	134,202



Current Fiscal Year (From April 1, 2017 to March 31, 2018)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal reserve	Retained earnings			Total retained earnings
		Capital reserve	Total capital surplus		Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of the term	3,538	4,223	4,223	37	633	115,000	10,667	126,338
Changes of items during the term								
Reserve for advanced depreciation of non-current assets					(3)		3	—
General reserve						3,000	(3,000)	—
Dividends of surplus							(1,131)	(1,131)
Net income							4,380	4,380
Net changes of items other than shareholders' equity								
Total changes of items during the term	—	—	—	—	(3)	3,000	251	3,248
Balance at the end of the term	3,538	4,223	4,223	37	630	118,000	10,918	129,586

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury stock	Total shareholders' equity	Other valuation adjustments on marketable securities	Total valuation and translation adjustments	
Balance at beginning of the term	(0)	134,099	103	103	134,202
Changes of items during the term					
Reserve for advanced depreciation of non-current assets		—			—
General reserve		—			—
Dividends of surplus		(1,131)			(1,131)
Net income		4,380			4,380
Net changes of items other than shareholders' equity			52	52	52
Total changes of items during the term	—	3,248	52	52	3,300
Balance at the end of the term	(0)	137,347	156	156	137,503

## (4) Statements of Cash Flows

(Millions of yen)

	Previous Fiscal year (From April 1, 2016 to March 31, 2017)	Current Fiscal year (From April 1, 2017 to March 31, 2018)
<b>Cash flows from operating activities</b>		
Profit before income taxes	7,176	7,208
Depreciation and amortization	6,500	6,144
Impairment loss	959	680
Amortization of intangible fixed assets	179	186
Loss on amortization of long-term prepaid expenses	78	72
Loss on disposal of tangible fixed assets	48	122
Loss (gain) on sale of tangible fixed assets	(1)	(1)
Other extraordinary loss (income)	26	115
Reversal of asset retirement obligations	—	(14)
Increase (decrease) in allowance for doubtful accounts	10	(1)
Increase (decrease) in reserve for retirement benefits	196	213
Increase (decrease) in reserve for directors' retirement allowances	49	13
Increase (decrease) in reserve for directors' bonuses	0	(3)
Increase (decrease) in reserve for bonuses	20	(24)
Increase (decrease) in reserve for point card certificates	(87)	(4)
Interest and dividend income	(38)	(34)
Insurance income	(86)	(16)
Interest expense	171	159
Loss on disaster	1,048	—
Decrease (increase) in trade receivables	42	(226)
Decrease (increase) in inventories	3,305	920
Increase (decrease) in trade payables	(1,178)	191
Increase (decrease) in consumption taxes payable	1,653	(862)
Decrease (increase) in other assets	(35)	142
Increase (decrease) in other liabilities	55	427
Other	6	(25)
Subtotal	20,101	15,378
Interest and dividend income received	34	35
Proceeds from insurance income	86	16
Interest expenses paid	(171)	(153)
Payments for loss on disaster	(602)	—
Income taxes paid	(4,199)	(2,580)
Net cash provided by (used in) operating activities	15,249	12,696

(Millions of yen)

	Previous Fiscal year (From April 1, 2016 to March 31, 2017)	Current Fiscal year (From April 1, 2017 to March 31, 2018)
<b>Cash flows from investing activities</b>		
Payments for acquisition of tangible fixed assets	(12,856)	(7,985)
Proceeds from sale of tangible fixed assets	1	2
Payments for acquisition of intangible fixed assets	(162)	(86)
Payments for disposal of fixed assets	(12)	(111)
Payments for asset retirement obligations	(50)	(29)
Collection of loans receivable	—	500
Payments for leasehold deposits and guarantee money	(85)	(67)
Proceeds from collection of leasehold deposits and guarantee money	194	79
Decrease (increase) in other investments	142	106
Net cash provided by (used in) investing activities	(12,828)	(7,593)
<b>Cash flows from financing activities</b>		
Proceeds from long-term debt	4,000	3,000
Payment for repayment of long-term debt	(2,739)	(3,039)
Repayments of lease obligations	(1,416)	(1,368)
Cash dividends paid	(1,131)	(1,131)
Net cash provided by (used in) financing activities	(1,287)	(2,539)
Net increase (decrease) in cash and cash equivalents	1,133	2,562
Cash and cash equivalents at beginning of term	20,529	21,663
Cash and cash equivalents at the end of term	21,663	24,226