

**Non-Consolidated Financial Results
for the Six Months Ended September 30, 2019
[Japanese GAAP]**

November 8, 2019

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 filing quarterly securities report: November 8, 2019

Scheduled date of commencing dividend payments: December 6, 2019

Availability of supplementary briefing material on quarterly financial results: Not available

Schedule of quarterly 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 Six Months Ended September 30, 2019 (April 1, 2019 to September 30, 2019)

(1) Operating Results (cumulative)

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

	Net sales		Operating income		Ordinary income		Net income	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2019	115,677	0.4	5,380	10.7	5,647	10.7	3,280	28.4
September 30, 2018	115,268	(1.8)	4,860	(14.2)	5,104	(13.4)	2,554	(18.8)

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2019	114.84	-
September 30, 2018	88.81	-

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2019	226,178	141,234	62.4	4,944.69
As of March 31, 2019	222,501	138,540	62.3	4,850.37

(Reference) Equity: As of September 30, 2019: ¥141,234 million

As of March 31, 2019: ¥138,540 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2019	Yen -	Yen 19.00	Yen -	Yen 19.00	Yen 38.00
Fiscal year ending March 31, 2020	-	19.00			
Fiscal year ending March 31, 2020 (Forecast)			-	19.00	38.00

(Note) Revision from the most recently announced dividend forecast: None

3. Projected Operating Results for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(% 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
Full year	224,997	0.8	8,426	20.4	8,971	19.2	4,781	5.8	167.38

(Note) Revision from the most recently announced projected operating results: None

* Notes:

(1) Accounting policies adopted specifically for the preparation of quarterly financial statements: Yes

(Note) For details please refer to “2. Quarterly Financial Statements and Primary Notes (4) Notes on Quarterly Financial Statements (Accounting policies adopted specifically for the preparation of quarterly financial statements)” on page 9 of the attached document.

(2) 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

(3) Total number of issued shares (common shares)

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

September 30, 2019: 29,784,400 shares

March 31, 2019: 29,784,400 shares

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

September 30, 2019: 1,221,594 shares

March 31, 2019: 1,221,594 shares

3) Average number of shares during the term:

Six months ended September 30, 2019: 28,562,806 shares

Six months ended September 30, 2018: 28,766,356 shares

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

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

(Cautionary note on forward-looking statement)

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. Qualitative Information on Quarterly Financial Results (3) Explanation of Forecast of Performance Results and Other Forward-Looking Information” on page 3 of the attached document.

2. Financial Statements and Primary Notes

(1) Balance Sheets

(Millions of yen)

	End of Previous Fiscal year (March 31, 2019)	End of Second Quarter of Current Fiscal Year (September 30, 2019)
Assets		
Current assets		
Cash and deposits	23,088	27,022
Accounts receivable - trade	3,312	3,374
Merchandise	57,619	57,168
Other	1,562	1,834
Allowance for doubtful accounts	(1)	(3)
Total current assets	85,581	89,396
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	69,493	69,740
Land	48,685	48,685
Construction in progress	1,003	526
Other, net	4,161	4,335
Total property, plant and equipment	123,344	123,287
Intangible assets	2,915	2,963
Investments and other assets	10,660	10,530
Total non-current assets	136,920	136,781
Total assets	222,501	226,178
Liabilities		
Current liabilities		
Notes and accounts payable - trade	30,494	31,094
Short-term borrowings	22,465	21,235
Current portion of long-term borrowings	1,896	1,621
Income taxes payable	1,071	2,316
Accounts payable - other	4,260	4,020
Notes payable - facilities	3,861	3,635
Provision for bonuses	1,010	1,023
Provision for bonuses for directors (and other officers)	26	—
Provision for point card certificates	1,199	1,207
Asset retirement obligations	46	158
Other	3,001	4,298
Total current liabilities	69,333	70,611
Non-current liabilities		
Long-term borrowings	2,914	2,541
Provision for retirement benefits	3,162	3,146
Provision for retirement benefits for directors (and other officers)	975	968
Asset retirement obligations	5,405	5,451
Other	2,169	2,224
Total non-current liabilities	14,628	14,332
Total liabilities	83,961	84,944

(Millions of yen)

	End of Previous Fiscal year (March 31, 2019)	End of Second Quarter of Current Fiscal Year (September 30, 2019)
Net assets		
Shareholders' equity		
Share capital	3,538	3,538
Capital surplus	4,223	4,223
Retained earnings	132,996	135,734
Treasury shares	(2,350)	(2,350)
Total shareholders' equity	138,407	141,145
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	132	89
Total valuation and translation adjustments	132	89
Total net assets	138,540	141,234
Total liabilities and net assets	222,501	226,178

(2) Statements of Income
Statements of Income

(Millions of yen)

	Six Months Ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six Months Ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Net sales	115,268	115,677
Cost of sales	78,083	77,871
Gross profit	37,184	37,806
Selling, general and administrative expenses	32,324	32,426
Operating profit	4,860	5,380
Non-operating income		
Interest income	2	0
Dividend income	6	7
Commission income	73	94
Rental income from buildings	164	230
Insurance claim income	79	25
Other	103	129
Total non-operating income	430	487
Non-operating expenses		
Interest expenses	76	70
Rental cost on real estate	75	90
Loss on disaster	28	44
Other	5	13
Total non-operating expenses	186	219
Ordinary profit	5,104	5,647
Extraordinary income		
Gain on sales of non-current assets	94	4
Insurance claim income	267	—
Reversal of asset retirement obligations	22	—
Total extraordinary income	384	4
Extraordinary losses		
Loss on retirement of non-current assets	11	41
Impairment loss	311	248
Loss on disaster	691	—
Retirement benefits for directors (and other officers)	290	—
Loss on cancellation of rental contracts	—	28
Other	16	0
Total extraordinary losses	1,321	318
Profit before income taxes	4,167	5,333
Income taxes	1,612	2,053
Profit	2,554	3,280

(3) Statements of Cash Flows

(Millions of yen)

	Six Months Ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six Months Ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Profit before income taxes	4,167	5,333
Depreciation	2,862	2,907
Impairment loss	311	248
Amortization of intangible assets	75	73
Amortization of long-term prepaid expenses	34	33
Loss on retirement of property, plant and equipment	11	41
Loss (gain) on sales of property, plant and equipment	(94)	(4)
Loss on cancellation of rental contracts	—	28
Other extraordinary loss (income)	16	0
Reversal of asset retirement obligations	(22)	—
Increase (decrease) in allowance for doubtful accounts	(0)	1
Increase (decrease) in provision for retirement benefits	57	(15)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(598)	(7)
Increase (decrease) in provision for bonuses for directors (and other officers)	(31)	(26)
Increase (decrease) in provision for bonuses	21	13
Increase (decrease) in provision for point card certificates	(24)	7
Interest and dividend income	(9)	(7)
Insurance claim income	(267)	—
Interest expenses	76	70
Loss on disaster	691	—
Decrease (increase) in trade receivables	(25)	844
Decrease (increase) in inventories	(419)	411
Increase (decrease) in trade payables	(162)	603
Increase (decrease) in accrued consumption taxes	153	576
Decrease (increase) in other assets	(144)	(230)
Increase (decrease) in other liabilities	1,015	(475)
Other, net	(23)	(3)
Subtotal	7,673	10,425
Interest and dividends received	7	7
Proceeds from insurance income	267	—
Interest paid	(76)	(73)
Payments associated with disaster loss	(115)	—
Income taxes paid	(1,572)	(830)
Net cash provided by (used in) operating activities	6,183	9,529

(Millions of yen)

	Six Months Ended September 30, 2018 (From April 1, 2018 to September 30, 2018)	Six Months Ended September 30, 2019 (From April 1, 2019 to September 30, 2019)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,512)	(2,462)
Proceeds from sales of property, plant and equipment	171	4
Purchase of intangible assets	(51)	(100)
Payments for retirement of non-current assets	(11)	(38)
Payments for asset retirement obligations	(29)	—
Payments of leasehold and guarantee deposits	(38)	(5)
Proceeds from refund of leasehold and guarantee deposits	117	22
Decrease (increase) in other investments	(33)	(46)
Net cash provided by (used in) investing activities	(2,387)	(2,626)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	—	(1,230)
Proceeds from long-term borrowings	—	500
Repayments of long-term borrowings	(1,569)	(1,148)
Repayments of lease obligations	(612)	(603)
Purchase of treasury shares	(2,350)	—
Dividends paid	(565)	(542)
Net cash provided by (used in) financing activities	(5,098)	(3,023)
Net increase (decrease) in cash and cash equivalents	(1,301)	3,879
Cash and cash equivalents at beginning of period	24,226	20,196
Cash and cash equivalents at end of period	22,924	24,075