

**Non-Consolidated Financial Results
for the Fiscal Year Ended March 31, 2020
[Japanese GAAP]**

May 8, 2020

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 25, 2020

Scheduled date of filing annual securities report: June 26, 2020

Scheduled date of commencing dividend payments: June 26, 2020

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, 2020
(April 1, 2019 to March 31, 2020)**

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

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2020	217,753	(2.5)	8,319	18.9	8,964	19.1	4,941	9.4
March 31, 2019	223,246	(1.0)	6,997	(8.6)	7,525	(7.0)	4,518	3.2

	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, 2020	173.01	–	3.5	4.0	3.8
March 31, 2019	157.65	–	3.3	3.4	3.1

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	221,037	142,324	64.4	4,982.87
As of March 31, 2019	222,501	138,540	62.3	4,850.37

(Reference) Equity: As of March 31, 2020: ¥142,324 million

As of March 31, 2019: ¥138,540 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, 2020	11,885	(5,415)	(5,368)	21,297
March 31, 2019	7,115	(3,607)	(7,537)	20,196

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, 2019	-	19.00	-	19.00	38.00	1,085	24.1	0.8
March 31, 2020	-	19.00	-	20.00	39.00	1,113	22.5	0.8
Fiscal year ending March 31, 2021 (Forecast)	-	20.00	-	20.00	40.00			

3. Projected Operating Results for the Fiscal Year Ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(% 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)	116,000	0.3	5,400	0.4	5,700	0.9	3,300	0.6	115.53
Full year	218,000	0.1	8,400	1.0	9,000	0.4	5,000	1.2	175.05

* 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, 2020: 29,784,400 shares
 March 31, 2019: 29,784,400 shares

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

- March 31, 2020: 1,221,670 shares
 March 31, 2019: 1,221,594 shares

- 3) Average number of shares during the term:

- Fiscal year ended March 31, 2020: 28,562,781 shares
 Fiscal year ended March 31, 2019: 28,664,581 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.

3. Financial Statements and Primary Notes

(1) Balance Sheets

(Millions of yen)

	End of Previous Fiscal year (March 31, 2019)	End of Current Fiscal year (March 31, 2020)
Assets		
Current assets		
Cash and deposits	23,088	24,190
Accounts receivable - trade	3,312	2,952
Merchandise	57,619	57,068
Supplies	2	7
Prepaid expenses	940	905
Accounts receivable - other	104	101
Other	515	515
Allowance for doubtful accounts	(1)	(2)
Total current assets	85,581	85,738
Non-current assets		
Property, plant and equipment		
Buildings	123,298	125,493
Accumulated depreciation	(58,800)	(61,473)
Buildings, net	64,497	64,019
Structures	22,398	22,759
Accumulated depreciation	(17,402)	(18,079)
Structures, net	4,996	4,680
Vehicles	92	5
Accumulated depreciation	(92)	(5)
Vehicles, net	0	0
Tools, furniture and fixtures	9,951	10,331
Accumulated depreciation	(8,516)	(9,037)
Tools, furniture and fixtures, net	1,435	1,293
Land	48,685	48,580
Leased assets	11,649	12,444
Accumulated depreciation	(8,923)	(9,957)
Leased assets, net	2,726	2,487
Construction in progress	1,003	239
Total property, plant and equipment	123,344	121,301
Intangible assets		
Leasehold interests in land	2,444	2,481
Software	85	137
Telephone subscription right	47	47
Leased assets	198	287
Other	139	105
Total intangible assets	2,915	3,059
Investments and other assets		
Investment securities	393	240
Shares of subsidiaries and associates	21	21
Investments in capital	0	0
Distressed receivables	1	1
Long-term prepaid expenses	550	448
Deferred tax assets	3,175	3,674
Leasehold and guarantee deposits	6,470	6,521
Construction assistance fund receivables	52	33
Other	6	7
Allowance for doubtful accounts	(10)	(10)
Total investments and other assets	10,660	10,937

(Millions of yen)

	End of Previous Fiscal year (March 31, 2019)	End of Current Fiscal year (March 31, 2020)
Total non-current assets	136,920	135,298
Total assets	222,501	221,037
Liabilities		
Current liabilities		
Notes payable - trade	16,412	15,104
Accounts payable - trade	14,081	13,012
Short-term borrowings	22,465	20,905
Current portion of long-term borrowings	1,896	1,496
Lease obligations	1,083	996
Accounts payable - other	4,260	3,904
Income taxes payable	1,071	2,237
Accrued consumption taxes	205	1,204
Advance deposits received	1,123	922
Deposits received	310	338
Unearned revenue	35	44
Provision for bonuses	1,010	1,003
Provision for bonuses for directors (and other officers)	26	28
Provision for point card certificates	1,199	1,179
Notes payable – facilities	3,861	2,112
Asset retirement obligations	46	119
Other	243	331
Total current liabilities	69,333	64,939
Non-current liabilities		
Long-term borrowings	2,914	1,793
Lease obligations	1,726	1,746
Provision for retirement benefits	3,162	3,148
Provision for retirement benefits for directors (and other officers)	975	1,028
Asset retirement obligations	5,405	5,620
Other	442	435
Total non-current liabilities	14,628	13,773
Total liabilities	83,961	78,713

(Millions of yen)

	End of Previous Fiscal year (March 31, 2019)	End of Current Fiscal Year (March 31, 2020)
Net assets		
Shareholders' equity		
Share capital	3,538	3,538
Capital surplus		
Legal capital surplus	4,223	4,223
Total capital surpluses	4,223	4,223
Retained earnings		
Legal retained earnings	37	37
Other retained earnings		
Reserve for tax purpose reduction entry of non-current assets	627	620
General reserve	121,000	124,000
Retained earnings brought forward	11,332	12,195
Total retained earnings	132,996	136,853
Treasury shares	(2,350)	(2,350)
Total shareholders' equity	138,407	142,263
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	132	60
Total valuation and translation adjustments	132	60
Total net assets	138,540	142,324
Total liabilities and net assets	222,501	221,037

(2) Statements of Income
Statements of Income

(Millions of yen)

	Previous Fiscal Year (From April 1, 2018 to March 31, 2019)	Current Fiscal Year (From April 1, 2019 to March 31, 2020)
Net sales	223,246	217,753
Cost of sales		
Beginning merchandise inventory	56,263	57,619
Cost of purchased goods	152,949	145,496
Total	209,212	203,116
Ending merchandise inventory	57,619	57,068
Total cost of sales	151,592	146,047
Gross profit	71,653	71,705
Selling, general and administrative expenses	64,655	63,386
Operating profit	6,997	8,319
Non-operating income		
Interest income	2	0
Dividend income	9	10
Rental income	356	474
Administrative service fee income	56	52
Commission income	140	177
Insurance claim income	169	289
Other	209	155
Total non-operating income	944	1,161
Non-operating expenses		
Interest expenses	148	139
Rental costs	152	184
Loss on disaster	103	161
Other	11	31
Total non-operating expenses	416	516
Ordinary profit	7,525	8,964
Extraordinary income		
Gain on sales of non-current assets	347	20
Insurance claim income	1,020	-
Reversal of asset retirement obligations	22	-
Total extraordinary income	1,390	20
Extraordinary losses		
Loss on retirement of non-current assets	63	97
Impairment loss	692	1,170
Loss on disaster	809	-
Retirement benefits for directors (and other officers)	290	-
Loss on cancellation of rental contracts	217	28
Other	29	49
Total extraordinary losses	2,103	1,345
Profit before income taxes	6,812	7,639
Income taxes - current	2,344	3,164
Income taxes - deferred	(50)	(467)
Total income taxes	2,293	2,697
Profit	4,518	4,941

(3) Statements of Changes in Net Assets

Previous Fiscal Year (From April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings			
					Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of period	3,538	4,223	4,223	37	630	118,000	10,918	129,586
Changes during period								
Provision of reserve for tax purpose reduction entry of non-current assets					(3)		3	—
Provision of general reserve						3,000	(3,000)	—
Dividends of surplus							(1,108)	(1,108)
Profit							4,518	4,518
Purchase of treasury shares								
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	(3)	3,000	413	3,410
Balance at end of period	3,538	4,223	4,223	37	627	121,000	11,332	132,996

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(0)	137,347	156	156	137,503
Changes during period					
Provision of reserve for tax purpose reduction entry of non-current assets		—			—
Provision of general reserve		—			—
Dividends of surplus		(1,108)			(1,108)
Profit		4,518			4,518
Purchase of treasury shares	(2,350)	(2,350)			(2,350)
Net changes in items other than shareholders' equity			(23)	(23)	(23)
Total changes during period	(2,350)	1,060	(23)	(23)	1,036
Balance at end of period	(2,350)	138,407	132	132	138,540

Current Fiscal Year (From April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity							
	Share capital	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Reserve for tax purpose reduction entry of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of period	3,538	4,223	4,223	37	627	121,000	11,332	132,996
Changes during period								
Provision of reserve for tax purpose reduction entry of non-current assets					(6)		6	—
Provision of general reserve						3,000	(3,000)	—
Dividends of surplus							(1,085)	(1,085)
Profit							4,941	4,941
Purchase of treasury shares								
Net changes in items other than shareholders' equity								
Total changes during period	—	—	—	—	(6)	3,000	863	3,856
Balance at end of period	3,538	4,223	4,223	37	620	124,000	12,195	136,853

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(2,350)	138,407	132	132	138,540
Changes during period					
Provision of reserve for tax purpose reduction entry of non-current assets		—			—
Provision of general reserve		—			—
Dividends of surplus		(1,085)			(1,085)
Profit		4,941			4,941
Purchase of treasury shares	(0)	(0)			(0)
Net changes in items other than shareholders' equity			(72)	(72)	(72)
Total changes during period	(0)	3,856	(72)	(72)	3,784
Balance at end of period	(2,350)	142,263	60	60	142,324

(4) Statements of Cash Flows

(Millions of yen)

	Previous Fiscal Year (From April 1, 2018 to March 31, 2019)	Current Fiscal Year (From April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	6,812	7,639
Depreciation	5,896	5,925
Impairment loss	692	1,170
Amortization of intangible assets	148	165
Amortization of long-term prepaid expenses	68	64
Loss on retirement of property, plant and equipment	63	97
Loss (gain) on sales of property, plant and equipment	(347)	(20)
Other extraordinary loss (income)	29	77
Reversal of asset retirement obligations	(22)	-
Increase (decrease) in allowance for doubtful accounts	(0)	1
Increase (decrease) in provision for retirement benefits	(1)	(13)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(578)	52
Increase (decrease) in provision for bonuses for directors (and other officers)	(4)	1
Increase (decrease) in provision for bonuses	(45)	(7)
Increase (decrease) in provision for point card certificates	(45)	(20)
Interest and dividend income	(12)	(10)
Insurance claim income	(1,020)	-
Interest expenses	148	139
Loss due disaster	809	-
Decrease (increase) in trade receivables	(404)	159
Decrease (increase) in inventories	(1,740)	500
Increase (decrease) in trade payables	(763)	(2,371)
Increase (decrease) in accrued consumption taxes	(226)	1,102
Decrease (increase) in other assets	52	86
Increase (decrease) in other liabilities	213	(462)
Other, net	(4)	1
Subtotal	9,719	14,280
Interest and dividends received	10	10
Proceeds from insurance income	1,020	-
Interest paid	(150)	(141)
Payments associated with disaster loss	(380)	-
Income taxes paid	(3,103)	(2,263)
Net cash provided by (used in) operating activities	7,115	11,885

(Millions of yen)

	Previous Fiscal Year (From April 1, 2018 to March 31, 2019)	Current Fiscal Year (From April 1, 2019 to March 31, 2020)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,236)	(5,143)
Proceeds from sales of property, plant and equipment	805	111
Purchase of intangible assets	(119)	(181)
Payments for retirement of non-current assets	(56)	(89)
Payments for asset retirement obligations	(89)	(85)
Payments of leasehold and guarantee deposits	(102)	(181)
Proceeds from refund of leasehold and guarantee deposits	259	101
Decrease (increase) in other investments	(67)	52
Net cash provided by (used in) investing activities	(3,607)	(5,415)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(165)	(1,560)
Proceeds from long-term borrowings	-	500
Repayments of long-term borrowings	(2,724)	(2,021)
Repayments of lease obligations	(1,189)	(1,202)
Purchase of treasury shares	(2,350)	(0)
Dividends paid	(1,108)	(1,084)
Net cash provided by (used in) financing activities	(7,537)	(5,368)
Net increase (decrease) in cash and cash equivalents	(4,029)	1,101
Cash and cash equivalents at beginning of period	24,226	20,196
Cash and cash equivalents at end of period	20,196	21,297