

**Non-Consolidated Financial Results
for the Six Months Ended September 30, 2020
[Japanese GAAP]**

October 30, 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 filing quarterly securities report: November 6, 2020

Scheduled date of commencing dividend payments: December 4, 2020

Availability of supplementary briefing material on quarterly financial results: 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, 2020 (April 1, 2020 to September 30, 2020)

(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, 2020	126,865	9.7	13,711	154.8	13,910	146.3	8,465	158.1
September 30, 2019	115,677	0.4	5,380	10.7	5,647	10.7	3,280	28.4

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2020	296.40	-
September 30, 2019	114.84	-

(2) Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2020	236,542	150,231	63.5	5,259.71
As of March 31, 2020	221,037	142,324	64.4	4,982.87

(Reference) Equity: As of September 30, 2020: ¥150,231 million

As of March 31, 2020: ¥142,324 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2020	Yen -	Yen 19.00	Yen -	Yen 20.00	Yen 39.00
Fiscal year ending March 31, 2021	-	23.00			
Fiscal year ending March 31, 2021 (Forecast)			-	20.00	43.00

(Note) Revision from the most recently announced dividend forecast: Yes

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
Full year	238,000	9.3	19,800	138.0	20,300	126.5	12,100	144.8	423.63

(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, 2020: 29,784,400 shares

March 31, 2020: 29,784,400 shares

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

September 30, 2020: 1,221,774 shares

March 31, 2020: 1,221,670 shares

3) Average number of shares during the term:

Six months ended September 30, 2020: 28,562,666 shares

Six months ended September 30, 2019: 28,562,806 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, 2020)	End of Second Quarter of Current Fiscal Year (September 30, 2020)
Assets		
Current assets		
Cash and deposits	24,190	42,472
Accounts receivable - trade	2,952	3,195
Merchandise	57,068	55,176
Other	1,528	1,797
Allowance for doubtful accounts	(2)	(4)
Total current assets	85,738	102,637
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	68,700	67,159
Land	48,580	48,580
Construction in progress	239	816
Other, net	3,781	3,544
Total property, plant and equipment	121,301	120,100
Intangible assets	3,059	3,068
Investments and other assets	10,937	10,735
Total non-current assets	135,298	133,904
Total assets	221,037	236,542
Liabilities		
Current liabilities		
Notes and accounts payable - trade	28,116	33,754
Short-term borrowings	20,905	20,575
Current portion of long-term borrowings	1,496	1,482
Income taxes payable	2,237	5,511
Accounts payable - other	3,904	3,616
Notes payable - facilities	2,112	2,000
Provision for bonuses	1,003	1,005
Provision for bonuses for directors (and other officers)	28	—
Provision for point card certificates	1,179	1,072
Asset retirement obligations	119	12
Other	3,837	4,903
Total current liabilities	64,939	73,935
Non-current liabilities		
Long-term borrowings	1,793	1,058
Provision for retirement benefits	3,148	3,128
Provision for retirement benefits for directors (and other officers)	1,028	354
Asset retirement obligations	5,620	5,644
Other	2,181	2,189
Total non-current liabilities	13,773	12,375
Total liabilities	78,713	86,310

(Millions of yen)

	End of Previous Fiscal year (March 31, 2020)	End of Second Quarter of Current Fiscal Year (September 30, 2020)
Net assets		
Shareholders' equity		
Share capital	3,538	3,538
Capital surplus	4,223	4,223
Retained earnings	136,853	144,748
Treasury shares	(2,350)	(2,350)
Total shareholders' equity	142,263	150,158
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	60	72
Total valuation and translation adjustments	60	72
Total net assets	142,324	150,231
Total liabilities and net assets	221,037	236,542

(2) Statements of Income
Statements of Income

(Millions of yen)

	Six Months Ended September 30, 2019 (From April 1, 2019 to September 30, 2019)	Six Months Ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
Net sales	115,677	126,865
Cost of sales	77,871	82,808
Gross profit	37,806	44,057
Selling, general and administrative expenses	32,426	30,346
Operating profit	5,380	13,711
Non-operating income		
Interest income	0	0
Dividend income	7	7
Commission income	94	93
Rental income from buildings	230	249
Insurance claim income	25	27
Other	129	78
Total non-operating income	487	455
Non-operating expenses		
Interest expenses	70	61
Rental costs on real estate	90	94
Loss on disaster	44	81
Other	13	18
Total non-operating expenses	219	256
Ordinary profit	5,647	13,910
Extraordinary income		
Gain on sales of non-current assets	4	—
Insurance claim income	—	13
Total extraordinary income	4	13
Extraordinary losses		
Loss on retirement of non-current assets	41	27
Impairment loss	248	—
Loss on disaster	—	197
Loss on cancellation of rental contracts	28	—
Other	0	—
Total extraordinary losses	318	224
Profit before income taxes	5,333	13,699
Income taxes	2,053	5,233
Profit	3,280	8,465

(3) Statements of Cash Flows

(Millions of yen)

	Six Months Ended September 30, 2019 (From April 1, 2019 to September 30, 2019)	Six Months Ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
Cash flows from operating activities		
Profit before income taxes	5,333	13,699
Depreciation	2,907	2,734
Impairment loss	248	—
Amortization of intangible assets	73	75
Amortization of long-term prepaid expenses	33	29
Loss on retirement of property, plant and equipment	41	27
Loss (gain) on sales of property, plant and equipment	(4)	—
Loss on cancellation of rental contracts	28	—
Other extraordinary loss (income)	0	—
Increase (decrease) in allowance for doubtful accounts	1	1
Increase (decrease) in provision for retirement benefits	(15)	(20)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(7)	(673)
Increase (decrease) in provision for bonuses for directors (and other officers)	(26)	(28)
Increase (decrease) in provision for bonuses	13	2
Increase (decrease) in provision for point card certificates	7	(106)
Interest and dividend income	(7)	(7)
Insurance claim income	—	(13)
Interest expenses	70	61
Loss on disaster	—	197
Decrease (increase) in trade receivables	844	65
Decrease (increase) in inventories	411	1,789
Increase (decrease) in trade payables	603	5,641
Increase (decrease) in accrued consumption taxes	576	945
Decrease (increase) in other assets	(230)	(265)
Increase (decrease) in other liabilities	(475)	211
Other, net	(3)	5
Subtotal	10,425	24,371
Interest and dividends received	7	7
Proceeds from insurance income	—	13
Interest paid	(73)	(61)
Payments associated with disaster loss	—	(9)
Income taxes paid	(830)	(1,968)
Net cash provided by (used in) operating activities	9,529	22,352

(Millions of yen)

	Six Months Ended September 30, 2019 (From April 1, 2019 to September 30, 2019)	Six Months Ended September 30, 2020 (From April 1, 2020 to September 30, 2020)
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,462)	(1,878)
Proceeds from sales of property, plant and equipment	4	—
Purchase of intangible assets	(100)	(28)
Payments for retirement of non-current assets	(38)	(24)
Payments for asset retirement obligations	—	(111)
Payments of leasehold and guarantee deposits	(5)	(110)
Proceeds from refund of leasehold and guarantee deposits	22	252
Decrease (increase) in other investments	(46)	(10)
Net cash provided by (used in) investing activities	(2,626)	(1,912)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,230)	(330)
Proceeds from long-term borrowings	500	—
Repayments of long-term borrowings	(1,148)	(748)
Repayments of lease obligations	(603)	(563)
Purchase of treasury shares	—	(0)
Dividends paid	(542)	(571)
Net cash provided by (used in) financing activities	(3,023)	(2,212)
Net increase (decrease) in cash and cash equivalents	3,879	18,227
Cash and cash equivalents at beginning of period	20,196	21,297
Cash and cash equivalents at end of period	24,075	39,525