

Financial Results Briefing Material for the Fiscal Year Ended March 31, 2022

May 2, 2022
NAFCO Corporation
(Securities Code: 2790)

Summary of Financial Results for the Fiscal Year Ended March 31, 2022

- **Net sales decreased due to repercussions from the demand created by “countermeasure against COVID-19 infection” and “special cash payments” in the previous year, in addition to sluggish sales of winter products.**
- **The composition of materials, DIY and gardening merchandises, which is our main sector, further increased.**
- **Private brand ratio exceeded 40%, and gross profit margin rose to a record high of 34.8%.**
- **Operating profit, ordinary profit, and profit decreased, but increased significantly compared to 2 years earlier.**

Statements of Income for the Fiscal Year Ended March 31, 2022

*The Company has applied "Accounting Standard for Revenue Recognition" and others since the beginning of the fiscal year ended March 31, 2022. The figures before the application of such Standard and others are presented based on the disclosed figures before the application.

(Millions of yen)

	Fiscal Year Ended March 31, 2021	% of sales	Fiscal Year Ended March 31, 2022	% of sales	YoY Change (reference)	Compared to the same period 2 years earlier (reference)
Net Sales	234,578	100.0%	206,549	100.0%	88.1%	94.9%
Gross profit	80,726	34.4%	71,809	34.8%	89.0%	100.1%
Operating gross profit	80,726	34.4%	72,138	34.9%	89.4%	100.6%
Selling, general and administrative expenses	62,504	26.6%	60,136	29.1%	96.2%	94.9%
Operating profit	18,221	7.8%	12,002	5.8%	65.9%	144.3%
Ordinary profit	18,918	8.1%	12,572	6.1%	66.5%	140.3%
Profit	11,688	5.0%	7,961	3.9%	68.1%	161.1%

[Amount Impacted by the Adoption of Accounting Standard for Revenue Recognition, etc.]

Net sales decreased by ¥7,176 million, gross profit decreased by ¥2,590 million, and operating revenue increased by ¥328 million. In addition, selling, general and administrative expenses decreased by ¥2,215 million, and operating profit, ordinary profit and profit each decreased by ¥46 million.

Balance Sheets

(Millions of yen)

	Fiscal Year Ended March 31, 2020	Fiscal Year Ended March 31, 2021	Fiscal Year Ended March 31, 2022	Change From the End of the Previous Fiscal Year
Total assets	221,037	236,164	233,075	(3,088)
Current assets	85,738	102,419	100,744	(1,675)
Of which, cash and deposits	24,190	40,984	34,111	(6,872)
Non-current assets	135,298	133,744	132,331	(1,413)
Of which, property, plant and equipment	121,301	119,942	118,557	(1,384)
Liabilities	78,713	83,342	75,312	(8,029)
Interest-bearing liabilities	24,194	22,038	20,293	(1,744)
Of which, short-term borrowings	20,905	20,245	19,585	(660)
Of which, current portion of long-term borrowings	1,496	1,084	599	(484)
Of which, long-term borrowings	1,793	708	108	(599)
Net assets	142,324	152,821	157,763	+ 4,941
Cash and deposit ratio (%)	10.9	17.4	14.6	
Ratio of interest-bearing liabilities (%)	10.9	9.3	8.7	
Equity ratio (%)	64.4	64.7	67.7	

Statements of Cash Flows

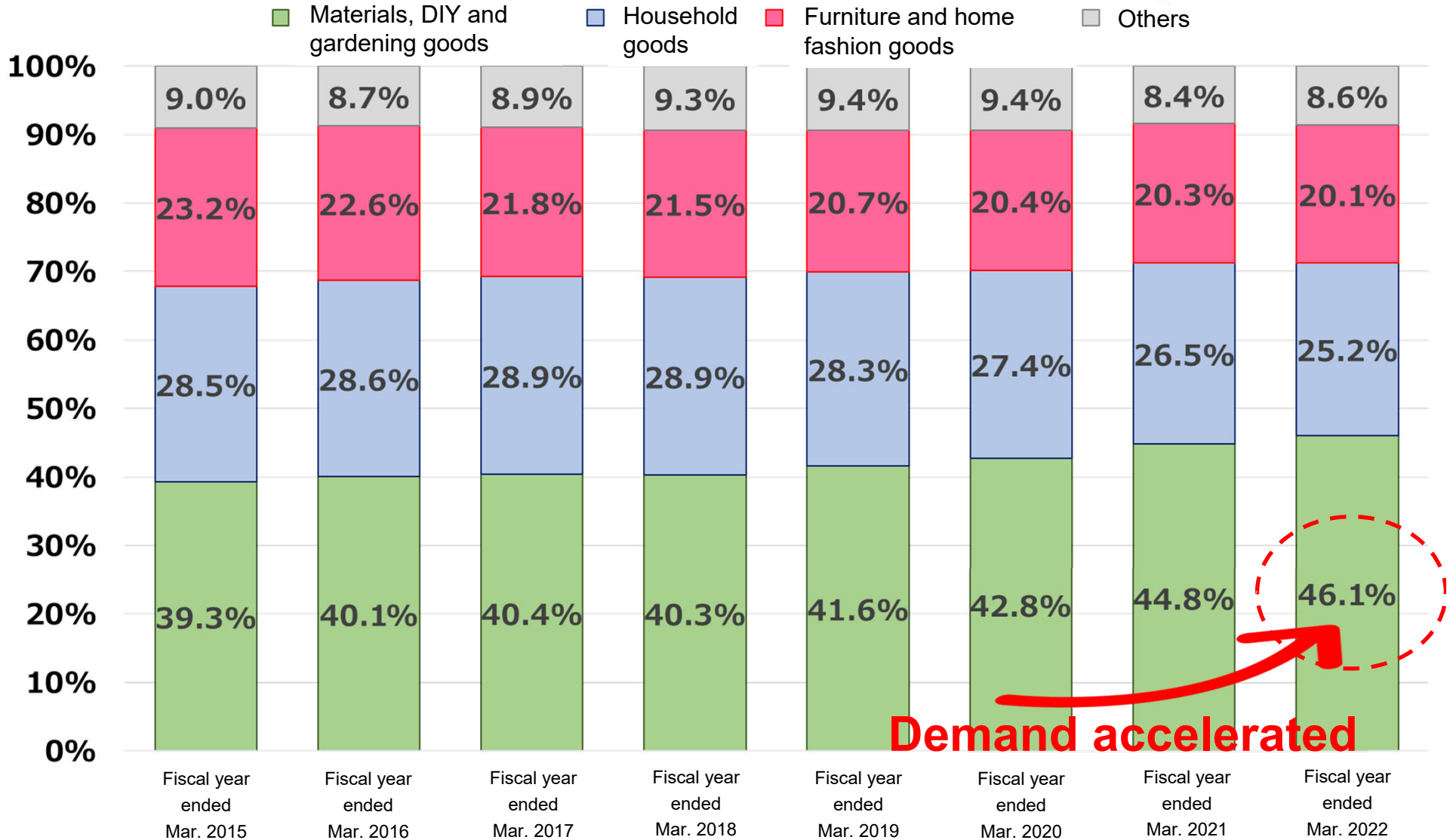
(Millions of yen)

	Free cash flow	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 March 31, 2018	5,103	12,696	(7,593)	(2,539)	24,226
Fiscal Year Ended March 31, 2019	3,508	7,115	(3,607)	(7,537)	20,196
Fiscal Year Ended March 31, 2020	6,470	11,885	(5,415)	(5,368)	21,297
Fiscal Year Ended March 31, 2021	21,285	24,781	(3,495)	(4,492)	38,091
Fiscal Year Ended March 31, 2022	(2,315)	1,180	(3,496)	(4,556)	31,218

Income taxes paid : (¥8,870 million)

Increase / decrease amount of Accrued consumption taxes : (¥2,014 million)

Trends in Sales Composition by Product

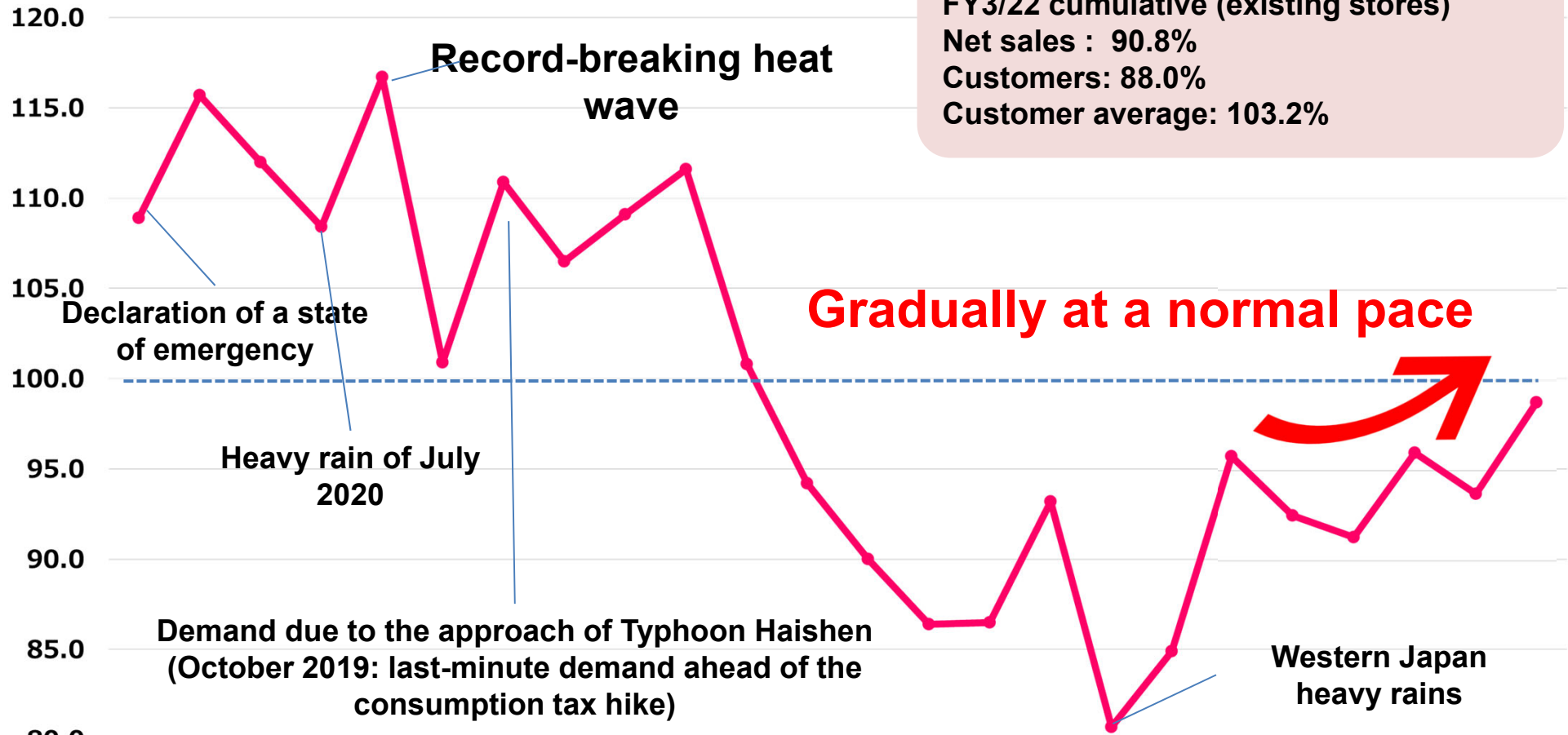


Demand accelerated

Trends in Existing Stores

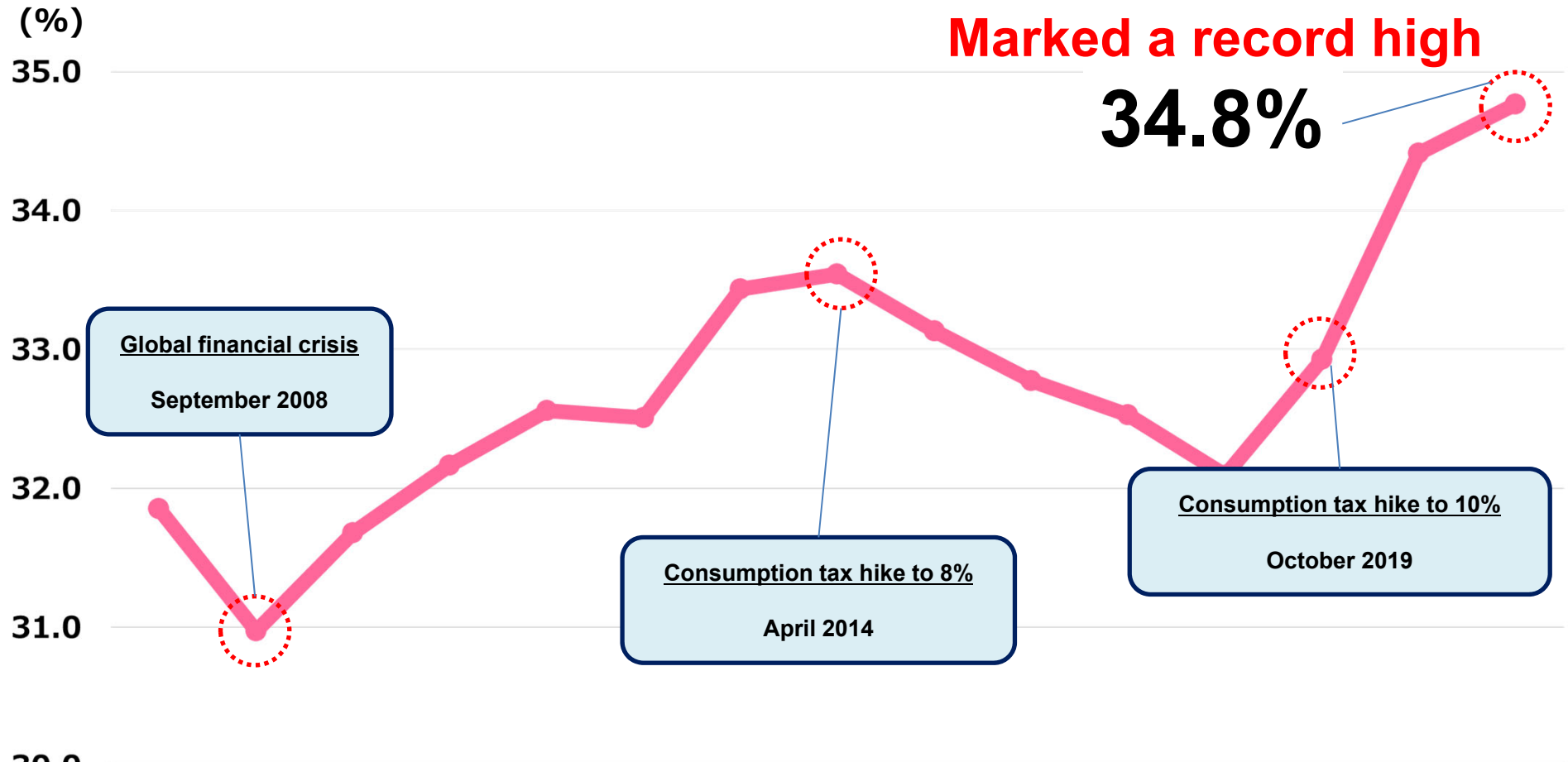
Net sales of existing stores compared to previous year (%)

FY3/22 cumulative (existing stores)
 Net sales : 90.8%
 Customers: 88.0%
 Customer average: 103.2%



	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May.	Jun.	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Sales	108.9	115.7	112.0	108.4	116.7	100.9	110.9	106.5	109.1	111.6	100.8	94.2	90.0	86.4	86.5	93.2	80.7	84.9	95.8	92.5	91.3	96.0	93.7	98.8
Customers	111.9	114.3	105.0	102.0	108.9	106.4	105.4	100.8	101.6	103.2	91.4	85.6	83.9	82.3	87.4	90.9	81.4	84.0	92.5	90.4	88.9	92.0	88.3	94.8
Customer average	97.3	101.1	106.6	106.2	107.0	94.8	105.1	105.6	107.3	108.0	110.2	109.9	107.3	104.9	98.9	102.6	99.1	101.0	103.5	102.3	102.7	104.3	106.1	104.2

Trends in Gross Profit Margin

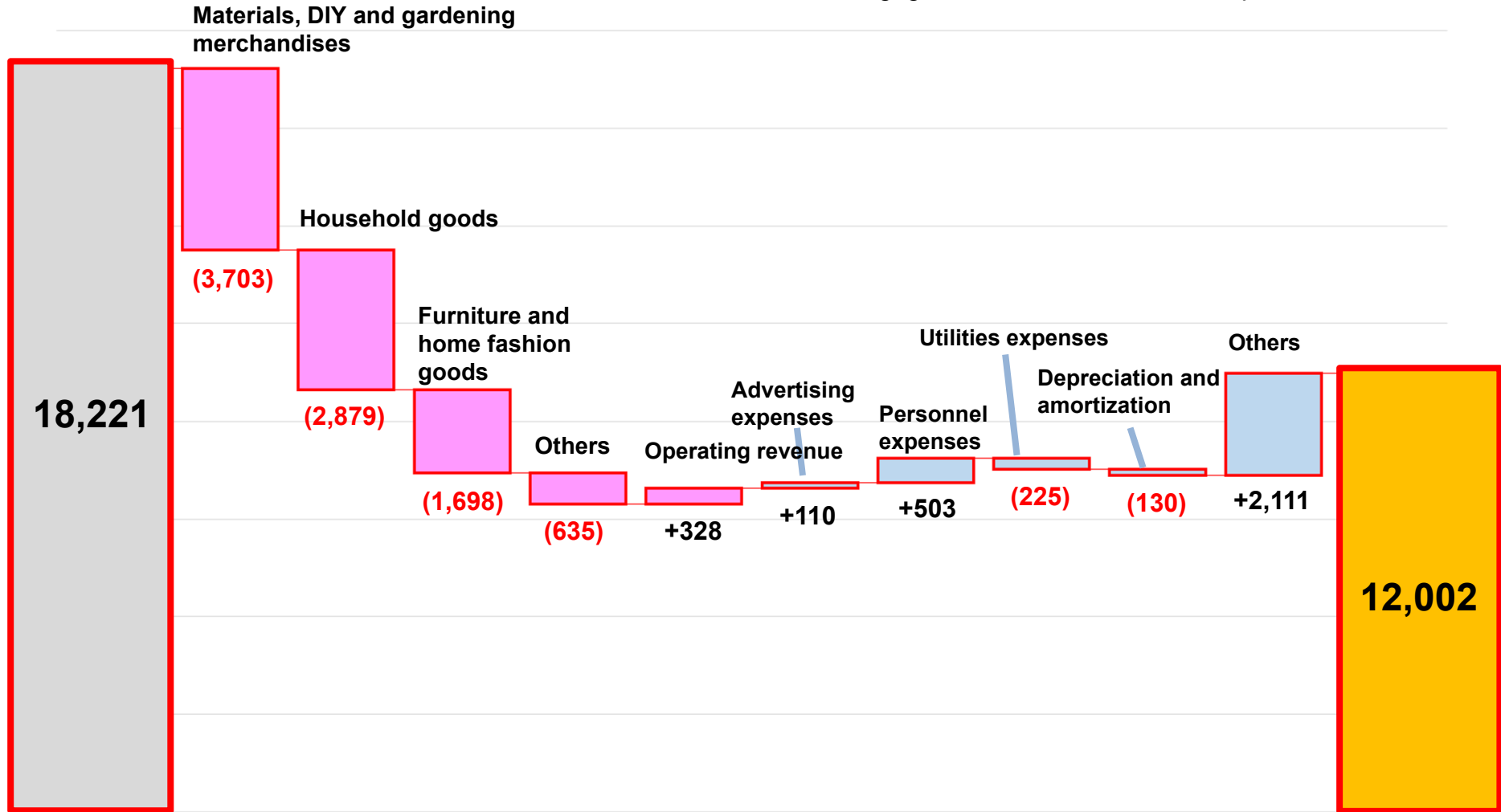


31.9	31.0	31.7	32.2	32.6	32.5	33.4	33.5	33.1	32.8	32.5	32.1	32.9	34.4	34.8
FY3/08	FY3/09	FY3/10	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22

Factors for a Change in Operating Profit

(Millions of yen)

■ Gross profit
 ■ Selling, general and administrative expenses



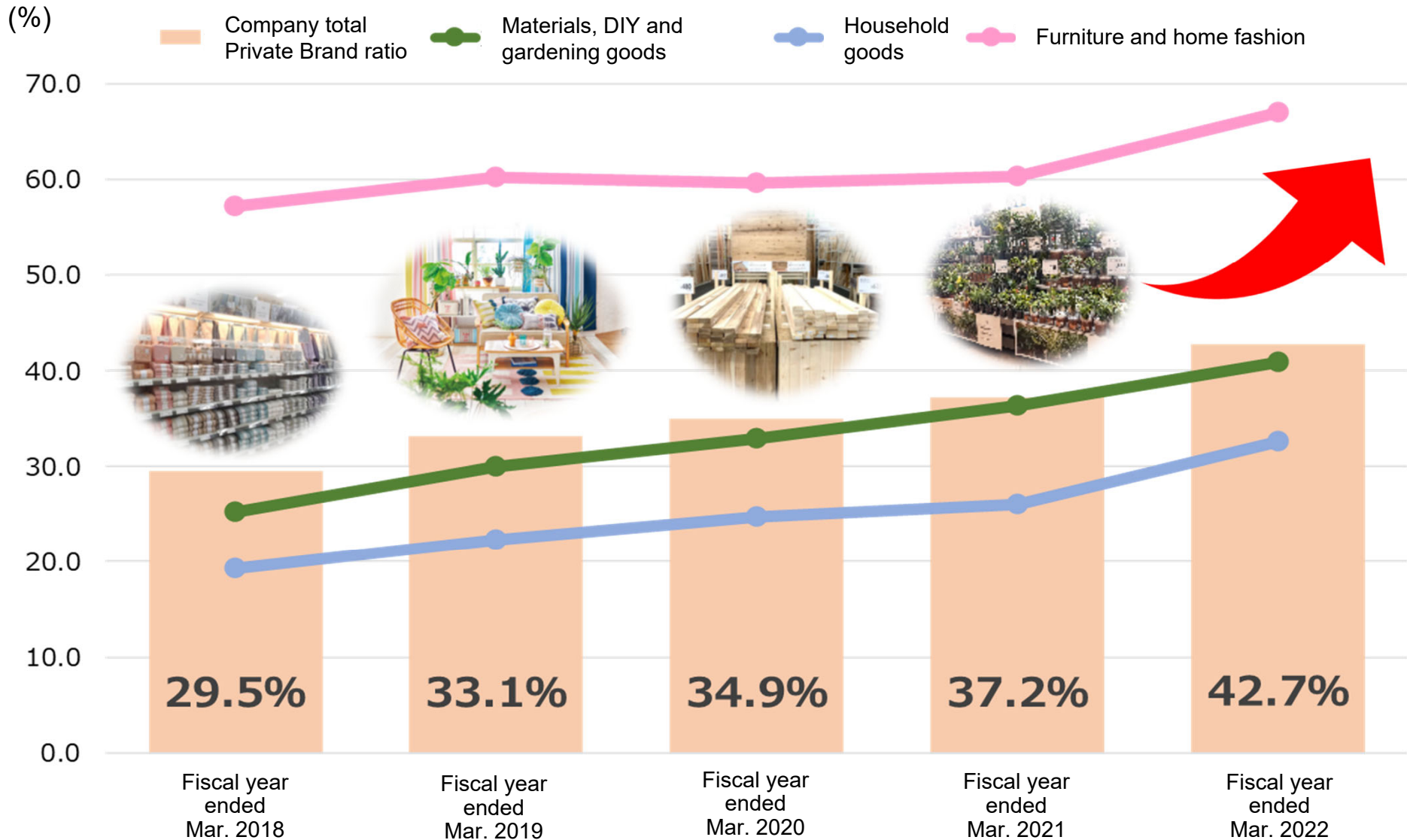
Fiscal year ended March 2021
operating profit

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Fiscal year ended March 2022
operating profit

<http://www.nafco.tv>

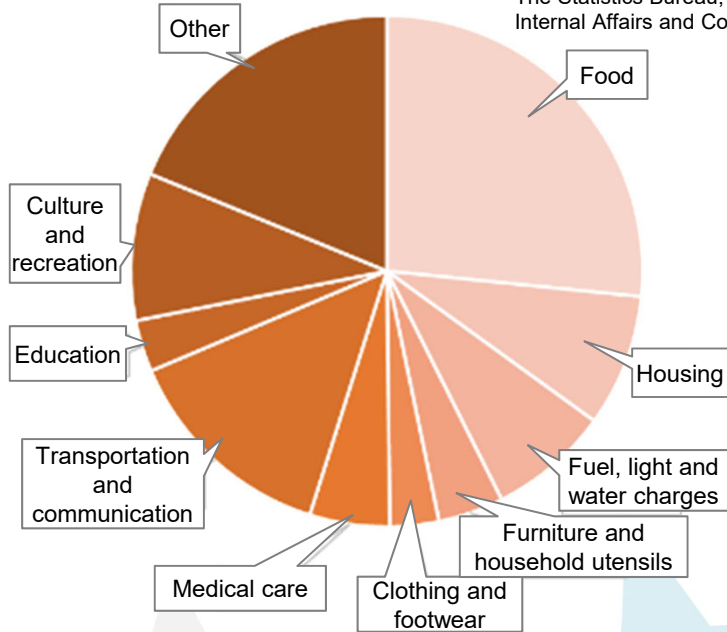
Trends in Private Brand Ratio



NAFCO "supports the day-to-day life" of consumers amid increasing pressure of surging prices

Image of household expenditure

* Created from "Household Survey",
The Statistics Bureau, Ministry of
Internal Affairs and Communications



Needs for kitchen garden are expanding



Increased demand for bicycles due to soaring gasoline prices

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Overwhelming volume of consumables

Private Brand Products (Materials, DIY and Gardening Merchandises)

From engine to battery. Original battery tools



Carpentry supplies

Gardening merchandises



April 2022 New Product

May 2022 New Products

18V brushless string trimmer



High rotation + high torque brushless motor adopted



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18V chainsaw



18V garden blower



18V jigsaw



14.4V thunder

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Energy-saving model that meets the diversified needs

Large / energy saving industrial fan type



**Air volume: 127%
Power consumption: 52%
(Compared to our equivalent model)**



N folding leg stand fan

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Industrial fan
Battery type



18V rechargeable 2WAY blower fan

Circulator
Energy saving 360 degree swing type



Circulator with remote control (aroma case attached)

Fan energy saving DC type



DC Circulator



Stand type DC Circulator



DC living fan

<http://www.nafco.tv>

Private Brand Products (Materials, DIY and Gardening Merchandises)

Gardening become popular due to consumer consciousness on defending livelihoods

Original seed

Series to plant as is



Harvest at home Vegetable seeds



Soil to be planted as is

Plant pot

Joint strut

Original vegetable seedlings

Safe and secure organic soil



Original grafted vegetable seedlings

Large-scale vegetable seedlings



Organic soil

Original working gears

Original wearable fan vest



Wearable fan vest [10350]

- Color: 4 colors
- Size: M - 3L



- With removable hood

Original dial type working shoes



Dial-type safety sneakers [FSS-1000]

- Color: White, Black, Red
- Size: 25.0cm-28.0cm



- One-touch dial



- Anti-slip and oil-resistant sole

Private Brand Products (Household goods)

Evolved Product Development. NAFCO Outdoor Private Brand Products



[Titanium stove]

- A stove that can be used with solid fuel, firewood, and charcoal.
- Light weight and convenient to carry.



[KING chair]

- Convergent chair with a built-in cushion for a fluffy seating.
- Bottle pocket on the side.

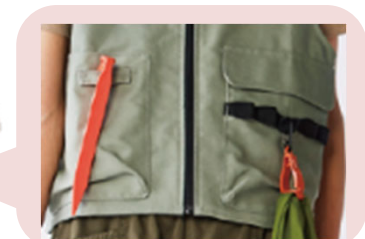
[Oil lantern]

- Burning time: Approximately 14 hours
- A popular product with flame fluctuations that cannot be created with LEDs, etc.



[Flame-retardant outdoor vest]

- Uses flame-retardant fabric.
- Equipped with various pockets.



Product Development That Does Not Compromise on Quality

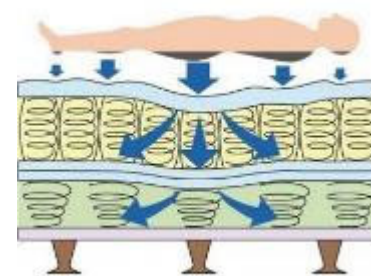


Bottom Mattress

Thin inner pocket coils for comfortable sleep
Excellent *durability* against fatigue even after prolonged use
Gentle, wrap-around *sleeping comfort*
Keeps *dry and hygienic*

Uses SHRAPE, a more comfortable material than feathers
Soft, light and *gentle to the touch*
Excellent *moisture retention, heat retention, and insulation properties*
Prevents cotton dust from forming and helps prevent allergies
Maintains fluffiness with little change in bulk

Uses CUTELY, highly deodorant cotton
Excellent *deodorant function* effective against sweat and age-related odors
Antibacterial and deodorizing features eliminate unpleasant odors
Moisture-absorbing and moisture-retaining features make the inside of the mattress comfortable



- Euro top mattress and double cushion-type bed frame ensure unsurpassed snugness
- Functional, durable and breathable, for high-quality sleep

Brooklyn-themed Interior Decor Coordination



【Ecru Rug Series】

【Garden Comforter Cover Series】



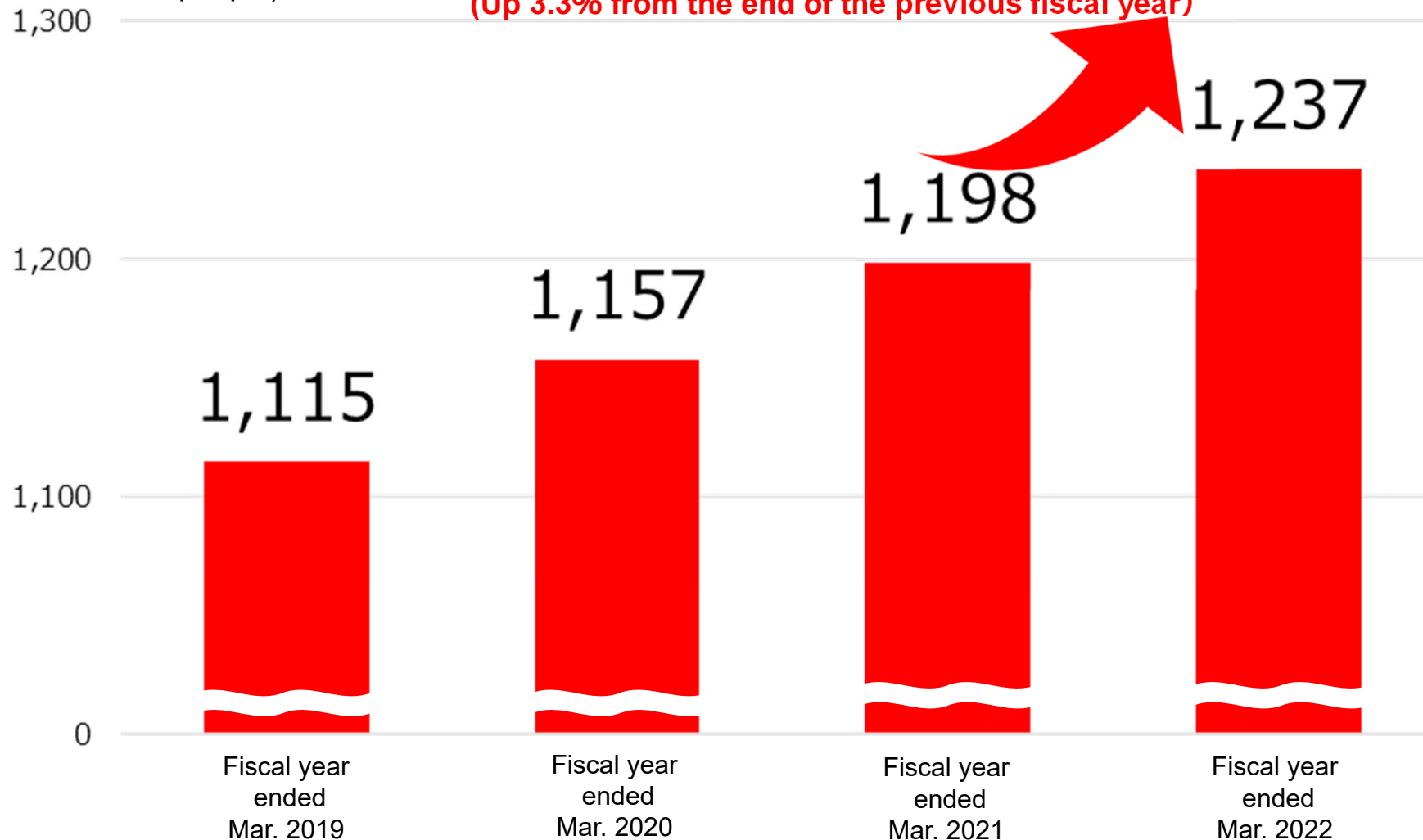
【Multi-purpose Shelf York series】

A cool coordination that is neatly organized in gray and blue by spicing up with geometric textiles.

Number of Point Card Members

(Ten thousand people)

Point card membership is increasing through apps and cards
(Up 3.3% from the end of the previous fiscal year)





Outline of ESG initiatives

The main items are listed.

Field	Items	Outline
E	Reduction of carbon dioxide emissions	<ul style="list-style-type: none"> • Changing the lighting at stores to LED (completed 100%) • Installation of solar panels on the roof of stores
	Environmentally friendly products	<ul style="list-style-type: none"> • Development and sales of herbicides from natural ingredients • Development and sales of rechargeable electric string trimmer
	Recycling after use	<ul style="list-style-type: none"> • Collecting PET bottles • Collecting used ink cartridges
S	Role in Disasters	<ul style="list-style-type: none"> • Number of municipalities with which we have entered agreements for the supply of disaster supplies: 321 • Product supplies through immediate store restoration in the disaster area
G	Corporate Governance	<ul style="list-style-type: none"> • Resolution of the items that need to be explained in Corporate Governance Report

Store Openings



Minami-yatsushiro Store

▼ Fiscal year ended March 2022 Results

	Store Name	Opening	Location	Store style
New store	TWO-ONE STYLE Mi Nara	April	Nara	Furniture and home fashion store
	TWO-ONE STYLE QANATO Nishi-Kobe	September	Hyogo	Furniture and home fashion store
	Yokkaichi	December	Mie	Home center
	Minami-yatsushiro	December	Kumamoto	Home center
Expansion	Nobeoka-minami	April	Miyazaki	Combination store
	Nakabaru	June	Saga	Home center
	Togitsu	July	Nagasaki	Combination store
	Hita	November	Oita	Home center



Plans for New Stores Opening

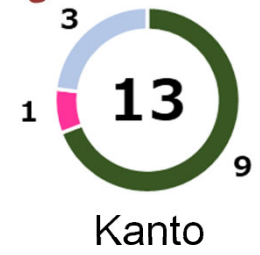
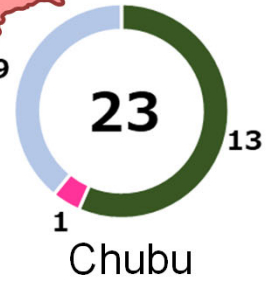
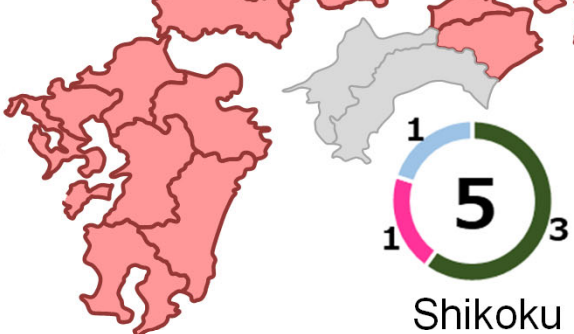
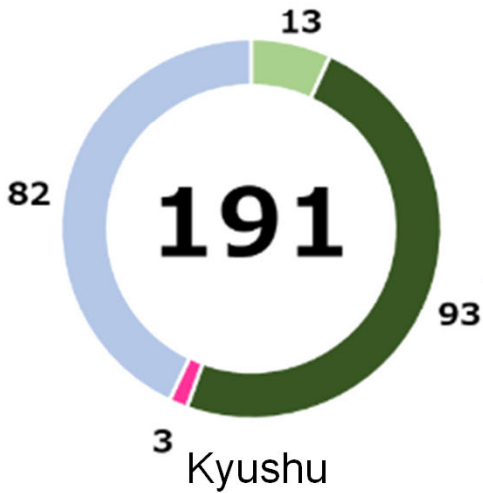
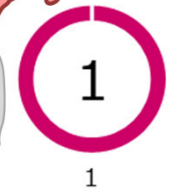
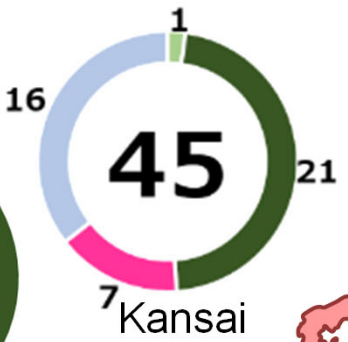
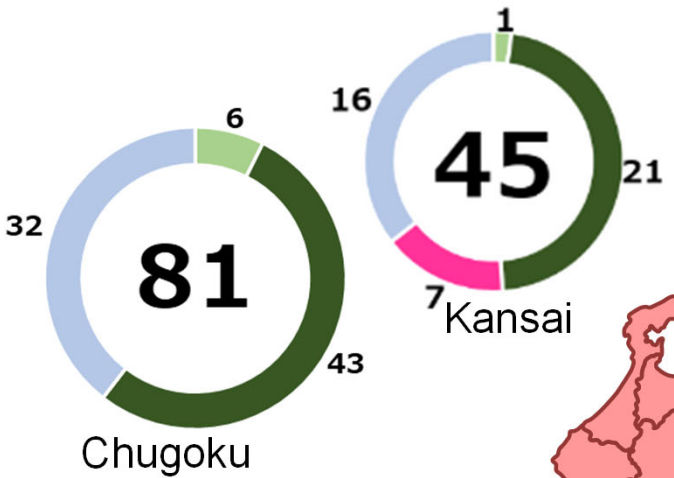


▼ Fiscal year ending March 2023 Plan

New store	TWO-ONE STYLE Matsuzakaya Shizuoka	April	Shizuoka	Furniture and home fashion store
New store	Yasu	—	Shiga	Home center
New store	Kurobe	—	Toyama	Home center



Number of Stores by Business Type



Business Growth Status

	Composition ratio (no. of stores)	Related segment(s)				Number of people in served business area
		Materials, DIY and gardening merchandises	Household goods	Furniture and home fashion goods	Other	Large-scale stores
Combination store	39.8%	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	200,000
Home center	50.7%	<input type="radio"/>	<input type="radio"/>	(some products)	<input type="radio"/>	100,000
Home fashion store	3.9%			<input type="radio"/>		300,000

Forecast for the Fiscal Year Ending March 31, 2023

(Millions of yen)

	Full-year (Plan)	% of sales	YoY Change (%)	Fiscal Year Ended March 31, 2022 (Results)	% of sales	Fiscal Year Ended March 31, 2021 (Results)	% of sales
Net Sales	208,100	100.0%	100.8%	206,549	100.0 %	234,578	100.0 %
Operating profit	12,800	6.2%	106.6%	12,002	5.8%	18,221	7.8%
Ordinary profit	13,200	6.3%	105.0%	12,572	6.1%	18,918	8.1%
Profit	8,000	3.8%	100.5%	7,961	3.6%	11,688	5.0%
Annual dividends (Interim/Full year)	56 yen (forecast) (28 yen/28 yen)			56 yen (28 yen/28 yen)		50 yen (23 yen/27 yen)	

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This document is intended solely for the purpose of providing information to investors.

We will disclose information as needed at an appropriate time depending on the external environment and the progress of business performance.

This document may contain forward-looking statements. These statements are not statements of past fact, but are instead forecasts based on hypotheses and assumptions determined from information available at the current time.

They also involve risks and uncertainties related to economic trends, market environments, and the like.

Actual business performance may therefore differ from the Company's forecasts.

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