

Financial Results Briefing Material for the Six Months Ended September 30, 2022

(April 01, 2022 - September 30, 2022)

October 31, 2022
NAFCO Corporation
(Securities Code: 2790)

Summary of Financial Results for the Six Months Ended September 30, 2022

Net sales **104.6** Billion yen YoY Change **96.9** %

- Sales of seasonal products including summer products were strong, while sales in September struggled due to typhoon hitting every weekend.
- Sales promotions for attracting customers such as “Living Support Sale” were not very successful due to bad weather.

Operating profit **6.6** Billion yen YoY Change **93.5** %

% of sales **6.3** % (YoY Change (0.3%))

- Gross profit margin continuously improved, partly due to the increased private brand ratio.
- Selling, general and administrative expenses decreased due to significant decline in logistics expenses despite increases in advertising expenses and utility expenses.

Ordinary profit **6.8** Billion yen YoY Change **93.5** %

% of sales **6.5** % (YoY Change (0.3%))

Profit **4.2** Billion yen YoY Change **92.8** %

% of sales **4.0** % (YoY Change (0.2%))

Statements of Income for the Six Months Ended September 30, 2022

(Millions of yen)

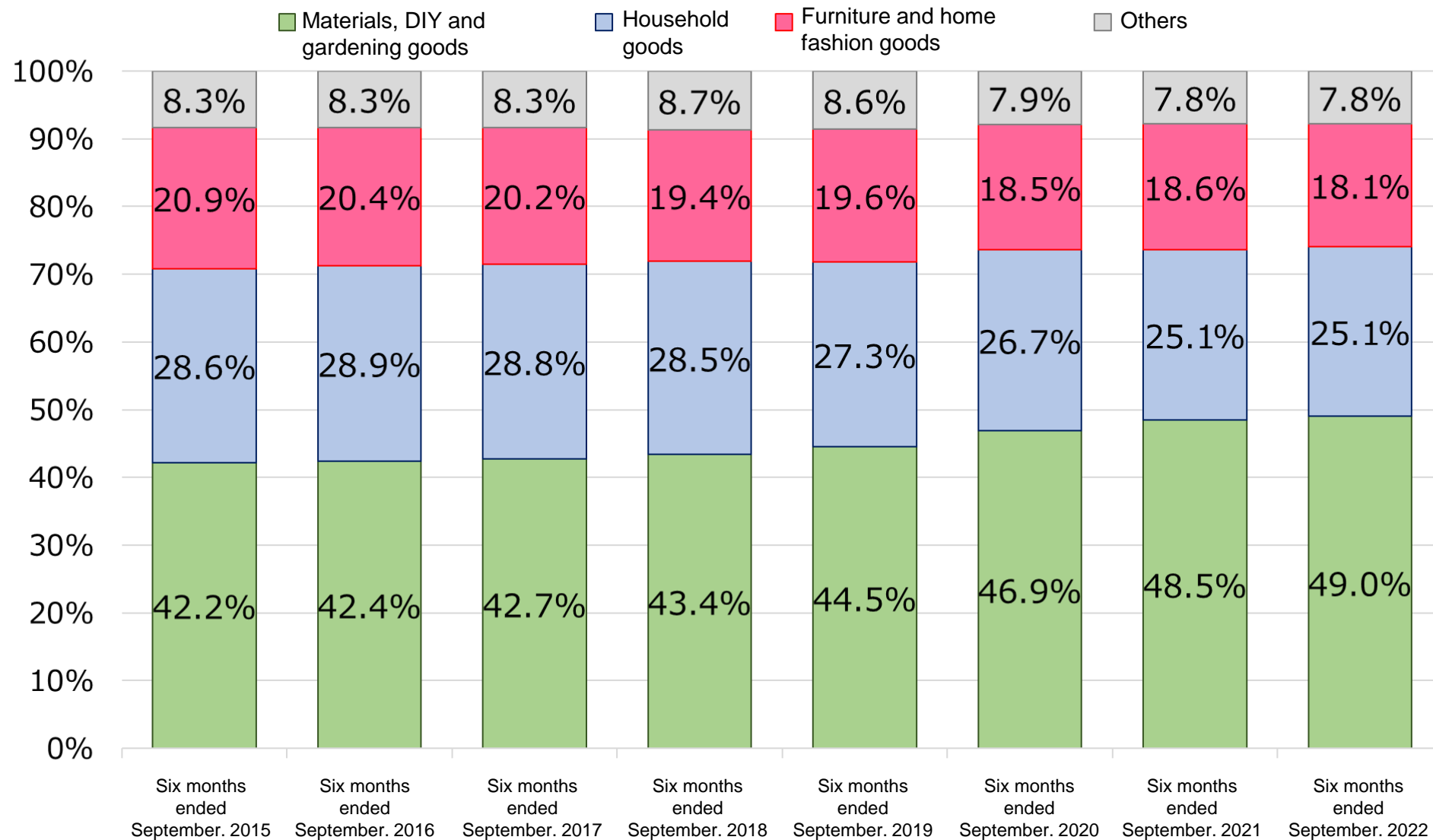
	Six months ended September 30, 2021	% of sales	Six months ended September 30, 2022	% of sales	YoY Change
Net sales	107,975	100.0%	104,629	100.0%	96.9%
Gross profit	37,529	34.8%	36,512	34.9%	97.3%
Operating gross profit	37,689	34.9%	36,701	35.1%	97.4%
Selling, general and administrative expenses	30,603	28.3%	30,078	28.7%	98.3%
Operating profit	7,086	6.6%	6,622	6.3%	93.5%
Ordinary profit	7,304	6.8%	6,831	6.5%	93.5%
Profit	4,531	4.2%	4,203	4.0%	92.8%

Balance Sheets

(Millions of yen)

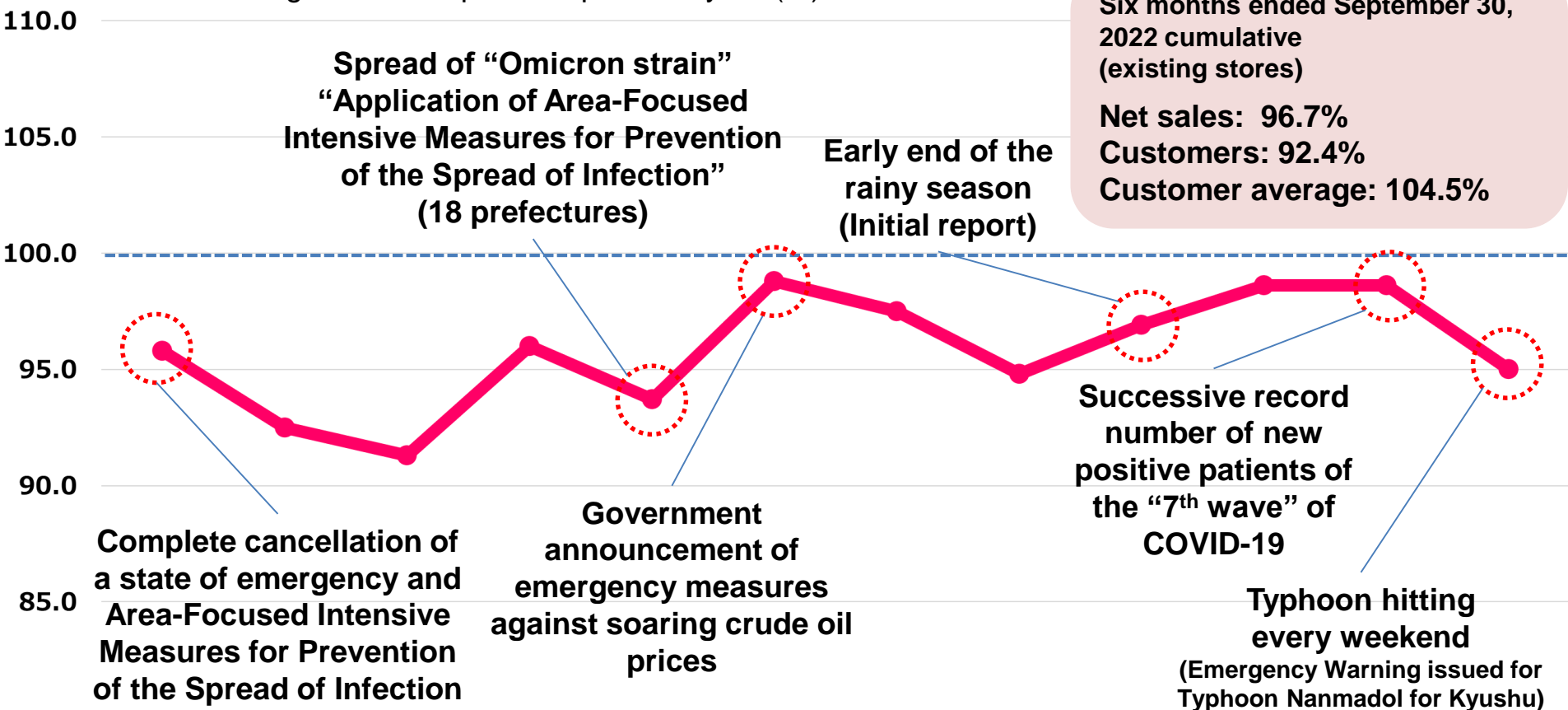
	Fiscal Year Ended March 31, 2022	Six Months Ended September 30, 2022	Change From the End of the Previous Fiscal Year
Net assets	233,075	240,177	+7,101
Current assets	100,744	107,477	+6,732
Of which, cash and deposits	34,111	38,925	+4,814
Non-current assets	132,331	132,699	+368
Of which, property, plant and equipment	118,557	118,886	+328
Liabilities	75,312	79,016	+3,703
Interest-bearing liabilities	20,293	19,613	(679)
Of which, short-term borrowings	19,585	19,255	(330)
Of which, current portion of long-term borrowings	599	299	(300)
Of which, long-term borrowings	108	58	(49)
Net assets	157,763	161,160	+3,397
Cash and deposit ratio (%)	14.6	16.2	
Ratio of interest-bearing liabilities (%)	8.7	8.2	
Equity ratio (%)	67.7	67.1	
Current ratio (%)	161.1	162.6	
Non-current ratio (%)	83.9	82.3	

Trends in Sales Composition by Product



Trends in Existing Stores

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



Complete cancellation of a state of emergency and Area-Focused Intensive Measures for Prevention of the Spread of Infection

Government announcement of emergency measures against soaring crude oil prices

**Spread of "Omicron strain"
"Application of Area-Focused Intensive Measures for Prevention of the Spread of Infection" (18 prefectures)**

Early end of the rainy season (Initial report)

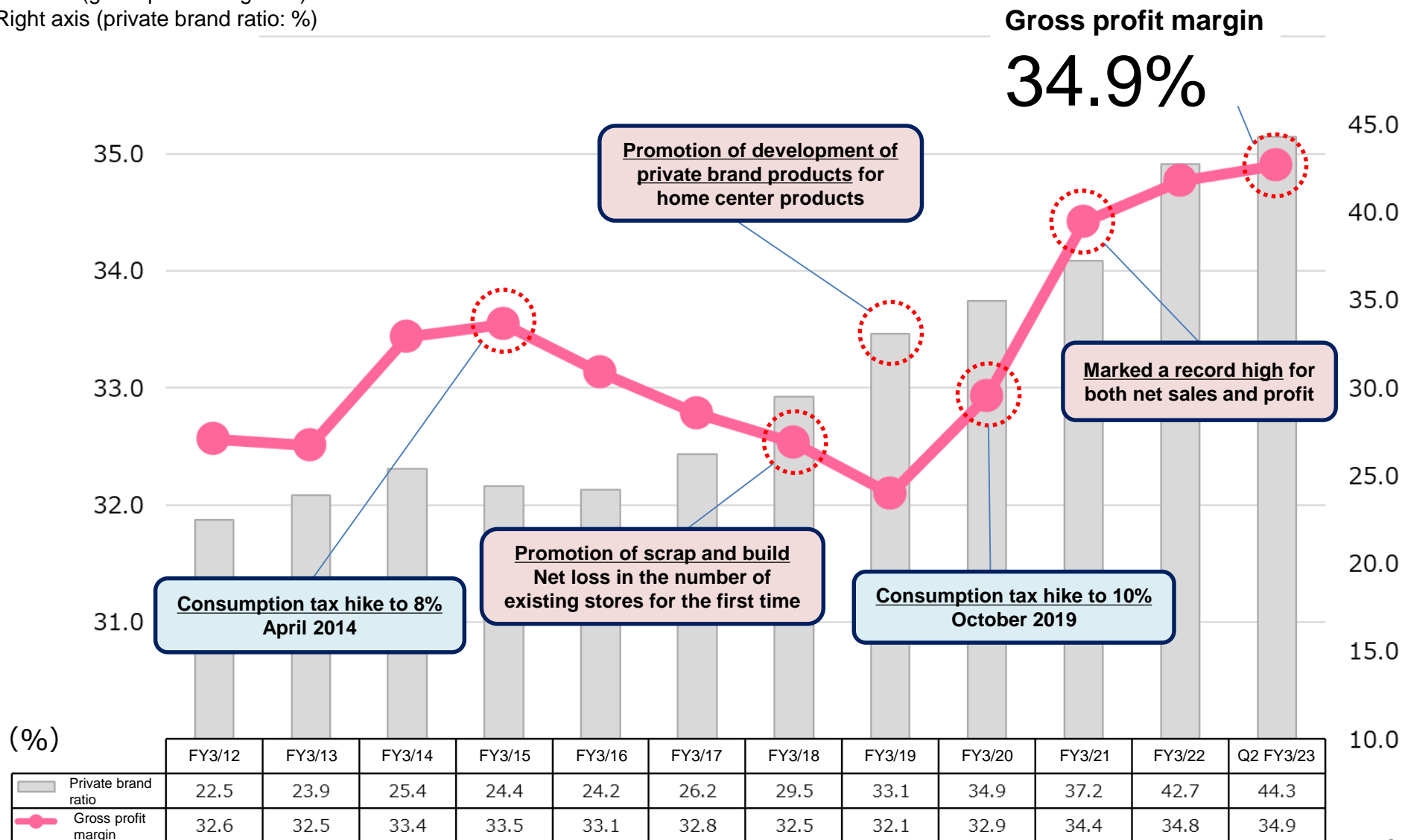
Successive record number of new positive patients of the "7th wave" of COVID-19

Typhoon hitting every weekend (Emergency Warning issued for Typhoon Nanmadol for Kyushu)

Trends in Gross Profit Margin at the End of the Term

Left axis (gross profit margin: %)

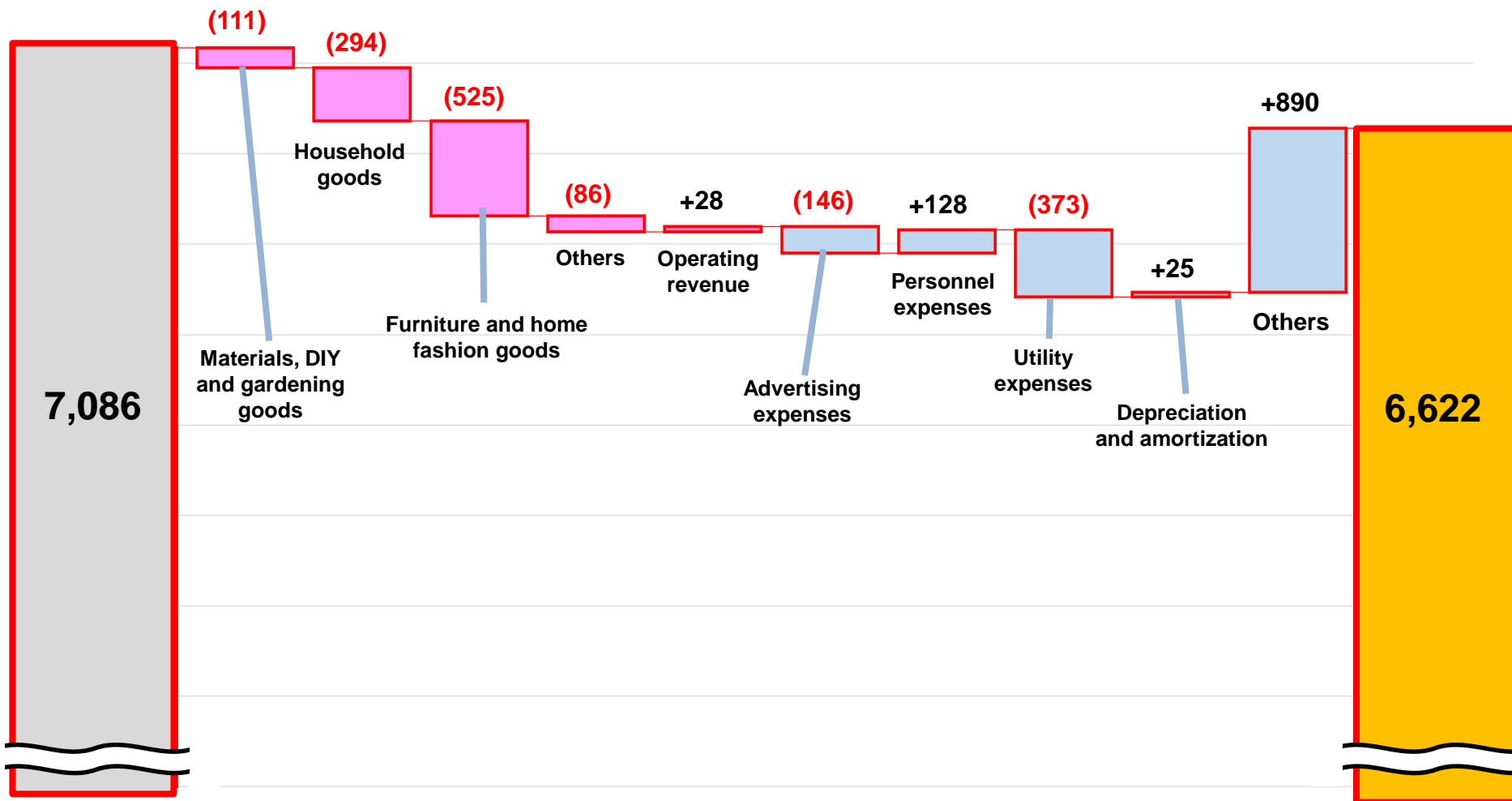
Right axis (private brand ratio: %)



Factors for a Change in Operating Profit

(Millions of yen)

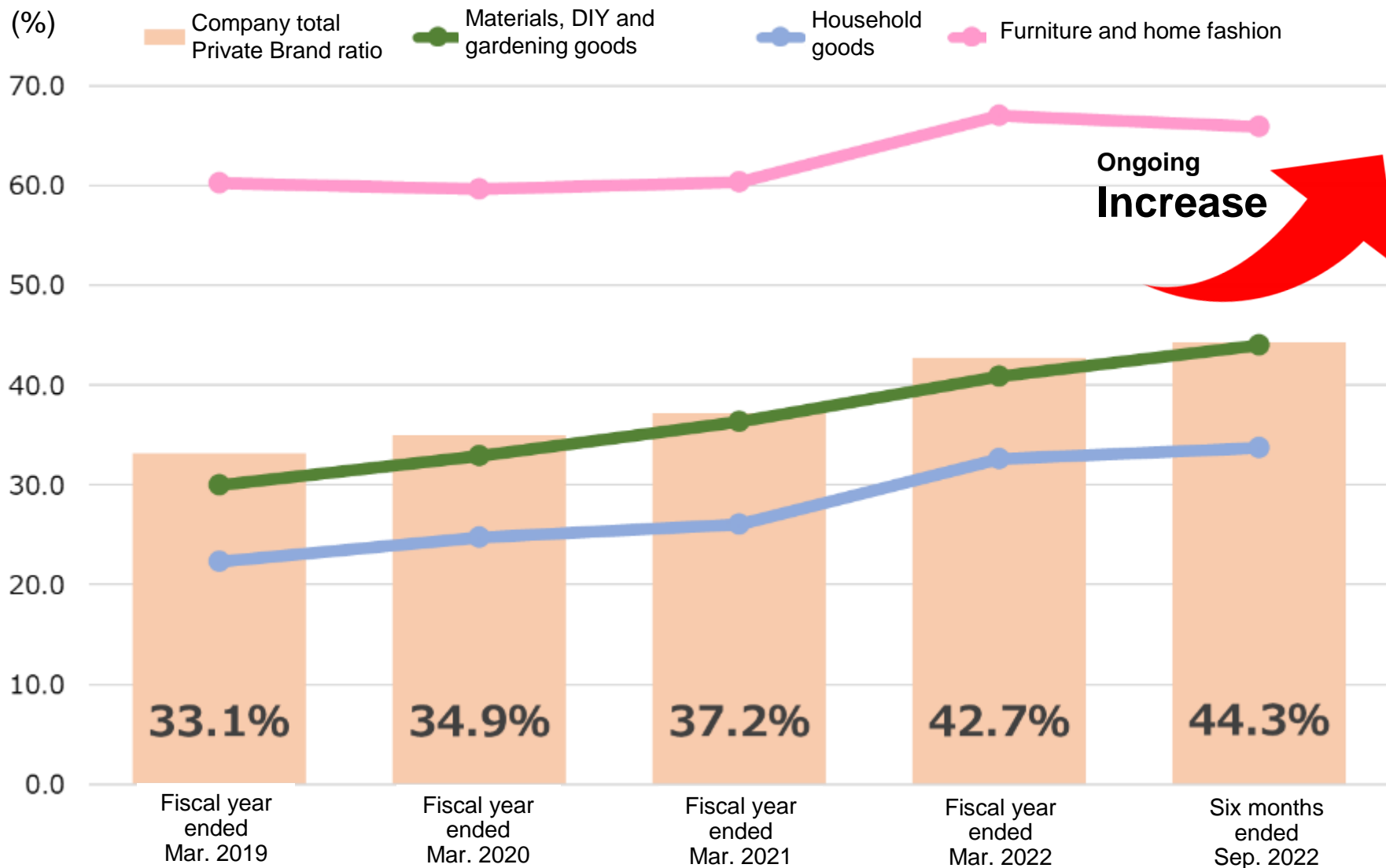
■ Gross profit ■ Selling, general and administrative expenses



Six months ended September 30, 2021
Operating profit

Six months ended September 30, 2022
Operating profit

Trends in Private Brand Ratio at the End of the Term



Strong Repair Tapes

Meet requirements including “Repair,” “Packing,” and “Bundling” for a wide range of users, from professional workers to DIYers



Strong Repair Tape Black
50mm x 10m



Strong Repair Tape Silver
50mm x 25m



To be released in October
Strong Repair Tape Black
50mm x 5m

Available in 4 colors
for various applications



Silver / Black / White / Transparent

Excellent strength,
good for various applications both indoors and outdoors

Emergency water hose repair



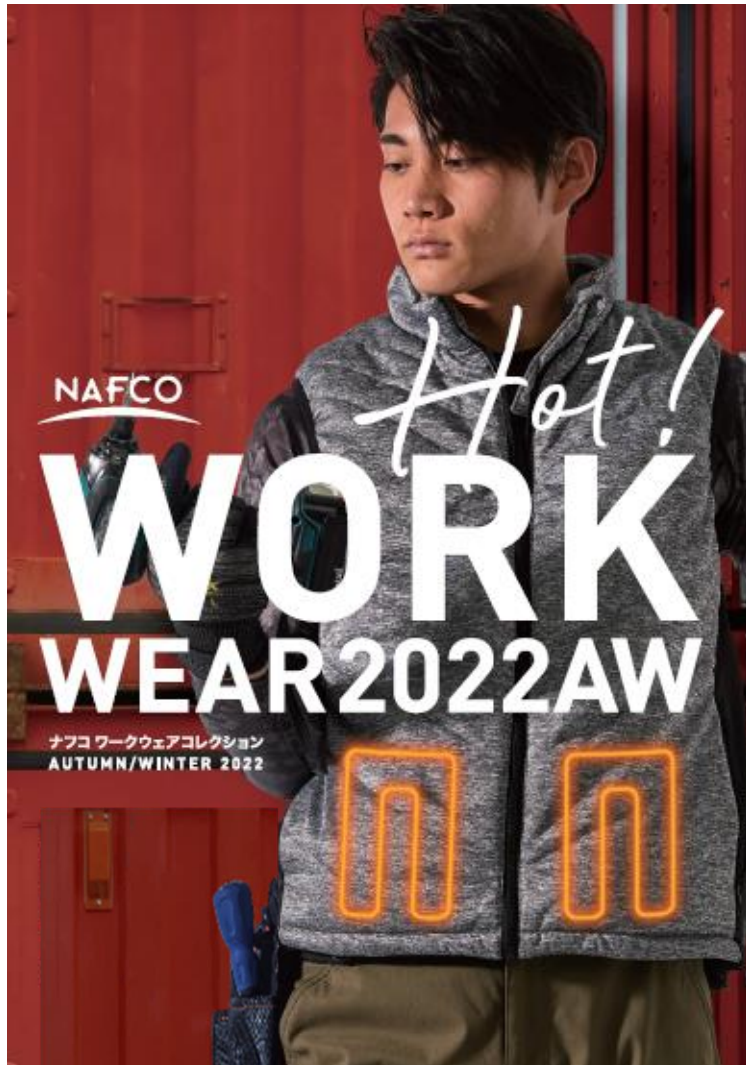
House repair



Tent or umbrella repair



Workwear



Heated series making works
in winter comfortable
for more and more purposes



**Heated vests
in color options**

Features the aluminum coated lining to retain heat, and the dual switch, BACK and BELLY individual switch to control the heating area separately



Heated gloves

Waterproof gloves for
general-purpose use

Power Saving Products

Just place or apply for “Power Saving and Heat Insulation”

■ Window Insulation Board

Placing an insulation board inside window can help keep cold air from coming through



■ Window Insulation Film

Applied film can help the window keep cold out



Outdoor Equipment

Spacious tent with a front room and an inner tent. Perfect for family camping!

“Two Room Tent” with separate living room and sleeping room



Small windows for ventilation



Inner tent

Slippers



Functional Series

Line of hygroscopic slippers



Insole made from hygroscopic material



Carefully examined materials and functions for comfortable slippers



Sofas



【Pace】

■ Features

- All seats come with a choice of high or low for comfort
- The ottoman is movable to meet different requirements
- Slipcovered (dry-cleanable)
- Unique black and straight legs



【Laners】

■ Features

- Modern and stylish Nordic design sofa
- Steel legs give a sharp impression
- Offers enough clearance for robot vacuums
- Each armrest is connected with clasps
- 2 sizes available
- Seat cushions of 5-layered structure with urethane foam (density of 35kg/m³) topper
- Chip urethane core in the cushions helps soften the feel of the cushion and provides seating comfort
- 2 ranks and 26 types of fabrics available

Kotatsu



Botanical

■ Design

Pop and attractive design with multi-color stripes

■ Colors

2 color variations, beige-based and blue-based

■ Features

Soft and warm flannel, and the colorful patterns go well with house plants, making the room brighter



Scandinavia

■ Design

Fluffy boa used for the futons in this line

■ Colors

Pink/light gray, yellow/orange, and blue/light blue

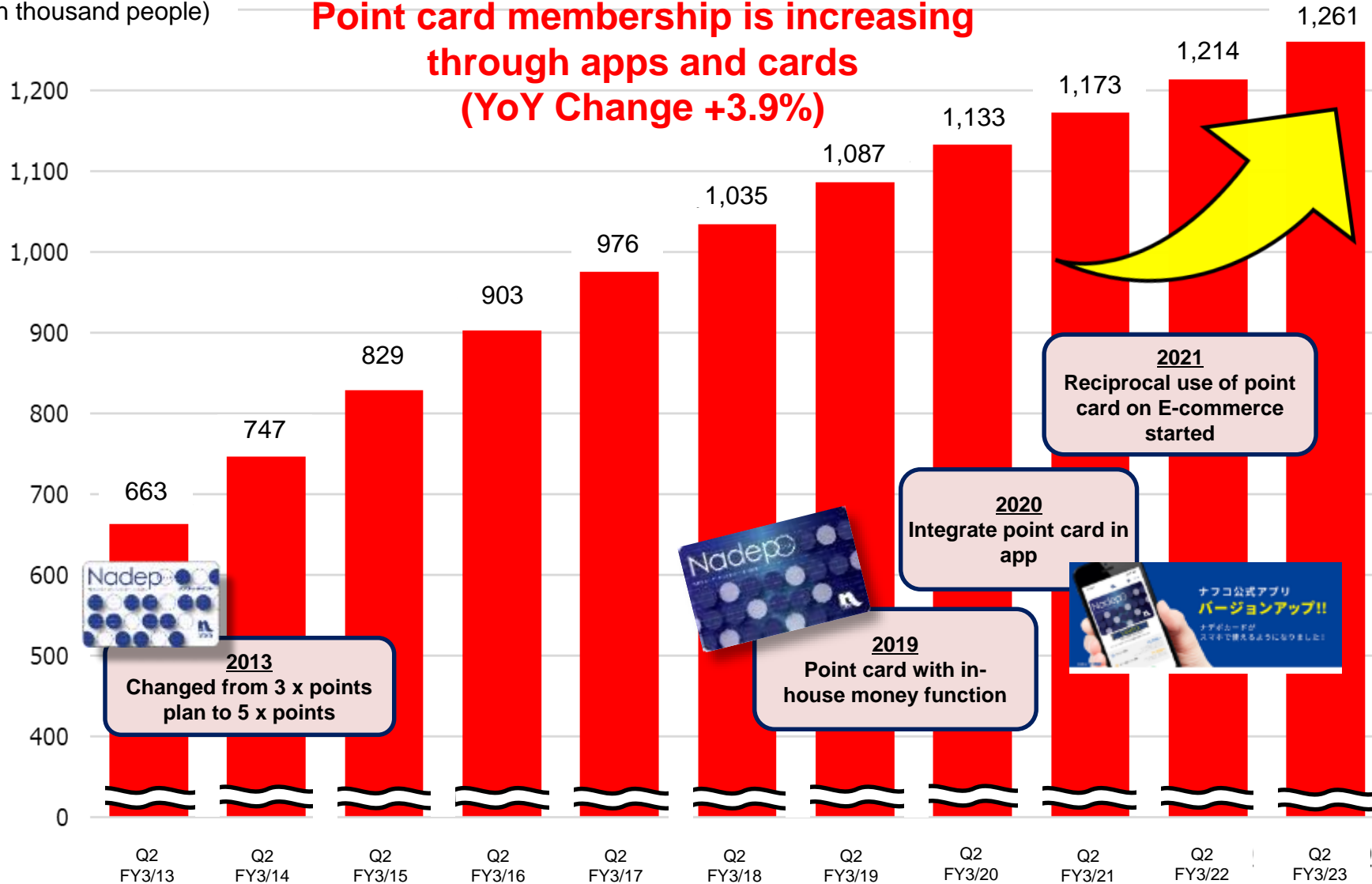
■ Features

Some futons are reversible, so they can be used both ways depending on the mood of the day

Number of Point Card Members

(Ten thousand people)

**Point card membership is increasing
through apps and cards
(YoY Change +3.9%)**



Social Media Utilization

Instagram



■ Mainly sharing our private brand products



Integrating social media and real stores

■ Actual products can be experienced at stores



Facebook



LINE





Outline of ESG initiatives

The main items are listed.

【Solar power generation】

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 local authorities (including police) with which we have entered agreements for the supply of disaster supplies: 327 (as of September 30, 2022) Product supplies through immediate store restoration in the disaster area
G	Corporate Governance	<ul style="list-style-type: none"> Disclosing skill matrix Participation in the "Electronic Voting Platform"



Store Openings and Expansion/Renovation (New Stores)

Kurobe Store



Store Openings and Expansion/Renovation (New Stores)

TWO-ONE STYLE
Takarazuka Itami Store



	Store Name	Opening	Location	Store style
New stores	TWO-ONE STYLE Matsuzakaya Shizuoka	April	Shizuoka	Furniture and home fashion store
	Kurobe	September	Toyama	Home center
	TWO-ONE STYLE Takarazuka Itami	September	Hyogo	Furniture and home fashion store



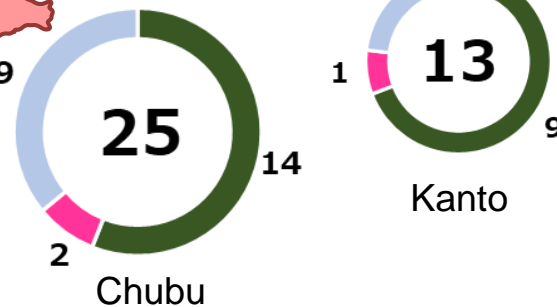
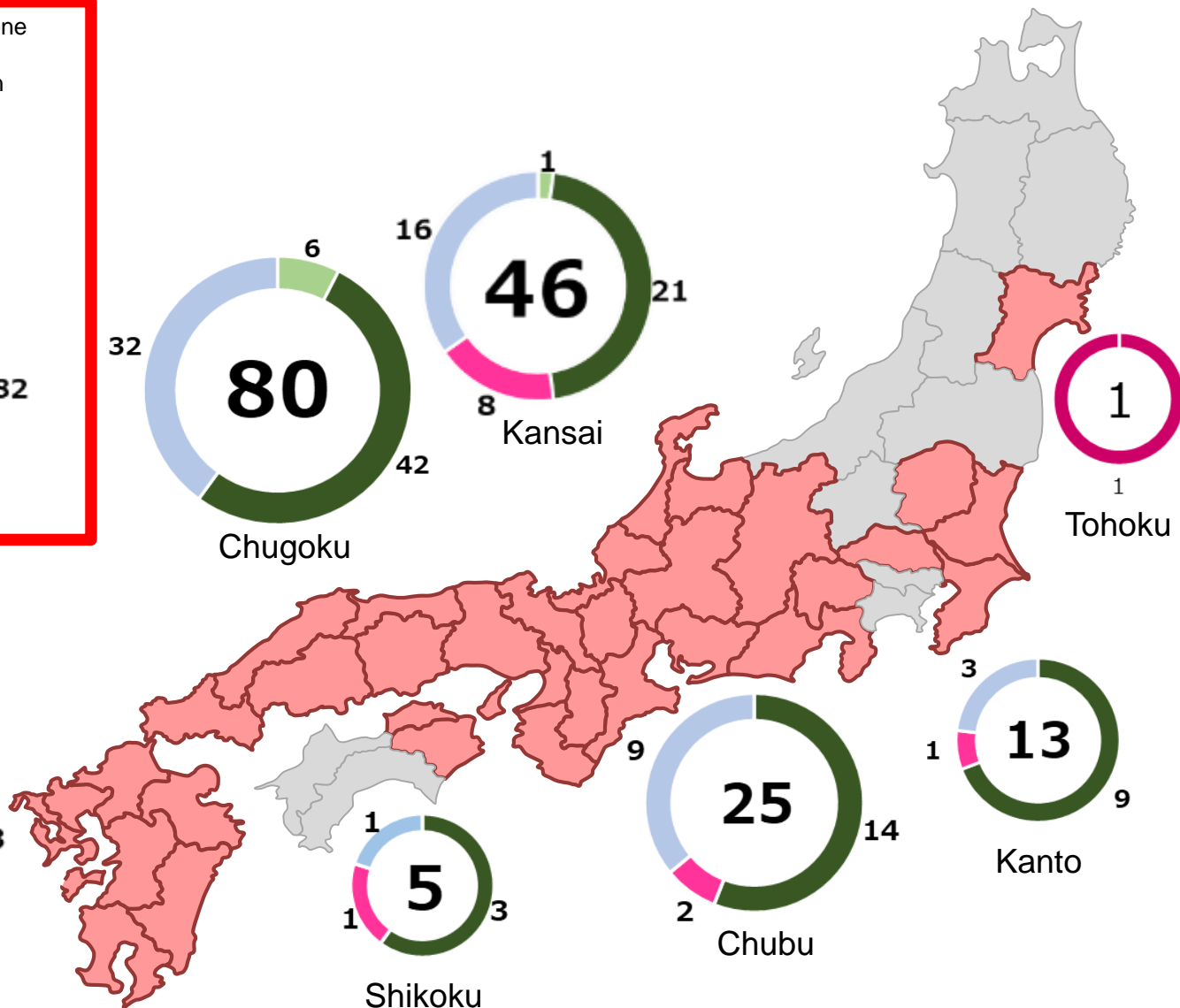
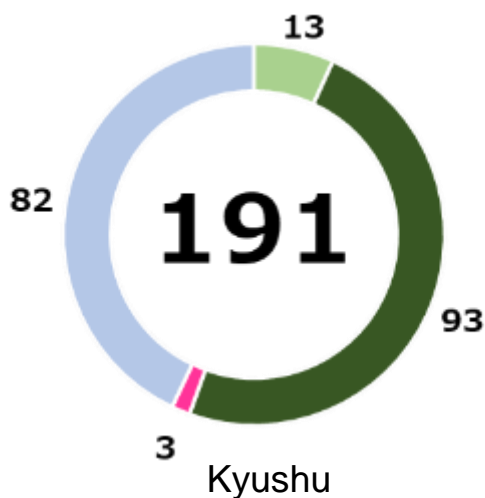
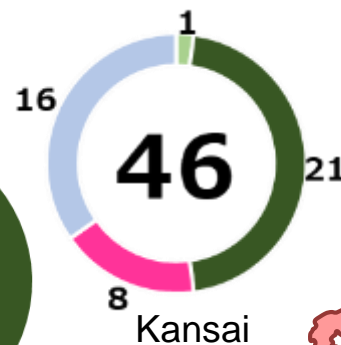
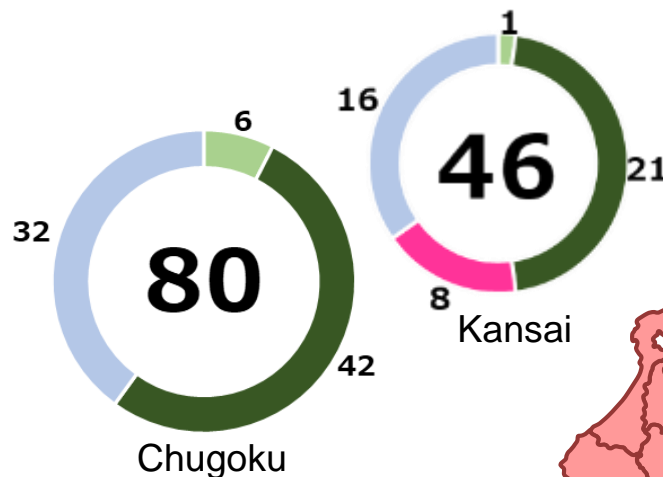
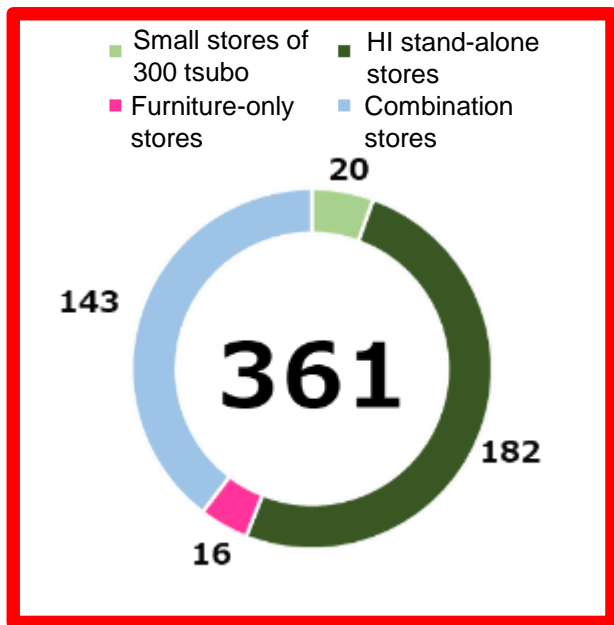
Store Openings and Expansion/Renovation (Expansion/Renovation)

	Store Name	Opening	Location	Store style
Expansion/ Renovation	Higashi- yatsushiro	August	Kumamoto	Combination store

	Store Name	Opening	Location	Store style
Expansion/ Renovation	Ezu	August	Kumamoto	Combination store



Number of Stores by Business Type



Business Growth Status

	Composition ratio (no. of stores)	Related segment(s)				Priority store opening pattern	
		Materials, DIY and gardening goods	Household goods	Furniture and home fashion goods	Other	Store area	Number of people in served business area
Combination store	39.6%	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	13,000 square meters or more	200,000
Home center	50.4%	<input type="radio"/>	<input type="radio"/>	(some products)	<input type="radio"/>	7,000 square meters, 10,000 square meters or more	100,000
Furniture only store	4.4%			<input type="radio"/>		7,000 square meters	300,000

Shareholder Benefit Program

Expansion from Mar. 2023 was disclosed in the news release
 “Expansion of Shareholder Benefit Program” on Sep. 20, 2022

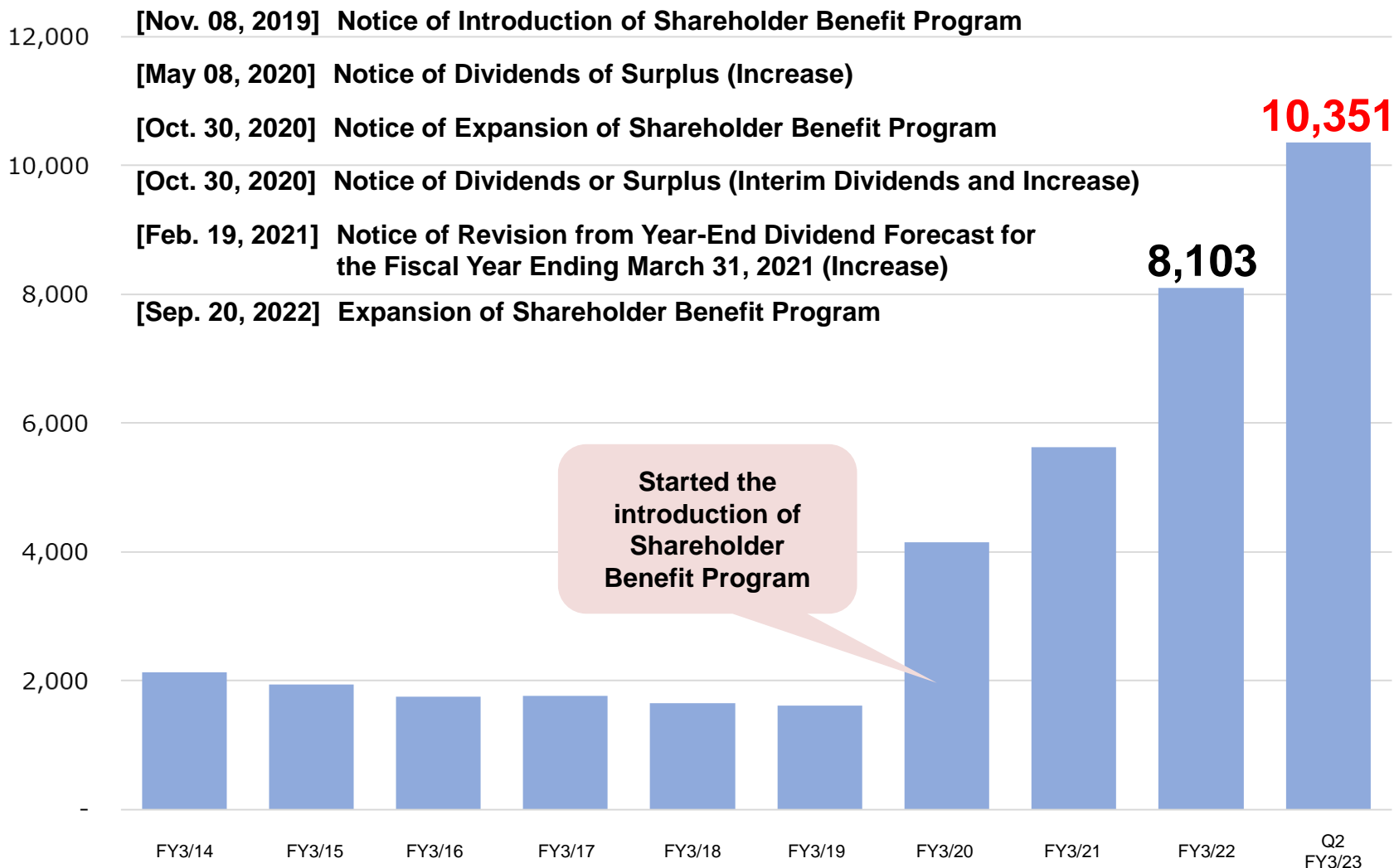
Number of Shares Held	End of September (Interim) 【Not changed this time】	End of March (Year-end) 【Either A or B】
100 or more but less than 500 shares	UC Gift Voucher worth ¥500	A. UC Gift Voucher worth ¥1,000 B. <u>NAFCO Shopping Voucher</u> worth <u>¥2,000</u>
500 or more but less than 1,000 shares	UC Gift Voucher worth ¥1,500	A. UC Gift Voucher worth ¥3,000 B. <u>NAFCO Shopping Voucher</u> worth <u>¥6,000</u>
1,000 or more shares	UC Gift Voucher worth ¥2,500	A. UC Gift Voucher worth ¥5,000 B. <u>NAFCO Shopping Voucher</u> worth <u>¥10,000</u>

Current benefit from the program

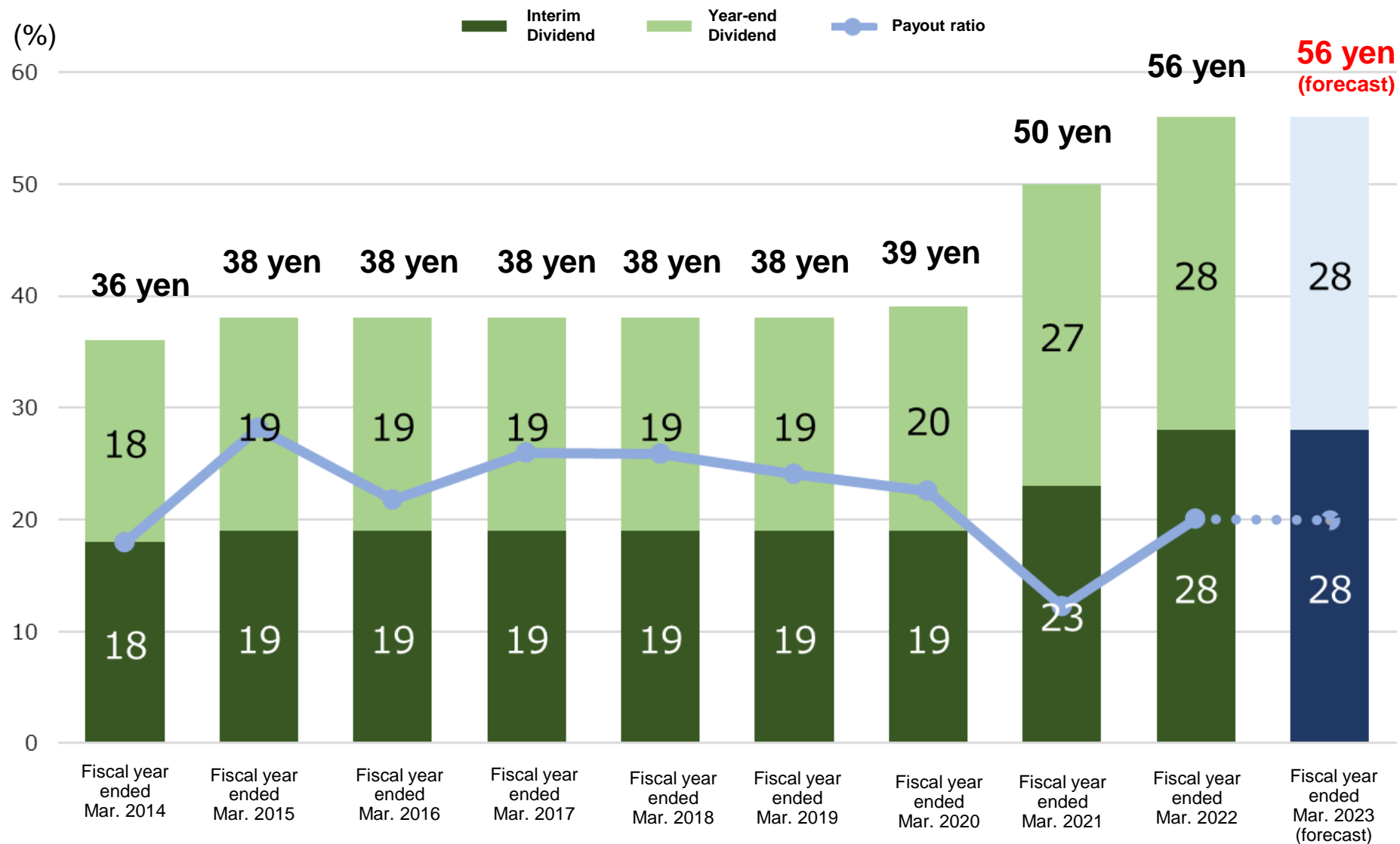
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100 or more but less than 500 shares	UC Gift Voucher worth ¥500	UC Gift Voucher worth ¥1,000
500 or more but less than 1,000 shares	UC Gift Voucher worth ¥1,500	UC Gift Voucher worth ¥3,000
1,000 or more shares	UC Gift Voucher worth ¥2,500	UC Gift Voucher worth ¥5,000

Trends in the Number of Shareholders

(People)



Trends in Dividend



Living Support

- Had “Foundation Memorial Grand Sales” in October to further strengthen sales promotion
- About 1,000 items sold at sale prices
- Offered a “Foundation Memorial Grand Sale” every week in October



Renovation of Existing Stores

Ibusuki Store
(Renovation of home center)
-Opened on October 20, 2022-

	Store Name	Scheduled Opening	Location	Store style
Renovation	Ibusuki	Q3	Kagoshima	Combination store



Forecast for the Fiscal Year Ending March 31, 2023

No revisions have been made to the forecasts which were announced on April 28, 2022.

(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	3.9%	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)	

*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.

appendix

*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.

Statements of Income

Items (Millions of yen)	Six months ended September 30, 2020			Six months ended September 30, 2021			Six months ended September 30, 2022		
	Results	YoY Change	% of sales	Results	YoY Change	% of sales	Results	YoY Change	% of sales
Net Sales	126,865	109.7%	100.0%	107,975	85.1%	100.0%	104,629	96.9%	100.0%
Gross profit	44,057	116.5%	34.7%	37,529	85.2%	34.8%	36,512	97.3%	34.9%
Operating gross profit	-	-	-	37,689	-	34.9%	36,701	97.4%	35.1%
Selling, general and administrative expenses	30,346	93.6%	23.9%	30,603	100.8%	28.3%	30,078	98.3%	28.7%
Operating profit	13,711	254.8%	10.8%	7,086	51.7%	6.6%	6,622	93.5%	6.3%
Ordinary profit	13,910	246.3%	11.0%	7,304	52.5%	6.8%	6,831	93.5%	6.5%
Profit	8,465	258.1%	6.7%	4,531	53.5%	4.2%	4,203	92.8%	4.0%
Existing Stores (YoY Change)	Six months ended September 30, 2020			Six months ended September 30, 2021			Six months ended September 30, 2022		
Net Sales	110.6%			87.0%			96.7%		
Customers	108.5%			84.9%			92.4%		
Customer average	101.8%			102.4%			104.5%		

Segments

Net Sales (Millions of yen)	Six months ended September 30, 2020			Six months ended September 30, 2021			Six months ended September 30, 2022		
	Results	YoY Change	% of sales	Results	YoY Change	% of sales	Results	YoY Change	% of sales
Materials, DIY and gardening goods	59,497	115.7%	46.9%	52,362	88.0%	48.5%	51,217	97.8%	49.0%
Household goods	33,851	107.1%	26.7%	27,055	79.9%	25.1%	26,255	97.0%	25.1%
Furniture and home fashion goods	23,496	103.8%	18.5%	20,049	85.3%	18.6%	18,942	94.5%	18.1%
Others	10,019	100.1%	7.9%	8,507	84.9%	7.9%	8,213	96.5%	7.8%
Total	126,865	109.7%	100.0%	107,975	85.1%	100.0%	104,629	96.9%	100.0%
Gross profit (Millions of yen)	Six months ended September 30, 2020			Six months ended September 30, 2021			Six months ended September 30, 2022		
	Results	YoY Change	% of sales	Results	YoY Change	% of sales	Results	YoY Change	% of sales
Materials, DIY and gardening goods	21,600	121.7%	36.3%	18,766	86.9%	35.8%	18,654	99.4%	36.4%
Household goods	9,874	118.4%	29.2%	7,841	79.4%	29.0%	7,547	96.2%	28.7%
Furniture and home fashion goods	9,464	107.5%	40.3%	8,276	87.5%	41.3%	7,751	93.7%	40.9%
Others	3,118	107.3%	31.1%	2,644	84.8%	31.1%	2,558	96.7%	31.1%
Total	44,057	116.5%	34.7%	37,529	85.2%	34.8%	36,512	97.3%	34.9%

Number of Stores by Area and Business Type

Number of Stores at the End of the Term	Six months ended September 30, 2020			Six months ended September 30, 2021			Six months ended September 30, 2022		
	Combination stores	HI stand- alone stores	Furniture -only stores	Combination stores	HI stand- alone stores	Furniture -only stores	Combination stores	HI stand- alone stores	Furniture -only stores
Kyushu	85	104	3	82	106	3	82	106	3
Chugoku and Shikoku	33	52	1	33	52	1	33	51	1
Kansai	17	21	4	16	21	7	16	22	8
Chubu	9	13	1	9	13	1	9	14	2
Kanto and Tohoku	3	9	2	3	9	2	3	9	2
Total	147	199	11	143	201	14	143	202	16
	357			358			361		

Balance Sheets

Items (Millions of yen)	Fiscal Year Ended March 31, 2021			Fiscal Year Ended March 31, 2022			Six Months Ended September 30, 2022		
	Results	Compared to the End of the Previous Fiscal Year	Change From the End of the Previous Fiscal Year	Results	Compared to the End of the Previous Fiscal Year	Change From the End of the Previous Fiscal Year	Results	Compared to the End of the Previous Fiscal Year	Change From the End of the Previous Fiscal Year
Total assets	236,164	106.8%	15,126	233,075	98.7%	(3,088)	240,177	103.0%	7,101
Current assets	102,419	119.5%	16,681	100,744	98.4%	(1,675)	107,477	106.7%	6,732
Of which, cash and deposits	40,984	169.4%	16,793	34,111	83.2%	(6,872)	38,925	114.1%	4,814
Non-current assets	133,744	98.9%	(1,554)	132,331	98.9%	(1,413)	132,699	100.3%	368
Of which, property, plant and equipment	119,942	98.9%	(1,359)	118,557	98.8%	(1,384)	118,886	100.3%	328
Liabilities	83,342	105.9%	4,629	75,312	90.4%	(8,029)	79,016	104.9%	3,703
Interest-bearing liabilities	22,038	91.1%	(2,156)	20,293	92.1%	(1,744)	19,613	96.6%	(679)
Net assets	152,821	107.4%	10,497	157,763	103.2%	4,941	161,160	102.2%	3,397
	Fiscal Year Ended March 31, 2021			Fiscal Year Ended March 31, 2022			Six Months Ended September 30, 2022		
Cash and deposit ratio (%)	17.4%			14.6%			16.2%		
Ratio of interest- bearing liabilities (%)	9.3%			8.7%			8.2%		
Equity ratio (%)	64.7%			67.7%			67.1%		

Stock (Full-year)

	Fiscal Year Ended March 31, 2020	Fiscal Year Ended March 31, 2021	Fiscal Year Ended March 31, 2022
Number of Issued Shares	29,784,400	29,784,400	29,784,400
Number of Treasury Shares	1,221,600	1,221,800	1,221,800
Net Assets per Share (yen)	4,983	5,350	5,523
Dividend per Share (yen)	39	50	56
Earnings per Share (yen)	173	409	279
Payout Ratio	22.5%	12.2%	20.1%

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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(Securities Code: 2790)