

**Nonconsolidated Financial and Operating Results  
for the First Nine Months of the Year Ending March 2005**

February 18, 2005

**Note: The following report is an English translation of the Japanese-language original.**

Company name (URL <a href="http://www.nafco.tv">http://www.nafco.tv</a> )	NAFCO Co.,Ltd.	JASDAQ Code number	2790
Representative	Katsuyoshi Fukamachi, President and CEO		
Contact person (Responsible official)	Kanji Muraoka, Managing Director & General Manager, Accounting Division TEL +81-93-521-7030		

1. Preparation of Nine-Month Financial Results

Adoption of a simplified accounting method: Yes

Annually predicted tax rates based on the statutory effective tax rate are used as the accounting standard for corporate income taxes.

Any change in accounting method from the latest fiscal year: No

2. Financial and Operating Results for the First Nine Months of the Year Ending March 2005

(April 1, 2004, through December 31, 2004)

(1) Operating results

Note: Amounts below one million yen are truncated.

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First nine months of the Year, ended December 31, 2004	144,603	3.5	9,459	3.6	9,782	4.3	5,166	7.5
First nine months of the Year, ended December 31, 2003	139,773	-	9,133	-	9,377	-	4,805	-
Reference: Year ended March 31, 2004	181,786		10,397		10,724		5,588	

	Net income per share—basic	Net income per share—diluted
	Yen	Yen
First nine months of the Year, ended December 31, 2004	174.27	173.75
First nine months of the Year, ended December 31, 2003	181.04	180.59
Reference: Year ended March 31, 2004	203.26	202.64

Note: The percentage expressions for net sales, operating income, ordinary income and net income represent the change from the corresponding nine-month period of the previous year.

(2) Financial position

Note: Amounts below one million yen are truncated.

	Total assets	Shareholders' equity	Ratio of shareholders' equity	Shareholders' equity per share
	Millions of yen	Millions of yen	%	Yen
First nine months of the Year, ended December 31, 2004	140,278	76,289	54.4	2,573.50
First nine months of the Year, ended December 31, 2003	136,327	69,629	51.1	2,424.50
Reference: Year ended March 31, 2004	133,611	72,240	54.1	2,435.67

[Nonconsolidated cash flows]

Note: Amounts below one million yen are truncated.

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of the period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
First nine months of the Year, ended December 31, 2004	9,021	(4,949)	(2,676)	17,199
First nine months of the Year, ended December 31, 2003	-	-	-	-
Reference: Year ended March 31, 2004	8,828	(6,944)	3,919	15,804

[Reference]

Projected Operating Results for the Year Ending March 2005 (April 1, 2004, through March 31, 2005)

Note: Amounts below one million yen are truncated.

	Net sales	Ordinary income	Net income
	Millions of yen	Millions of yen	Millions of yen
Year ending March 31, 2005 (Full-year)	190,000	11,433	5,800

Reference: Predicted net income per share for the year ending March 31, 2005 (Full-year): ¥194.44

The Company does not change the initial predictions above, which were announced on November.19,2004. The aforementioned projections are based on currently available information and contain many uncertainties. Changing business conditions may cause actual results to differ from the above forecasts.

[Attachments]

1. Condensed Balance Sheet for the First Nine Months

(Millions of yen)

Account item	Current first nine-month period (As of December 31, 2004)		Previous first nine-month period (As of December 31, 2003)		Year-over-year change		(Reference) Last fiscal year (As of March 31, 2004)	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	Rate of change	Amount	Composition ratio (%)
(Assets)								
Current assets								
Cash and bank deposits	19,929		21,381		(1,452)	(6.8)	18,566	
Accounts receivable—trade	1,259		1,227		32	2.6	1,215	
Inventories	40,485		38,437		2,048	5.3	37,710	
Other	1,612		1,259		352	28.0	1,560	
Allowance for doubtful accounts	(14)		(14)		-	-	(14)	
Total current assets	63,273	45.1	62,291	45.7	981	1.6	59,038	44.2
Fixed assets								
Tangible fixed assets	65,531		63,292		2,239	3.5	63,356	
Intangible assets	1,233		1,131		102	9.0	1,183	
Investments and other assets	10,239		9,611		628	6.5	10,032	
Total fixed assets	77,005	54.9	74,035	54.3	2,969	4.0	74,572	55.8
Total Assets	140,278	100.0	136,327	100.0	3,950	2.9	133,611	100.0
(Liabilities)								
Current liabilities								
Notes payable—trade	19,481		18,999		481	2.5	17,873	
Accounts payable—trade	15,691		16,251		(559)	(3.4)	11,538	
Short-term borrowings	6,730		9,120		(2,390)	(26.2)	8,020	
Current portion of long-term debt	2,973		2,243		730	32.5	2,491	
Other	9,772		10,474		(701)	(6.7)	11,562	
Total current liabilities	54,648	38.9	57,088	41.9	(2,440)	(4.3)	51,487	38.5
Long-term liabilities								
Long-term debt	4,699		5,273		(574)	(10.9)	5,456	
Reserve for employees' retirement benefits	3,026		2,789		236	8.5	2,852	
Reserve for directors' retirement allowances	1,372		1,298		74	5.7	1,325	
Other	242		248		(5)	(2.3)	250	
Total long-term liabilities	9,340	6.7	9,609	7.0	(269)	(2.8)	9,884	7.4
Total Liabilities	63,988	45.6	66,698	48.9	(2,709)	(4.1)	61,371	45.9
(Shareholders' Equity)								
Capital stock	3,461	2.5	2,674	2.0	786	29.4	3,461	2.6
Capital surplus								
Capital reserve	4,146		3,106		1,040		4,146	
Total capital surplus	4,146	3.0	3,106	2.3	1,040	33.5	4,146	3.1
Retained earnings								
Legal reserve	37		37		-	-	37	
Voluntary reserve	61,197		56,197		5,000	8.9	56,197	
Unappropriated retained earnings (loss) for the period	7,406		7,604		(198)	(2.6)	8,388	
Total retained earnings	68,641	48.9	63,839	46.8	4,801	7.5	64,622	48.4
Net unrealized gains or losses on available-for-sale securities	40	0.0	8	0.0	32	363.9	9	0.0
Total Shareholders' Equity	76,289	54.4	69,629	51.1	6,660	9.6	72,240	54.1
Total Liabilities and Shareholders' Equity	140,278	100.0	136,327	100.0	3,950	2.9	133,611	100.0

Note: Amounts below one million yen are truncated.

## 2. Condensed Statement of Income for the First Nine-Month Period

(Millions of yen)

Account item	Current first nine-month period (From April 1, 2004, to December 31, 2004)		Previous first nine-month period (From April 1, 2003, to December 31, 2003)		Year-over-year change		(Reference) Last fiscal year (From April 1, 2003, to March 31, 2004)	
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Rate of change	Amount	Percentage (%)
Net sales	144,603	100.0	139,773	100.0	4,829	3.5	181,786	100.0
Cost of sales	101,468	70.2	98,778	70.7	2,690	2.7	127,998	70.4
Gross profit on sales	43,134	29.8	40,995	29.3	2,138	5.2	53,788	29.6
Selling, general and administrative expenses	33,675	23.3	31,862	22.8	1,813	5.7	43,390	23.9
Operating income	9,459	6.5	9,133	6.5	325	3.6	10,397	5.7
Nonoperating income	661	0.5	614	0.4	46	7.5	790	0.4
Nonoperating expenses	337	0.2	370	0.2	(32)	(8.8)	462	0.2
Ordinary income	9,782	6.8	9,377	6.7	404	4.3	10,724	5.9
Extraordinary gains	57	0.0	56	0.0	0	1.7	121	0.0
Extraordinary losses	88	0.1	122	0.1	(34)	(28.1)	89	0.0
Income before income taxes	9,752	6.7	9,312	6.6	440	4.7	10,757	5.9
Income taxes—current	4,586	3.1	4,507	3.2	79	1.8	5,610	3.1
Income taxes—deferred	-	-	-	-	-	-	(441)	(0.3)
Net income for the period	5,166	3.6	4,805	3.4	360	7.5	5,588	3.1
Surplus brought forward from the previous period	2,610		2,799		(188)	(6.7)	2,799	
Interim dividend	370		-		370	-	-	
Unappropriated retained earnings (loss)	7,406		7,604		(198)	(2.6)	8,388	

Note: Amounts below one million yen are truncated.

### 3. Condensed Statement of Cash Flows for the First Nine-Month Period

(Millions of yen)

Item	Fiscal period	Current first nine-month period (From April 1, 2004, to December 31, 2004)	Previous first nine-month period (From April 1, 2003, to December 31, 2003)	(Reference) Last fiscal year (From April 1, 2003, to March 31, 2004)
		Amount	Amount	Amount
<b>Cash flows from operating activities:</b>				
Income before income taxes		9,752	-	10,757
Depreciation and amortization		2,217	-	2,849
Amortization of intangible assets		103	-	124
Amortization of long-term prepaid expenses		56	-	62
Loss on retirement of tangible fixed assets		43	-	49
Retirement of intangible assets		0	-	-
Loss on sales of tangible fixed assets		-	-	17
Gain on sales of tangible fixed assets		(27)	-	(55)
Increase in reserve for employees' retirement benefits		174	-	248
Increase in reserve for directors' retirement allowances		47	-	67
Increase (decrease) in reserve for bonuses		(487)	-	280
Dividend and interest income		(13)	-	(15)
Interest expense		218	-	307
New share issuing expense		-	-	88
Gain on tangible fixed assets donated		-	-	(1)
Loss on valuation of investment securities		-	-	1
Decrease (increase) in trade receivables		(563)	-	1
Increase in inventories		(2,774)	-	(3,213)
Increase in trade payables		5,760	-	2,080
Increase in consumption taxes payable		72	-	219
Increase in other assets		(160)	-	(71)
Increase in other liabilities		34	-	294
Bonuses to directors paid		(36)	-	(32)
Subtotal		14,417	-	14,061
Interest and dividends received		6	-	10
Interest paid		(218)	-	(333)
Income taxes paid		(5,184)	-	(4,910)
Net cash provided by operating activities		9,021	-	8,828
<b>Cash flows from investing activities:</b>				
Payments for acquisition of tangible fixed assets		(4,706)	-	(5,962)
Proceeds from sales of tangible fixed assets		42	-	154
Payments for purchase of investment securities		(30)	-	-
Payments for acquisition of intangible assets		(154)	-	(242)
Payments for leasehold deposits and guarantee money		(213)	-	(781)
Proceeds from collection of leasehold deposits and guarantee money		49	-	109
Increase (decrease) in other investments		63	-	(222)
Net cash used in investing activities		(4,949)	-	(6,944)
<b>Cash flows from financing activities:</b>				
Decrease in short-term borrowings		(1,290)	-	(1,100)
Increase in long-term debt		1,710	-	1,100
Payments for repayment of long-term debt		(1,985)	-	(2,391)
Proceeds from issuance of shares		-	-	6,574
Cash dividends paid		(1,110)	-	(262)
Net cash provided by (used in) financing activities		(2,676)	-	3,919
<b>Net increase in cash and cash equivalents</b>		<b>1,395</b>	<b>-</b>	<b>5,803</b>
<b>Cash and cash equivalents at beginning of period</b>		<b>15,804</b>	<b>-</b>	<b>10,000</b>
<b>Cash and cash equivalents at end of period</b>		<b>17,199</b>	<b>-</b>	<b>15,804</b>

Note: Amounts below one million yen are truncated.