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On **May 8, 2020**, Yellow Hat Ltd. announced earnings results for full-year FY03/20.

Cumulative (JPYmn)	FY03/19				FY03/20				FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	31,396	63,916	109,257	139,200	32,880	71,530	112,361	141,031	97.5%	144,630
YoY	-1.3%	0.4%	1.5%	1.0%	4.7%	11.9%	2.8%	1.3%		3.9%
Gross profit	12,113	24,299	40,974	53,621	13,462	28,373	44,309	56,517		
YoY	-0.3%	2.2%	3.8%	3.6%	11.1%	16.8%	8.1%	5.4%		
GPM	38.6%	38.0%	37.5%	38.5%	40.9%	39.7%	39.4%	40.1%		
SG&A expenses	10,713	21,347	32,906	44,038	11,318	22,670	34,640	46,423		
YoY	4.8%	3.5%	3.6%	4.4%	5.6%	6.2%	5.3%	5.4%		
SG&A ratio	34.1%	33.4%	30.1%	31.6%	34.4%	31.7%	30.8%	32.9%		
Operating profit	1,399	2,952	8,068	9,583	2,144	5,702	9,669	10,093	91.8%	11,000
YoY	-27.5%	-6.6%	4.3%	0.2%	53.3%	93.2%	19.8%	5.3%		14.8%
OPM	4.5%	4.6%	7.4%	6.9%	6.5%	8.0%	8.6%	7.2%		7.6%
Recurring profit	1,815	3,666	9,060	10,986	2,422	6,159	10,447	11,095	93.2%	11,900
YoY	-17.9%	-0.1%	5.1%	2.8%	33.4%	68.0%	15.3%	1.0%		8.3%
RPM	5.8%	5.7%	8.3%	7.9%	7.4%	8.6%	9.3%	7.9%		8.2%
Net income	1,308	2,525	6,165	7,329	1,671	4,236	7,130	7,334	92.8%	7,900
YoY	7.7%	12.6%	10.5%	7.2%	27.8%	67.8%	15.7%	0.1%		7.8%
Net margin	4.2%	4.0%	5.6%	5.3%	5.1%	5.9%	6.3%	5.2%		5.5%

Quarterly (JPYmn)	FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	31,396	32,520	45,341	29,943	32,880	38,650	40,831	28,670
YoY	-1.3%	2.1%	3.1%	-1.0%	4.7%	18.8%	-9.9%	-4.3%
Gross profit	12,113	12,186	16,675	12,647	13,462	14,911	15,936	12,208
YoY	-0.3%	4.8%	6.2%	3.1%	11.1%	22.4%	-4.4%	-3.5%
GPM	38.6%	37.5%	36.8%	42.2%	40.9%	38.6%	39.0%	42.6%
SG&A expenses	10,713	10,634	11,559	11,132	11,318	11,352	11,970	11,783
YoY	4.8%	2.2%	3.9%	6.6%	5.6%	6.8%	3.6%	5.8%
SG&A ratio	34.1%	32.7%	25.5%	37.2%	34.4%	29.4%	29.3%	41.1%
Operating profit	1,399	1,553	5,116	1,515	2,144	3,558	3,967	424
YoY	-27.5%	26.2%	11.7%	-16.8%	53.3%	129.1%	-22.5%	-72.0%
OPM	4.5%	4.8%	11.3%	5.1%	6.5%	9.2%	9.7%	1.5%
Recurring profit	1,815	1,851	5,394	1,926	2,422	3,737	4,288	648
YoY	-17.9%	27.0%	8.9%	-6.8%	33.4%	101.9%	-20.5%	-66.4%
RPM	5.8%	5.7%	11.9%	6.4%	7.4%	9.7%	10.5%	2.3%
Net income	1,308	1,217	3,640	1,164	1,671	2,565	2,894	204
YoY	7.7%	18.4%	9.1%	-7.7%	27.8%	110.8%	-20.5%	-82.5%
Net margin	4.2%	3.7%	8.0%	3.9%	5.1%	6.6%	7.1%	0.7%

Source: Shared Research based on company data

Full-year FY03/20 results

Earnings results for full-year FY03/20 were as follows:

- ▷ **Sales:** JPY141.0bn (+1.3% YoY)
- ▷ **Operating profit:** JPY10.1bn (+5.3% YoY)
- ▷ **Recurring profit:** JPY11.1bn (+1.0% YoY)
- ▷ **Net income*:** JPY7.3bn (+0.1% YoY)

*Net income refers to net income attributable to owners of the parent.

Against the full-year FY03/20 forecasts, sales reached 97.5%, operating profit 91.8%, recurring profit 93.2%, and net income attributable to owners of the parent 92.8%.

Despite a slowdown after the consumption tax hike and a warm winter lowering sales of winter goods such as studless snow tires, sales increased overall thanks to profit growth in pit services and strong drive recorder sales. Gross profit was JPY56.5bn (+5.4%

YoY). SG&A expenses rose to JPY46.4bn (+5.4% YoY) due mainly to higher rent and personnel expenses stemming from additional stores at subsidiaries.

In regard to sales breakdown, wholesale sales marked JPY49.2bn (-0.8% YoY) and retail sales JPY82.5bn (+2.4% YoY).

Automotive and motorcycle parts sales

- ▷ **Sales:** JPY134.8bn (+1.5% YoY)
- ▷ **Operating profit:** JPY8.9bn (+5.4% YoY)

As of end-FY03/20, the company had a total of 849 stores and seven Yellow Hat automobile inspection centers. The breakdown of stores is as follows:

Domestic

- ▷ Yellow Hat: 738
- ▷ 2-Rin-Kan (motorcycle parts): 56
- ▷ SOX: 52

Overseas

- ▷ Yellow Hat: 3

Rental real estate

- ▷ **Sales:** JPY6.3bn (-2.1% YoY)
- ▷ **Operating profit:** JPY1.2bn (+4.7% YoY)

Full-year company forecasts

(JPYmn)	FY03/20			FY03/21		
	1H Act.	2H Act.	FY Act.	1H Est.	2H Est.	FY Est.
Sales	71,530	69,501	141,031	61,000	81,000	142,000
YoY	11.9%	-7.7%	1.3%	-14.7%	16.5%	0.7%
Cost of sales	43,156	41,358	84,514			
Gross profit	28,373	28,144	56,517			
YoY	16.8%	-4.0%	5.4%			
GPM	39.7%	40.5%	40.1%			
SG&A expenses	22,670	23,753	46,423			
SG&A ratio	31.7%	34.2%	32.9%			
Operating profit	5,702	4,391	10,093	2,900	7,400	10,300
YoY	93.2%	-33.8%	5.3%	-49.1%	68.5%	2.1%
OPM	8.0%	6.3%	7.2%	4.8%	9.1%	7.3%
Recurring profit	6,159	4,936	11,095	3,300	7,900	11,200
YoY	68.0%	-32.6%	1.0%	-46.4%	60.0%	0.9%
RPM	8.6%	7.1%	7.9%	5.4%	9.8%	7.9%
Net income	4,236	3,098	7,334	2,300	5,100	7,400
YoY	67.8%	-35.5%	0.1%	-45.7%	64.6%	0.9%

Source: Shared Research based on company data
 Figures may differ from company materials due to differences in rounding methods.

For FY03/21, the company forecasts sales of JPY142.0bn (+0.7% YoY), operating profit of JPY10.3bn (+2.1% YoY), recurring profit of JPY11.2bn (+0.9% YoY), and net income attributable to owners of the parent of JPY7.4bn (+0.9% YoY).

The company forecasts sales to drop due to a decline in customer footfall, particularly in 1H FY03/21 during which the government declared a state of emergency associated with the COVID-19 pandemic. It does, however, expect to see a certain level of continuing demand for its business since automobiles are a part of an important infrastructure supporting people's

everyday living. To the extent possible, the company plans to meet customer needs by providing maintenance services and car parts and accessories at its Yellow Hat stores.

This note is the most recent addition to the [full report](#).

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