

This PDF document is an updated note on the company. A comprehensive version of the report on the company, including this latest update, is available on [our website](#) and various professional platforms.

On **July 31, 2020**, Yellow Hat Ltd. announced earnings results for Q1 FY03/21

Cumulative (JPYmm)	FY03/20				FY03/21				FY03/21		FY03/21	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of Est.	1H Est.	% of Est.	FY Est.
Sales	32,880	71,530	112,361	141,031	31,133				51.0%	61,000	21.9%	142,000
YoY	4.7%	11.9%	2.8%	1.3%	-5.3%					-14.7%		0.7%
Gross profit	13,462	28,373	44,309	56,517	13,041							
YoY	11.1%	16.8%	8.1%	5.4%	-3.1%							
GPM	40.9%	39.7%	39.4%	40.1%	41.9%							
SG&A expenses	11,318	22,670	34,640	46,423	11,242							
YoY	5.6%	6.2%	5.3%	5.4%	-0.7%							
SG&A ratio	34.4%	31.7%	30.8%	32.9%	36.1%							
Operating profit	2,144	5,702	9,669	10,093	1,798				62.0%	2,900	17.5%	10,300
YoY	53.3%	93.2%	19.8%	5.3%	-16.1%					-49.1%		2.1%
OPM	6.5%	8.0%	8.6%	7.2%	5.8%					4.8%		7.3%
Recurring profit	2,422	6,159	10,447	11,095	2,067				62.6%	3,300	18.5%	11,200
YoY	33.4%	68.0%	15.3%	1.0%	-14.7%					-46.4%		0.9%
RPM	7.4%	8.6%	9.3%	7.9%	6.6%					5.4%		7.9%
Net income	1,671	4,236	7,130	7,334	1,369				59.5%	2,300	18.5%	7,400
YoY	27.8%	67.8%	15.7%	0.1%	-18.1%					-45.7%		0.9%
Net margin	5.1%	5.9%	6.3%	5.2%	4.4%					3.8%		5.2%

Quarterly (JPYmm)	FY03/20				FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	32,880	38,650	40,831	28,670	31,133			
YoY	4.7%	18.8%	-9.9%	-4.3%	-5.3%			
Gross profit	13,462	14,911	15,936	12,208	13,041			
YoY	11.1%	22.4%	-4.4%	-3.5%	-3.1%			
GPM	40.9%	38.6%	39.0%	42.6%	41.9%			
SG&A expenses	11,318	11,352	11,970	11,783	11,242			
YoY	5.6%	6.8%	3.6%	5.8%	-0.7%			
SG&A ratio	34.4%	29.4%	29.3%	41.1%	36.1%			
Operating profit	2,144	3,558	3,967	424	1,798			
YoY	53.3%	129.1%	-22.5%	-72.0%	-16.1%			
OPM	6.5%	9.2%	9.7%	1.5%	5.8%			
Recurring profit	2,422	3,737	4,288	648	2,067			
YoY	33.4%	101.9%	-20.5%	-66.4%	-14.7%			
RPM	7.4%	9.7%	10.5%	2.3%	6.6%			
Net income	1,671	2,565	2,894	204	1,369			
YoY	27.8%	110.8%	-20.5%	-82.5%	-18.1%			
Net margin	5.1%	6.6%	7.1%	0.7%	4.4%			

Source: Shared Research based on company data

Q1 FY03/21 results

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

- ▷ **Sales:** JPY31.1bn (-5.3% YoY)
- ▷ **Operating profit:** JPY1.8bn (-16.1% YoY)
- ▷ **Recurring profit:** JPY2.1bn (-14.7% YoY)
- ▷ **Net income*:** JPY1.4bn (-18.1% YoY)

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

Against the 1H FY03/21 forecasts, Q1 results saw sales achieve 51.0%, operating profit 62.0%, recurring profit 62.6%, and net income attributable to owners of the parent 59.5%.

The business environment in Q1 FY03/21 in the car accessories industry saw declining customer visits and stagnant sales in high-ticket items such as tires and car navigation systems due to the impact of the COVID-19 outbreak. According to the company, however, since June 2020 following the lifting of the state of emergency, customer traffic has increased and sales of high-ticket items has started to recover.

- ▷ Q1 FY03/21 sales and gross profit declined YoY. Revenue from both sales and accompanying installation fees declined for high-ticket items such as tires, car navigation systems, and drive recorders.
- ▷ The sales breakdown showed wholesales sales of JPY9.5bn (-8.8% YoY) and retail sales of JPY19.2bn (-4.5% YoY).
- ▷ SG&A expenses declined 0.7% YoY. While higher rent and personnel expenses were incurred from additional stores at subsidiaries, this was offset by lower advertising levels during the emergency declaration period. Profit items from the operating profit and below declined on a YoY basis.

Automotive and motorcycle parts sales

- ▷ **Sales:** JPY29.5bn (-5.7% YoY)
- ▷ **Operating profit:** JPY1.4bn (-22.0% YoY)

Q1 FY03/21 saw three openings and five closings of Yellow Hat stores in Japan. Outside of Yellow Hat stores, the company closed one Bikers Station SOX store. As of end-June 2020, the company had a total of 846 stores and seven Yellow Hat automobile inspection centers. The breakdown of stores is as follows:

Domestic

- ▷ Yellow Hat: 736
- ▷ 2-Rin-Kan (motorcycle parts): 56
- ▷ SOX: 51

Overseas

- ▷ Yellow Hat: 3

Rental real estate

- ▷ **Sales:** JPY1.6bn (+2.0% YoY)
- ▷ **Operating profit:** JPY354mn (+21.2% YoY)

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

We offer corporate clients comprehensive report coverage, a service that allows them to better inform investors and other stakeholders by presenting a continuously updated third-party view of business fundamentals, independent of investment biases. Shared Research can be found on the web at <https://sharedresearch.jp>.

Disclaimer

This document is provided for informational purposes only. No investment opinion or advice is provided, intended, or solicited. Shared Research Inc. offers no warranty, either expressed or implied, regarding the veracity of data or interpretations of data included in this report. We shall not be held responsible for any damage caused by the use of this report.

The copyright of this report and the rights regarding the creation and exploitation of the derivative work of this and other Shared Research Reports belong to Shared Research. This report may be reproduced or modified for personal use; distribution, transfer, or other uses of this report are strictly prohibited and a violation of the copyright of this report. Our officers and employees may currently, or in the future, have a position in securities of the companies mentioned in this report, which may affect this report's objectivity.

Japanese Financial Instruments and Exchange Law (FIEL) Disclaimer

The report has been prepared by Shared Research under a contract with the company described in this report ("the company"). Opinions and views presented are ours where so stated. Such opinions and views attributed to the company are interpretations made by Shared Research. We represent that if this report is deemed to include an opinion from us that could influence investment decisions in the company, such an opinion may be in exchange for consideration or promise of consideration from the company to Shared Research.

Contact Details

Shared Research Inc.

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

<https://sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: info@sharedresearch.jp