

Non-Consolidated Financial Results for the Fiscal Year Ended October 31, 2018 [Japanese GAAP]



December 14, 2018

Company name: Fuji Corporation
 Stock exchange listing: Tokyo Stock Exchange
 Code number: 7605
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 Scheduled date of ordinary shareholders meeting: January 29, 2019
 Scheduled date of commencing dividend payments: January 30, 2019
 Scheduled date of filing securities report: January 30, 2019
 Availability of supplementary briefing material on financial results: None
 Schedule of financial results briefing session: No

(Amounts of less than one million yen are rounded down.)

1. Non-Consolidated Financial Results for the Fiscal Year Ended October 31, 2018 (November 1, 2017 to October 31, 2018)

(1) Non-Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended October 31, 2018	32,812	6.7	2,801	25.9	2,865	22.3	1,983	35.0
October 31, 2017	30,744	5.9	2,225	1.1	2,342	3.7	1,468	8.3

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit to total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended October 31, 2018	194.26	194.03	15.4	12.7	8.5
October 31, 2017	143.86	143.78	12.8	11.0	7.2

(Reference) Share of profit or loss of entities accounted for using equity method:

Fiscal year ended October 31, 2018: ¥- million

Fiscal year ended October 31, 2017: ¥- million

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of October 31, 2018	23,698	13,733	57.8	1,342.50
As of October 31, 2017	21,541	12,093	56.1	1,183.25

(Reference) Equity: As of October 31, 2018: ¥13,705 million

As of October 31, 2017: ¥12,079 million

(3) Non-Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended October 31, 2018	3,591	(336)	(1,102)	2,639
October 31, 2017	1,237	(706)	(520)	486

2. Dividends

	Annual dividends					Total dividends	Payout ratio	Dividends to net assets
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended October 31, 2017	-	0.00	-	35.00	35.00	357	24.3	3.1
Fiscal year ended October 31, 2018	-	0.00	-	35.00	35.00	357	18.0	2.8
Fiscal year ending October 31, 2019 (Forecast)	-	0.00	-	35.00	35.00		17.9	

3. Non-Consolidated Financial Results Forecast for the Fiscal Year Ending October 31, 2019 (November 1, 2018 to October 31, 2019)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	20,878	4.4	2,310	5.7	2,360	6.0	1,600	6.6	156.73
Full year	33,500	2.1	2,835	1.2	2,950	3.0	2,000	0.9	195.91

* Notes:

(1) Changes in accounting policies, changes in accounting estimates and retrospective restatement

- 1) Changes in accounting policies due to the revision of accounting standards: No
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

(2) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

October 31, 2018: 10,485,000 shares

October 31, 2017: 10,485,000 shares

2) Total number of treasury shares at the end of the period:

October 31, 2018: 276,361 shares

October 31, 2017: 276,288 shares

3) Average number of shares during the period:

Fiscal year ended October 31, 2018: 10,208,668 shares

Fiscal year ended October 31, 2017: 10,208,712 shares

* These financial results are outside the scope of audit.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information that is available and certain assumptions deemed reasonable as of the date of publication of this document. Actual results may differ significantly from these forecasts due to a wide range of factors. For assumptions on earnings forecasts, their use and other notes, please refer to “Overview of Operating Results, etc.” on page 1 of the attachment.

1. Overview of Operating Results, etc.

(1) Overview of Operating Results for the Fiscal Year under Review

The Japanese economy in the fiscal year under review (from November 1, 2017 to October 31, 2018) continued moderate recovery trend, showing signs of improvement in corporate earnings and the employment environment against a backdrop of various economic policies by the government. However, the outlook of the economy remains largely uncertain, mainly due to the impact of the frequent natural disasters in Japan as well as the trend of trade friction caused by the trade policies of the US.

Under such circumstances, although there were no new shop openings during the fiscal year under review, the Company worked to improve profitability based on strong sales of studless tires owing to nationwide snowfalls in the first half of the fiscal year, and the launch of “Tire Puncture Warranty Service” in the second half.

As a result, net sales for the fiscal year under review were ¥32,812 million (up ¥2,067 million or 6.7% year on year). Regarding net sales by product, the sales value of tires and wheels was ¥28,754 million (up ¥1,765 million or 6.5% year on year), while the number sold was 2,769 thousand (up 47 thousand or 1.8% year on year). The sales value of parts was ¥1,455 million (up ¥158 million or 12.2% year on year), while the sales value of work fees was ¥2,601 million (up ¥143 million or 5.8% year on year). The sales mix comprised 87.7% of tire wheels (87.8% in the previous fiscal year), 4.4% of parts (4.2% in the previous fiscal year), and 7.9% of work fees (8.0% in the previous fiscal year). Regarding net sales by channel, net sales of shops were ¥21,552 million (up ¥1,164 million or 5.7% year on year), while net sales of the headquarters were ¥11,260 million (up ¥902 million or 8.7% year on year).

In summary, the operating results for the fiscal year under review were operating profit of ¥2,801 million (up ¥575 million or 25.9% year on year), ordinary profit of ¥2,865 million (up ¥522 million or 22.3% year on year), and profit of ¥1,983 million (up ¥514 million or 35.0% year on year), representing an increase in both revenue and profits.

(2) Overview of Financial Position for the Fiscal Year under Review

(Current assets)

Current assets at the end of the fiscal year under review were ¥12,322 million (up ¥2,603 million or 26.8% year on year). This was mainly attributable to an increase of ¥2,153 million in cash and deposits, an increase of ¥319 million in accounts receivable - trade, and an increase of ¥241 million in accounts receivable - other.

(Non-current assets)

Non-current assets at the end of the fiscal year under review were ¥11,376 million (down ¥446 million or 3.8% year on year). This was mainly attributable to a decrease of ¥401 million in property, plant and equipment, a decrease of ¥61 million in intangible assets, and an increase of ¥15 million in investments and other assets.

(Current liabilities)

Current liabilities at the end of the fiscal year under review were ¥5,529 million (up ¥870 million or 18.7% year on year). This was mainly attributable to an increase of ¥701 million in accounts payable - trade, a decrease of ¥400 million in short-term loans payable, an increase of ¥126 million in income taxes payable, and an increase of ¥265 million in accrued consumption taxes.

(Non-current liabilities)

Non-current liabilities at the end of the fiscal year under review were ¥4,435 million (down ¥354 million or 7.4% year on year). This was mainly attributable to a decrease of ¥326 million in long-term loans payable, an increase of ¥18 million in provision for retirement benefits, and an increase of ¥21 million in other.

(Net assets)

Net assets at the end of the fiscal year under review were ¥13,733 million (up ¥1,640 million or 13.6% year on year). This was mainly attributable to an increase of ¥1,625 million in retained earnings, and an

increase of ¥14 million in share acquisition rights.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents (hereinafter “funds”) at the end of the fiscal year under review were ¥2,639 million, up ¥2,152 million year on year.

The cash flows for the fiscal year under review are as follows.

(Cash flows from operating activities)

Funds provided by operating activities were ¥3,591 million (¥1,234 million provided in the previous fiscal year).

This was mainly attributable to profit before income taxes of ¥2,866 million, depreciation of ¥824 million, an increase in notes and accounts payable - trade of ¥459 million, an increase in accrued consumption taxes of ¥265 million, a decrease in inventories of ¥74 million, and income taxes paid of ¥807 million.

(Cash flows from investing activities)

Funds used in investing activities were ¥336 million (¥703 million used in the previous fiscal year).

This was mainly attributable to purchase of property, plant and equipment of ¥314 million due to factors including shop openings through relocation, and purchase of intangible assets of ¥45 million due to factors including improvements to the core system and e-commerce site functions.

(Cash flows from financing activities)

Funds used in financing activities were ¥1,102 million (¥520 million used in the previous fiscal year).

This was mainly attributable to a decrease in short-term loans payable of ¥400 million, repayments of long-term loans payable of ¥327 million, and cash dividends paid of ¥356 million.

(Reference) Trends in cash flow-related indicators

	Fiscal year ended October 31, 2014	Fiscal year ended October 31, 2015	Fiscal year ended October 31, 2016	Fiscal year ended October 31, 2017	Fiscal year ended October 31, 2018
Equity ratio (%)	45.8	39.0	51.8	56.1	57.8
Equity ratio at market value (%)	70.5	99.9	101.2	100.7	89.2
Cash flow to interest-bearing debt ratio (Years)	3.1	6.4	1.9	3.9	1.1
Interest coverage ratio (Times)	70.5	85.5	282.4	231.1	898.3

Equity ratio: Equity/Total assets

Equity ratio at market value: Market capitalization/Total assets

Cash flow to interest-bearing debt ratio: Interest-bearing debt/Cash flows from operating activities

Interest coverage ratio: Cash flows from operating activities/Interest expenses

(Note) Interest-bearing debt refers to all liabilities, out of the liabilities stated on the Balance Sheet, on which interest is payable.

(4) Future Outlook

As for the outlook for the next fiscal year, as a result of strengthened shop sales capabilities owing to the openings of refurbished shops (relocations), and proactive sales of the newly launched “Tire Puncture Warranty Service,” we forecast net sales of ¥33,500 million (up 2.1% year on year), operating profit of ¥2,835 million (up 1.2% year on year), ordinary profit of ¥2,950 million (up 3.0% year on year), and profit of ¥2,000 million (up 0.9% year on year).

The financial results forecast above was made based on information currently available, and going forward, actual results may differ significantly from these forecasts due to a wide range of factors.

- (5) Material Events Regarding Going Concern Assumption, etc.
Not applicable.

2. Basic Policy Regarding Selection of Accounting Standards

The Company does not prepare any consolidated financial statements. Considering elements such as the corporate resources available for constructing a structure for preparing financial statements based on International Financial Reporting Standards, the Company has decided to prepare its financial statements based on Japanese GAAP.

3. Financial Statements and Primary Notes

(1) Non-Consolidated Balance Sheets

(Thousand yen)

	As of October 31, 2017	As of October 31, 2018
Assets		
Current assets		
Cash and deposits	488,653	2,642,280
Accounts receivable - trade	2,079,479	2,398,805
Merchandise	6,132,116	6,057,155
Prepaid expenses	135,355	128,125
Deferred tax assets	56,778	74,886
Accounts receivable - other	709,304	950,775
Current portion of construction assistance fund receivables	41,575	38,166
Other	75,380	34,284
Allowance for doubtful accounts	(178)	(2,385)
Total current assets	9,718,464	12,322,094
Non-current assets		
Property, plant and equipment		
Buildings	6,131,185	6,132,365
Accumulated depreciation	(1,018,044)	(1,273,530)
Buildings, net	5,113,141	4,858,834
Facilities attached to buildings	1,644,302	1,643,682
Accumulated depreciation	(853,735)	(965,800)
Facilities attached to buildings, net	790,567	677,882
Structures	992,844	992,844
Accumulated depreciation	(505,680)	(588,373)
Structures, net	487,164	404,471
Machinery and equipment	1,888,114	1,892,834
Accumulated depreciation	(829,064)	(1,006,524)
Machinery and equipment, net	1,059,050	886,309
Vehicles	137,871	158,856
Accumulated depreciation	(87,593)	(102,971)
Vehicles, net	50,278	55,885
Tools, furniture and fixtures	479,901	484,110
Accumulated depreciation	(331,319)	(373,661)
Tools, furniture and fixtures, net	148,581	110,448
Land	2,494,998	2,494,998
Leased assets	287,751	287,751
Accumulated depreciation	(87,853)	(104,021)
Leased assets, net	199,897	183,729
Construction in progress	—	270,000
Total property, plant and equipment	10,343,679	9,942,559
Intangible assets		
Trademark right	2,761	2,465
Software	359,130	299,051
Leased assets	1,509	377
Telephone subscription right	4,212	4,212
Right of using water facilities	1,294	1,154
Total intangible assets	368,907	307,261

(Thousand yen)

	As of October 31, 2017	As of October 31, 2018
Investments and other assets		
Investments in capital	23	23
Long-term loans receivable	3,281	2,590
Long-term prepaid expenses	46,318	42,218
Deferred tax assets	247,903	288,995
Construction assistance fund receivables	307,270	269,103
Lease deposits	298,684	304,483
Guarantee deposits	106,169	105,169
Claims provable in bankruptcy, claims provable in rehabilitation and other	547	16,086
Other	101,269	114,215
Allowance for doubtful accounts	(547)	(16,086)
Total investments and other assets	1,110,920	1,126,800
Total non-current assets	11,823,507	11,376,621
Total assets	21,541,972	23,698,716

(Thousand yen)

	As of October 31, 2017	As of October 31, 2018
Liabilities		
Current liabilities		
Accounts payable - trade	2,602,677	3,303,879
Short-term loans payable	400,000	—
Current portion of long-term loans payable	326,666	326,666
Lease obligations	17,570	17,066
Accounts payable - other	294,660	375,874
Accrued expenses	102,983	106,546
Income taxes payable	461,912	588,166
Accrued consumption taxes	—	265,914
Advances received	339,818	438,887
Deposits received	43,526	22,258
Unearned revenue	3,045	3,045
Provision for bonuses	66,170	71,130
Asset retirement obligations	—	10,312
Total current liabilities	4,659,029	5,529,748
Non-current liabilities		
Long-term loans payable	3,920,000	3,593,333
Lease obligations	207,290	190,224
Provision for retirement benefits	194,094	212,852
Asset retirement obligations	198,720	190,919
Long-term accounts payable - other	207,525	207,525
Other	62,250	40,750
Total non-current liabilities	4,789,880	4,435,604
Total liabilities	9,448,910	9,965,352
Net assets		
Shareholders' equity		
Capital stock	1,236,515	1,236,515
Capital surplus		
Legal capital surplus	1,273,115	1,273,115
Total capital surpluses	1,273,115	1,273,115
Retained earnings		
Legal retained earnings	6,570	6,570
Other retained earnings		
Reserve for advanced depreciation of non-current assets	5,591	5,207
General reserve	1,300,000	1,300,000
Reserve for special depreciation	114,714	86,105
Retained earnings brought forward	8,175,583	9,830,386
Total retained earnings	9,602,459	11,228,270
Treasury shares	(32,665)	(32,849)
Total shareholders' equity	12,079,425	13,705,051
Share acquisition rights	13,636	28,311
Total net assets	12,093,061	13,733,363
Total liabilities and net assets	21,541,972	23,698,716

(2) Non-Consolidated Statements of Income

(Thousand yen)

	For the fiscal year ended October 31, 2017	For the fiscal year ended October 31, 2018
Net sales	30,744,480	32,812,076
Cost of sales		
Beginning goods	5,190,269	6,132,116
Cost of purchased goods	22,404,683	22,741,544
Total	27,594,952	28,873,661
Ending goods	6,132,116	6,057,155
Total cost of sales	21,462,835	22,816,505
Gross profit	9,281,644	9,995,571
Selling, general and administrative expenses	7,056,042	7,194,404
Operating profit	2,225,602	2,801,166
Non-operating income		
Interest income	4,998	4,613
Dividend income	1	1
Real estate rent	22,120	33,840
Foreign exchange gains	2,949	1,308
Commission fee	13	11
Co-sponsor fee	56,089	10,291
Gain on sales of goods	19,705	22,099
Miscellaneous income	31,314	15,374
Total non-operating income	137,192	87,540
Non-operating expenses		
Interest expenses	5,354	3,997
Rent expenses on real estates	14,091	18,574
Other	1,139	1,014
Total non-operating expenses	20,586	23,586
Ordinary profit	2,342,208	2,865,119
Extraordinary income		
Gain on sales of non-current assets	786	1,340
Total extraordinary income	786	1,340
Extraordinary losses		
Loss on sales of non-current assets	1,196	—
Impairment loss	195,064	—
Total extraordinary losses	196,260	—
Profit before income taxes	2,146,734	2,866,460
Income taxes - current	792,383	942,545
Income taxes - deferred	(114,219)	(59,200)
Total income taxes	678,164	883,345
Profit	1,468,570	1,983,115

(3) Non-Consolidated Statements of Changes in Shareholders' Equity
Fiscal Year Ended October 31, 2017 (November 1, 2016 to October 31, 2017)

(Thousand yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings			
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
					Reserve for advanced depreciation of non-current assets	General reserve	Reserve for special depreciation
Balance at beginning of current period	1,236,515	1,273,115	1,273,115	6,570	6,014	1,300,000	143,521
Changes of items during period							
Dividends of surplus							
Profit							
Reversal of reserve for advanced depreciation of non-current assets					(423)		
Reversal of reserve for special depreciation							(28,807)
Purchase of treasury shares							
Net changes of items other than shareholders' equity							
Total changes of items during period	—	—	—	—	(423)	—	(28,807)
Balance at end of current period	1,236,515	1,273,115	1,273,115	6,570	5,591	1,300,000	114,714

	Shareholders' equity				Share acquisition rights	Total net assets
	Retained earnings		Treasury shares	Total shareholders' equity		
	Other retained earnings	Total retained earnings				
	Retained earnings brought forward					
Balance at beginning of current period	6,984,043	8,440,150	(32,665)	10,917,115	—	10,917,115
Changes of items during period						
Dividends of surplus	(306,261)	(306,261)		(306,261)		(306,261)
Profit	1,468,570	1,468,570		1,468,570		1,468,570
Reversal of reserve for advanced depreciation of non-current assets	423	—		—		—
Reversal of reserve for special depreciation	28,807	—		—		—
Purchase of treasury shares						
Net changes of items other than shareholders' equity					13,636	13,636
Total changes of items during period	1,191,540	1,162,309	—	1,162,309	13,636	1,175,945
Balance at end of current period	8,175,583	9,602,459	(32,665)	12,079,425	13,636	12,093,061

Fiscal Year Ended October 31, 2018 (November 1, 2017 to October 31, 2018)

(Thousand yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings			
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
					Reserve for advanced depreciation of non-current assets	General reserve	Reserve for special depreciation
Balance at beginning of current period	1,236,515	1,273,115	1,273,115	6,570	5,591	1,300,000	114,714
Changes of items during period							
Dividends of surplus							
Profit							
Reversal of reserve for advanced depreciation of non-current assets					(383)		
Reversal of reserve for special depreciation							(28,608)
Purchase of treasury shares							
Net changes of items other than shareholders' equity							
Total changes of items during period	—	—	—	—	(383)	—	(28,608)
Balance at end of current period	1,236,515	1,273,115	1,273,115	6,570	5,207	1,300,000	86,105

	Shareholders' equity				Share acquisition rights	Total net assets
	Retained earnings		Treasury shares	Total shareholders' equity		
	Other retained earnings	Total retained earnings				
	Retained earnings brought forward					
Balance at beginning of current period	8,175,583	9,602,459	(32,665)	12,079,425	13,636	12,093,061
Changes of items during period						
Dividends of surplus	(357,304)	(357,304)		(357,304)		(357,304)
Profit	1,983,115	1,983,115		1,983,115		1,983,115
Reversal of reserve for advanced depreciation of non-current assets	383	—		—		—
Reversal of reserve for special depreciation	28,608	—		—		—
Purchase of treasury shares			(184)	(184)		(184)
Net changes of items other than shareholders' equity					14,675	14,675
Total changes of items during period	1,654,802	1,625,810	(184)	1,625,626	14,675	1,640,301
Balance at end of current period	9,830,386	11,228,270	(32,849)	13,705,051	28,311	13,733,363

(4) Non-Consolidated Statements of Cash Flows

(Thousand yen)

	For the fiscal year ended October 31, 2017	For the fiscal year ended October 31, 2018
Cash flows from operating activities		
Profit before income taxes	2,146,734	2,866,460
Depreciation	825,681	824,867
Impairment loss	195,064	—
Share-based compensation expenses	13,636	14,675
Increase (decrease) in provision for bonuses	1,220	4,960
Increase (decrease) in provision for retirement benefits	36,348	18,757
Increase (decrease) in allowance for doubtful accounts	621	17,746
Decrease (increase) in long-term prepaid expenses	4,707	4,100
Interest and dividend income	(4,999)	(4,614)
Interest expenses	5,354	3,997
Loss (gain) on sales of non-current assets	410	(1,340)
Decrease (increase) in notes and accounts receivable - trade	(22,816)	(240,255)
Decrease (increase) in inventories	(941,847)	74,960
Increase (decrease) in notes and accounts payable - trade	91,354	459,909
Increase (decrease) in accrued consumption taxes	(407,124)	265,914
Other, net	31,965	88,254
Subtotal	1,976,310	4,398,391
Interest and dividend income received	4,999	4,614
Interest expenses paid	(5,615)	(3,917)
Income taxes paid	(741,074)	(807,870)
Net cash provided by (used in) operating activities	1,234,619	3,591,217
Cash flows from investing activities		
Net decrease (increase) in time deposits and other deposits	(321)	(1,103)
Purchase of property, plant and equipment	(507,438)	(314,662)
Proceeds from sales of property, plant and equipment	4,101	2,185
Purchase of intangible assets	(253,020)	(45,785)
Collection of construction assistance fund receivables	42,010	46,129
Collection of loans receivable	733	683
Proceeds from guarantee deposits received	30,000	—
Payments for lease deposits	(12,200)	(6,000)
Other, net	(7,314)	(17,799)
Net cash provided by (used in) investing activities	(703,449)	(336,352)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	400,000	(400,000)
Repayments of long-term loans payable	(596,666)	(327,166)
Repayments of lease obligations	(17,269)	(17,570)
Purchase of treasury shares	—	(184)
Cash dividends paid	(306,091)	(356,931)
Other, net	(169)	(488)
Net cash provided by (used in) financing activities	(520,197)	(1,102,341)
Net increase (decrease) in cash and cash equivalents	10,973	2,152,523
Cash and cash equivalents at beginning of period	475,936	486,910
Cash and cash equivalents at end of period	486,910	2,639,433