

Summary of Consolidated Financial Results For the Year Ended March 2018 [Japan GAAP]

April 26, 2018

Name of Company: SPK CORPORATION
 Stock Code: 7466 URL: <http://www.spk.co.jp/>
 Stock Exchange Listing: Tokyo Stock Exchange, First Section
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 Date of regular general meeting of shareholders: June 22, 2018 (tentative)
 Date of commencement of dividend payment: May 31, 2018 (tentative)
 Date of filing of securities report: June 22, 2018 (tentative)
 Supplementary explanatory documents: None
 Earnings presentation: Yes

(Yen in millions, rounded down)

1. Financial results for the current fiscal year (April 1, 2017 – March 31, 2018)

(1) Result of Operations (Consolidated)

(Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2018	42,461	12.0	1,835	6.6	1,874	7.3	1,271	7.1
Fiscal year ended March 2017	37,900	(3.5)	1,722	2.7	1,746	2.7	1,187	5.8

Note: Comprehensive income: FY3/18: 1,345 million yen [11.1%] FY3/17: 1,211 million yen [18.8%]

	Earnings per share	Earnings per share fully diluted	Return on equity	Ratio of ordinary profit to assets	Ratio of Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 2018	253.31	-	8.4	8.4	4.3
Fiscal year ended March 2017	236.48	-	8.3	8.4	4.5

Reference: Equity in earnings of affiliates FY3/18: -million yen FY3/17: - million yen

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2018	23,697	15,714	66.3	3,129.59
As of March 31, 2017	21,226	14,689	69.2	2,925.57

Reference: Shareholders' equity: As of Mar. 31, 2018: 15,714 million yen As of Mar. 31, 2017: 14,689 million yen

(3) Cash flow position (Consolidated)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 2018	405	(1,314)	237	3,972
Fiscal year ended March 2017	1,332	(463)	(410)	4,639

2. Dividends

	Dividend per share					Annual aggregate amount	Payout ratio (Consolidated)	Dividends/net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY3/17	-	31.00	-	32.00	63.00	316	26.6	2.2
FY3/18	-	32.00	-	33.00	65.00	326	25.7	2.1
FY3/19 (estimated)	-	33.00	-	34.00	67.00		25.1	

3. Forecast for the fiscal year ending March 2019 (Consolidated, April 1, 2018 - March 31, 2019)

(Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	19,900	(2.8)	900	2.7	910	1.9	630	4.9	125.47
Full year	41,500	(2.3)	1,900	3.5	1,920	2.4	1,460	14.8	266.87

* Notes

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation):

None

(2) Changes in accounting principles and estimates, and retrospective restatement

(a) Changes due to revision of accounting standards: None

(b) Changes other than in (a): None

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

(3) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

End of FY3/18:	5,226,900	End of FY3/17:	5,226,900
End of FY3/18:	205,789	End of FY3/17:	205,789
FY3/18:	5,021,111	FY3/17:	5,021,111

(b) Treasury shares

(c) Average number of shares outstanding during the year

(Reference) Non-consolidated Financial Results

Financial results for the fiscal year ended March 2018 (April 1, 2017 – March 31, 2018)

(1) Result of operations (Non-consolidated)

(Percentage figures represent year on year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2018	38,204	11.7	1,315	6.9	1,435	4.8	1,009	3.3
Fiscal year ended March 2017	34,208	0.7	1,231	4.8	1,370	5.2	977	10.5

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
Fiscal year ended March 2018	201.04	-
Fiscal year ended March 2017	194.63	-

(2) Financial Position (Non-consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2018	20,011	13,458	67.3	2,680.45
As of March 31, 2017	18,024	12,723	70.6	2,534.01

Reference: Shareholders' equity

As of March 31, 2018: 13,458 million yen

As of March 31, 2017: 12,723 million yen

* This report is exempt from the audit procedure by certified public accountants or accounting firms.

* Cautionary statement regarding forecasts of operating results and special notes

Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons. For information about the forecasts, please see "1. Results of Operations (4) Outlook" on page 3 of Supplementary Information.

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1. Results of Operations

(1) Overview on consolidated business performance

(i) Result of operations (Consolidated)

(Million yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017	Year-on-year change (%)
Net sales	42,461	37,900	112.0
Operating profit	1,835	1,722	106.6
Ordinary profit	1,874	1,746	107.3
Profit attributable to owners of parent	1,271	1,187	107.1

(ii) Net sales (Consolidated)

(Million yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2017	Year-on-year change (%)
Domestic Sales Division	24,033	22,181	108.3
International Trade Division	13,659	11,297	120.9
Machinery Equipment Division	4,768	4,421	107.8
Total	42,461	37,900	112.0

In the fiscal year that ended in March 2018, there was a continuation of the slow recovery of the Japanese economy with the support of improvements in corporate earnings, labor market and personal income. The outlook is for this recovery to continue due to sound internal and external demand. However, caution is still needed because of the risk of an economic downturn in Japan caused by domestic and foreign political and economic developments. For example, Japan may be affected by political or financial market changes in the United States and Europe. U.S. trade protectionism and the low approval rate of Japan's cabinet are other risk factors. The SPK Group operates primarily in the automobile replacement parts sector and the construction and industrial machinery sector. In these two market sectors as well, political and economic developments in Japan and other countries will still have to be watched closely.

The SPK Group's net sales were 42,461 million yen, 12.0% higher than in the previous fiscal year. Ordinary profit increased 7.3% to 1,874 million yen and profitable attributable to owners of parent increased 7.1% to 1,271 million yen.

Business segment performance was as follows.

(Domestic Sales Division)

Japan's market for automotive replacement parts is extremely competitive because of the declining frequency of these replacements and increasing efforts by automobile dealers to provide maintenance and repair services. This division continued to focus on selling functional and replacement parts for automobiles as well as on developing and selling new products that are environmentally responsible. In addition, the 100th anniversary sale contributed to improving business performance. The result was an 8.3% increase in sales to 24,033 million yen.

(International Trade Division)

Sales were higher in Central and South America and there were activities aimed at raising sales of new products and adding more sources of imported products. The result was a 20.9% increase in sales to 13,659 million yen.

(Machinery Equipment Division)

Sales increased 7.8% to 4,768 million primarily because of the strong sales of major customers in Europe, the United States and China, mainly of construction machinery.

(2) Financial condition

(Assets)

Total assets were 23,697 million yen at the end of the fiscal year, 2,471 million yen more than at the end of the previous fiscal year. Current assets increased 1,348 million yen to 19,425 million yen due mainly to increases of 827 million yen in notes and accounts receivable-trade and 718 million yen in inventories. Noncurrent assets increased 1,123 million yen to 4,272 million yen mainly because of increases of 500 million yen in land and 497 million yen in investments and other assets.

(Liabilities)

Liabilities increased 1,446 million yen to 7,983 million yen. Current liabilities increased 1,118 million yen to 6,588 million yen. There were increases of 310 million yen in notes and accounts payable-trade and 190 million yen in the current portion of long-term loans payable. Noncurrent liabilities increased 327 million yen to 1,395 million yen mainly because of a 317 million yen increase in long-term loans payable.

(Net assets)

Net assets increased 1,024 million yen to 15,714 million yen. The increase was primarily the net result of profit attributable to owners of parent of 1,271 million and dividend of surplus of 321 million yen.

As a result, the equity ratio was 66.3% compared with 69.2% one year earlier.

(3) Cash flows

Cash and cash equivalents (“cash”) increased 667 million yen from the beginning of the fiscal year compared with a 450 million yen increase in the prior fiscal year. The result was cash of 3,972 million yen at the end of the fiscal year. The factors affecting each type of cash flow are discussed below.

(Operating activities)

Net cash provided by operating activities was 405 million yen compared with 1,332 million yen in the prior fiscal year. Major components were profit before income taxes of 1,858 million yen, a 946 million yen increase in notes and accounts receivable-trade and a 688 million yen increase in inventories.

(Investing activities)

Net cash used by investing activities was 1,314 million yen compared with 463 million yen in the prior fiscal year. The main uses of cash were payments of 679 million yen for the purchase of property, plant and equipment and 346 million yen for the purchase of shares of subsidiaries.

(Financing activities)

Net cash provided by financing activities was 237 million yen compared with negative cash flows of 410 million yen in the prior fiscal year. Major components were proceeds of 800 million yen from long-term loans payable and cash dividends paid of 321 million yen.

Cash flow indicators

	FY 3/17	FY 3/18
Equity ratio (%)	69.2	66.3
Market capital equity ratio (%)	60.1	61.0
Debt to cash flow ratio (%)	97.6	487.4
Interest coverage ratio (times)	255.6	75.6

Notes: Equity ratio = Shareholders' equity/Total assets

Market capital equity ratio = Market capitalization/Total assets

Debt to cash flow ratio = Interest-bearing debt/Cash flows

Interest coverage ratio = Cash flows/Interest expenses

1. All figures are calculated based on consolidated financial data.

2. Market capitalization uses the number of shares outstanding less treasury shares.

3. Cash flows are operating cash flows.

4. Interest-bearing debt is the sum of all liabilities on the balance sheet on which the Group is obligated to pay interest.

(4) Outlook

The Japanese economy is expected to continue to recover as internal and external demand remains firm.

However, there is still uncertainty about the economic outlook because of the risk of an economic downturn in Japan caused by events such as political or financial market changes in the United States and Europe and U.S. trade protectionism. Regarding the outlook for the automobile replacement parts sector and the construction and industrial machinery sector, which are the primary markets of the SPK Group, political and economic developments in Japan and other countries will have to be watched closely.

For the fiscal year ending in March 2019, the SPK Group forecasts a 2.3% decrease in net sales to 41,500 million yen and increases of 3.5% in operating profit to 1,900 million yen, 2.4% in ordinary profit to 1,920 million yen and 14.8% in profit attributable to owners of parent to 1,460 million yen. This forecast is based on information that was available on the date of this earnings announcement. Actual sales and earnings may differ from this forecast for a number of reasons.

2. Basic Position concerning Selection of Accounting Standards

The SPK Group will continue to use Japanese accounting standards. However, a study is under way concerning the establishment of a framework for using International Financial Reporting Standards (IFRS) in the future and the timing of the application of IFRS.

3. Consolidated Financial Statements

(1) Consolidated balance sheet

(Thousand yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	4,711,656	4,212,604
Notes and accounts receivable - trade	7,654,541	8,481,652
Electronically recorded monetary claims - operating	1,086,280	1,297,705
Inventories	3,644,357	4,362,898
Deferred tax assets	118,910	150,923
Short-term loans receivable from subsidiaries and associates	12,822	2,156
Accounts receivable - other	510,571	573,107
Other	354,878	357,709
Allowance for doubtful accounts	(16,373)	(13,030)
Total current assets	18,077,645	19,425,727
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,324,421	1,335,528
Accumulated depreciation	(750,128)	(774,959)
Buildings and structures, net	574,292	560,568
Machinery, equipment and vehicles	413,460	421,973
Accumulated depreciation	(328,372)	(342,527)
Machinery, equipment and vehicles, net	85,087	79,446
Land	1,269,023	1,769,147
Leased assets	98,627	101,082
Accumulated depreciation	(57,340)	(68,154)
Leased assets, net	41,287	32,928
Other	292,539	424,680
Accumulated depreciation	(251,342)	(271,712)
Other, net	41,196	152,968
Total property, plant and equipment	2,010,887	2,595,059
Intangible assets		
Software	3,355	16,857
Leased assets	129,672	165,846
Other	48,748	39,929
Total intangible assets	181,776	222,633
Investments and other assets		
Investment securities	355,875	434,689
Deferred tax assets	79,591	55,062
Other	530,410	974,625
Allowance for doubtful accounts	(9,367)	(9,893)
Total investments and other assets	956,510	1,454,483
Total non-current assets	3,149,174	4,272,176
Total asset	21,226,819	23,697,904

(Thousand yen)

	As of March 31, 2017	As of March 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,813,764	4,124,469
Short-term loans payable	436,708	574,430
Current portion of long-term loans payable	179,700	369,738
Income taxes payable	310,486	348,756
Provision for bonuses	176,060	226,620
Other	552,891	944,474
Total current liabilities	5,469,610	6,588,489
Non-current liabilities		
Net defined benefit liability	379,656	387,245
Long-term loans payable	436,942	754,698
Long-term guarantee deposited	73,878	74,277
Long-term accounts payable - other	37,270	21,467
Other	139,868	157,694
Total non-current liabilities	1,067,616	1,395,382
Total liabilities	6,537,227	7,983,872
Net assets		
Shareholders' equity		
Capital stock	898,591	898,591
Capital surplus	961,044	961,044
Retained earnings	13,137,235	14,087,763
Treasury shares	(435,339)	(435,339)
Total shareholders' equity	14,561,531	15,512,059
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	100,026	151,520
Deferred gains or losses on hedges	2,924	(1,101)
Foreign currency translation adjustment	25,110	51,552
Total accumulated other comprehensive income	128,061	201,972
Total net assets	14,689,592	15,714,032
Total liabilities and net assets	21,226,819	23,697,904

(2) Consolidated statements of income and comprehensive income

(Consolidated statement of income)

	(Thousand yen)	
	Fiscal year ended March 31, 2017 (Apr. 1, 2016 – Mar. 31, 2017)	Fiscal year ended March 31, 2018 (Apr. 1, 2017 – Mar. 31, 2018)
Net sales	37,900,069	42,461,123
Cost of sales	31,725,535	35,812,362
Gross profit	6,174,534	6,648,761
Selling, general and administrative expenses	4,452,519	4,813,070
Operating profit	1,722,014	1,835,690
Non-operating income		
Interest income	508	1,192
Dividend income	17,107	15,474
Purchase discounts	113,982	124,498
Other	46,965	44,974
Total non-operating income	178,564	186,139
Non-operating expenses		
Interest expenses	5,211	5,355
Sales discounts	125,859	139,033
Foreign exchange losses	20,345	-
Other	2,200	2,903
Total non-operating expenses	153,617	147,292
Ordinary profit	1,746,961	1,874,537
Extraordinary income		
Gain on sales of non-current assets	1,685	116
Total extraordinary income	1,685	116
Extraordinary losses		
Office transfer expenses	4,400	-
Loss on sales and retirement of non-current assets	148	62
Impairment loss	-	16,235
Total extraordinary losses	4,548	16,298
Profit before income taxes	1,744,098	1,858,356
Income taxes - current	554,082	613,256
Income taxes - deferred	2,642	(26,779)
Total income taxes	556,725	586,476
Profit	1,187,373	1,271,879
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,187,373	1,271,879

(Consolidated Statement of Comprehensive Income)

	(Thousand yen)	
	Fiscal year ended March 31, 2017 (Apr. 1, 2016 – Mar. 31, 2017)	Fiscal year ended March 31, 2018 (Apr. 1, 2017 – Mar. 31, 2018)
Profit	1,187,373	1,271,879
Other comprehensive income		
Valuation difference on available-for-sale securities	42,595	51,494
Deferred gains or losses on hedges	3,111	(4,026)
Foreign currency translation adjustment	(21,330)	26,442
Total other comprehensive income	24,376	73,911
Comprehensive income	1,211,749	1,345,790
Comprehensive income attributable to owners of parent	1,211,749	1,345,790
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated statement of changes in equity
 Previous fiscal year (Apr. 1, 2016 – Mar. 31, 2017)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	898,591	961,044	12,261,170	(435,339)	13,685,466
Changes of items during period					
Dividends of surplus			(311,308)		(311,308)
Profit attributable to owners of parent			1,187,373		1,187,373
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	876,064	-	876,064
Balance at end of current period	898,591	961,044	13,137,235	(435,339)	14,561,531

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	57,431	(186)	46,440	103,685	13,789,151
Changes of items during period					
Dividends of surplus					(311,308)
Profit attributable to owners of parent					1,187,373
Net changes of items other than shareholders' equity	42,595	3,111	(21,330)	24,376	24,376
Total changes of items during period	42,595	3,111	(21,330)	24,376	900,441
Balance at end of current period	100,026	2,924	25,110	128,061	14,689,592

Current fiscal year (Apr. 1, 2017 – Mar. 31, 2018)

(Thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	898,591	961,044	13,137,235	(435,339)	14,561,531
Changes of items during period					
Dividends of surplus			(321,351)		(321,351)
Profit attributable to owners of parent			1,271,879		1,271,879
Net changes of items other than shareholders' equity					
Total changes of items during period			950,528		950,528
Balance at end of current period	898,591	961,044	14,087,763	(435,339)	15,512,059

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of current period	100,026	2,924	25,110	128,061	14,689,592
Changes of items during period					
Dividends of surplus					(321,351)
Profit attributable to owners of parent					1,271,879
Net changes of items other than shareholders' equity	51,494	(4,026)	26,442	73,911	73,911
Total changes of items during period	51,494	(4,026)	26,442	73,911	1,024,439
Balance at end of current period	151,520	(1,101)	51,552	201,972	15,714,032

(4) Consolidated statement of cash flows

	Fiscal year ended March 2017 (Apr. 1, 2016 – Mar. 31, 2017)	(Thousand yen) Fiscal year ended March 2018 (Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	1,744,098	1,858,356
Depreciation	131,260	144,663
Amortization of long-term prepaid expenses	2,520	2,477
Increase (decrease) in allowance for doubtful accounts	(9,940)	(2,816)
Increase (decrease) in provision for bonuses	16,660	50,560
Increase (decrease) in net defined benefit liability	(23,457)	7,588
Impairment loss	-	16,235
Interest and dividend income	(17,616)	(16,666)
Interest expenses	5,211	5,355
Foreign exchange losses (gains)	63	8,557
Loss (gain) on sales and retirement of property, plant and equipment	(1,537)	(54)
Decrease (increase) in notes and accounts receivable - trade	(193,638)	(946,498)
Decrease (increase) in inventories	51,990	(688,311)
Increase (decrease) in notes and accounts payable - trade	66,405	372,235
Decrease (increase) in consumption taxes refund receivable	23,518	(45,183)
Increase (decrease) in accrued consumption taxes	6,432	5,905
Other	74,964	186,759
Subtotal	1,876,936	959,164
Interest and dividend income received	17,333	15,657
Interest expenses paid	(5,203)	(5,344)
Income taxes paid	(556,928)	(564,409)
Net cash provided by (used in) operating activities	1,332,136	405,068
Cash flows from investing activities		
Payments into time deposits	(18,000)	(168,000)
Purchase of investment securities	(100,707)	(5,233)
Purchase of shares of subsidiaries	(306,557)	(346,310)
Purchase of property, plant and equipment	(45,641)	(679,780)
Proceeds from sales of property, plant and equipment	2,193	500
Purchase of intangible assets	(1,900)	(14,097)
Payments of loans receivable	(8,000)	(126,760)
Collection of loans receivable	3,699	29,815
Other	11,382	(4,697)
Net cash provided by (used in) investing activities	(463,529)	(1,314,564)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	363,778	108,059
Proceeds from long-term loans payable	-	800,000
Repayments of long-term loans payable	(415,516)	(292,206)
Repayments of lease obligations	(47,706)	(56,767)
Cash dividends paid	(311,308)	(321,351)
Net cash provided by (used in) financing activities	(410,752)	237,734
Effect of exchange rate change on cash and cash equivalents	(7,410)	4,700
Net increase (decrease) in cash and cash equivalents	450,444	(667,060)
Cash and cash equivalents at beginning of period	4,189,092	4,639,536
Cash and cash equivalents at end of period	4,639,536	3,972,475