

Summary of Consolidated Financial Results

For the First Half Ended September 2018 [Japan GAAP]

October 25, 2018

Name of Company: SPK CORPORATION
 Stock Code: 7466 URL: <http://www.spk.co.jp/>
 Stock Exchange Listing: Tokyo Stock Exchange, First Section
 Representative Title: President and Representative Director Name: Kyoichiro Oki
 Contact Person Title: Senior Managing Director and General Manager of Administration Division Name: Shyuji Fujii
 Phone: +81-(0)6-6454-2002
 Date of filing of quarterly securities report: November 9, 2018 (tentative)
 Date of commencement of dividend payment: December 3, 2018 (tentative)
 Supplementary explanatory documents: None
 Earnings presentation: Yes

(Yen in millions, rounded down)

1. Financial results for the first half ended September 2018 (April 1, 2018 – September 30, 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	%
First half ended September 2018	20,991	2.5	881	0.6	868	(2.7)	584	(2.7)
First half ended September 2017	20,472	11.8	876	27.2	893	40.3	600	45.8

Note: Comprehensive income: 1H FY3/19: 637 million yen [-0.7%] 1H FY3/18: 642 million yen [70.9%]

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First half ended September 2018	116.35	-
First half ended September 2017	119.58	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2018	23,827	16,142	67.7
As of March 31, 2018	23,697	15,714	66.3

Reference: Shareholders' equity: As of Sep. 30, 2018: 16,142 million yen As of Mar. 31, 2018: 15,714 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total
	Yen	Yen	Yen	Yen	Yen
FY3/18	-	32.00	-	33.00	65.00
FY3/19	-	33.00	-	-	-
FY3/19 (estimated)	-	-	-	34.00	67.00

Note: Change in the estimation of dividend from the latest announcement: None

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
Full year	41,500	(2.3)	1,900	3.5	1,920	2.4	1,460	14.8	266.87

Note: Change in the forecast from the latest announcement: None

* **Notes**

- (1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation):
None
- (2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: None
- (3) 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

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

End of 2Q FY3/19:	5,226,900	End of FY3/18:	5,226,900
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(b) Treasury shares

End of 2Q FY3/19:	205,799	End of FY3/18:	205,789
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(c) Average number of shares outstanding

1H FY3/19:	5,021,110	1H FY3/18:	5,021,111
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* 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 (3) Outlook" on page 2 of Supplementary Information.

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1. Results of Operations

(1) Overview on consolidated business performance

In the first half of the current fiscal year, the Japanese economy continued to recover due to domestic demand. Corporate earnings are strong and capital expenditures are increasing. The economy also benefited from an upturn in consumer spending backed by improvements in the labor market and personal income. However, there are concerns about a decline in spending caused by the consumption tax hike that is expected in 2019. Overseas, there are concerns about slowing growth of the U.S. economy, increasing trade friction, support for the Trump administration and the outcome of the U.S. midterm election. These concerns are creating uncertainty about the stock market and foreign exchange rates and upcoming market movements will have to be watched closely. The business climate in the automobile replacement parts sector and construction and industrial machinery sector as well is vulnerable to political and economic changes in Japan and other countries.

First half sales of the SPK Group were 20,991 million yen, 2.5% higher than one year earlier. Operating profit increased 0.6% to 881 million yen, ordinary profit decreased 2.7% to 868 million yen and profit attributable to owners of parent decreased 2.7% to 584 million yen.

Business segment performance was as follows.

(Domestic Sales Division)

As in prior years, there were many activities for the sale of functional and replacement parts for automobiles. This division also continued to develop and sell new products that are environmentally responsible. The result was a 3.6% increase in sales to 11,964 million yen.

(International Trade Division)

Sales were higher in Europe, Russia and the Middle East but lower in North America and Central and South America. In addition, sales in the prior fiscal year benefited from the contribution of a one-time event. The result was a 3.6% decrease in sales to 6,365 million yen.

(Machinery Equipment Division)

First half sales were generally strong because of the high level of production of construction, industrial and agricultural vehicles at major client companies. Demand for these vehicles was backed by a large volume of construction activity in Europe, the United States, China and some ASEAN countries and by growth in capital expenditures in Japan. The result was a 14.5% increase in sales to 2,662 million yen.

(2) Financial condition

Total assets were 23,827 million yen at the end of the first half, 129 million yen more than at the end of the previous fiscal year.

Current assets increased 152 million yen to 19,427 million yen due mainly to increases of 366 million yen in cash and deposits and 252 million yen in inventories. There was a 513 million yen decrease in notes and accounts receivable-trade. Noncurrent assets decreased 23 million yen to 4,399 million yen. Major changes in noncurrent assets were increases of 290 million yen in buildings and structures and 178 million yen in land and decreases of 345 million yen in stock of subsidiaries and 101 million yen in construction in progress, which is included in other, net.

Current liabilities decreased 272 million yen to 6,316 million yen. The main reason was a 209 million yen decrease in accounts payable. Noncurrent liabilities decreased 26 million yen to 1,368 million yen.

Net assets increased 428 million yen to 16,142 million yen. As a result, the equity ratio was 67.7% at the end of the first half.

(3) Outlook

There are no revisions to the forecast announced on April 26, 2018 for consolidated sales and earnings in the fiscal year ending in March 2019.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Thousand yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	4,212,604	4,579,223
Notes and accounts receivable - trade	8,481,652	7,967,913
Electronically recorded monetary claims - operating	1,297,705	1,447,113
Inventories	4,362,898	4,615,671
Short-term loans receivable from subsidiaries and associates	2,156	2,062
Accounts receivable - other	573,107	417,027
Other	357,709	409,384
Allowance for doubtful accounts	(13,030)	(10,628)
Total current assets	19,274,804	19,427,767
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	560,568	872,414
Machinery, equipment and vehicles, net	79,446	72,122
Land	1,769,147	1,947,622
Leased assets, net	32,928	27,296
Other, net	152,968	47,759
Total property, plant and equipment	2,595,059	2,967,215
Intangible assets		
Software	16,857	21,351
Leased assets	165,846	164,077
Other	39,929	33,560
Total intangible assets	222,633	218,989
Investments and other assets		
Investment securities	434,689	555,076
Deferred tax assets	205,986	142,622
Other	974,625	526,214
Allowance for doubtful accounts	(9,893)	(10,200)
Total investments and other assets	1,605,407	1,213,712
Total non-current assets	4,423,100	4,399,917
Total asset	23,697,904	23,827,684

(Thousand yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,124,469	4,158,855
Short-term loans payable	574,430	600,653
Current portion of long-term loans payable	369,738	389,268
Income taxes payable	348,756	241,368
Provision for bonuses	226,620	206,047
Other	944,474	720,265
Total current liabilities	6,588,489	6,316,459
Non-current liabilities		
Long-term loans payable	754,698	743,664
Net defined benefit liability	387,245	365,567
Long-term guarantee deposited	74,277	77,387
Long-term accounts payable - other	21,467	32,651
Other	157,694	149,389
Total non-current liabilities	1,395,382	1,368,659
Total liabilities	7,983,872	7,685,118
Net assets		
Shareholders' equity		
Capital stock	898,591	898,591
Capital surplus	961,044	961,044
Retained earnings	14,087,763	14,465,305
Treasury shares	(435,339)	(435,362)
Total shareholders' equity	15,512,059	15,889,577
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	151,520	235,796
Deferred gains or losses on hedges	(1,101)	494
Foreign currency translation adjustment	51,552	16,696
Total accumulated other comprehensive income	201,972	252,987
Total net assets	15,714,032	16,142,565
Total liabilities and net assets	23,697,904	23,827,684

(2) Quarterly consolidated statements of income and comprehensive income

(Quarterly consolidated statement of income)

(For the first half)

(Thousand yen)

	First half ended Sep. 30, 2017 (Apr. 1, 2017 – Sep. 30, 2017)	First half ended Sep. 30, 2018 (Apr. 1, 2018 – Sep. 30, 2018)
Net sales	20,472,493	20,991,775
Cost of sales	17,266,016	17,584,436
Gross profit	3,206,476	3,407,338
Selling, general and administrative expenses	2,329,730	2,525,740
Operating profit	876,746	881,598
Non-operating income		
Interest income	249	292
Dividend income	3,198	3,511
Purchase discounts	61,240	61,580
Foreign exchange gains	10,734	-
Other	13,175	20,672
Total non-operating income	88,599	86,056
Non-operating expenses		
Interest expenses	2,523	2,850
Sales discounts	67,860	71,953
Foreign exchange losses	-	22,536
Other	1,949	1,741
Total non-operating expenses	72,333	99,082
Ordinary profit	893,012	868,572
Extraordinary income		
Gain on sales of non-current assets	116	1,066
Total extraordinary income	116	1,066
Extraordinary losses		
Office transfer expenses	-	3,645
Loss on sales and retirement of non-current assets	0	-
Total extraordinary losses	0	3,645
Profit before income taxes	893,129	865,994
Income taxes - current	305,970	254,626
Income taxes - deferred	(13,285)	27,138
Total income taxes	292,684	281,764
Profit	600,444	584,229
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	600,444	584,229

(Quarterly consolidated statement of comprehensive income)

(For the first half)

(Thousand yen)

	First half ended Sep. 30, 2017 (Apr. 1, 2017 – Sep. 30, 2017)	First half ended Sep. 30, 2018 (Apr. 1, 2018 – Sep. 30, 2018)
Profit	600,444	584,229
Other comprehensive income		
Valuation difference on available-for-sale securities	39,248	84,275
Deferred gains or losses on hedges	(1,034)	1,596
Foreign currency translation adjustment	3,853	(32,408)
Total other comprehensive income	42,067	53,463
Comprehensive income	642,511	637,693
Comprehensive income attributable to owners of parent	642,511	637,693
Comprehensive income attributable to non-controlling interests	-	-

(3) Notes to quarterly consolidated financial statements

(Notes on going concern assumptions)

None

(Notes on significant change in shareholders' equity)

None

(Change in significant subsidiaries during the first half)

Beginning with the first quarter of the current fiscal year, Nippon Trans Pacific Corp. and SPK Vehicle Parts Corp., which were previously non-consolidated subsidiaries, are consolidated because of the increase in the effect of these two companies on the consolidated financial statements.

(Additional Information)

(Application of Partial revision of Accounting Standards for Tax Effect Accounting, etc.)

Partial revision of Accounting Standards for Tax Effect Accounting (Corporate Accounting Standard No. 28, February 16, 2018), etc., has been applied from the beginning of the first quarter of this fiscal year, and deferred tax assets are displayed in the categories of investments and other assets, and deferred tax liabilities are indicated in the categories of noncurrent liabilities.

(Subsequent events)

None