

Summary of Consolidated Financial Results For the Year Ended March 2017 [Japan GAAP]

April 26, 2017

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 21, 2017 (tentative)
 Date of commencement of dividend payment: May 30, 2017 (tentative)
 Date of filing of securities report: June 21, 2017 (tentative)
 Supplementary explanatory documents: None
 Earnings presentation: Yes

(Yen in millions, rounded down)

1. Financial results for the current fiscal year (April 1, 2016 – March 31, 2017)

(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 2017	37,900	(3.5)	1,722	2.7	1,746	2.7	1,187	5.8
Fiscal year ended March 2016	39,273	2.5	1,676	5.3	1,701	2.0	1,121	8.0

Note: Comprehensive income: FY3/17: 1,211 million yen [18.8%] FY3/16: 1,020 million yen [-6.6%]

	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 2017	236.48	-	8.3	8.4	4.5
Fiscal year ended March 2016	221.73	-	8.3	8.4	4.3

Reference: Equity in earnings of affiliates FY3/17: -million yen FY3/16: - 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, 2017	21,226	14,689	69.2	2,925.57
As of March 31, 2016	20,263	13,789	68.1	2,746.24

Reference: Shareholders' equity: As of Mar. 31, 2017: 14,689 million yen As of Mar. 31, 2016: 13,789 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 2017	1,332	(463)	(410)	4,639
Fiscal year ended March 2016	1,119	(414)	(318)	4,189

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	%	%
FY3/16	-	30.00	-	31.00	61.00	306	27.5	2.3
FY3/17	-	31.00	-	32.00	63.00	316	26.6	2.2
FY3/18 (estimated)	-	32.00	-	33.00	65.00		25.9	

3. Forecast for the fiscal year ending March 2018 (Consolidated, April 1, 2017 - March 31, 2018)

(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	19,000	3.7	790	14.7	800	25.7	540	31.1	107.55
Full year	40,000	5.5	1,840	6.9	1,860	6.5	1,260	6.1	250.94

* 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: Yes

(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 FY3/17:	5,226,900	End of FY3/16:	5,226,900
End of FY3/17:	205,789	End of FY3/16:	205,789
FY3/17:	5,021,111	FY3/16:	5,059,573

(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 2017 (April 1, 2016 – March 31, 2017)

(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 2017	34,208	0.7	1,231	4.8	1,370	5.2	977	10.5
Fiscal year ended March 2016	33,956	5.2	1,174	7.6	1,302	(24.1)	884	(29.5)

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
Fiscal year ended March 2017	194.63		-	
Fiscal year ended March 2016	174.83		-	

(2) Financial Position (Non-consolidated)

	Total assets		Net assets		Equity ratio	Net assets per share
	Million yen	Million yen	Million yen	Million yen	%	Yen
As of March 31, 2017	18,024	12,723	12,723	12,011	70.6	2,534.01
As of March 31, 2016	17,539	12,011	12,011	12,011	68.5	2,392.29

Reference: Shareholders' equity

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

As of March 31, 2016: 12,011 million yen

* This report is exempt from the audit procedure

* Cautionary statement regarding forecasts of operating results and special notes

(Note regarding the forward-looking statements)

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, 2017	Fiscal year ended March 31, 2016	Year-on-year change (%)
Net sales	37,900	39,273	96.5
Operating profit	1,722	1,676	102.7
Ordinary profit	1,746	1,701	102.7
Profit attributable to owners of parent	1,187	1,121	105.8

(ii) Net sales (Consolidated)

(Million yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2016	Year-on-year change (%)
Domestic Sales Division	22,181	21,194	104.7
International Trade Division	11,297	13,628	82.9
Machinery Equipment Division	4,421	4,450	99.4
Total	37,900	39,273	96.5

In the fiscal year that ended in March 2017, as the yen weakened and stock prices rose, the Japanese economy was supported by a continuing improvement in corporate earnings. There were also signs of a recovery in consumer spending. The economic recovery is expected to continue as the weaker yen boosts corporate earnings, companies make progress with lowering inventories, and the environment for jobs and personal income improves. However, many events make the economic outlook overseas very uncertain, notably the protectionist policies of President Trump, questions about the health of the Chinese economy and political risk in Europe. As a result, the overseas economy may have a negative effect on economic growth in Japan. In the automotive replacement parts sector in which we operate as well, political and economic developments in Japan and other countries will still have to be watched closely.

The SPK Group's sales were 37,900 million yen, 3.5% less than in the previous fiscal year. Ordinary profit increased 2.7% to 1,746 million yen and profit attributable to owners of parent increased 5.8% to 1,187 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 replacements and increasing efforts by automobile dealers to provide maintenance and repair services. During the fiscal year, the division continued to focus on selling functional and replacement parts for automobiles as well as on developing and selling new products targeted at specific needs. The result was a 4.7% increase in sales to 22,181 million yen.

(International Trade Division)

Sales were down because SPK and consolidated subsidiaries were no longer able to act as a sales agent for a large manufacturer and because the yen's rapid appreciation in the first half reduced yen translations of overseas sales. The result was a 17.1% decrease in sales to 11,297 million yen.

(Machinery Equipment Division)

Sales were down sharply in the first half mainly because of the yen's strength but this decline was largely offset in the second half by an export and import business that started in the previous fiscal year. The result was a 0.6% decrease in sales to 4,421 million yen.

(2) Financial condition

(Assets)

Total assets were 21,226 million yen at the end of the fiscal year, 963 million yen more than at the end of the previous fiscal year. Current assets increased 593 million yen to 18,077 million yen due mainly to an increase of 468 million yen in cash and deposits. Noncurrent assets increased 370 million yen to 3,149 million yen mainly because of an increase of 443 million yen in investments and other assets.

(Liabilities)

Liabilities increased 63 million yen to 6,537 million yen. Current liabilities increased 268 million yen to 5,469 million yen. Major changes from one year earlier were increases of 353 million yen in short-term loans payable and 149 million yen in notes and accounts payable-trade and a decrease of 235 million yen in the current portion of long-term loans payable. Noncurrent liabilities decreased 205 million yen to 1,067 million yen mainly because of a 179 million yen decrease in long-term loans payable.

(Net assets)

Net assets increased 900 million yen to 14,689 million yen. The increase was primarily the net result of fiscal year profit attributable to owners of parent of 1,187 million and dividend of surplus of 311 million yen. As a result, the equity ratio was 69.2% compared with 68.1% one year earlier.

(3) Cash flows

Cash and cash equivalents (“cash”) increased 450 million yen from the beginning of the fiscal year compared with a 380 million yen increase in the prior fiscal year. The result was cash of 4,639 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 1,332 million yen compared with 1,119 million yen in the prior fiscal year. Major components were profit before income taxes of 1,744 million yen and income taxes paid of 556 million yen.

(Investing activities)

Net cash used by investing activities was 463 million yen compared with 414 million yen in the prior fiscal year. The main use of cash was payments of 306 million yen for the purchase of shares of subsidiaries.

(Financing activities)

Net cash used in financing activities was 410 million yen compared with 318 million yen in the prior fiscal year. The main use of cash was cash dividends paid of 311 million yen.

Cash flow indicators

	FY 3/16	FY 3/17
Equity ratio (%)	68.1	69.2
Market capital equity ratio (%)	49.9	60.1
Debt to cash flow ratio (%)	123.7	97.6
Interest coverage ratio (times)	251.9	255.6

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 the weaker yen boosts corporate earnings, companies lower inventories, and the environment for jobs and personal income improves. However, the outlook for the overseas economy will remain unclear because of factors that include the protectionist policies of President Trump, uncertainty about the health of the Chinese economy and political risk in Europe.

For the fiscal year ending in March 2018, SPK Group forecasts increases of 5.5% in sales to 40,000 million yen, 6.9% in operating profit to 1,840 million yen, 6.5% in ordinary profit to 1,860 million yen and 6.1% in profit attributable to owners of parent to 1,260 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, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	4,243,197	4,711,656
Notes and accounts receivable - trade	8,009,437	7,654,541
Electronically recorded monetary claims - operating	562,899	1,086,280
Inventories	3,713,919	3,644,357
Deferred tax assets	115,353	118,910
Short-term loans receivable from subsidiaries and associates	12,989	12,822
Accounts receivable - other	566,349	510,571
Other	274,546	354,878
Allowance for doubtful accounts	(14,332)	(16,373)
Total current assets	17,484,359	18,077,645
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,304,552	1,324,421
Accumulated depreciation	(716,712)	(750,128)
Buildings and structures, net	587,840	574,292
Machinery, equipment and vehicles	403,759	413,460
Accumulated depreciation	(315,710)	(328,372)
Machinery, equipment and vehicles, net	88,049	85,087
Land	1,269,023	1,269,023
Leased assets	92,785	98,627
Accumulated depreciation	(46,806)	(57,340)
Leased assets, net	45,978	41,287
Other	296,159	292,539
Accumulated depreciation	(236,194)	(251,342)
Other, net	59,965	41,196
Total property, plant and equipment	2,050,856	2,010,887
Intangible assets		
Software	2,915	3,355
Leased assets	150,425	129,672
Other	61,751	48,748
Total intangible assets	215,091	181,776
Investments and other assets		
Investment securities	194,312	355,875
Deferred tax assets	99,860	79,591
Other	239,986	530,410
Allowance for doubtful accounts	(21,349)	(9,367)
Total investments and other assets	512,810	956,510
Total non-current assets	2,778,759	3,149,174
Total asset	20,263,119	21,226,819

(Thousand yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,663,817	3,813,764
Short-term loans payable	83,558	436,708
Current portion of long-term loans payable	415,516	179,700
Income taxes payable	296,451	310,486
Provision for bonuses	159,400	176,060
Other	582,262	552,891
Total current liabilities	5,201,004	5,469,610
Non-current liabilities		
Net defined benefit liability	403,114	379,656
Long-term loans payable	616,642	436,942
Long-term guarantee deposited	72,362	73,878
Long-term accounts payable - other	21,983	37,270
Other	158,860	139,868
Total non-current liabilities	1,272,963	1,067,616
Total liabilities	6,473,967	6,537,227
Net assets		
Shareholders' equity		
Capital stock	898,591	898,591
Capital surplus	961,044	961,044
Retained earnings	12,261,170	13,137,235
Treasury shares	(435,339)	(435,339)
Total shareholders' equity	13,685,466	14,561,531
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	57,431	100,026
Deferred gains or losses on hedges	(186)	2,924
Foreign currency translation adjustment	46,440	25,110
Total accumulated other comprehensive income	103,685	128,061
Total net assets	13,789,151	14,689,592
Total liabilities and net assets	20,263,119	21,226,819

(2) Consolidated statements of income and comprehensive income

Consolidated statement of income

	(Thousand yen)	
	Fiscal year ended March 31, 2016 (Apr. 1, 2015 – Mar. 31, 2016)	Fiscal year ended March 31, 2017 (Apr. 1, 2016 – Mar. 31, 2017)
Net sales	39,273,545	37,900,069
Cost of sales	33,281,205	31,725,535
Gross profit	5,992,340	6,174,534
Selling, general and administrative expenses	4,315,778	4,452,519
Operating profit	1,676,562	1,722,014
Non-operating income		
Interest income	465	508
Dividend income	17,895	17,107
Purchase discounts	111,609	113,982
Other	32,088	46,965
Total non-operating income	162,058	178,564
Non-operating expenses		
Interest expenses	4,444	5,211
Sales discounts	115,672	125,859
Foreign exchange losses	14,872	20,345
Other	2,109	2,200
Total non-operating expenses	137,099	153,617
Ordinary profit	1,701,522	1,746,961
Extraordinary income		
Gain on sales of investment securities	72,551	-
Gain on sales of non-current assets	719	1,685
Total extraordinary income	73,270	1,685
Extraordinary losses		
Office transfer expenses	3,666	4,400
Loss on sales and retirement of non-current assets	98,610	148
Total extraordinary losses	102,277	4,548
Profit before income taxes	1,672,515	1,744,098
Income taxes - current	516,389	554,082
Income taxes - deferred	34,265	2,642
Total income taxes	550,655	556,725
Profit	1,121,860	1,187,373
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,121,860	1,187,373

Consolidated Statement of Comprehensive Income

	(Thousand yen)	
	Fiscal year ended March 31, 2016 (Apr. 1, 2015 – Mar. 31, 2016)	Fiscal year ended March 31, 2017 (Apr. 1, 2016 – Mar. 31, 2017)
Profit	1,121,860	1,187,373
Other comprehensive income		
Valuation difference on available-for-sale securities	(78,113)	42,595
Deferred gains or losses on hedges	784	3,111
Foreign currency translation adjustment	(24,322)	(21,330)
Total other comprehensive income	(101,651)	24,376
Comprehensive income	1,020,209	1,211,749
Comprehensive income attributable to owners of parent	1,020,209	1,211,749
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated statement of changes in equity
 Previous fiscal year (Apr. 1, 2015 – Mar. 31, 2016)

(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	11,443,577	(205,539)	13,097,672
Changes of items during period					
Dividends of surplus			(304,266)		(304,266)
Profit attributable to owners of parent			1,121,860		1,121,860
Other					-
Purchase of treasury shares				(229,800)	(229,800)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	817,593	(229,800)	587,793
Balance at end of current period	898,591	961,044	12,261,170	(435,339)	13,685,466

	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	135,544	(971)	70,762	205,336	13,303,009
Changes of items during period					
Dividends of surplus					(304,266)
Profit attributable to owners of parent					1,121,860
Other					-
Purchase of treasury shares					(229,800)
Net changes of items other than shareholders' equity	(78,113)	784	(24,322)	(101,651)	(101,651)
Total changes of items during period	(78,113)	784	(24,322)	(101,651)	486,142
Balance at end of current period	57,431	(186)	46,440	103,685	13,789,151

Current 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
Other					-
Purchase of treasury shares					-
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
Other					-
Purchase of treasury shares					-
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

(4) Consolidated statement of cash flows

	Fiscal year ended March 2016 (Apr. 1, 2015 – Mar. 31, 2016)	(Thousand yen) Fiscal year ended March 2017 (Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from operating activities		
Profit before income taxes	1,672,515	1,744,098
Depreciation	109,424	131,260
Amortization of long-term prepaid expenses	2,044	2,520
Increase (decrease) in allowance for doubtful accounts	(30,141)	(9,940)
Increase (decrease) in provision for bonuses	(31,700)	16,660
Increase (decrease) in net defined benefit liability	(7,379)	(23,457)
Interest and dividend income	(18,360)	(17,616)
Interest expenses	4,444	5,211
Foreign exchange losses (gains)	50	63
Loss (gain) on sales of investment securities	(72,551)	-
Loss (gain) on sales and retirement of property, plant and equipment	97,891	(1,537)
Decrease (increase) in notes and accounts receivable - trade	382,389	(193,638)
Decrease (increase) in inventories	3,289	51,990
Increase (decrease) in notes and accounts payable - trade	(480,756)	66,405
Decrease (increase) in consumption taxes refund receivable	2,770	23,518
Increase (decrease) in accrued consumption taxes	(1,331)	6,432
Other	31,392	74,964
Subtotal	<u>1,663,993</u>	<u>1,876,936</u>
Interest and dividend income received	18,133	17,333
Interest expenses paid	(4,444)	(5,203)
Income taxes paid	(557,999)	(556,928)
Net cash provided by (used in) operating activities	<u>1,119,682</u>	<u>1,332,136</u>
Cash flows from investing activities		
Payments into time deposits	(18,000)	(18,000)
Proceeds from sales of investment securities	88,599	-
Purchase of investment securities	-	(100,707)
Purchase of shares of subsidiaries	-	(306,557)
Purchase of property, plant and equipment	(432,781)	(45,641)
Proceeds from sales of property, plant and equipment	825	2,193
Purchase of intangible assets	(56,767)	(1,900)
Payments of loans receivable	(2,500)	(8,000)
Collection of loans receivable	2,080	3,699
Other	3,579	11,382
Net cash provided by (used in) investing activities	<u>(414,962)</u>	<u>(463,529)</u>
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(232,849)	363,778
Proceeds from long-term loans payable	760,000	-
Repayments of long-term loans payable	(270,432)	(415,516)
Repayments of lease obligations	(40,895)	(47,706)
Purchase of treasury shares	(229,800)	-
Cash dividends paid	(304,266)	(311,308)
Net cash provided by (used in) financing activities	<u>(318,243)</u>	<u>(410,752)</u>
Effect of exchange rate change on cash and cash equivalents	(5,960)	(7,410)
Net increase (decrease) in cash and cash equivalents	<u>380,516</u>	<u>450,444</u>
Cash and cash equivalents at beginning of period	<u>3,808,575</u>	<u>4,189,092</u>
Cash and cash equivalents at end of period	<u>4,189,092</u>	<u>4,639,536</u>