

# Summary of Consolidated Financial Results

## For the First Half Ended September 2019 [Japan GAAP]

October 25, 2019

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: Shuji Fujii  
 Phone: +81-(0)6-6454-2002  
 Date of filing of quarterly securities report: November 8, 2019 (tentative)  
 Date of commencement of dividend payment: December 2, 2019 (tentative)  
 Supplementary explanatory documents: None  
 Earnings presentation: Yes

(Yen in millions, rounded down)

### 1. Financial results for the first half ended September 2019 (April 1, 2019 – September 30, 2019)

#### (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 2019	21,881	4.2	993	12.7	988	13.8	924	58.3
First half ended September 2018	20,991	2.5	881	0.6	868	(2.7)	584	(2.7)

Note: Comprehensive income: 1H FY3/20: 902 million yen [41.5%] 1H FY3/19: 637 million yen [-0.7%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First half ended September 2019	184.20		-	
First half ended September 2018	116.35		-	

#### (2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of September 30, 2019	25,516		17,456		68.4	
As of March 31, 2019	25,085		16,725		66.7	

Reference: Shareholders' equity: As of Sep. 30, 2019: 17,456 million yen As of Mar. 31, 2019: 16,725 million yen

### 2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total
	Yen				
FY3/19	-	33.00	-	34.00	67.00
FY3/20	-	34.00	-	-	-
FY3/20 (estimated)	-	-	-	36.00	70.00

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

### 3. Forecast for the fiscal year ending March 2020 (Consolidated, April 1, 2019 - March 31, 2020)

(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	43,500	1.4	1,960	1.8	1,940	1.1	1,455	2.4	289.78

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 FY3/20:	5,226,900	End of FY3/19:	5,226,900
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(b) Treasury shares

End of 2Q FY3/20:	205,856	End of FY3/19:	205,800
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(c) Average number of shares outstanding

1H FY3/20:	5,021,060	1H FY3/19:	5,021,110
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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 fiscal year, the Japanese economy continued to recover slowly driven by domestic demand. Exports remained sluggish as global economy slowed because of the increasingly heated U.S.-China trade war and other reasons. Corporate earnings continued to be strong and capital expenditures are increasing. Personal consumption recovered gradually as the labor market and personal income environment were also favorable. The effect of the Consumption Tax hike is expected to be limited. However, many overseas activities will have to be watched closely due to their effects on stock prices, foreign exchange rates and other items. Significant events include U.S.-China trade negotiations, additional U.S. interest rate cuts and concerns over Beijing's response to the slowing Chinese economy. In the automobile replacement parts sector and construction and industrial machinery sector, there is also a need to monitor political and economic changes in Japan and other countries.

First half sales of the SPK Group were 21,881 million yen, 4.2% higher than one year earlier. Operating profit increased 12.7% to 993 million yen, ordinary profit increased 13.8% to 988 million yen and profit attributable to owners of parent was up 58.3% to 924 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. Another contributor to sales growth was the rush to complete vehicle inspections for registration renewals before the October 2019 consumption tax hike. The result was a 6.9% increase in sales to 12,787 million yen.

#### (International Trade Division)

Exports to Russia and Central and South America declined but there was an increase in exports to Asia and North America. The result was a 3.7% increase in sales to 6,598 million yen.

#### (Machinery Equipment Division)

Sales in the industrial vehicle market have been slowing down steadily since the beginning of 2019 and are currently very weak. Most significant is the reduction in production volume and inventories by industrial vehicle manufacturers, which account for the majority of this division's sales, in response to the lower level of U.S. and China cargo shipments. The result was a 6.2% decrease in sales to 2,496 million yen.

### (2) Financial condition

Total assets were 25,516 million yen at the end of the first half, 430 million yen more than at the end of the previous fiscal year. Current assets increased 426 million yen to 21,214 million yen. Major changes were a 936 million yen increase in cash and deposits and decreases of 306 million yen in inventories, 73 million yen in notes and accounts receivable-trade, and 114 million yen in electronically recorded monetary claims-operating. Noncurrent assets increased 4 million yen to 4,302 million yen. Major changes were a 107 million yen increase in buildings and structures and a 102 million yen decrease in investment securities.

Current liabilities decreased 189 million yen to 6,943 million yen. The main reason was a 195 million yen decrease in notes and accounts payable-trade. Noncurrent liabilities decreased 110 million yen to 1,116 million yen mainly because of a 95 million yen decrease in long-term loans payable.

Net assets increased 731 million yen to 17,456 million yen. As a result, the equity ratio was 68.4% at the end of the first half.

### (3) Outlook

There are no revisions to the forecast announced on April 26, 2019 for consolidated sales and earnings in the fiscal year ending in March 2020.

## 2. Quarterly Consolidated Financial Statements and Important Notes

### (1) Quarterly consolidated balance sheet

(Thousand yen)

	As of March 31, 2019	As of September 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	4,950,528	5,887,387
Notes and accounts receivable - trade	8,594,572	8,520,898
Electronically recorded monetary claims - operating	1,499,607	1,385,458
Inventories	4,930,049	4,623,460
Accounts receivable - other	524,301	379,574
Other	302,733	428,414
Allowance for doubtful accounts	(13,331)	(10,677)
Total current assets	20,788,460	21,214,516
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	865,414	973,381
Machinery, equipment and vehicles, net	74,129	67,681
Land	1,893,072	1,893,072
Leased assets, net	29,506	28,828
Other, net	48,590	77,619
Total property, plant and equipment	2,910,714	3,040,583
Intangible assets		
Software	25,111	22,138
Leased assets	135,969	107,958
Other	28,519	23,210
Total intangible assets	189,600	153,307
Investments and other assets		
Investment securities	425,709	323,283
Deferred tax assets	198,993	204,589
Other	582,531	590,314
Allowance for doubtful accounts	(10,095)	(9,922)
Total investments and other assets	1,197,138	1,108,265
Total non-current assets	4,297,453	4,302,156
Total asset	25,085,914	25,516,673

(Thousand yen)

	As of March 31, 2019	As of September 30, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,560,204	4,364,332
Short-term loans payable	870,061	980,276
Current portion of long-term loans payable	381,588	392,068
Income taxes payable	348,875	405,368
Provision for bonuses	219,194	233,340
Other	753,667	568,547
Total current liabilities	7,133,592	6,943,933
Non-current liabilities		
Long-term loans payable	554,070	458,818
Net defined benefit liability	446,966	452,732
Long-term guarantee deposited	80,009	85,913
Long-term accounts payable - other	23,528	20,795
Other	122,432	97,908
Total non-current liabilities	1,227,006	1,116,167
Total liabilities	8,360,598	8,060,101
<b>Net assets</b>		
Shareholders' equity		
Capital stock	898,591	898,591
Capital surplus	961,044	961,044
Retained earnings	15,136,411	15,890,594
Treasury shares	(435,365)	(435,500)
Total shareholders' equity	16,560,681	17,314,728
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	145,244	142,145
Deferred gains or losses on hedges	466	1,065
Foreign currency translation adjustment	18,923	(1,367)
Total accumulated other comprehensive income	164,634	141,843
Total net assets	16,725,315	17,456,572
Total liabilities and net assets	25,085,914	25,516,673

## (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, 2018 (Apr. 1, 2018 – Sep. 30, 2018)	First half ended Sep. 30, 2019 (Apr. 1, 2019 – Sep. 30, 2019)
Net sales	20,991,775	21,881,678
Cost of sales	17,584,436	18,284,751
Gross profit	3,407,338	3,596,927
Selling, general and administrative expenses	2,525,740	2,603,531
Operating profit	881,598	993,395
Non-operating income		
Interest income	292	271
Dividend income	3,511	28,877
Purchase discounts	61,580	62,520
Other	20,672	14,627
Total non-operating income	86,056	106,296
Non-operating expenses		
Interest expenses	2,850	3,054
Sales discounts	71,953	79,223
Foreign exchange losses	22,536	27,871
Other	1,741	1,458
Total non-operating expenses	99,082	111,608
Ordinary profit	868,572	988,083
Extraordinary income		
Gain on sales of investment securities	-	355,784
Gain on sales of non-current assets	1,066	-
Total extraordinary income	1,066	355,784
Extraordinary losses		
Office transfer expenses	3,645	402
Loss on sales and retirement of non-current assets	-	0
Total extraordinary losses	3,645	402
Profit before income taxes	865,994	1,343,464
Income taxes - current	254,626	422,034
Income taxes - deferred	27,138	(3,469)
Total income taxes	281,764	418,565
Profit	584,229	924,899
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	584,229	924,899

(Quarterly consolidated statement of comprehensive income)

(For the first half)

(Thousand yen)

	First half ended Sep. 30, 2018 (Apr. 1, 2018 – Sep. 30, 2018)	First half ended Sep. 30, 2019 (Apr. 1, 2019 – Sep. 30, 2019)
Profit	584,229	924,899
Other comprehensive income		
Valuation difference on available-for-sale securities	84,275	(3,098)
Deferred gains or losses on hedges	1,596	599
Foreign currency translation adjustment	(32,408)	(20,291)
Total other comprehensive income	53,463	(22,790)
Comprehensive income	637,693	902,109
Comprehensive income attributable to owners of parent	637,693	902,109
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

(Subsequent events)

None