

# Summary of Consolidated Financial Results

## For the Fiscal Year Ended March 2021 [Japan GAAP]

April 27, 2021

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  
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 Date of regular general meeting of shareholders: June 22, 2021 (tentative)  
 Date of commencement of dividend payment: May 31, 2021 (tentative)  
 Date of filing of securities report: June 22, 2021 (tentative)  
 Supplementary explanatory documents: None  
 Earnings presentation: Yes

(Yen in millions, rounded down)

### 1. Financial results for the current fiscal year (April 1, 2020 – March 31, 2021)

#### (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 2021	41,902	(4.5)	2,044	5.1	2,042	5.7	1,383	(11.0)
Fiscal year ended March 2020	43,860	2.3	1,945	1.0	1,932	0.7	1,553	9.3

Note: Comprehensive income: FY3/21: 1,361 million yen [(9.5%)] FY3/20: 1,504 million yen [8.5%]

	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 2021	137.74	-	7.5	7.6	4.9
Fiscal year ended March 2020	154.68	-	9.0	7.6	4.4

Reference: Equity in earnings of affiliates FY3/21: -million yen FY3/20: -million yen

Note: The company has split one share of common stock into two shares on April 1, 2020. Earnings per share for the previous fiscal year was accordingly adjusted assuming that the stock split had been effective from April 1, 2019.

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

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2021	27,925	18,897	67.7	1,881.84
As of March 31, 2020	25,832	17,888	69.2	1,781.31

Reference: Shareholders' equity: As of Mar. 31, 2021: 18,897 million yen As of Mar. 31, 2020: 17,888 million yen

Note: The company has split one share of common stock into two shares on April 1, 2020. Net assets per share for the previous fiscal year was accordingly adjusted assuming that the stock split had been effective from April 1, 2019.

#### (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 2021	2,349	(821)	362	7,254
Fiscal year ended March 2020	1,082	207	(764)	5,374

## 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	%	%
FY3/20	-	34.00	-	38.00	72.00	361	23.3	2.1
FY3/21	-	16.00	-	21.00	37.00	371	26.9	2.0
FY3/22 (forecast)	-	18.00	-	22.00	40.00		28.1	

Notes: 1. The company has split one share of common stock into two shares on April 1, 2020. Dividends for FY3/20 are the actual amount paid before the split.

## 3. Forecast for the fiscal year ending March 2022 (Consolidated, April 1, 2021 - March 31, 2022)

(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	22,000	13.5	1,000	24.2	1,000	25.8	680	27.0	67.72
Full year	45,700	9.1	2,100	2.7	2,100	2.8	1,428	3.2	142.20

### \* Notes

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

New company: 1 (Company name) SPK USA HOLDINGS INC.

(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 FY3/21:	10,453,800	End of FY3/20:	10,453,800
End of FY3/21:	411,712	End of FY3/20:	411,712
FY3/21:	10,042,088	FY3/20:	10,042,105

(b) Treasury shares

(c) Average number of shares outstanding during the year

Note: The company has split one share of common stock into two shares on April 1, 2020. Shares outstanding, treasury shares and average number of shares outstanding during the year of the previous fiscal year were adjusted assuming that the stock split had been effective from April 1, 2019.

## (Reference) Non-consolidated Financial Results

### Financial results for the fiscal year ended March 2021 (April 1, 2020 – March 31, 2021)

(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 2021	35,711	(4.8)	1,492	9.0	2,106	38.6	1,629	34.1
Fiscal year ended March 2020	37,523	0.4	1,369	1.8	1,519	1.6	1,215	3.6

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
Fiscal year ended March 2021	162.31		-	
Fiscal year ended March 2020	121.07		-	

Note: The company has split one share of common stock into two shares on April 1, 2020. Earnings per share for the previous fiscal year was adjusted assuming that the stock split had been effective from April 1, 2019.

(2) Financial Position (Non-consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2021	23,235	16,433	70.7	1,636.44
As of March 31, 2020	21,007	15,124	72.0	1,506.12

Reference: Shareholders' equity

As of March 31, 2021: 16,433 million yen

As of March 31, 2020: 15,124 million yen

Note: The company has split one share of common stock into two shares on April 1, 2020. Net assets per share for the previous fiscal year was adjusted assuming that the stock split had been effective from April 1, 2019.

\* 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 4 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, 2021	Fiscal year ended March 31, 2020	Year-on-year (%)
Net sales	41,902	43,860	95.5
Operating profit	2,044	1,945	105.1
Ordinary profit	2,042	1,932	105.7
Profit attributable to owners of parent	1,383	1,553	89.0

#### (ii) Net sales (Consolidated)

(Million yen)

	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2020	Year-on-year (%)
Domestic Sales Division	24,281	24,052	101.0
Overseas Business Division	11,222	13,197	85.0
Machinery Equipment Division	4,248	4,719	90.0
CUSPA Division	2,148	1,891	113.6
Total	41,902	43,860	95.5

The COVID-19 pandemic impacted the Japanese economy throughout the current fiscal year. Nevertheless, earnings at Japanese companies in some industries started recovering in part because of an improvement in the economies of other countries. The outlook for the Japanese economy will depend greatly on upcoming development of the pandemic. In addition, U.S.-China relations and other global events will have to continue to be watched closely. There are expectations for a recovery in the automobile aftermarket and construction and industrial machinery sectors, which are our main areas of business. However, political and economic events involving these two sectors will have to be carefully monitored.

Fiscal year sales of the SPK Group (SPK and its consolidated subsidiaries) were 41,902 million yen, down 4.5% from one year earlier. Ordinary profit increased 5.7% to 2,042 million yen and profit attributable to owners of parent decreased 11.0% to 1,383 million yen.

Business segment performance was as follows.

Beginning with the first quarter of the current fiscal year, the CUSPA Department previously included in the Domestic Sales Division is reclassified as a separate business segment called the CUSPA Division. Making this business an independent segment is expected to better enable this business to develop new business areas and to reach decisions faster. Prior year comparisons are based on the revised business segments.

#### (Domestic Sales Division)

This division worked closely with suppliers and customers to maintain a stable supply of replacement parts for automobiles, based on the recognition of the social importance of these parts accompanied by numerous measures to prevent the spread of COVID-19 infections. We will continue to focus on sales activities for functional and replacement parts for automobiles. Developing and selling new products for electric and hybrid vehicles and other growing markets is another priority. The result was a 1.0% increase in net sales to 24,281 million yen.

#### (Overseas Business Division)

Although the performance of this division is recovering from the effects of the COVID-19 pandemic overall, the global shortage of shipping containers, disruptions of cargo ship schedules and the increasing severity of the pandemic in Asia had a significant impact on sales. The result was a 15.0% decrease in sales to 11,222 million yen.

#### (Machinery Equipment Division)

There was a recovery in the production of some manufacturers of agricultural machinery and compact construction machinery following declines in the construction and agricultural machinery and industrial vehicle industries because of the COVID-19 crisis. However, there was no broad-based recovery encompassing all industries that use the products of this division. Furthermore, global disruptions of cargo movements and the shortage of semiconductors are beginning to affect the production in client companies. The result was a 10.0% decrease in sales to 4,248 million yen.

#### (CUSPA Division)

The business climate for this division was challenging because of the reduced level of interest in customized parts and postponements and cancellations of many motor sports and other events due to the COVID-19 crisis. In response to these difficulties, we increased sales activities for products where we have competitive advantages. Activities targeted our own brands as well as brands for which we have sales agent or importing agreements. The result was a 13.6% increase in sales to 2,148 million yen.

## (2) Financial condition

### (Assets)

Current assets were 22,974 million yen at the end of the current fiscal year, 1,510 million yen more from the end of the previous fiscal year. This was mainly due to an increase of 1,879 million yen in cash and deposits and decreases of 88 million yen in notes and accounts receivable-trade and 230 million yen in electronically recorded monetary claims-operating. Non-current assets increased 582 million yen to 4,950 million yen. This was mainly due to increases of 168 million yen in construction in progress and 323 million yen in goodwill.

As a result, total assets were 27,925 million yen at the end of the fiscal year, 2,092 million yen more than at the end of the previous fiscal year.

### (Liabilities)

Current liabilities increased 222 million yen to 7,218 million yen. This was mainly due to an increase of 192 million yen in notes and accounts payable-trade. Non-current liabilities increased 860 million yen to 1,809 million yen. This was mainly the result of a 657 million yen increase in long-term borrowings and a 200 million yen increase in bonds.

As a result, total liabilities increased 1,083 million yen to 9,027 million yen.

### (Net assets)

Net assets increased 1,009 million yen to 18,897 million yen. The increase was primarily the net result of profit attributable to owners of parent of 1,383 million yen and dividends of surplus of 351 million yen.

As a result, the equity ratio was 67.7% compared with 69.2% one year earlier.

## (3) Cash flows

Cash and cash equivalents increased 1,879 million yen from the beginning of the current fiscal year to 7,254 million yen at the end of the fiscal year compared with a 523 million yen increase in the prior fiscal year. The factors affecting each category of cash flows are explained below.

### (Operating activities)

Net cash provided by operating activities was 2,349 million yen compared with 1,082 million yen provided in the prior fiscal year. Major components were profit before income taxes of 2,042 million yen and income taxes paid of 650 million yen.

### (Investing activities)

Net cash used in investing activities was 821 million yen compared with 207 million yen provided in the prior fiscal year. The main components were a payment of 396 million yen for purchase of shares of a subsidiary resulting in change in scope of consolidation and payments of 329 million yen for purchase of property, plant and equipment.

### (Financing activities)

Net cash provided by financing activities was 362 million yen compared with 764 million yen used in the prior fiscal year. This was mainly attributable to proceeds from long-term borrowings of 1,327 million yen, repayments of long-term borrowings of 604 million yen and dividends paid of 351 million yen.

### Cash flow indicators

	FY 3/20	FY 3/21
Equity ratio (%)	69.2	67.7
Market capital equity ratio (%)	48.9	46.5
Debt to cash flow ratio (%)	160.8	113.3
Interest coverage ratio (times)	148.5	275.1

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

There are signs of an economic upturn in Japan in some sectors because of the upcoming Tokyo Olympics and Paralympics. However, another wave of COVID-19 infections has weakened consumer sentiment and there are concerns about the effects of this pandemic on the global economy. Consequently, we believe the economic outlook will remain unclear. In Japan, this crisis may not end soon due to the slow pace of vaccinations. This creates the risk of a decline in corporate earnings and the loss of a large number of jobs. As a result, there is a possibility that the COVID-19 crisis will reduce automobile ownership and weaken the demand for aftermarket replacement parts for automobiles.

(5) Basic policy concerning distribution of profit and dividends for the current and the next fiscal year

(a) Basic policy concerning distribution of profit

While striving to secure a stable management base, the SPK Group considers the return of profit to shareholders as one of the important elements of its management policy and, while making due consideration to business performance and financial conditions, strives to proactively return profits to shareholders.

(b) Dividends of surplus for the current fiscal year

We plan to pay a year-end dividend of 21 yen per share. With the interim dividend of 16 yen per share paid on December 1, 2020, this will result in annual dividend of 37 yen per share for the fiscal year ended March 2021 and a dividend payout ratio of 26.9%.

(c) Dividends of surplus for the next fiscal year

Keeping in mind a consecutive dividend hike we expect to increase the dividend again in the next fiscal year while further expanding activities to distribute earnings to shareholders in line with results of operations. In addition, we will use retained earnings effectively to strengthen business operations and financial soundness.

## 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 and Important Notes

#### (1) Consolidated balance sheet

(Thousand yen)

	As of March 31, 2020	As of March 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	5,473,857	7,353,369
Notes and accounts receivable - trade	8,744,819	8,656,292
Electronically recorded monetary claims - operating	1,319,870	1,089,730
Inventories	5,136,195	5,145,856
Accounts receivable - other	457,629	452,027
Other	347,435	319,510
Allowance for doubtful accounts	(15,591)	(42,274)
<b>Total current assets</b>	<b>21,464,216</b>	<b>22,974,513</b>
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,705,732	1,722,009
Accumulated depreciation	(744,555)	(793,742)
Buildings and structures, net	961,177	928,267
Machinery, equipment and vehicles	527,889	544,321
Accumulated depreciation	(381,098)	(418,920)
Machinery, equipment and vehicles, net	146,791	125,401
Land	1,893,072	1,893,072
Leased assets	185,588	257,612
Accumulated depreciation	(132,017)	(181,043)
Leased assets, net	53,570	76,569
Construction in progress	-	168,440
Other	418,890	474,224
Accumulated depreciation	(330,281)	(393,055)
Other, net	88,608	81,168
<b>Total property, plant and equipment</b>	<b>3,143,220</b>	<b>3,272,919</b>
Intangible assets		
Software	30,627	68,080
Leased assets	103,152	93,886
Goodwill	-	323,172
Other	18,323	10,665
<b>Total intangible assets</b>	<b>152,103</b>	<b>495,804</b>
Investments and other assets		
Investment securities	256,433	312,177
Deferred tax assets	229,294	227,419
Retirement benefit asset	25,970	33,944
Other	571,435	618,547
Allowance for doubtful accounts	(10,511)	(10,186)
<b>Total investments and other assets</b>	<b>1,072,622</b>	<b>1,181,903</b>
<b>Total non-current assets</b>	<b>4,367,946</b>	<b>4,950,628</b>
<b>Total asset</b>	<b>25,832,163</b>	<b>27,925,141</b>



(Thousand yen)

	As of March 31, 2020	As of March 31, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,320,421	4,513,148
Short-term borrowings	845,532	805,636
Current portion of long-term borrowings	363,980	455,656
Current portion of bonds payable	-	20,000
Income taxes payable	415,862	436,186
Provision for bonuses	205,000	208,202
Other	844,629	779,333
Total current liabilities	6,995,425	7,218,163
Non-current liabilities		
Retirement benefit liability	462,337	473,227
Long-term borrowings	285,312	942,699
Bonds payable	-	180,000
Long-term guarantee deposits	87,099	87,364
Long-term accounts payable - other	19,236	7,287
Other	94,642	118,759
Total non-current liabilities	948,628	1,809,338
Total liabilities	7,944,053	9,027,501
<b>Net assets</b>		
Shareholders' equity		
Share capital	898,591	898,591
Capital surplus	961,044	961,044
Retained earnings	16,348,313	17,380,009
Treasury shares	(435,500)	(435,500)
Total shareholders' equity	17,772,447	18,804,143
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	95,356	134,360
Deferred gains or losses on hedges	4,175	(4,158)
Foreign currency translation adjustment	16,130	(36,706)
Total accumulated other comprehensive income	115,661	93,496
Total net assets	17,888,109	18,897,640
Total liabilities and net assets	25,832,163	27,925,141

## (2) Consolidated statements of income and comprehensive income

(Consolidated statement of income)

(Thousand yen)

	Fiscal year ended March 31, 2020 (Apr. 1, 2019 – Mar. 31, 2020)	Fiscal year ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)
Net sales	43,860,058	41,902,143
Cost of sales	36,657,225	34,724,550
Gross profit	7,202,832	7,177,592
Selling, general and administrative expenses	5,257,758	5,133,584
Operating profit	1,945,074	2,044,007
Non-operating income		
Interest income	1,410	948
Dividend income	32,677	7,092
Purchase discounts	129,213	128,701
Subsidy income	1,330	38,465
Other	46,960	53,301
Total non-operating income	211,591	228,508
Non-operating expenses		
Interest expenses	7,293	8,540
Sales discounts	162,441	173,179
Foreign exchange losses	37,152	31,363
Other	17,315	16,502
Total non-operating expenses	224,202	229,586
Ordinary profit	1,932,462	2,042,930
Extraordinary income		
Gain on sales of non-current assets	142	1,517
Gain on sales of investment securities	356,537	-
Gain on sales of investments in capital	-	3,086
Total extraordinary income	356,680	4,604
Extraordinary losses		
Office relocation expenses	402	979
Loss on sales and retirement of non-current assets	177	414
Impairment loss	-	4,107
Total extraordinary losses	579	5,501
Profit before income taxes	2,288,563	2,042,033
Income taxes - current	744,395	668,728
Income taxes - deferred	(9,166)	(9,864)
Total income taxes	735,228	658,863
Profit	1,553,334	1,383,169
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,553,334	1,383,169

(Consolidated statement of comprehensive income)

(Thousand yen)

	Fiscal year ended March 31, 2020 (Apr. 1, 2019 – Mar. 31, 2020)	Fiscal year ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)
Profit	1,553,334	1,383,169
Other comprehensive income		
Valuation difference on available-for-sale securities	(49,887)	39,004
Deferred gains or losses on hedges	3,709	(8,333)
Foreign currency translation adjustment	(2,793)	(52,836)
Total other comprehensive income	(48,972)	(22,165)
Comprehensive income	1,504,362	1,361,003
Comprehensive income attributable to owners of parent	1,504,362	1,361,003
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated statement of changes in equity  
 Previous fiscal year (Apr. 1, 2019 – Mar. 31, 2020)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	898,591	961,044	15,136,411	(435,365)	16,560,681
Changes during period					
Dividends of surplus	-	-	(341,432)	-	(341,432)
Profit attributable to owners of parent	-	-	1,553,334	-	1,553,334
Purchase of treasury shares	-	-	-	(135)	(135)
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during period	-	-	1,211,901	(135)	1,211,765
Balance at end of period	898,591	961,044	16,348,313	(435,500)	17,772,447

	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 period	145,244	466	18,923	164,634	16,725,315
Changes during period					
Dividends of surplus	-	-	-	-	(341,432)
Profit attributable to owners of parent	-	-	-	-	1,553,334
Purchase of treasury shares	-	-	-	-	(135)
Net changes in items other than shareholders' equity	(49,887)	3,709	(2,793)	(48,972)	(48,972)
Total changes during period	(49,887)	3,709	(2,793)	(48,972)	1,162,793
Balance at end of period	95,356	4,175	16,130	115,661	17,888,109

Current fiscal year (Apr. 1, 2020 – Mar. 31, 2021)

(Thousand yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	898,591	961,044	16,348,313	(435,500)	17,772,447
Changes during period					
Dividends of surplus	-	-	(351,473)	-	(351,473)
Profit attributable to owners of parent	-	-	1,383,169	-	1,383,169
Purchase of treasury shares	-	-	-	-	-
Net changes in items other than shareholders' equity	-	-	-	-	-
Total changes during period	-	-	1,031,696	-	1,031,696
Balance at end of period	898,591	961,044	17,380,009	(435,500)	18,804,143

	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 period	95,356	4,175	16,130	115,661	17,888,109
Changes during period					
Dividends of surplus	-	-	-	-	(351,473)
Profit attributable to owners of parent	-	-	-	-	1,383,169
Purchase of treasury shares	-	-	-	-	-
Net changes in items other than shareholders' equity	39,004	(8,333)	(52,836)	(22,165)	(22,165)
Total changes during period	39,004	(8,333)	(52,836)	(22,165)	1,009,530
Balance at end of period	134,360	(4,158)	(36,706)	93,496	18,897,640

## (4) Consolidated statement of cash flows

	(Thousand yen)	
	Fiscal year ended March 2020 (Apr. 1, 2019 – Mar. 31, 2020)	Fiscal year ended March 2021 (Apr. 1, 2020 – Mar. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	2,288,563	2,042,033
Depreciation	222,350	243,457
Amortization of goodwill	-	5,477
Impairment loss	-	4,107
Amortization of long-term prepaid expenses	3,339	3,125
Increase (decrease) in allowance for doubtful accounts	2,623	26,372
Increase (decrease) in provision for bonuses	(14,194)	3,202
Increase (decrease) in retirement benefit liability	41,086	2,916
Interest and dividend income	(34,087)	(8,040)
Interest expenses	7,293	8,540
Foreign exchange losses (gains)	2,310	(437)
Loss (gain) on sales and retirement of property, plant and equipment	34	(1,103)
Loss (gain) on sales of investment securities	(356,537)	-
Loss (gain) on sales of investments in capital	-	(3,086)
Decrease (increase) in trade receivables	8,789	306,785
Decrease (increase) in inventories	(209,424)	126,830
Increase (decrease) in trade payables	(229,384)	170,182
Decrease (increase) in consumption taxes refund receivable	(44,576)	38,665
Increase (decrease) in accrued consumption taxes	203	26,633
Other	42,388	4,863
Subtotal	1,730,778	3,000,526
Interest and dividend received	33,886	7,868
Interest paid	(7,293)	(8,224)
Income taxes paid	(674,484)	(650,459)
Net cash provided by (used in) operating activities	1,082,887	2,349,711
Cash flows from investing activities		
Proceeds from sales of investment securities	432,352	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(396,370)
Purchase of shares of subsidiaries	(30,000)	-
Purchase of property, plant and equipment	(200,571)	(329,165)
Proceeds from sales of property, plant and equipment	142	1,518
Purchase of intangible assets	(11,704)	(50,545)
Collection of loans receivable	1,631	1,544
Other	15,742	(48,720)
Net cash provided by (used in) investing activities	207,593	(821,739)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(25,173)	(104,862)
Proceeds from long-term borrowings	120,000	1,327,924
Repayments of long-term borrowings	(406,366)	(604,598)
Proceeds from issuance of bonds	-	200,000
Repayments of lease obligations	(111,880)	(104,577)
Dividends paid	(341,432)	(351,473)
Purchase of treasury shares	(135)	-
Net cash provided by (used in) financing activities	(764,988)	362,412
Effect of exchange rate change on cash and cash equivalents	(2,171)	(10,881)
Net increase (decrease) in cash and cash equivalents	523,321	1,879,503
Cash and cash equivalents at beginning of period	4,851,391	5,374,713
Cash and cash equivalents at end of period	5,374,713	7,254,216

(5) Notes to quarterly consolidated financial statements

(Notes on going concern assumptions)

None

(Notes on change in accounting policy)

None

(Change in significant subsidiary during the period)

In the second quarter of the fiscal year ended March 2021, SPK USA Holdings Inc. was established as a consolidated subsidiary. On October 5, 2020, SPK USA Holdings became a specified subsidiary of SPK due to an increase in this company's equity.

In the third quarter, consolidated subsidiary SPK USA Holdings purchased the stock of Northeast Imported Parts & Accessories, Inc., making this company a wholly owned subsidiary. Northeast Imported Parts & Accessories is not a specified subsidiary but is included in the scope of consolidation.

(Business combination)

Business combination due to an acquisition

(1) Summary of the business combination

- a. Name and business activities of acquired company  
Name: Northeast Imported Parts & Accessories, Inc.  
Activities: Sale of automotive replacement parts
- b. Reason for the acquisition  
Northeast Imported Parts & Accessories sells automotive replacement parts in the United States. SPK believes that making this company a consolidated subsidiary will further enlarge SPK's coverage of the U.S. automotive replacement parts market and make a significant contribution to the growth of the SPK Group.
- c. Date of acquisition  
October 16, 2020
- d. Method used for the acquisition  
Purchase of stock
- e. Name after acquisition  
No change
- f. Pct. of voting rights acquired  
100%
- g. Primary basis for selecting the company to be acquired  
Cash purchase of Northeast Imported Parts & Accessories stock by SPK USA Holdings, consolidated subsidiary of SPK

(2) Period of results of operations of the acquired company included in the consolidated financial statements  
December 1, 2020 to December 31, 2020

(3) Cost of acquisition and payment method

Payment for acquisition	Cash	US\$4.5 million
Cost of acquisition		US\$4.5 million

(4) Major expenses for the acquisition

Expenses for due diligence 17,620 thousand yen

(5) The amount of goodwill, reason for the goodwill, and the method and period of amortization

- a. Amount of goodwill  
334,556 thousand yen  
A provisional procedure was conducted at the end of the third quarter to determine goodwill and the amount of goodwill was subsequently confirmed after completing the allocation of the acquisition cost at the end of the fiscal year ended March 2021.
- b. Cause of goodwill  
Expected ability to generate surplus earnings from business operations following the acquisition
- c. Amortization method and period  
Equal installments over five years

(6) Assets and liabilities, and major individual items, received on the business combination date

Current assets	313,694	Thousand yen
Non-current assets	5,764	
Total	319,459	
Current liabilities	154,819	
Non-current liabilities	27,023	
Total	181,842	

(Segment information, etc.)

[Segment information]

1. Overview of reportable segment information

Segments used for financial reporting are the constituent units of SPK for which separate financial information is available and for which the board of directors performs regular reviews for the purposes of determining the distribution of resources and evaluating results of operations.

The major business activities of the SPK Group are the sale in Japan and import/export of automobile parts and supplies, the planning and sales of industrial vehicle parts, and the planning and sale of customized parts. The Domestic Sales Division sells automobile parts and supplies and replacement parts for forklifts in Japan. The Overseas Business Division handles overseas transactions for automobile parts. The Machinery Equipment Division handles planning and sales of parts for industrial vehicles. The CUSPA Division plans and sells customized parts.

Consequently, these four divisions, which are the units of the SPK Group's sales operations, are also the reportable segments: Domestic Sales Division, Overseas Business Division, Machinery Equipment Division and CUSPA Division.

2. Method for determining sales, earnings/losses, assets, liabilities and other items for reportable segments

The accounting method used for reportable segments complies with the accounting principles adopted for the preparation of the consolidated financial statements.

Segment profits are reported on the ordinary profit basis.

Inter-segment sales and transfers are reported on the market price basis.

Assets are not allocated to business divisions.

3. Information on the amounts of sales, profits or losses, assets, liabilities, and other items are categorized by reportable segment.

Previous fiscal year (April 1, 2019 – March 31, 2020)

(Thousand yen)

	Domestic Sales Division	Overseas Business Division	Machinery Equipment Division	CUSPA Division	Total
Net sales (of which to outside customers)	24,052,088	13,197,546	4,719,368	1,891,054	43,860,058
(of which inter-segment /transfer)	70,158	80,844	-	-	151,003
Total	24,122,247	13,278,390	4,719,368	1,891,054	44,011,061
Segment profit	1,157,175	183,811	252,649	62,379	1,656,017
Other items Depreciation	66,433	64,010	15,734	8,500	154,679

Current fiscal year (April 1, 2020 – March 31, 2021)

(Thousand yen)

	Domestic Sales Division	Overseas Business Division	Machinery Equipment Division	CUSPA Division	Total
Net sales (of which to outside customers)	24,281,932	11,222,904	4,248,658	2,148,648	41,902,143
(of which inter-segment /transfer)	91,820	82,339	59,169		233,330
Total	24,373,752	11,305,243	4,307,828	2,148,648	42,135,473
Segment profit	1,357,528	146,799	215,827	140,629	1,860,785
Other items Depreciation	91,394	59,462	20,868	9,527	181,252



4. Information on the difference between total amounts of reportable segment and consolidated statements of income

(Thousand yen)

Net sales	Previous fiscal year	Current fiscal year
Total of reportable segment	44,011,061	42,135,473
Intersegment transaction eliminations	(151,003)	(233,330)
Net sales on the consolidated statements of income	43,860,058	41,902,143

(Thousand yen)

Profit	Previous fiscal year	Current fiscal year
Total of reportable segment	1,656,017	1,860,785
Adjustments of SG&A expenses (1)	94,129	32,574
Corporate non-operating profit (2)	178,595	146,034
Adjustments of non-operating expenses (3)	3,721	3,534
Operating income on the consolidated statements of income	1,932,462	2,042,930

Notes:

- (1), (3) Difference in allocation of SG&A expenses and non-operating expenses to each division headquarters.  
 (2) Mainly non-operating income of the administration division not attributable to reportable segments.

(Thousand yen)

Other items	Previous fiscal year	Current fiscal year
Total of reportable segment	154,679	181,252
Adjustments	67,671	62,205
Depreciation on the consolidated statements of income	222,350	243,457

Note: Adjustment amount is mainly the depreciation of the administration division not attributable to reportable segments.

5. Change in reportable segments

Beginning with the first quarter of the fiscal year ended March 2021, due to a reorganization of business operations for the purpose of expanding operations to more business domains and reaching decisions faster, the number of reportable segments was increased from three to four by adding the newly created CUSPA Division to the existing three reportable segments, which are the Domestic Sales Division, International Trade Division and Machinery Equipment Division.

Reportable segment information for the prior fiscal year is based on the revised segments.

[Supplementary information]

Previous fiscal year (April 1, 2019 ~ March 31, 2020)

1. Information about individual products and services

This information is not presented because the SPK Group is engaged in the sale of parts for automobiles and industrial vehicles and a single category of products and services accounts for more than 90% of sales to external customers in the consolidated statement of income.

2. Information by region

(1) Net sales

(Thousand yen)

Japan	Asia/Oceania	Latin America	Others	Total
29,606,200	6,008,251	3,322,163	4,923,442	43,860,058

Note: Sales are reported by country or region based on the location of the customer.

(2) Property, plant and equipment

The amount of property, plant and equipment located in Japan is not presented because it exceeds 90% of the amount of property, plant, and equipment on the consolidated balance sheet.

3. Information by major customer

Information by major customer is not presented because there is no customer account exceeds 10% of the total sales reported in the consolidated income statement.

Current fiscal year (April 1, 2020 ~ March 31, 2021)

1. Information about individual products and services

This information is not presented because the SPK Group is engaged in the sale of parts for automobiles and industrial vehicles and a single category of products and services accounts for more than 90% of sales to external customers in the consolidated statement of income.

2. Information by region

(1) Net sales

(Thousand yen)

Japan	Asia/Oceania	Latin America	Others	Total
29,773,257	5,108,943	2,359,434	4,660,507	41,902,143

Note: Sales are reported by country or region based on the location of the customer.

(2) Property, plant and equipment

The amount of property, plant and equipment located in Japan is not presented because it exceeds 90% of the amount of property, plant, and equipment on the consolidated balance sheet.

3. Information by major customer

Information by major customer is not presented because there is no customer account exceeds 10% of the total sales reported in the consolidated income statement.

[Impairment loss in non-current assets by reportable segment]

Previous fiscal year (April 1, 2019 ~ March 31, 2020)

None

Current fiscal year (April 1, 2020 ~ March 31, 2021)

(Thousand yen)

	Domestic Sales Division	Overseas Business Division	Machinery Equipment Division	CUSPA Division	Total
Impairment loss	-	-	4,107	-	4,107

[Amortization of goodwill by reportable segment]

Previous fiscal year (April 1, 2019 ~ March 31, 2020)

None

Current fiscal year (April 1, 2020 ~ March 31, 2021)

(Thousand yen)

	Domestic Sales Division	Overseas Business Division	Machinery Equipment Division	CUSPA Division	Total
Amortization of goodwill	-	5,477	-	-	5,477
Balance at the end of the current fiscal year	-	323,172	-	-	323,172

[Gain on bargain purchase by reportable segment]

None

(Per share information)

(yen)

	Previous fiscal year (April 1, 2019 – March 31, 2020)	Current fiscal year (April 1, 2020 ~ March 31, 2021)
Net assets per share	1,781.31	1,881.84
Earnings per share	154.68	137.74

- Notes: 1. Diluted earnings per share is not shown because there were no common share equivalents.  
2. The company has split one share of common stock into two shares on April 1, 2020. Net assets per share and earnings per share for the previous fiscal year was adjusted assuming that the stock split had been effective from April 1, 2019.  
3. The basis for computing the earnings per share is as follows.

	Previous fiscal year (April 1, 2019 – March 31, 2020)	Current fiscal year (April 1, 2020 ~ March 31, 2021)
Earnings per share		
Profit attributable to owners of parent (thousand yen)	1,553,334	1,383,169
Profit not attributable to common shareholders (thousand yen)	-	-
Profit attributable to owners of parent available to common shares (thousand yen)	1,553,334	1,383,169
Average number of shares outstanding during the year (1,000 shares)	10,042	10,042

(Significant subsequent events)

None