

# Summary of Consolidated Financial Results

## For the First Half Ended September 2021 [Japan GAAP]

October 29, 2021

Name of Company: SPK CORPORATION  
 Stock Code: 7466 URL: <https://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 10, 2021 (tentative)  
 Date of commencement of dividend payment: December 1, 2021 (tentative)  
 Supplementary explanatory documents: None  
 Earnings presentation: Yes

(Yen in millions, rounded down)

### 1. Financial results for the first half ended September 2021 (April 1, 2021 - September 30, 2021)

#### (1) Results 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 2021	22,899	18.2	987	22.6	1,110	39.7	799	49.3
First half ended September 2020	19,381	(11.4)	805	(18.9)	794	(19.6)	535	(42.1)

Note: Comprehensive income: 1H FY3/22: 896 million yen [69.5%] 1H FY3/21: 529 million yen [-41.4%]

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First half ended September 2021	79.59	-
First half ended September 2020	53.31	-

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

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2021	28,452	19,569	68.8
As of March 31, 2021	27,925	18,897	67.7

Reference: Shareholders' equity: As of Sep. 30, 2021: 19,569 million yen As of Mar. 31, 2021: 18,897 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
FY3/21	-	16.00	-	21.00	37.00
FY3/22	-	18.00			
FY3/22 (estimated)			-	22.00	40.00

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

### 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
Full year	45,700	9.1	2,100	2.7	2,100	2.8	1,428	3.2	142.20

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: Yes
  - (b) Changes other than in (a): None
  - (c) Changes in accounting estimates: None
  - (d) Retrospective restatement: None

(Note) For more information, please see "2. Quarterly Consolidated Financial Statements and Important Notes (3) Notes to quarterly consolidated financial statements (Change in accounting policy)" on page 7 of Supplementary Information.

(4) Number of shares outstanding (common stock)

- (a) Shares outstanding (including treasury shares)
- (b) Treasury shares
- (c) Average number of shares outstanding

End of 1H FY3/22:	10,453,800	End of FY3/21:	10,453,800
End of 1H FY3/22:	411,712	End of FY3/21:	411,712
1H FY3/22:	10,042,088	1H FY3/21:	10,042,088

\* 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 more information about the forecasts, please see "1. Results of Operations (3) Outlook" on page 3 of Supplementary Information.

## Index for Supplementary Information

1.	Results of Operations .....	2
(1)	Overview on consolidated business performance .....	2
(2)	Financial condition .....	2
(3)	Outlook.....	3
2.	Quarterly Consolidated Financial Statements and Important Notes .....	4
(1)	Quarterly consolidated balance sheet .....	4
(2)	Quarterly consolidated statements of income and comprehensive income.....	6
	(Quarterly consolidated statement of income) .....	6
	(For the first half).....	6
	(Quarterly consolidated statement of comprehensive income) .....	6
	(For the first half).....	6
(3)	Notes to quarterly consolidated financial statements .....	7
	(Notes on going concern assumptions) .....	7
	(Notes on significant change in shareholders' equity).....	7
	(Change in significant subsidiary during the period) .....	7
	(Change in accounting policy) .....	7
	(Business combination) .....	8
	(Significant subsequent event) .....	8

## 1. Results of Operations

### (1) Overview on consolidated business performance

During the first half of the current fiscal year, economic activity in Japan began to return to normal as states of emergency finally ended, although the pandemic had a severe impact on the economy. In addition, there were expectations for government economic initiatives prior to the election at the end of October. The outlook for the global economy remains unclear. Sources of uncertainty include slower economic growth in China, partly due to the Evergrande's debt problem, controversy about increasing the U.S. debt ceiling, and worries about global inflation as the price of oil climbs.

In the automobile aftermarket and construction and industrial machinery sectors, which are our main areas of business, there are expectations of upturns. However, there are still difficulties due to bottlenecks in international logistics problems that include a container shortage as well as to the shortage of semiconductors. There is also uncertainty about geopolitical risk factors. As a result, global political and economic events must be watched carefully.

First half sales of the SPK Group (SPK and its consolidated subsidiaries) were 22,899 million yen, up 18.2% from one year earlier. Operating profit increased 22.6% to 987 million yen, ordinary profit increased 39.7% to 1,110 million yen and profit attributable to owners of parent increased 49.3% to 799 million yen.

Business segment performance was as follows.

#### (Domestic Sales Division)

This division continued to fulfill its role of providing the key social lifeline of supplying replacement parts for automobiles while taking many actions for safety during the pandemic. We worked closely with suppliers and customers to ensure a reliable supply of these parts. Due to these activities, sales were 12,086 million yen, 4.7% higher than one year earlier.

We will continue to focus on sales activities for functional and replacement parts for automobiles and on developing and selling new products for electric and hybrid automobiles.

#### (Overseas Business Division)

The markets of this division are continuing to recover and orders are climbing, especially in Central and South America. The performance of subsidiaries in Singapore and the United States was strong. There were difficulties due to delays in receiving deliveries from major suppliers because of the large volume of orders and disruptions of cargo ship schedules, as in the previous fiscal year. As a result, cargo could not be loaded on ships as planned in some cases. Segment sales were 6,989 million yen, 43.2% higher than one year earlier.

#### (Machinery Equipment Division)

There was an upturn in the production of industrial vehicles as economic activity started to recover with much higher production especially in Europe and the United States. Manufacturers of construction machinery, agricultural machinery and industrial vehicles all raised their output. The result was a 33.3% increase in sales to 2,646 million yen.

The worldwide digital transformation and rapid recovery of the automobile industry have created severe shortages of semiconductors and other parts. Some manufacturers using our products and suppliers that we use have reduced output because of these shortages. We will continue to monitor these shortages and seek and develop alternate parts in order to maintain a stable supply of our products.

#### (CUSPA Division)

Demand for the products of this division declined 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. Difficulty in procuring electronic customized products caused by the semiconductor shortage was another challenge in this business. In response to these difficulties, we focused sales activities on brands and products where we have competitive advantages. The result was a 21.7% increase in sales to 1,176 million yen.

### (2) Financial condition

Total assets were 28,452 million yen at the end of the first half, 527 million yen more than at the end of the previous fiscal year. Current assets increased 132 million yen to 23,106 million yen. There were decreases of 311 million yen in cash and deposits and 309 million yen in notes and accounts receivable-trade and increases of 148 million yen in electronically recorded monetary claims-operating and 609 million yen in inventories. Non-current assets increased 395 million yen to 5,346 million yen. This was mainly due to increases of 150 million yen in construction in progress, 128 million yen in land and 70 million yen in goodwill.

Current liabilities decreased 232 million yen to 6,985 million yen. This was mainly due to decreases of 100 million yen in notes and accounts payable-trade and 86 million yen in income taxes payable. Non-current liabilities increased 88 million yen to 1,898 million yen mainly because of a 76 million yen increase in long-term borrowings.

Net assets increased 671 million yen to 19,569 million yen and the equity ratio was 68.8% at the end of the first half.

(3) Outlook

There are no revisions to the forecast announced on April 27, 2021 for the fiscal year ending in March 2022.

## 2. Quarterly Consolidated Financial Statements and Important Notes

### (1) Quarterly consolidated balance sheet

(Thousand yen)

	As of March 31, 2021	As of September 30, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	7,353,369	7,041,731
Notes and accounts receivable - trade	8,656,292	8,346,655
Electronically recorded monetary claims - operating	1,089,730	1,238,111
Inventories	5,145,856	5,755,423
Accounts receivable - other	452,027	375,744
Other	319,510	393,306
Allowance for doubtful accounts	(42,274)	(44,180)
Total current assets	22,974,513	23,106,792
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	928,267	963,009
Machinery, equipment and vehicles, net	125,401	116,685
Land	1,893,072	2,021,234
Leased assets, net	76,569	57,222
Construction in progress	168,440	318,610
Other, net	81,168	70,669
Total property, plant and equipment	3,272,919	3,547,432
Intangible assets		
Goodwill	323,172	394,080
Software	68,080	103,533
Leased assets	93,886	75,267
Other	10,665	11,868
Total intangible assets	495,804	584,749
Investments and other assets		
Investment securities	312,177	311,753
Deferred tax assets	227,419	252,408
Retirement benefit asset	33,944	33,951
Other	618,547	615,922
Allowance for doubtful accounts	(10,186)	(29)
Total investments and other assets	1,181,903	1,214,007
Total non-current assets	4,950,628	5,346,189
Total asset	27,925,141	28,452,981

(Thousand yen)

	As of March 31, 2021	As of September 30, 2021
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	4,513,148	4,412,929
Short-term borrowings	805,636	786,788
Current portion of bonds payable	20,000	20,000
Current portion of long-term borrowings	455,656	401,940
Income taxes payable	436,186	350,010
Provision for bonuses	208,202	214,086
Other	779,333	799,621
Total current liabilities	7,218,163	6,985,375
Non-current liabilities		
Bonds payable	180,000	170,000
Long-term borrowings	942,699	1,019,689
Retirement benefit liability	473,227	487,681
Long-term guarantee deposits	87,364	89,948
Long-term accounts payable - other	7,287	19,082
Other	118,759	111,782
Total non-current liabilities	1,809,338	1,898,184
Total liabilities	9,027,501	8,883,560
<b>Net assets</b>		
Shareholders' equity		
Share capital	898,591	898,591
Capital surplus	961,044	961,044
Retained earnings	17,380,009	17,954,271
Treasury shares	(435,500)	(435,500)
Total shareholders' equity	18,804,143	19,378,405
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	134,360	134,066
Deferred gains or losses on hedges	(4,158)	(552)
Foreign currency translation adjustment	(36,706)	57,501
Total accumulated other comprehensive income	93,496	191,015
Total net assets	18,897,640	19,569,421
Total liabilities and net assets	27,925,141	28,452,981

## (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, 2020 (Apr. 1, 2020 – Sep. 30, 2020)	First half ended Sep. 30, 2021 (Apr. 1, 2021 – Sep. 30, 2021)
Net sales	19,381,297	22,899,558
Cost of sales	16,075,767	19,107,814
Gross profit	3,305,530	3,791,743
Selling, general and administrative expenses	2,500,209	2,804,298
Operating profit	805,321	987,444
Non-operating income		
Interest income	653	308
Dividend income	3,777	2,725
Purchase discounts	61,036	63,604
Foreign exchange gains	-	31,815
Other	33,258	34,357
Total non-operating income	98,726	132,812
Non-operating expenses		
Interest expenses	3,772	5,950
Sales discounts	83,236	-
Foreign exchange losses	19,490	-
Other	2,837	4,086
Total non-operating expenses	109,337	10,037
Ordinary profit	794,710	1,110,219
Extraordinary income		
Gain on forgiveness of debts	-	45,749
Total extraordinary income	-	45,749
Profit before income taxes	794,710	1,155,969
Income taxes - current	254,949	340,863
Income taxes - deferred	4,433	15,836
Total income taxes	259,382	356,699
Profit	535,327	799,269
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	535,327	799,269

(Quarterly consolidated statement of comprehensive income)

(For the first half)

(Thousand yen)

	First half ended Sep. 30, 2020 (Apr. 1, 2020 – Sep. 30, 2020)	First half ended Sep. 30, 2021 (Apr. 1, 2021 – Sep. 30, 2021)
Profit	535,327	799,269
Other comprehensive income		
Valuation difference on available-for-sale securities	34,141	(294)
Deferred gains or losses on hedges	(3,029)	3,605
Foreign currency translation adjustment	(37,385)	94,208
Total other comprehensive income	(6,273)	97,519
Comprehensive income	529,054	896,788
Comprehensive income attributable to owners of parent	529,054	896,788
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 subsidiary during the period)

None

Although there was no change in a specified subsidiary, SPK acquired all of the stock of Car Beauty Pro Co., Ltd. in the second quarter of the current fiscal year, making this company a consolidated subsidiary. An acquisition date of September 30, 2021 is used for accounting purposes. Consequently, Car Beauty Pro is included only in the consolidated balance sheet at the end of the second quarter.

(Change in accounting policy)

(Application of the Accounting Standard for Revenue Recognition)

SPK has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the first quarter of the current fiscal year. Based on this standard, the amount expected to be received in exchange for the provision of goods or services is recognized when control of the promised goods or services is transferred to customers.

As a result, sales discounts that were previously classified as non-operating expenses are now deducted from sales. In addition, in prior years, the entire amount of sales of products to customers where SPK acted as an agent was recognized as sales. Due to the new standard, net sales are instead recognized by deducting the amount paid to the supplier of the product from the amount received from customers. For subcontracted processing transactions where SPK purchases parts and materials from a designated supplier, these parts and materials were previously derecognized. Due to the new standard, these parts and materials are recognized because there is an obligation to buy back the supplied parts and materials. For these transactions, no sales associated with the transfer of ownership of these parts and materials are recognized.

For the application of the new revenue recognition standard, in accordance with the transitional treatment in the proviso of Article 84 of this standard, the cumulative effect of retrospective application of the standard prior to the beginning of the first quarter was added to or subtracted from retained earnings at the beginning of the first quarter.

Due to the application of the new revenue recognition standard, net sales decreased 119,122 thousand yen, cost of sales decreased 32,530 thousand yen, operating profit decreased 83,629 thousand yen, non-operating expenses decreased 100,578 thousand yen and ordinary profit and profit before income taxes each increased 16,948 thousand yen for the first half of current fiscal year. In addition, retained earnings at beginning of the current fiscal year decreased 14,123 thousand yen.

(Application of the Accounting Standard for Fair Value Measurement)

SPK has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the first quarter of the current first year. In accordance with the transitional treatment in Article 19 of this standard and Article 44-2 of Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019), SPK will continue to apply the new accounting policies prescribed by Accounting Standard for Fair Value Measurement and other standards in the future. The effects of this new standard on the quarterly consolidated financial statements are negligible.

(Business combination)

Business combination due to an acquisition

(1) Summary

a. Name and activities of company acquired

Name: Car Beauty Pro Co., Ltd.

Activities: Car detailing and technical assistance

b. Reason for the acquisition

Car Beauty Pro started operations in 1976 and currently operates a car detailing business - car interior/exterior cleaning services - across Japan. The SPK Group operates primarily in the aftermarket category of the automobile maintenance and repair sector. The decision to acquire Car Beauty Pro was made due to expectations for synergies with the automobile parts wholesaling business of the SPK Group in Japan and other countries.

c. Acquisition date

July 15, 2021

d. Legal format of acquisition

Purchase of stock

e. Name after acquisition

No change

f. Pct. of voting rights acquired

100%

g. Basis for acquisition of Car Beauty Pro

Acquisition of stock using a cash payment

(2) Results of operations of Car Beauty Pro included in the quarterly consolidated statement of income

In the first half of the fiscal year ending in March 2022, Car Beauty Pro is included only in the consolidated balance sheet and is not included in the consolidated statement of income.

(3) Cost of Car Beauty Pro acquisition and type of payment

The terms are confidential in accordance with the mutual agreement of SPK and Car Beauty Pro.

(4) Major expenses for the acquisition and amounts

Financial and legal examination fees and intermediary fees 43,418 thousand yen

(5) Goodwill, reason for goodwill, amortization method and period

a. Amount of goodwill

83,913 thousand yen

The amount of goodwill is a provisional figure because the allocation of the cost of this acquisition had not been completed as of the end of the second quarter.

b. Reason for goodwill

The business activities of Car Beauty Pro are expected to generate surplus earnings in the future.

c. Amortization method and period

Goodwill will be amortized in equal installments over the period during which benefits of this acquisition are expected. The amortization period will be determined based on the results of the allocation of the cost of this acquisition.

(Significant subsequent event)

None