

Summary of Consolidated Financial Results

For the Fiscal Year Ended March 2022 [Japan GAAP]

May 2, 2022

Name of Company: SPK CORPORATION
 Stock Code: 7466 URL: <https://www.spk.co.jp/>
 Stock Exchange Listing: Tokyo Stock Exchange, Prime Market
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 Date of regular general meeting of shareholders: June 22, 2022 (tentative)
 Date of commencement of dividend payment: May 31, 2022 (tentative)
 Date of filing of securities report: June 22, 2022 (tentative)
 Supplementary explanatory documents: Yes
 Earnings presentation: Yes

(Yen in millions, rounded down)

1. Financial results for the current fiscal year (April 1, 2021 – March 31, 2022)

(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 2022	47,686	13.8	2,034	(0.4)	2,287	12.0	1,625	17.5
Fiscal year ended March 2021	41,902	(4.5)	2,044	5.1	2,042	5.7	1,383	(11.0)

Note: Comprehensive income: FY3/22: 1,732 million yen [27.3%] FY3/21: 1,361 million yen [(9.5%)]

	Earnings per share	Earnings per share fully diluted	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 2022	161.84	-	8.3	7.9	4.3
Fiscal year ended March 2021	137.74	-	7.5	7.6	4.9

Reference: Equity in earnings of affiliates FY3/22: -million yen FY3/21: -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, 2022	30,014	20,223	67.4	2,013.91
As of March 31, 2021	27,925	18,897	67.7	1,881.84

Reference: Shareholders' equity: As of Mar. 31, 2022: 20,223 million yen As of Mar. 31, 2021: 18,897 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 2022	536	(592)	(1,194)	6,047
Fiscal year ended March 2021	2,349	(821)	362	7,254

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	%	%
FY3/21	-	16.00	-	21.00	37.00	371	26.9	2.0
FY3/22	-	18.00	-	22.00	40.00	401	24.7	2.1
FY3/23 (forecast)	-	20.00	-	24.00	44.00		26.0	

3. Forecast for the fiscal year ending March 2023 (Consolidated, April 1, 2022 - March 31, 2023)

(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	24,000	4.8	1,040	5.3	1,100	(0.9)	800	0.1	79.66
Full year	50,000	4.9	2,170	6.6	2,300	0.6	1,700	4.6	169.29

* 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

Note: For more information, please see "3. Consolidated Financial Statements and Important Notes, (5) Notes to consolidated financial statements, Change in accounting policy", on page 12 of Supplementary Information.

(3) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

(b) Treasury shares

(c) Average number of shares outstanding during the year

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

(Reference) Non-consolidated Financial Results

Financial results for the fiscal year ended March 2022 (April 1, 2021 – March 31, 2022)

(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 2022	39,603	10.9	1,336	(10.4)	1,616	(23.2)	1,143	(29.9)
Fiscal year ended March 2021	35,711	(4.8)	1,492	9.0	2,106	38.6	1,629	34.1

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
Fiscal year ended March 2022	113.86	-
Fiscal year ended March 2021	162.31	-

(2) Financial Position (Non-consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	23,960	17,114	71.4	1,704.27
As of March 31, 2021	23,235	16,433	70.7	1,636.44

Reference: Shareholders' equity

As of March 31, 2022: 17,114 million yen

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

* 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, 2022	Fiscal year ended March 31, 2021	Year-on-year (%)
Net sales	47,686	41,902	113.8
Operating profit	2,034	2,044	99.6
Ordinary profit	2,287	2,042	112.0
Profit attributable to owners of parent	1,625	1,383	117.5

(ii) Net sales (Consolidated)

(Million yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Year-on-year (%)
Domestic Sales Division	24,835	24,281	102.3
Overseas Business Division	14,768	11,222	131.6
Machinery Equipment Division	5,410	4,248	127.3
CUSPA Division	2,672	2,148	124.4
Total	47,686	41,902	113.8

During the current fiscal year, economic activity in Japan has gradually recovered in many areas, as the severe conditions caused by the COVID-19 pandemic has gradually eased. However, we will need to closely monitor the downside risks caused by the soaring raw material prices, fluctuations in the financial markets and the supply-side constraints, as uncertainties arising from the Ukraine situations are getting higher. On the other hand, in the automotive aftermarket, which is one of our main areas of business, as the stagnation in logistics and the concerns on acceleration of the inflation, as well as shortages of various goods including semiconductors are still lingering, we need to closely watch the global political and economic events, including the issues between Russia and Ukraine, as well as U.S.-China relations.

Fiscal year sales of the SPK Group (SPK and its consolidated subsidiaries) were 47,686 million yen, up 13.8% from one year earlier. Ordinary profit increased 12.0% to 2,287 million yen and profit attributable to owners of parent increased 17.5% to 1,625 million yen.

Business segment performance was as follows.

(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 it as a key social lifeline, accompanied by maximum measures to prevent the spread of COVID-19 infections. At the same time, globally soaring raw material prices, as well as shortages and delays in the supply impacted us. The result was a 2.3% increase in net sales to 24,835 million yen.

We will continue to focus on the stable supply of replacement parts for automobiles, our mission, despite declines in new car sales as a result of global semiconductor shortages and related declines in used car sales. In addition, we will continue focusing on the development and sales of new products in order to cope with the great transformation in the car industry.

(Overseas Business Division)

Orders of this division remain strong and particularly those in Latin America continue to be at near all-time highs, as the overseas key markets have recovered from the economic deterioration caused by the COVID-19 pandemic. On the other hand, order backlog has increased because we have not been able to ship our products as scheduled due to shortages of containers and disruption in the shipping schedule, as well as more notable longer delivery time by suppliers. The results was a 31.6% increase in sales to 14,768 million yen because of strict shipment management.

(Machinery Equipment Division)

In this division, the industrial vehicle market turned strong due to a rebound from stagnation caused by the COVID-19 pandemic and construction and agricultural machineries and forklift makers continued to increase their production led by the U.S. and European markets. The result was a 27.3% increase in sales to 5,410 million yen. On the other hand, the global severe supply shortage and rapid rises in prices of semiconductors and other components are increasing the risk of production cuts at the vehicle manufacturers and our suppliers. We will continue to aim at the stable supply by securing semiconductors and other components, as well as developing the alternative components, if necessary.

(CUSPA Division)

Despite the severe circumstances caused by the COVID-19 pandemic, we have developed a promotion of taking a step forward through a signing an official partnership contract with Toyota Motors for TOYOTA GAZOO Racing Rally Challenge 2022 and an inauguration of D-SPORT Racing Team. As a spillover effect, sales of brands and products with competitive strength increased through our own brands, total imports rights and sole agency rights. The result was a 24.4% increase in sales to 2,672 million yen.

(2) Financial condition

(Assets)

Current assets were 24,100 million yen at the end of the current fiscal year, 1,125 million yen more from the end of the previous fiscal year. This was mainly due to decrease of 1,206 million yen in cash and deposits and increases of 489 million yen in notes and accounts receivable-trade, 152 million yen in electronically recorded monetary claims-operating and 1,424 million yen in inventories. Non-current assets increased 963 million yen to 5,914 million yen. This was mainly due to increases of 493 million yen in buildings and structures and 342 million yen in land.

As a result, total assets were 30,014 million yen at the end of the fiscal year, 2,089 million yen more than at the end of the previous fiscal year.

(Liabilities)

Current liabilities increased 701 million yen to 7,919 million yen. This was mainly due to an increase of 473 million yen in notes and accounts payable-trade. Non-current liabilities increased 61 million yen to 1,870 million yen.

As a result, total liabilities increased 763 million yen to 9,790 million yen.

(Net assets)

Net assets increased 1,326 million yen to 20,223 million yen. The increase was primarily the net result of profit attributable to owners of parent of 1,625 million yen and dividends of surplus of 391 million yen.

As a result, the equity ratio was 67.4% compared with 67.7% one year earlier.

(3) Cash flows

Cash and cash equivalents decreased 1,207 million yen from the beginning of the current fiscal year to 6,047 million yen at the end of the fiscal year compared with a 1,879 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 536 million yen compared with 2,349 million yen provided in the prior fiscal year. Major components were profit before income taxes of 2,349 million yen, increase in inventories of 1,162 million yen and income taxes paid of 749 million yen.

(Investing activities)

Net cash used in investing activities was 592 million yen compared with 821 million yen used in the prior fiscal year. The main components were 89 million yen for purchase of shares of a subsidiary resulting in change in scope of consolidation and 384 million yen for purchase of property, plant and equipment.

(Financing activities)

Net cash used in financing activities was 1,194 million yen compared with 362 million yen provided in the prior fiscal year. This was mainly attributable to repayments of long-term borrowings of 484 million yen and dividends paid of 391 million yen.

Cash flow indicators

	FY 3/21	FY 3/22
Equity ratio (%)	67.7	67.4
Market capital equity ratio (%)	46.5	44.7
Debt to cash flow ratio (%)	113.3	493.4
Interest coverage ratio (times)	275.1	39.6

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

Although there are signs of an economic recovery in Japan in many areas thanks to the easing of the domestic priority measures related to the COVID-19 pandemic, current severe conditions are expected to linger without hopes of an early recovery as COVID-19 related lockdowns in China and Ukraine invasion by Russia resulted in rapid price rises in natural resources and raw materials.

Given such circumstances and situations, our forecasts for the fiscal year ending March 2023 are as follows, which we have revised those included in our Medium Term Business Plan announced on May 21, 2021.

Sales	50,000 million yen	104.9% (Year-on-year)
Operating profit	2,170 million yen	106.6% (Year-on-year)
Ordinary profit	2,300 million yen	100.6% (Year-on-year)
Profit attributable to owners of parent	1,700 million yen	104.6% (Year-on-year)

(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 22 yen per share. With the interim dividend of 18 yen per share paid on December 1, 2021, this will result in annual dividend of 40 yen per share for the fiscal year ended March 2022 and a dividend payout ratio of 24.7%.

(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, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	7,353,369	6,146,372
Notes and accounts receivable - trade	8,656,292	9,145,592
Electronically recorded monetary claims - operating	1,089,730	1,241,824
Inventories	5,145,856	6,570,380
Accounts receivable - other	452,027	543,465
Other	319,510	481,300
Allowance for doubtful accounts	(42,274)	(28,587)
Total current assets	22,974,513	24,100,348
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,722,009	2,439,568
Accumulated depreciation	(793,742)	(1,018,050)
Buildings and structures, net	928,267	1,421,517
Machinery, equipment and vehicles	544,321	624,949
Accumulated depreciation	(418,920)	(490,651)
Machinery, equipment and vehicles, net	125,401	134,298
Land	1,893,072	2,235,369
Leased assets	257,612	391,392
Accumulated depreciation	(181,043)	(187,530)
Leased assets, net	76,569	203,862
Construction in progress	168,440	13,670
Other	474,224	547,550
Accumulated depreciation	(393,055)	(447,150)
Other, net	81,168	100,400
Total property, plant and equipment	3,272,919	4,109,118
Intangible assets		
Software	68,080	191,223
Leased assets	93,886	57,006
Goodwill	323,172	400,294
Other	10,665	16,785
Total intangible assets	495,804	665,310
Investments and other assets		
Investment securities	312,177	226,477
Deferred tax assets	227,419	263,139
Retirement benefit asset	33,944	24,689
Other	618,547	625,769
Allowance for doubtful accounts	(10,186)	(70)
Total investments and other assets	1,181,903	1,140,005
Total non-current assets	4,950,628	5,914,434
Total assets	27,925,141	30,014,782

(Thousand yen)

	As of March 31, 2021	As of March 31, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,513,148	4,986,281
Electronically recorded obligations - operating	-	66,835
Short-term borrowings	805,636	763,536
Current portion of long-term borrowings	455,656	447,972
Current portion of bonds payable	20,000	20,000
Income taxes payable	436,186	419,355
Provision for bonuses	208,202	206,802
Other	779,333	1,009,120
Total current liabilities	7,218,163	7,919,904
Non-current liabilities		
Retirement benefit liability	473,227	476,930
Long-term borrowings	942,699	898,084
Bonds payable	180,000	160,000
Long-term guarantee deposits	87,364	98,760
Long-term accounts payable - other	7,287	30,776
Other	118,759	206,432
Total non-current liabilities	1,809,338	1,870,983
Total liabilities	9,027,501	9,790,888
Net assets		
Shareholders' equity		
Share capital	898,591	898,591
Capital surplus	961,044	961,044
Retained earnings	17,380,009	18,599,497
Treasury shares	(435,500)	(435,500)
Total shareholders' equity	18,804,143	20,023,632
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	134,360	74,372
Deferred gains or losses on hedges	(4,158)	(745)
Foreign currency translation adjustment	(36,706)	126,635
Total accumulated other comprehensive income	93,496	200,262
Total net assets	18,897,640	20,223,894
Total liabilities and net assets	27,925,141	30,014,782

(2) Consolidated statements of income and comprehensive income

(Consolidated statement of income)

(Thousand yen)

	Fiscal year ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)	Fiscal year ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)
Net sales	41,902,143	47,686,656
Cost of sales	34,724,550	39,784,777
Gross profit	7,177,592	7,901,878
Selling, general and administrative expenses	5,133,584	5,867,065
Operating profit	2,044,007	2,034,813
Non-operating income		
Interest income	948	607
Dividend income	7,092	5,900
Purchase discounts	128,701	127,604
Subsidy income	38,465	-
Foreign exchange gains	-	49,596
Other	53,301	88,520
Total non-operating income	228,508	272,230
Non-operating expenses		
Interest expenses	8,540	13,555
Sales discounts	173,179	-
Foreign exchange losses	31,363	-
Other	16,502	6,108
Total non-operating expenses	229,586	19,663
Ordinary profit	2,042,930	2,287,380
Extraordinary income		
Gain on sales of non-current assets	1,517	6,393
Gain on forgiveness of debts	-	53,583
Compensation for expropriation	-	9,478
Gain on sales of investments in capital	3,086	-
Total extraordinary income	4,604	69,455
Extraordinary losses		
Office relocation expenses	979	4,254
Loss on sales and retirement of non-current assets	414	3,129
Impairment losses	4,107	-
Total extraordinary losses	5,501	7,384
Profit before income taxes	2,042,033	2,349,451
Income taxes - current	668,728	713,438
Income taxes - deferred	(9,864)	10,759
Total income taxes	658,863	724,198
Profit	1,383,169	1,625,253
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	1,383,169	1,625,253

(Consolidated statement of comprehensive income)

(Thousand yen)

	Fiscal year ended March 31, 2021 (Apr. 1, 2020 – Mar. 31, 2021)	Fiscal year ended March 31, 2022 (Apr. 1, 2021 – Mar. 31, 2022)
Profit	1,383,169	1,625,253
Other comprehensive income		
Valuation difference on available-for-sale securities	39,004	(59,988)
Deferred gains or losses on hedges	(8,333)	3,412
Foreign currency translation adjustment	(52,836)	163,342
Total other comprehensive income	(22,165)	106,766
Comprehensive income	1,361,003	1,732,019
Comprehensive income attributable to owners of parent	1,361,003	1,732,019
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated statement of changes in equity

Previous 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
Cumulative effects of changes in accounting policies					-
Restated balance	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
Cumulative effects of changes in accounting policies					-
Restated balance	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

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	898,591	961,044	17,380,009	(435,500)	18,804,143
Cumulative effects of changes in accounting policies			(14,123)		(14,123)
Restated balance	898,591	961,044	17,365,885	(435,500)	18,790,020
Changes during period					
Dividends of surplus			(391,641)		(391,641)
Profit attributable to owners of parent			1,625,253		1,625,253
Purchase of treasury shares					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	1,233,611	-	1,233,611
Balance at end of period	898,591	961,044	18,599,497	(435,500)	20,023,632

	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	134,360	(4,158)	(36,706)	93,496	18,897,640
Cumulative effects of changes in accounting policies					(14,123)
Restated balance	134,360	(4,158)	(36,706)	93,496	18,883,516
Changes during period					
Dividends of surplus					(391,641)
Profit attributable to owners of parent					1,625,253
Purchase of treasury shares					-
Net changes in items other than shareholders' equity	(59,988)	3,412	163,342	106,766	106,766
Total changes during period	(59,988)	3,412	163,342	106,766	1,340,378
Balance at end of period	74,372	(745)	126,635	200,262	20,223,894

(4) Consolidated statement of cash flows

	(Thousand yen)	
	Fiscal year ended March 2021 (Apr. 1, 2020 – Mar. 31, 2021)	Fiscal year ended March 2022 (Apr. 1, 2021 – Mar. 31, 2022)
Cash flows from operating activities		
Profit before income taxes	2,042,033	2,349,451
Depreciation	243,457	233,301
Amortization of goodwill	5,477	79,379
Impairment loss	4,107	-
Amortization of long-term prepaid expenses	3,125	2,760
Increase (decrease) in allowance for doubtful accounts	26,372	(26,445)
Increase (decrease) in provision for bonuses	3,202	(4,018)
Increase (decrease) in retirement benefit liability	2,916	2,639
Interest and dividend income	(8,040)	(6,508)
Interest expenses	8,540	13,555
Foreign exchange losses (gains)	(437)	(2,170)
Loss (gain) on sales and retirement of property, plant and equipment	(1,103)	(3,264)
Loss (gain) on sales of investments in capital	(3,086)	-
Gain on forgiveness of debts	-	(53,583)
Decrease (increase) in trade receivables	306,785	(357,562)
Decrease (increase) in inventories	126,830	(1,162,299)
Increase (decrease) in trade payables	170,182	425,196
Decrease (increase) in consumption taxes refund receivable	38,665	(103,766)
Increase (decrease) in accrued consumption taxes	26,633	(23,865)
Other	4,863	(69,205)
Subtotal	3,000,526	1,293,595
Interest and dividend received	7,868	6,387
Interest paid	(8,224)	(13,753)
Income taxes paid	(650,459)	(749,746)
Net cash provided by (used in) operating activities	2,349,711	536,482
Cash flows from investing activities		
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(396,370)	(89,152)
Purchase of property, plant and equipment	(329,165)	(384,660)
Proceeds from sales of property, plant and equipment	1,518	10,677
Purchase of intangible assets	(50,545)	(140,984)
Loan advances	-	(3,476)
Proceeds from collection of loans receivable	1,544	2,233
Other	(48,720)	12,833
Net cash provided by (used in) investing activities	(821,739)	(592,529)
Cash flows from financing activities		
Increase (decrease) in short-term borrowings	(104,862)	(220,756)
Proceeds from long-term borrowings	1,327,924	3,367
Repayments of long-term borrowings	(604,598)	(484,251)
Redemption of bonds	-	(20,000)
Proceeds from issuance of bonds	200,000	-
Repayments of lease obligations	(104,577)	(80,906)
Dividends paid	(351,473)	(391,641)
Net cash provided by (used in) financing activities	362,412	(1,194,188)
Effect of exchange rate change on cash and cash equivalents	(10,881)	43,234
Net increase (decrease) in cash and cash equivalents	1,879,503	(1,207,001)
Cash and cash equivalents at beginning of period	5,374,713	7,254,216
Cash and cash equivalents at end of period	7,254,216	6,047,214

(5) Notes to consolidated financial statements

(Notes on going concern assumptions)

None

(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 beginning of the current fiscal year ended March 31, 2022. 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 current fiscal year was added to or subtracted from retained earnings at the beginning of the current fiscal year.

Due to the application of the new revenue recognition standard, net sales decreased 256,330 thousand yen, cost of sales decreased 79,721 thousand yen, operating profit decreased 170,809 thousand yen, non-operating expenses decreased 185,932 thousand yen and ordinary profit and profit before income taxes each increased 15,123 thousand yen for the current fiscal year. In addition, retained earnings at beginning of the current fiscal year decreased 14,123 thousand yen.

Impacts on per share data are described in the relevant part.

(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 beginning of the current fiscal 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 consolidated financial statements are negligible.

(Change in significant subsidiary during the period)

None.

Although not corresponding to changes in specific subsidiaries, in the second quarter of the current fiscal year, SPK acquired all outstanding shares of Car Beauty Pro Co., Ltd. making this company a consolidated subsidiary. In addition, although not corresponding to changes in specific subsidiaries, in the third quarter of the current fiscal year, SPK acquired all outstanding shares of Delauto Co., Ltd. making this company a consolidated subsidiary.

(Business combination)

Business combination due to an acquisition

(1) Summary of the business combination

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 consolidated financial statements

October 1, 2021 to March 31, 2022

(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) Amount of goodwill, reason for goodwill and amortization method and period

a. Amount of goodwill

62,240 thousand yen

Because the process of specifying identifiable assets and liabilities on the date of business combination and calculating their fair value was incomplete and the acquisition cost allocation was not completed at the end of the consolidated fiscal year under review, a provisional accounting treatment was performed for the amount of goodwill based on the reasonable information available at that time.

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 five years.

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

		Thousand
Current assets	264,315	yen
Non-current assets	232,889	
Total assets	497,205	
Current liabilities	83,545	
Non-current liabilities	325,900	
Total liabilities	409,445	

Business combination due to an acquisition

(1) Summary of the business combination

a. Name and activities of company acquired

Name: Delauto Co., Ltd.

Activities: Repair service and rebuilding of automotive transmissions and car maintenance

b. Reason for the acquisition

Delauto started operations in 1970 and currently operates repair service and rebuilding of automotive transmissions and car maintenance. The SPK Group operates primarily in the aftermarket category of the automobile maintenance and repair sector. The decision to acquire Delauto was made due to expectations for great synergies with the automobile parts wholesaling business of the SPK Group in Japan and other countries.

c. Acquisition date

December 22, 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 Delauto

Acquisition of stock using a cash payment

(2) Results of operations of Delauto included in the consolidated financial statements

January 1, 2022 to March 31, 2022

(3) Cost of Delauto acquisition and type of payment

The terms are confidential in accordance with the mutual agreement of SPK and Delauto.

(4) Major expenses for the acquisition and amounts

Financial and legal examination fees and intermediary fees 5,209 thousand yen

(5) Amount of goodwill, reason for goodwill and amortization method and period

a. Amount of goodwill

61,243 thousand yen

Because the process of specifying identifiable assets and liabilities on the date of business combination and calculating their fair value was incomplete and the acquisition cost allocation was not completed at the end of the consolidated fiscal year under review, a provisional accounting treatment was performed for the amount of goodwill based on the reasonable information available at that time.

b. Reason for goodwill

The business activities of Delauto are expected to generate surplus earnings in the future.

c. Amortization method and period

Goodwill will be amortized in equal installments over the five years.

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

		Thousand yen
Current assets	243,941	
Non-current assets	268,226	
Total assets	512,168	
Current liabilities	244,385	
Non-current liabilities	110,026	
Total liabilities	354,411	

(Segment information, etc.)

[Segment information]

1. Overview of reportable segment information

Segments used for financial reporting are the constituent units of SPK and subsidiaries 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 are identical to the description in "Significant Accounting Policies for 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.

(Application of the Accounting Standard, etc., for Revenue Recognition, etc.)

As described in the "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 beginning of the current fiscal year and we have changed the accounting policy for revenue recognition. Accordingly we have changed calculation method for segment profits or losses.

Consequently, compared to the previous method, in Domestic Sales Division, sales of the current fiscal year decreased 202,858 thousand yen and segment profit increased 16,963 thousand yen. In Overseas Business Division, sales decreased 29,631 thousand yen and segment profit declined 538 thousand yen. In Machinery Equipment Division, sales decreased 43 thousand yen. In CUSPA Division, sales declined 23,796 thousand yen and segment profit decreased 1,302 thousand yen.

(Change in segment to book Purchase Discounts)

In order to understand financial results of each reportable segment more properly, starting from this fiscal year, we are booking purchase discounts at each segment, instead of booking at the non-operating income for the entire company. Consequently, figures for the previous fiscal year also changed.

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

Previous 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	1,472,605	148,497	218,788	149,405	1,989,295
Other items					
Depreciation	91,394	59,462	20,868	9,527	181,252

Current fiscal year (April 1, 2021 – March 31, 2022)

(Thousand yen)

	Domestic Sales Division	Overseas Business Division	Machinery Equipment Division	CUSPA Division	Total
Net sales					
(of which to outside customers)	24,835,043	14,768,690	5,410,546	2,672,376	47,686,656
(of which inter-segment /transfer)	121,680	21,051	49,991	1,241	193,964
Total	24,956,724	14,789,741	5,460,538	2,673,618	47,880,621
Segment profit	1,075,539	431,553	381,427	168,997	2,057,518
Other items					
Depreciation	109,035	54,005	16,466	11,850	191,358

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

(Thousand yen)

Net sales	Previous fiscal year	Current fiscal year
Total of reportable segment	42,135,473	47,880,621
Intersegment transaction eliminations	(233,330)	(193,964)
Net sales on the consolidated statement of income	41,902,143	47,686,656

(Thousand yen)

Profit	Previous fiscal year	Current fiscal year
Total of reportable segment	1,989,295	2,057,518
Adjustments of SG&A expenses (1)	32,574	55,712
Corporate non-operating income (2)	17,524	22,261
Adjustments of non-operating expenses (3)	3,534	151,887
Ordinary profit on the consolidated statement of income	2,042,930	2,287,380

Notes:

(1), (3) Difference in allocation of SG&A expenses and non-operating expenses to each division.

(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	181,252	191,358
Adjustments	62,205	41,943
Depreciation on the consolidated statement of income	243,457	233,301

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

[Supplementary information]

Previous 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 by region are not presented because the amount of property, plant, and equipment located in Japan exceeds 90% of those on the consolidated balance sheet.

3. Information by major customer

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

Current fiscal year (April 1, 2021 – March 31, 2022)

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
31,507,363	5,870,918	3,841,138	6,467,236	47,686,656

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 by region are not presented because the amount of property, plant, and equipment located in Japan exceeds 90% of those on the consolidated balance sheet.

3. Information by major customer

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

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

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

(Thousand yen)

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

Current fiscal year (April 1, 2021 – March 31, 2022)

None

[Amortization of goodwill and unamortized balance by reportable segment]

Previous 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
Unamortized balance at the end of the fiscal year	-	323,172	-	-	323,172

Current fiscal year (April 1, 2021 – March 31, 2022)

(Thousand yen)

	Domestic Sales Division	Overseas Business Division	Machinery Equipment Division	CUSPA Division	Total
Amortization of goodwill	3,062	70,092	-	6,224	79,379
Unamortized balance at the end of the fiscal year	58,181	286,097	-	56,016	400,294

[Gain on bargain purchase by reportable segment]

None

(Per share information)

(yen)

	Previous fiscal year (April 1, 2020 – March 31, 2021)	Current fiscal year (April 1, 2021 – March 31, 2022)
Net assets per share	1,881.84	2,013.91
Earnings per share	137.74	161.84

Notes: 1. Diluted earnings per share is not shown because there were no common share equivalents.

2. The basis for computing the earnings per share is as follows.

	Previous fiscal year (April 1, 2020 – March 31, 2021)	Current fiscal year (April 1, 2021 – March 31, 2022)
Earnings per share		
Profit attributable to owners of parent (thousand yen)	1,383,169	1,625,253
Profit not attributable to common shareholders (thousand yen)	-	-
Profit attributable to owners of parent available to common shares (thousand yen)	1,383,169	1,625,253
Average number of shares outstanding during the year (1,000 shares)	10,042	10,042

3. As described in “(Change in accounting policy)”, SPK has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the fiscal year ended March 31, 2022, and followed transitional treatment based on the proviso of Article 84 of “Accounting Standard for Revenue Recognition”. As a result, net assets per share for the current fiscal year decreased 0.37 yen and earnings per share increased 1.04 yen.

(Significant subsequent events)

None