

Summary of Consolidated Financial Results

For the First Half Ended September 2022 [Japan GAAP]

October 31, 2022

Name of Company: SPK CORPORATION
 Stock Code: 7466 URL: <https://www.spk.co.jp/>
 Stock Exchange Listing: Tokyo Stock Exchange, Prime Market
 Representative Title: President and Representative Director Name: Kyoichiro Oki
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 Date of filing of quarterly securities report: November 10, 2022 (tentative)
 Date of commencement of dividend payment: December 1, 2022 (tentative)
 Supplementary explanatory documents: None
 Earnings presentation: Yes

(Yen in millions, rounded down)

1. Financial results for the first half ended September 2022 (April 1, 2022 - September 30, 2022)

(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 2022	25,761	12.5	1,049	6.3	1,185	6.8	816	2.2
First half ended September 2021	22,899	18.2	987	22.6	1,110	39.7	799	49.3

Note: Comprehensive income: 1H FY3/23: 1,194 million yen [33.2%] 1H FY3/22: 896 million yen [69.5%]

	Earnings per share		Earnings per share fully diluted	
	Yen		Yen	
First half ended September 2022	81.35		-	
First half ended September 2021	79.59		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of September 30, 2022	31,384		21,197		67.5	
As of March 31, 2022	30,014		20,223		67.4	

Reference: Shareholders' equity: As of Sep. 30, 2022: 21,197 million yen As of Mar. 31, 2022: 20,223 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total
	Yen				
FY3/22	-	18.00	-	22.00	40.00
FY3/23	-	20.00			
FY3/23 (estimated)			-	24.00	44.00

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

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
Full year	50,000	4.9	2,170	6.6	2,300	0.6	1,700	4.6	169.29

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 FY3/23:	10,453,800	End of FY3/22:	10,453,800
End of 1H FY3/23:	411,712	End of FY3/22:	411,712
1H FY3/23:	10,042,088	1H FY3/22:	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.

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1. Results of Operations

(1) Overview on consolidated business performance

During the first half of the current fiscal year, Japanese economy slowly began to show signs of recovery as a new phase of living with Covid-19 has been prepared such as the restart of the nation-wide travel support and the removal of the restrictions for foreign tourists entering into Japan both from October. As for the outlook, downturn of overseas economies are downside risks to the Japanese economy as the worldwide monetary tightening continues, and we need to carefully look at the inflation, supply-side restrictions and the capital market fluctuations.

Our sales have been strong on the back of the robust exports. Profit is steadily recovering because the positive effects from the revisions of selling prices have been gradually realized, although it has been challenged by the higher input costs and logistic expenses due to the rapid depreciation of the Yen and substantial increases in raw material prices.

First half sales of the SPK Group (SPK and its consolidated subsidiaries) were 25,761 million yen, up 12.5% from one year earlier. Operating profit increased 6.3% to 1,049 million yen, ordinary profit increased 6.8% to 1,185 million yen and profit attributable to owners of parent increased 2.2% to 816 million yen.

Business segment performance was as follows.

(Domestic Sales Division)

Although we saw notable impacts from significant increases in product prices due to the steep rises of raw materials globally, supply shortages and rapid depreciation of the yen, sales increased thanks to the higher purchases among our customers in response to the rapid rises in their purchase prices and some concerns on the supply. As a result, sales were 12,886 million yen, 6.6% higher than one year earlier. Although global economic and political conditions are expected to be unstable, we will prioritize to work closely with suppliers and customers to ensure a reliable supply of replacement parts for automobiles. In addition, we will develop new products and our brand products to enhance our competitiveness, rebuild our logistic network, and further enhance our cooperation with our group companies to strengthen synergies with them.

(Overseas Business Division)

This division generally has stayed strong. The demand of the replacement parts for the owned vehicle maintenance is elevated due to the global supply shortages of new and used vehicles. Under such circumstances, orders received by the parent are trending higher than those in last year, which were the record high, and strong orders result in higher sales despite of the longer delivery time by suppliers and disruptions in ship allocation schedule. By region, sales in Asia and Latin America are strong, while import restrictions by several countries in Middle East and Africa in response to the shortages of foreign reserves slightly impacted sales. Sales of subsidiaries in Singapore and the US were also strong. Segment sales were 8,518 million yen, up 21.9% from a year ago.

(Machinery Equipment Division)

While global shortages of semiconductors and other components are gradually easing, industrial vehicle manufacturers, our customers, are aiming at the recovery from the production declines although they have not experienced full-fledged recovery yet. On the other hand, we have to continue to pass higher costs of components from production partners in Japan, Europe and Asia due to higher energy, parts and raw material costs arising from the conflict and the lower Yen, to our selling prices with consent of our customers. Segment sales were 2,776 million yen, up 4.9% from a year ago. As efforts toward decarbonization (electrification), autonomous driving and safety works are accelerating in the global market, we will continue working on products development with higher environmental and safety performance.

(CUSPA Division)

While cancellations of events due to the COVID-19 and semiconductor shortages continue, we continue to participate in the TOYOTA GAZOO Racing Rally Challenge and the Japanese Rally Championship as the D-SPORT Racing Team. In August, we hosted the D-SPORT & DAIHATSU Challenge Cup, a driving event jointly with DAIHATSU MOTOR CO., LTD.. We actively promoted to users through such events. We were able to continue expanding sales of our own branded products as well as other brands and products which this division boasts strength with the sole agency rights and the sole import rights, exemplified as the D-SPORT brand was published in the brochure of the special edition of Daihatsu Copen launched in September. Segment sales were 1,580 million yen, up 34.3% from a year ago.

(2) Financial condition

Total assets were 31,384 million yen at the end of the first half, 1,369 million yen more than at the end of the previous fiscal year. Current assets increased 683 million yen to 24,783 million yen. There were decrease of 445 million yen in cash and deposits and increase of 1,114 million yen in inventories. Non-current assets increased 686 million yen to 6,600 million yen. Current liabilities increased 519 million yen to 8,439 million yen. Non-current liabilities decreased 124 million yen to 1,746 million yen. This was mainly due to decrease of 232 million yen in long-term borrowings. Net assets increased 973 million yen to 21,197 million yen and the equity ratio was 67.5% at the end of the first half.

(3) Outlook

There are no revisions to the forecast announced on 2 May, 2022 for the fiscal year ending in March 2023.

2. Quarterly Consolidated Financial Statements and Important Notes

(1) Quarterly consolidated balance sheet

(Thousand yen)

	As of March 31, 2022	As of September 30, 2022
Assets		
Current assets		
Cash and deposits	6,146,372	5,700,547
Notes and accounts receivable - trade	9,145,592	9,480,059
Electronically recorded monetary claims - operating	1,241,824	1,001,060
Inventories	6,570,380	7,685,227
Accounts receivable - other	543,465	398,854
Other	481,300	550,463
Allowance for doubtful accounts	(28,587)	(32,658)
Total current assets	24,100,348	24,783,554
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,421,517	1,407,060
Machinery, equipment and vehicles, net	134,298	129,748
Land	2,235,369	2,235,369
Leased assets, net	203,862	396,289
Construction in progress	13,670	25,235
Other, net	100,400	129,743
Total property, plant and equipment	4,109,118	4,323,446
Intangible assets		
Goodwill	400,294	398,421
Software	191,223	306,327
Leased assets	57,006	42,841
Other	16,785	16,554
Total intangible assets	665,310	764,145
Investments and other assets		
Investment securities	226,477	334,642
Deferred tax assets	263,139	264,161
Retirement benefit asset	24,689	18,121
Other	625,769	896,643
Allowance for doubtful accounts	(70)	(190)
Total investments and other assets	1,140,005	1,513,378
Total non-current assets	5,914,434	6,600,971
Total asset	30,014,782	31,384,525

(Thousand yen)

	As of March 31, 2022	As of September 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,986,281	4,899,314
Electronically recorded obligations - operating	66,835	230,333
Short-term borrowings	763,536	968,129
Current portion of bonds payable	20,000	20,000
Current portion of long-term borrowings	447,972	438,409
Income taxes payable	419,355	367,801
Provision for bonuses	206,802	227,311
Other	1,009,120	1,288,470
Total current liabilities	7,919,904	8,439,769
Non-current liabilities		
Bonds payable	160,000	150,000
Long-term borrowings	898,084	665,442
Retirement benefit liability	476,930	467,851
Long-term guarantee deposits	98,760	106,741
Long-term accounts payable - other	30,776	27,496
Other	206,432	329,351
Total non-current liabilities	1,870,983	1,746,883
Total liabilities	9,790,888	10,186,652
Net assets		
Shareholders' equity		
Share capital	898,591	898,591
Capital surplus	961,044	961,044
Retained earnings	18,599,497	19,195,492
Treasury shares	(435,500)	(435,500)
Total shareholders' equity	20,023,632	20,619,626
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	74,372	114,532
Deferred gains or losses on hedges	(745)	(10,406)
Foreign currency translation adjustment	126,635	474,119
Total accumulated other comprehensive income	200,262	578,246
Total net assets	20,223,894	21,197,873
Total liabilities and net assets	30,014,782	31,384,525

(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, 2021 (Apr. 1, 2021 – Sep. 30, 2021)	First half ended Sep. 30, 2022 (Apr. 1, 2022 – Sep. 30, 2022)
Net sales	22,899,558	25,761,347
Cost of sales	19,107,814	21,425,532
Gross profit	3,791,743	4,335,815
Selling, general and administrative expenses	2,804,298	3,286,020
Operating profit	987,444	1,049,794
Non-operating income		
Interest income	308	766
Dividend income	2,725	1,427
Purchase discounts	63,604	59,227
Foreign exchange gains	31,815	67,236
Other	34,357	27,443
Total non-operating income	132,812	156,100
Non-operating expenses		
Interest expenses	5,950	8,745
Loss on disposal of inventories	-	3,440
Compensation expenses	-	4,852
Other	4,086	3,560
Total non-operating expenses	10,037	20,598
Ordinary profit	1,110,219	1,185,296
Extraordinary income		
Gain on sale of non-current assets	-	211
Gain on forgiveness of debts	45,749	-
Total extraordinary income	45,749	211
Extraordinary losses		
Office relocation expenses	-	4,110
Loss on sale and retirement of non-current assets	-	375
Total extraordinary losses	-	4,476
Profit before income taxes	1,155,969	1,181,030
Income taxes - current	340,863	368,518
Income taxes - deferred	15,836	(4,408)
Total income taxes	356,699	364,109
Profit	799,269	816,920
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	799,269	816,920

(Quarterly consolidated statement of comprehensive income)

(For the first half)

(Thousand yen)

	First half ended Sep. 30, 2021 (Apr. 1, 2021 – Sep. 30, 2021)	First half ended Sep. 30, 2022 (Apr. 1, 2022 – Sep. 30, 2022)
Profit	799,269	816,920
Other comprehensive income		
Valuation difference on available-for-sale securities	(294)	40,160
Deferred gains or losses on hedges	3,605	(9,660)
Foreign currency translation adjustment	94,208	347,484
Total other comprehensive income	97,519	377,983
Comprehensive income	896,788	1,194,904
Comprehensive income attributable to owners of parent	896,788	1,194,904
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 accounting policy)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

Effective from the beginning of the first quarter of the current first year, the Group applied "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021). In accordance with the transitional treatment stipulated in Paragraph 27-2 of this guidance, the Group has decided to adopt the new accounting policy stipulated by the Implementation Guidance on Accounting Standard for Fair Value Measurement prospectively from the date of the change. There is no impact for the quarterly consolidated financial statements.

(Business combination)

(Determination of Provisional Accounting Treatment)

The Company has determined the provisional accounting treatment in the previous fiscal year for business combinations with Car Beauty Pro Co., Ltd. implemented on 15 July, 2021, in the current second quarter. There are no changes in figures, following the determination of the provisional accounting.

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

a. Amount of goodwill

62,240 thousand yen

b. Reason for goodwill

In light of the expected excess earnings power in the context of future business expansion, goodwill has been recognized.

c. Amortization method and period

Goodwill will be amortized in equal installments over five years.

(Significant subsequent event)

None