

# Summary of Consolidated Financial Results

## For the First Half Ended September 2023 [Japan GAAP]

October 31, 2023

Company name: SPK Corporation  
 Stock code: 7466 URL: <https://www.spk.co.jp/english/>  
 Stock exchange listing: Prime Market of the Tokyo Stock Exchange  
 Representative: Title: President Name: Kyoichiro Oki  
 Contact: Title: Vice President, General Manager of Administration Division Name: Shuji Fujii  
 Phone: +81-(0)6-6454-2002  
 Scheduled date for filing of quarterly report: November 10, 2023  
 Scheduled date of commencement of dividend payment: December 1, 2023  
 Supplementary documents for quarterly results: None  
 Quarterly results briefing: None

(Figures are rounded down to the nearest one million yen.)

### 1. Consolidated Financial Results for the First Six Months Ended September 30, 2023 (April 1, 2023 – September 30, 2023)

#### (1) Consolidated Results of Operations (Accumulated Total)

(Percentages 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 2023	30,869	19.8	1,774	69.1	1,931	63.0	1,321	61.8
First half ended September 2022	25,761	12.5	1,049	6.3	1,185	6.8	816	2.2

(Note) Comprehensive income: 1H FY3/24: 1,615 million yen [35.2%] 1H FY3/23: 1,194 million yen [33.2%]

	Profit per share (basic)	Profit per share (diluted)
	Yen	Yen
First half ended September 2023	131.60	—
First half ended September 2022	81.35	—

#### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	35,914	23,755	65.8
As of March 31, 2023	34,351	22,175	64.6

(Reference) Shareholders' equity: As of Sep. 30, 2023: 23,648 million yen As of Mar. 31, 2023: 22,175 million yen

### 2. Dividends

	Dividend per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY3/23	—	20.00	—	24.00	44.00
FY3/24	—	23.00	—	—	—
FY3/24 (forecast)	—	—	—	27.00	50.00

(Note) Revisions to dividend forecasts published most recently: None

### 3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2024 (April 1, 2023 – March 31, 2024)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	60,000	9.7	2,750	1.1	2,950	1.3	2,150	4.4	214.10

(Note) Revisions to financial forecasts published most recently: None

\* **Notes**

(1) Changes in important subsidiaries during the period (changes of specific subsidiaries in accordance with changes in the scope of consolidation): Yes

Newly included: one company (Company name) SPK Motorparts Co., Ltd.

Excluded: – (Company name) –

Note: For more information, please refer to “Changes in significant subsidiaries during the period under review” on page 7 of this document, under (3) Notes to Quarterly Consolidated Financial Statements of 2. Quarterly Consolidated Financial Statements and Key Notes.

(2) Application of particular accounts procedures to the preparation of quarterly consolidated financial statements:

None

(3) Changes in accounting policies, accounting estimates and restatement

(a) Changes in accounting policies caused by revision of accounting standards: None

(b) Changes in accounting policies other than (i): None

(c) Changes in accounting estimates: None

(d) Restatement: None

(4) Number of shares outstanding (common shares):

(a) Number of shares outstanding at end of period (including treasury shares)

End of 1H FY3/24:	10,453,800	End of FY3/23:	10,453,800
End of 1H FY3/24:	411,712	End of FY3/23:	411,712
1H FY3/24:	10,042,088	1H FY3/23:	10,042,088

(b) Number of treasury shares at end of period

(c) Average number of shares outstanding during the period

\* This financial summary is not subject to the statutory quarterly review by a certified public accountant or an audit corporation.

\* Explanations and other special notes concerning the appropriate use of business performance forecasts

The forward-looking statements in these materials, including financial prospects included in this report, are based on information available to the Company when this report was prepared and assumptions that the management considers reasonable, which do not guarantee the achievement of such projected results. Actual results may differ significantly from these statements for a number of reasons. For more information about these assumptions and other conditions that form the basis of these forecasts, please see page 3 of the supplementary materials, “1. Qualitative Information on Quarterly Results, (3) Explanation Regarding Consolidated Earnings Forecast and Other Forward-looking Statements.”

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## 1. Qualitative Information on Quarterly Results

### (1) Explanation Regarding Results of Operations

During the first half ended September 2023, the Japanese economy staged a recovery thanks mainly to growing inbound demand, a rebound in consumption driven by the service sector, and a rise in exports due to a weaker yen; however, with prices rising and companies less willing to make capital investments, the economy recovered only modestly. The world's economy is growing at a slower pace, despite variations in business confidence between countries/regions. There is also the possibility of growing financial uncertainty amid China's debt problems and prolonged monetary tightening in response to rising inflation. Meanwhile, in the markets for automotive aftermarket parts, construction machinery, agricultural machinery and industrial vehicles, which are our business domains, our input costs have continued to be impacted by increases in raw material prices, logistics expenses and other costs; however, our earnings have remained strong partly because we have passed on the cost increase to the selling price and maintained strong exports. Going forward, we will continue focusing all our efforts on the challenges facing management, aiming to achieve further improvement in corporate value.

Under these business conditions, the operating results of the SPK Group (SPK and its consolidated subsidiaries) for the first half ended September 2023 were net sales of 30,869 million yen (up 19.8% from a year earlier), operating profit of 1,774 million yen (up 69.1%), ordinary profit of 1,931 million yen (up 63.0%), and profit attributable to owners of parent of 1,321 million yen (up 61.8%).

Results of operations by business segment are as follows:

#### (Domestic Sales Division)

In the Domestic Sales Division, we continued to face rising purchase prices due to increases in raw material prices and a weaker yen; however, orders received from our main customers and sales of our mainstay products held firm and, thanks to the effects of measures such as a review of selling prices throughout the supply chain in addition to strong performances by group companies, the division's business results exceeded the level a year earlier. As a result, net sales increased 12.4% year on year, to 14,487 million yen. Going forward, we will implement logistics reform to address the problem of higher costs arising from increases in logistics expenses and the impending critical shortage of truck drivers referred to as the logistics 2024 problem, and we will continue to work with our suppliers to prioritize the stable supply of spare parts. In addition, we will build the value chain by actively focusing on developing own brand products and identifying new products and by strengthening collaboration with suppliers and group companies.

#### (Overseas Business Division)

In the Overseas Business Division, we reported our highest ever quarterly net sales on a non-consolidated basis, reflecting a relaxation of export regulation in the Middle East and Africa, which allowed shipments of outstanding orders to go ahead and led to a significant increase in net sales, as well as solid sales to core Latin American and Asian markets, partly thanks to a weaker yen. Overseas consolidated subsidiaries also turned in solid performances, with our subsidiary in Thailand being included in the scope of consolidation for the first time this fiscal year. As a result, net sales increased 30.7% year on year, to 11,133 million yen. Whilst our recent business results are strong, there are some signs of slowdown in new orders received in Latin America and Asia. We will increase the frequency of communication and overseas business trips to monitor and analyze overseas market conditions in a timely manner and take necessary measures accordingly.

#### (Machinery Equipment Division)

In the Machinery Equipment Division, manufacturers of construction machinery, agricultural machinery and industrial vehicles, which are our main customers in this segment, have continued to resolve component procurement issues and to increase production in order to eliminate the order backlogs that built up last year. As a result, net sales increased 33.4% year on year, to 3,703 million yen. However, the operating environment in the second half of the current fiscal year is increasingly uncertain, with customers' production cuts at plants in China due to China's economic woes and with reduced production of combustion engine vehicles at European plants due to the acceleration of electrification in European markets; however, we will meet unrelenting market demand for improvements in environmental performance and safety performance by continuing to collaborate closely with our suppliers over the development of environmentally friendly, safe products and contributing to the realization of a decarbonized, autonomous driving society.

#### (CUSPA Division)

The CUSPA Division continued to face the impact of globally soaring raw material prices and shortages of components for main products and was also hit by higher procurement costs for imported goods due to a weaker yen, and greater reluctance to buy non-essential customized motorsports products amid rising fuel costs. As a result, net sales decreased 2.3% year on year, to 1,544 million yen. We will continue working to ensure a stable supply of our main products, whilst closely monitoring exchange rate trends.

(2) Explanation Regarding Financial Position

Total assets at the end of the first half under review stood at 35,914 million yen, an increase of 1,562 million yen from the end of the previous fiscal year.

Current assets totaled 28,585 million yen at the end of the first half, an increase of 909 million yen from the end of the previous fiscal year. This was mainly due to increases of 454 million yen in notes and accounts receivable-trade and 498 million yen in electronically recorded monetary claims - operating.

Non-current assets stood at 7,328 million yen, an increase of 653 million yen from the end of the previous fiscal year. This was mainly due to an increase of 663 million yen in buildings and structures.

Current liabilities came to 9,846 million yen, an increase of 96 million yen from the end of the previous fiscal year.

Non-current liabilities came to 2,312 million yen, a decrease of 113 million yen from the end of the previous fiscal year. This was mainly due to a decrease of 105 million yen in long-term borrowings.

Total net assets were 23,755 million yen, an increase of 1,579 million yen from the end of the previous fiscal year. As a result, the equity ratio was 65.8%.

(3) Explanation Regarding Consolidated Earnings Forecast and Other Forward-looking Statements

There are no revisions to the forecast for the fiscal year ending March 2024 announced on May 2, 2023.

## 2. Quarterly Consolidated Financial Statements and Key Notes

### (1) Quarterly Consolidated Balance Sheet

(Thousand yen)

	As of March 31, 2023	As of September 30, 2023
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	6,612,792	5,900,628
Notes and accounts receivable - trade	10,110,098	10,564,644
Electronically recorded monetary claims - operating	1,248,548	1,747,127
Inventories	8,478,687	9,059,121
Accounts receivable - other	560,577	431,311
Other	678,440	894,604
Allowance for doubtful accounts	(12,413)	(11,696)
<b>Total current assets</b>	<b>27,676,731</b>	<b>28,585,742</b>
<b>Non-current assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures, net	1,385,415	2,048,429
Machinery, equipment and vehicles, net	122,730	142,774
Land	2,235,369	2,708,814
Leased assets, net	328,298	317,827
Construction in progress	386,912	60,713
Other, net	121,896	144,258
<b>Total property, plant and equipment</b>	<b>4,580,621</b>	<b>5,422,819</b>
<b>Intangible assets</b>		
Goodwill	335,300	469,579
Leasehold interests in land	–	19,248
Software	287,038	273,988
Leased assets	39,097	29,793
Other	16,323	17,199
<b>Total intangible assets</b>	<b>677,760</b>	<b>809,808</b>
<b>Investments and other assets</b>		
Investment securities	275,085	358,628
Deferred tax assets	332,583	330,714
Retirement benefit asset	12,637	12,475
Other	796,502	394,690
Allowance for doubtful accounts	(132)	(162)
<b>Total investments and other assets</b>	<b>1,416,677</b>	<b>1,096,345</b>
<b>Total non-current assets</b>	<b>6,675,058</b>	<b>7,328,974</b>
<b>Total assets</b>	<b>34,351,790</b>	<b>35,914,717</b>

(Thousand yen)

	As of March 31, 2023	As of September 30, 2023
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	5,339,491	5,498,992
Electronically recorded obligations - operating	209,159	282,911
Short-term borrowings	1,013,323	980,661
Current portion of bonds payable	20,000	20,000
Current portion of long-term borrowings	781,191	734,972
Income taxes payable	666,361	620,993
Provision for bonuses	297,221	333,705
Other	1,424,028	1,374,635
<b>Total current liabilities</b>	<b>9,750,776</b>	<b>9,846,872</b>
<b>Non-current liabilities</b>		
Bonds payable	140,000	130,000
Long-term borrowings	1,400,816	1,295,034
Retirement benefit liability	470,596	496,954
Long-term guarantee deposits	114,691	122,627
Long-term accounts payable - other	26,046	27,605
Other	273,286	240,198
<b>Total non-current liabilities</b>	<b>2,425,438</b>	<b>2,312,420</b>
<b>Total liabilities</b>	<b>12,176,214</b>	<b>12,159,292</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	898,591	898,591
Capital surplus	961,044	961,044
Retained earnings	20,237,618	21,377,681
Treasury shares	(435,500)	(435,500)
<b>Total shareholders' equity</b>	<b>21,661,752</b>	<b>22,801,815</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	75,466	96,172
Deferred gains or losses on hedges	671	(5,236)
Foreign currency translation adjustment	437,684	755,266
<b>Total accumulated other comprehensive income</b>	<b>513,822</b>	<b>846,202</b>
<b>Non-controlling interests</b>	<b>–</b>	<b>107,406</b>
<b>Total net assets</b>	<b>22,175,575</b>	<b>23,755,424</b>
<b>Total liabilities and net assets</b>	<b>34,351,790</b>	<b>35,914,717</b>

## (2) Quarterly Consolidated Statement of Income and Quarterly Consolidated Statement of Comprehensive Income

(Quarterly Consolidated Statement of Income)

(First six-month period)

(Thousand yen)

	First half ended Sep. 30, 2022 (Apr. 1, 2022 – Sep. 30, 2022)	First half ended Sep. 30, 2023 (Apr. 1, 2023 – Sep. 30, 2023)
Net sales	25,761,347	30,869,133
Cost of sales	21,425,532	25,183,683
Gross profit	4,335,815	5,685,449
Selling, general and administrative expenses	3,286,020	3,910,759
Operating profit	1,049,794	1,774,689
Non-operating income		
Interest income	766	919
Dividend income	1,427	628
Purchase discounts	59,227	60,058
Foreign exchange gains	67,236	84,367
Other	27,443	28,269
Total non-operating income	156,100	174,241
Non-operating expenses		
Interest expenses	8,745	9,144
Loss on disposal of inventories	3,440	5,988
Compensation expenses	4,852	–
Other	3,560	2,076
Total non-operating expenses	20,598	17,209
Ordinary profit	1,185,296	1,931,722
Extraordinary income		
Gain on sale of non-current assets	211	2,301
Total extraordinary income	211	2,301
Extraordinary losses		
Office relocation expenses	4,100	2,822
Loss on sale and retirement of non-current assets	375	268
Total extraordinary losses	4,476	3,091
Profit before income taxes	1,181,030	1,930,932
Income taxes - current	368,518	589,883
Income taxes - deferred	(4,408)	13,629
Total income taxes	364,109	603,513
Profit	816,920	1,327,418
Profit attributable to non-controlling interests	–	5,834
Profit attributable to owners of parent	816,920	1,321,584

(Quarterly Consolidated Statements of Comprehensive Income)

(First six-month period)

(Thousand yen)

	First half ended Sep. 30, 2022 (Apr. 1, 2022 – Sep. 30, 2022)	First half ended Sep. 30, 2023 (Apr. 1, 2023 – Sep. 30, 2023)
Profit	816,920	1,327,418
Other comprehensive income		
Valuation difference on available-for-sale securities	40,160	20,705
Deferred gains or losses on hedges	(9,660)	(5,908)
Foreign currency translation adjustment	347,484	273,091
Total other comprehensive income	377,983	287,888
Comprehensive income	1,194,904	1,615,307
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,194,904	1,602,308
Comprehensive income attributable to non-controlling interests	–	12,998



(3) Notes to Quarterly Consolidated Financial Statements

(Note to going concern assumptions)

None

(Note to significant changes in shareholders' equity)

None

(Changes in significant subsidiaries during the period under review)

Starting from the first quarter of the current fiscal year, SPK Motorparts Co., Ltd. is included in the scope of consolidation due to an increase in materiality. SPK Motorparts Co., Ltd. is a specified subsidiary of the Company. In addition, although it is not categorized as a change in a specified subsidiary, Hokkosha, K.K. has been included in the scope of consolidation after Hokkosha K.K. became a subsidiary of the Company through the acquisition of all its shares in the first quarter of the current fiscal year. Since June 30, 2023 is the deemed date of acquisition, only the balance sheet has been consolidated for the first quarter and the statement of income has been consolidated from the second quarter under review.

(Changes in accounting policies)

None

(Significant events after the reporting period)

None