

Summary of Consolidated Financial Results

For the First Half Ended September 2024 [Japan GAAP]

October 31, 2024

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: President Kyoichiro Oki
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 Phone: +81-(0)6-6454-2578
 Scheduled date for filing of semi-annual report: November 8, 2024
 Scheduled date of commencement of dividend payment: December 2, 2024
 Supplementary materials for financial results: None
 Briefing on financial results: None

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

1. Consolidated Financial Results for the First Six Months Ended September 30, 2024 (April 1, 2024 – September 30, 2024)

(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 2024	33,432	8.3	1,565	(11.8)	1,712	(11.4)	1,188	(10.1)
First half ended September 2023	30,869	19.8	1,774	69.1	1,931	63.0	1,321	61.8

(Note) Comprehensive income: 1H FY3/25: 1,636 million yen [1.3%] 1H FY3/24: 1,615 million yen [35.2%]

	Profit per share (basic)	Profit per share (diluted)
	Yen	Yen
First half ended September 2024	118.18	—
First half ended September 2023	131.60	—

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2024	43,482	26,065	59.7
As of March 31, 2024	38,641	24,591	63.4

(Reference) Shareholders' equity: As of Sep. 30, 2024: 25,950 million yen As of Mar. 31, 2024: 24,483 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
FY3/24	—	23.00	—	27.00	50.00
FY3/25	—	28.00	—	—	—
FY3/25 (forecast)	—	—	—	32.00	60.00

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

3. Consolidated Forecasts for the Fiscal Year Ending March 31, 2025 (April 1, 2024 – March 31, 2025)

(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	67,000	5.8	3,200	1.7	3,420	1.9	2,400	0.3	238.99

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

* **Notes**

(1) Significant changes in the scope of consolidation during the period: None

Newly included: – (Company name) –

Excluded: – (Company name) –

(2) Application of particular accounts procedures to the preparation of semi-annual consolidated financial statements:
None

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

(i) Changes in accounting policies caused by revision of accounting standards: Yes

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

Note: For more information, please refer to “Changes in accounting policies” on page 7 of the supplementary materials, under (3) Notes to Semi-annual Consolidated Financial Statements of 2. Semi-annual Consolidated Financial Statements and Key Notes.

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

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

(ii) Number of treasury shares at end of period

(iii) Average number of shares outstanding during
the period

End of 1H FY3/25:	10,453,800	End of FY3/24:	10,453,800
End of 1H FY3/25:	363,694	End of FY3/24:	411,712
1H FY3/25:	10,056,704	1H FY3/24:	10,042,088

* This financial summary is not subject to the statutory semi-annual 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 Semi-annual Results, (3) Explanation Regarding Consolidated Earnings Forecast and Other Forward-looking Statements.”

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 - (3) Notes to Semi-annual Consolidated Financial Statements エラー! ブックマークが定義されていません。
 - (Changes in accounting policies) エラー! ブックマークが定義されていません。
 - (Note to significant changes in shareholders' equity) エラー! ブックマークが定義されていません。
 - (Note to going concern assumptions) エラー! ブックマークが定義されていません。

1. Qualitative Information on Semi-annual Results

(1) Explanation Regarding Results of Operations

During the first half ended September 2024, the Japanese economy recovered moderately due primarily to domestic demand as a result, in part, of an increase in real wages, improved employment conditions, and demand connected to inbound tourism. Corporate capital expenditures increased for the digitalization of operations, reduction of CO2 emissions, improvement of supply chains, and responding to the labor shortage. However, the future outlook must be viewed cautiously due to concerns regarding the US economy slowing down, a decrease in exports from Japan because of a stronger yen, the risk that other overseas economies may turn downward, and other factors.

In these business conditions, the SPK Group (SPK and its consolidated subsidiaries) initiated the new UPGRADE SPK! medium-term management plan for the achievement of VISION 2030, through which the Group aims to evolve into a global mobility business trading company by 2030, and it worked to improve its organization and structure, steadily preparing for a bigger leap forward.

In the markets for automotive aftermarket parts, construction machinery, agricultural machinery, and industrial vehicles, which are SPK's business domains, strong exports in response to increased production activities, the depreciation of the yen and higher selling prices after repricing contributed to steady sales. Nevertheless, profit decreased due to the absence of temporary special demand enjoyed in the same period of the previous year, higher purchasing prices due to the depreciation of the yen, and an increase in expenses for the organizational improvement of the company.

Under these business conditions, the operating results of the Group for the first half ended September 2024 were net sales of 33,432 million yen (up 8.3% from a year earlier), operating profit of 1,565 million yen (down 11.8%), ordinary profit of 1,712 million yen (down 11.4%), and profit attributable to owners of parent of 1,188 million yen (down 10.1%). Results of operations by business segment are as follows:

(Domestic Sales Division)

The Domestic Sales Division received steady orders from major customers. Sales of mainstay products, including batteries, undercarriage products, and consumable parts for imported vehicles, increased year on year despite the impact of higher purchasing prices caused by a steep rise in import prices due to the depreciation of the yen. While domestic consolidated companies struggled due to the rising prices of raw materials and a fall in sales to major overseas customers, sales of products for forklifts remained strong. As a result, net sales increased 2.9% year on year, to 14,908 million yen. The Domestic Sales Division will reform its logistics system, reorganize its business areas, and increase operational efficiency to address various rising costs. The division will prioritize the stable supply of replacement parts. It will strengthen cooperation with business partners, other divisions, and Group companies to develop its value chain.

(Overseas Business Division)

The Overseas Business Division successfully generated sales from its accumulated backlog of orders for Latin America and Asia, and non-consolidated semi-annual sales reached a record high. Among the overseas consolidated companies, the Singaporean company remained strong despite the speed of the growth of sales decreasing due to a break in the benefits of the weak yen. The US company recorded significant growth. As a result, net sales increased 12.3% year on year, to 12,501 million yen. In response to unstable exchange rates, companies in some regions are reducing orders, causing the market outlook to be uncertain. The Group will gather and analyze market information in a timely manner and take necessary measures.

(Machinery Equipment Division)

The Machinery Equipment Division remained steady despite the trend of manufacturers of construction machinery, agricultural machinery, and industrial vehicles slowing down their production which began in the latter half of the period. As a result, net sales increased 9.6% year on year, to 4,058 million yen. The market trend in Europe remained low, and while the trend in North America was strong, it has been rapidly declining since August. Despite concerns about the uncertain business environment, the Group will develop products that enhance environmental, security, and safety performance and carry out proposal-based sales activities.

(CUSPA Division)

While the CUSPA Division continued to be affected by factors such as the surging cost of raw materials and rising import prices due to the fluctuation of exchange rates, it strived to expand the market and actively worked to enhance the company's in-house brand and merchandise. The division also continuously used various media and social media outlets and motorsports to implement effective promotional activities. As a result, net sales increased 27.1% year on year, to 1,963 million yen. It will work to expand the business by maintaining aggressive sales activities while paying the utmost attention to changes in raw material prices and exchange rates.

(2) Explanation Regarding Financial Position

Total assets at the end of the first half under review stood at 43,482 million yen, an increase of 4,841 million yen from the end of the previous fiscal year.

Current assets totaled 35,388 million yen at the end of the first half, an increase of 4,763 million yen from the end of the previous fiscal year. The main contributing factors were increases of 4,382 million yen in cash and deposits and 555 million yen in notes and accounts receivable - trade.

Non-current assets stood at 8,094 million yen, an increase of 77 million yen from the end of the previous fiscal year.

Current liabilities came to 10,853 million yen, an increase of 119 million yen from the end of the previous fiscal year.

This chiefly reflected a decrease of 705 million yen in notes and accounts payable - trade and an increase of 1,281 million yen in the current portion of long-term borrowings.

Non-current liabilities came to 6,563 million yen, an increase of 3,247 million yen from the end of the previous fiscal year. This was mainly due to an increase of 3,302 million yen in long-term borrowings.

Total net assets were 26,065 million yen, an increase of 1,474 million yen from the end of the previous fiscal year. As a result, the equity ratio was 59.7%.

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

There are no revisions to the forecast for the fiscal year ending March 2025 announced on May 7, 2024.

2. Semi-annual Consolidated Financial Statements and Key Notes

(1) Semi-annual Consolidated Balance Sheet

(Thousand yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	6,967,986	11,350,412
Notes and accounts receivable - trade	10,377,360	10,932,905
Electronically recorded monetary claims - operating	1,916,388	1,914,679
Inventories	10,057,746	9,914,175
Accounts receivable - other	511,619	488,078
Other	807,306	831,518
Allowance for doubtful accounts	(13,205)	(43,063)
Total current assets	30,625,201	35,388,705
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,040,868	2,045,675
Machinery, equipment and vehicles, net	141,426	160,782
Land	2,735,505	2,735,505
Leased assets, net	322,510	319,240
Construction in progress	175,973	244,406
Other, net	146,332	187,603
Total property, plant and equipment	5,562,617	5,693,214
Intangible assets		
Goodwill	413,980	352,086
Leasehold interests in land	19,248	19,248
Software	349,750	407,477
Leased assets	22,514	15,235
Other	16,967	16,736
Total intangible assets	822,461	810,785
Investments and other assets		
Investment securities	495,658	484,026
Deferred tax assets	387,644	339,891
Retirement benefit asset	11,562	8,100
Other	736,762	758,428
Allowance for doubtful accounts	(84)	(201)
Total investments and other assets	1,631,544	1,590,244
Total non-current assets	8,016,623	8,094,244
Total assets	38,641,825	43,482,950

(Thousand yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,803,955	5,097,987
Electronically recorded obligations - operating	245,401	311,784
Short-term borrowings	820,817	850,868
Current portion of bonds payable	20,000	20,000
Current portion of long-term borrowings	1,041,795	2,323,008
Income taxes payable	550,342	528,588
Provision for bonuses	444,187	308,436
Other	1,807,246	1,412,483
Total current liabilities	10,733,744	10,853,156
Non-current liabilities		
Bonds payable	120,000	110,000
Long-term borrowings	2,330,252	5,632,308
Retirement benefit liability	482,917	485,369
Long-term guarantee deposits	108,643	97,646
Long-term accounts payable - other	26,880	27,229
Other	247,713	211,390
Total non-current liabilities	3,316,407	6,563,945
Total liabilities	14,050,152	17,417,101
Net assets		
Shareholders' equity		
Share capital	898,591	898,591
Capital surplus	961,044	1,018,721
Retained earnings	22,219,219	23,136,603
Treasury shares	(435,500)	(384,801)
Total shareholders' equity	23,643,354	24,669,114
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	118,087	115,453
Deferred gains or losses on hedges	(5,023)	4,849
Foreign currency translation adjustment	726,584	1,161,568
Total accumulated other comprehensive income	839,647	1,281,871
Non-controlling interests	108,670	114,862
Total net assets	24,591,672	26,065,848
Total liabilities and net assets	38,641,825	43,482,950

(2) Semi-annual Consolidated Statement of Income and Semi-annual Consolidated Statement of Comprehensive Income

(Semi-annual consolidated statement of income)

(Thousand yen)

	First half ended Sep. 30, 2023 (Apr. 1, 2023 – Sep. 30, 2023)	First half ended Sep. 30, 2024 (Apr. 1, 2024 – Sep. 30, 2024)
Net sales	30,869,133	33,432,031
Cost of sales	25,183,683	27,344,826
Gross profit	5,685,449	6,087,204
Selling, general and administrative expenses	3,910,759	4,522,195
Operating profit	1,774,689	1,565,009
Non-operating income		
Interest income	919	5,367
Dividend income	628	12,936
Purchase discounts	60,058	59,698
Rental income from real estate	6,060	24,260
Foreign exchange gains	84,367	44,872
Other	22,209	33,753
Total non-operating income	174,241	180,889
Non-operating expenses		
Interest expenses	9,144	17,138
Loss on disposal of inventories	5,988	–
Rental expenses on real estate	–	14,093
Other	2,076	2,517
Total non-operating expenses	17,209	33,749
Ordinary profit	1,931,722	1,712,149
Extraordinary income		
Gain on sale of non-current assets	2,301	3,015
Gain on sale of investment securities	–	50,137
Total extraordinary income	2,301	53,153
Extraordinary losses		
Office relocation expenses	2,822	–
Loss on sale and retirement of non-current assets	268	1,033
Total extraordinary losses	3,091	1,033
Profit before income taxes	1,930,932	1,764,268
Income taxes - current	589,883	530,306
Income taxes - deferred	13,629	45,310
Total income taxes	603,513	575,617
Profit	1,327,418	1,188,651
Profit attributable to non-controlling interests	5,834	131
Profit attributable to owners of parent	1,321,584	1,188,520

(Semi-annual consolidated statements of comprehensive income)

(Thousand yen)

	First half ended Sep. 30, 2023 (Apr. 1, 2023 – Sep. 30, 2023)	First half ended Sep. 30, 2024 (Apr. 1, 2024 – Sep. 30, 2024)
Profit	1,327,418	1,188,651
Other comprehensive income		
Valuation difference on available-for-sale securities	20,705	(2,633)
Deferred gains or losses on hedges	(5,908)	9,873
Foreign currency translation adjustment	273,091	441,043
Total other comprehensive income	287,888	448,283
Comprehensive income	1,615,307	1,636,935
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,602,308	1,630,743
Comprehensive income attributable to non-controlling interests	12,998	6,191

(3) Notes to Semi-annual Consolidated Financial Statements

(Changes in accounting policies)

(Application of Accounting Standard for Current Income Taxes, etc.)

The Company has applied Accounting Standard for Current Income Taxes (Accounting Standards Board of Japan (ASBJ) Statement No. 27, October 28, 2022; hereinafter referred to as the "Revised Accounting Standard 2022") effective from beginning of the first six months of the fiscal year under review.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of paragraph 65-2 of the Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022; hereinafter referred to as the "Revised Implementation Guidance 2022"). This change in accounting policies has no impact on the semi-annual consolidated financial statements.

For the amendment related to the revised accounting treatment for consolidated financial statements when gains or losses on sale of shares in subsidiaries resulting from transactions between consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 has been adopted from the beginning of the semi-annual consolidated accounting period under review. This change in accounting policies is applied retrospectively, and semi-annual consolidated financial statements and consolidated financial statements for the previous semi-annual consolidated accounting period and previous fiscal year are after retrospective application. This change in accounting policies has no impact on the semi-annual consolidated financial statements for the previous semi-annual consolidated accounting period and the consolidated financial statements for the previous fiscal year.

(Note to significant changes in shareholders' equity)

None

(Note to going concern assumptions)

None