



## Summary of Consolidated Financial Results For the First Half Ended September 2016 [Japan GAAP]

October 21, 2016

Name of Company:	SPK CORPORATION
Stock Code:	7466
Stock Exchange Listing:	Tokyo Stock Exchange, First Section
URL:	<a href="http://www.spk.co.jp/">http://www.spk.co.jp/</a>
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Title:	President
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Date of quarterly securities report:	November 10, 2016
Date of commencement of dividend payment:	December 1, 2016
Supplementary materials for quarterly financial report:	None
Information meeting for quarterly financial report:	Yes

(Yen in millions, rounded down)

### 1. Financial results for the first half ended September 2016 (April 1, 2016 – September 30, 2016)

(1) Result of operations (Consolidated, year-to-date) (Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended September 2016	18,319	(6.1)	688	(8.3)	636	(17.1)	411	(6.1)
First half ended September 2015	19,504	6.4	751	3.0	767	1.0	438	(7.1)

Note: Comprehensive income

First half ended September 2016: 375 million yen (- 9.8%)

First half ended September 2015: 416 million yen (-15.4%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
First half ended September 2016	82.02	-
First half ended September 2015	86.10	-

(2) Financial position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
First half ended September 2016	19,993	14,009	70.1	2,790.09
Fiscal year ended March 2016	20,263	13,789	68.1	2,746.24

Reference: Shareholders' equity

As of September 30, 2016 : 14,009 million yen

As of March 31, 2016 : 13,789 million yen

### 2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2016	-	30.00	-	31.00	61.00
Fiscal year ending March 2017	-	31.00	-	-	-
Fiscal year ending March 2017 (est.)	-	-	-	32.00	63.00

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

### 3. Forecast for the fiscal year ending March 2017 (Consolidated, April 1, 2016 – March 31, 2017)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	40,000	1.8	1,700	1.4	1,720	1.1	1,160	3.4	231.02

Note: Change in the forecast from the latest announcement: None

#### \*Others

(1) Changes in significant subsidiaries  
(Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None  
Newly consolidated companies: - Exclude:-

(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: No

(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): No  
(c) Changes in accounting estimates: No  
(d) Retrospective restatement: No

(4) Number of shares outstanding (common stock)  
(a) Shares outstanding (including treasury stock)  
As of September 30, 2016: 5,226,900 As of March 31, 2016: 5,226,900  
(b) Treasury stock  
As of September 30, 2016: 205,789 As of March 31, 2016: 205,789  
(c) Average number of shares  
(quarterly consolidated cumulative period)  
Period ended September 30, 2016: 5,021,111 Period ended September 30, 2015: 5,092,540

#### \*Information concerning quarterly review procedure

This quarterly financial report is not subject to the quarterly review procedure prescribed by the Financial Instruments and Exchange Law. The review procedure prescribed by the Financial Instruments and Exchange Law for the quarterly consolidated financial statements had not been completed when this quarterly financial report was released.

#### \*Forward-looking statements and notes

Forecasts regarding future performance in these materials are based on judgments made in accordance with information available at the time this report was prepared. Actual results may differ significantly from these forecasts for a number of factors. Please see (3) Forecast for fiscal year ending in March 31, 2017 on page 2 of this document for more information.

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## 1. Business Results

### (1) Results of operations (Consolidated)

In the first half of the fiscal year, the Japanese economy remained stagnant as the yen strengthened, companies reported lower earnings and consumer spending was lackluster. In addition, there is uncertainty involving overseas economies due to events such as slowing growth in emerging countries and Britain's decision to leave the EU. As a result, there are still concerns about political and economic events in Japan and overseas.

The SPK Group (SPK and its consolidated subsidiaries) had first half sales of 18,319 million yen, 6.1% lower than one year earlier. Operating income decreased 8.3% to 688 million yen, ordinary income decreased 17.1% to 636 million yen and profit attributable to owners of parent decreased 6.1% to 411 million yen.

Business segment performance was as follows.

#### **Domestic Sales Division**

Japan's market for automotive replacement parts is extremely competitive because of the declining frequency of replacements and increasing efforts by automobile dealers to provide maintenance and repair services. The division continued to focus on selling functional and replacement parts for automobiles as well as on developing and selling new products that are environmentally friendly. The result was a 3.8% increase in first half sales from one year earlier to 10,630 million yen.

#### **International Trade Division**

As in the first quarter, second quarter performance was significantly impacted by the continued appreciation of the yen. The result was a 20.3% decrease in first half sales from one year earlier to 5,529 million yen.

#### **Machinery Equipment Division**

The yen's strength continued to hold down sales of the division's customers in the construction machinery and other industries. Sales have stopped falling in some sectors and started staging a recovery in the final months of the year. However, the beginning of this recovery was not enough to offset first half weakness, resulting in a 7.0% sales decrease from one year earlier to 2,159 million yen.

### (2) Financial condition

Total assets were 19,993 million yen at the end of the first half, 269 million yen less than at the end of the previous fiscal year.

Current assets decreased 630 million yen to 16,854 million yen due mainly to a decline of 552 million yen in notes and accounts receivable-trade.

Noncurrent assets increased 360 million yen to 3,139 million yen.

In liabilities, current liabilities decreased 390 million yen to 4,810 million yen due mainly to a decline of 264 million yen in notes and accounts payable-trade. Noncurrent liabilities decreased 99 million yen to 1,173 million yen.

Net assets increased 220 million yen to 14,009 million yen, resulting in an equity ratio of 70.1%.

### (3) Forecast for fiscal year ending in March 31, 2017

There are no revisions to the forecast announced on April 25, 2016 for consolidated sales and earnings in the fiscal year ending in March 2017.

## 2. Summary Information (Others)

- (1) Changes in significant subsidiaries during the first half:  
Not applicable
- (2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements:  
Not applicable
- (3) Changes in accounting principles and estimates, and retrospective restatement:  
Revisions to accounting policy  
Application of practical solution on a change in depreciation method due to tax reform 2016

In association with the amended Corporation Tax Law, beginning with the first quarter of the fiscal year ending on March 31, 2017, SPK is using Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016 (ASBJ Practical Issues Task Force (PITF) No. 32, June 17, 2016). As a result, the depreciation method for building facilities and structures acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method. The application of this practical solution did not have a material effect on earnings.

- (4) Supplementary information:  
Application of revised implementation guidance on recoverability of deferred tax assets

Beginning with the first quarter of the fiscal year ending on March 31, 2017, SPK is using Revised Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Revised Guidance No. 26, March 28, 2016).

### 3. Quarterly Consolidated Financial Statements

#### (1) Consolidated balance sheets

(Thousand yen)

	FY ended March 31, 2016	First half ended September 30, 2016
<b>Assets</b>		
Current assets		
Cash and deposits	4,243,197	4,227,012
Notes and accounts receivable-trade	8,572,336	8,019,466
Inventories	3,713,919	3,633,186
Deferred tax assets	115,353	111,856
Short-term loans receivable to subsidiaries and affiliates	12,989	12,674
Others	840,896	865,325
Allowance for doubtful accounts	(14,332)	(15,242)
Total current assets	17,484,359	16,854,280
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	587,840	586,385
Machinery, equipment and vehicles, net	88,049	88,044
Land	1,269,023	1,269,023
Lease assets, net	45,978	46,673
Others, net	59,965	55,552
Total property, plant and equipment	2,050,856	2,045,680
Intangible assets		
Software	2,915	4,085
Lease assets	150,425	136,083
Others	61,751	51,221
Total intangible assets	215,091	191,390
Investments and other assets		
Investment securities	194,312	293,785
Deferred tax assets	99,860	103,225
Others	239,986	532,075
Allowance for doubtful accounts	(21,349)	(26,738)
Total investments and other assets	512,810	902,348
Total noncurrent assets	2,778,759	3,139,418
Total assets	20,263,119	19,993,698

(Thousand yen)

	FY ended March 31, 2016	First half ended September 30, 2016
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	3,663,817	3,399,089
Short-term borrowing	83,558	284,010
Current portion of long-term borrowing	415,516	300,616
Income taxes payable	296,451	218,273
Provision for bonuses	159,400	174,766
Others	582,262	433,866
<b>Total current liabilities</b>	<b>5,201,004</b>	<b>4,810,622</b>
<b>Noncurrent liabilities</b>		
Long-term borrowing	616,642	523,264
Net defined benefit liability	403,114	413,426
Long-term guarantee deposited	72,362	71,989
Long-term accounts payable-other	21,983	20,867
Others	158,860	144,171
<b>Total noncurrent liabilities</b>	<b>1,272,963</b>	<b>1,173,718</b>
<b>Total liabilities</b>	<b>6,473,967</b>	<b>5,984,341</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	898,591	898,591
Capital surplus	961,044	961,044
Retained earnings	12,261,170	12,517,346
Treasury stock	(435,339)	(435,339)
<b>Total shareholders' equity</b>	<b>13,685,466</b>	<b>13,941,642</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	57,431	56,569
Deferred gains or losses on hedges	(186)	4,360
Foreign currency translation adjustment	46,440	6,784
<b>Total accumulated other comprehensive income</b>	<b>103,685</b>	<b>67,715</b>
<b>Total net assets</b>	<b>13,789,151</b>	<b>14,009,357</b>
<b>Total liabilities and net assets</b>	<b>20,263,119</b>	<b>19,993,698</b>

(2) Consolidated statements of (comprehensive) income  
 Consolidated statements of income  
 First half consolidated

(Thousand yen)

	First half ended September 30, 2015 (Apr. 1, 2015 . Sept. 30, 2015)	First half ended September 30, 2016 (Apr. 1, 2016 . Sept. 30, 2016)
Net sales	19,504,096	18,319,747
Cost of sales	16,606,260	15,389,155
Gross profit	2,897,836	2,930,591
Selling, general and administrative expenses	2,146,114	2,241,592
Operating income	751,721	688,999
Non-operating income		
Interest income	236	229
Dividends income	2,303	2,759
Purchase discounts	55,167	56,178
Others	18,794	17,469
Total non-operating income	76,502	76,636
Non-operating expenses		
Interest expenses	1,550	2,416
Sales discounts	57,527	61,538
Foreign exchange losses	560	64,351
Others	1,170	841
Total non-operating expenses	60,808	129,148
Ordinary income	767,415	636,487
Extraordinary income		
Gain on sales of noncurrent assets	239	1,071
Total extraordinary income	239	1,071
Extraordinary loss		
Office transfer expenses	3,666	4,400
Loss on sales and retirement of noncurrent assets	98,584	0
Total extraordinary loss	102,250	4,400
Income before income taxes	665,404	633,158
Income taxes-current	208,125	222,773
Income taxes-deferred	18,826	(1,444)
Total income taxes	226,952	221,328
Net income	438,452	411,830
Net income attributable to non-controlling shareholder	-	-
Net income attributable to owners of parent	438,452	411,830



Consolidated statements of comprehensive income  
 First half consolidated

(Thousand yen)

	First half ended September 30, 2015 (Apr. 1, 2015 . Sept. 30, 2015)	First half ended September 30, 2016 (Apr. 1, 2016 . Sept. 30, 2016)
Net income	438,452	411,830
Other comprehensive income		
Valuation difference on available-for-sale securities	(22,256)	(861)
Deferred gains or losses on hedges	846	4,547
Foreign currency translation adjustment	(158)	(39,655)
Total other comprehensive income	(21,568)	(35,969)
Comprehensive income	416,884	375,860
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	416,884	375,860
Comprehensive income attributable to non-controlling shareholder	-	-

(3) Notes to quarterly consolidated financial statements

Notes on going concern assumption:

Not applicable

Notes on significant change in shareholders equity:

Not applicable

Subsequent events:

Not applicable