

Summary of Consolidated Financial Results For the First Half Ended September 2017 [Japan GAAP]

October 24, 2017

Name of Company: SPK CORPORATION
 Stock Code: 7466 URL: <http://www.spk.co.jp/>
 Stock Exchange Listing: Tokyo Stock Exchange, First Section
 Representative Title: President Name: Tomikazu Todoroki
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 Phone: +81-(0)6-6454-2002
 Date of filing of quarterly securities report: November 10, 2017 (tentative)
 Date of commencement of dividend payment: December 1, 2017 (tentative)
 Supplementary explanatory documents: None
 Earnings presentation: Yes

(Yen in millions, rounded down)

1. Financial results for the first half ended September 2017 (April 1, 2017 – September 30, 2017)

(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	%
First half ended September 2017	20,472	11.8	876	27.2	893	40.3	600	45.8
First half ended September 2016	18,319	(6.1)	688	(8.3)	636	(17.1)	411	(6.1)

Note: Comprehensive income: 1H FY3/18: 642 million yen [70.9%] 1H FY3/17: 375 million yen [-9.8%]

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First half ended September 2017	119.58	-
First half ended September 2016	82.02	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of September 30, 2017	23,000	15,171	66.0	3,021.53
As of March 31, 2017	21,226	14,689	69.2	2,925.57

Reference: Shareholders' equity: As of Sep. 30, 2017: 15,171 million yen As of Mar. 31, 2017: 14,689 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Total
	Yen	Yen	Yen	Yen	Yen
FY3/17	-	31.00	-	32.00	63.00
FY3/18	-	32.00			
FY3/18 (estimated)			-	33.00	65.00

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

3. Forecast for the fiscal year ending March 2018 (Consolidated, April 1, 2017 - March 31, 2018)

(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	40,000	5.5	1,840	6.9	1,860	6.5	1,260	6.1	250.94

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: None
 - (b) Changes other than in (a): None
 - (c) Changes in accounting estimates: None
 - (d) Retrospective restatement: None

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

End of 2Q FY3/18:	5,226,900	End of FY3/17:	5,226,900
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(b) Treasury shares

End of 2Q FY3/18:	205,789	End of FY3/17:	205,789
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(c) Average number of shares outstanding

1H FY3/18:	5,021,111	1H FY3/17:	5,021,111
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* This report is exempt from the audit procedure.

* 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 "(3) Outlook" on page 2 of Supplementary Information.

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1. Results of Operations

(1) Overview on consolidated business performance

The Japanese economy continued to recover during the first half of the fiscal year. Companies raised earnings forecasts because the yen was weaker than expected and stock prices rose. The economy also benefited from a slow improvement in the labor market and a rebound in capital expenditures. Looking ahead, overseas economies are expected to remain healthy, particularly in the United States and China, and the Japanese economy will be supported by construction demand associated with the Tokyo Olympics. However, there are many sources of uncertainty in Japan and overseas, including the yen's rapid appreciation due to tension involving North Korea and the policies of the Trump administration. In the automobile replacement parts sector where we operate, we will have to continue to pay close attention to political and economic developments in Japan and other countries.

In the first half of current fiscal year, the SPK Group (SPK and its consolidated subsidiaries) had sales of 20,472 million yen, up 11.8% from one year earlier. Operating profit increased 27.2% to 876 million yen, ordinary profit was up 40.3% to 893 million yen and profit attributable to owners of parent increased 45.8% to 600 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 responsible. First half performance also benefited from 100th anniversary sale activities. The result was an 8.6% increase in sales to 11,542 million yen.

(International Trade Division)

Sales increased 19.4% to 6,605 million yen due to growth in sales of new products and activities aimed at adding more sources of imported products.

(Machinery Equipment Division)

Sales increased 7.6% to 2,324 million yen because of firm orders from major customers for construction and industrial vehicles and other products in this segment.

(2) Financial condition

Total assets were 23,000 million yen at the end of the first half, 1,773 million yen more than at the end of the previous fiscal year.

Current assets increased 852 million yen to 18,930 million yen due mainly to increases of 553 million yen in inventories and 184 million yen in trade notes and accounts receivable.

Noncurrent assets increased 920 million yen to 4,070 million yen mainly because of a 515 million yen increase in land.

In liabilities, current liabilities increased 777 million yen to 6,247 million yen. Notes and accounts payable-trade increased 224 million yen and current portion of long-term loans payable increased 197 million yen.

Noncurrent liabilities increased 514 million yen to 1,582 million yen primarily because of a 500 million yen increase in long-term loans payable.

Net assets increased 481 million yen to 15,171 million yen. As a result, the equity ratio was 66.0%.

(3) Outlook

There are no revisions to the forecast announced on April 26, 2017 for consolidated sales and earnings in the fiscal year ending in March 2018.

2. Quarterly Consolidated Financial Statements

(1) Consolidated balance sheet

(Thousand yen)

	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	4,711,656	4,703,988
Notes and accounts receivable - trade	7,654,541	7,838,891
Electronically recorded monetary claims - operating	1,086,280	1,244,373
Inventories	3,644,357	4,197,550
Deferred tax assets	118,910	136,422
Short-term loans receivable from subsidiaries and associates	12,822	2,073
Accounts receivable - other	510,571	462,562
Other	354,878	356,602
Allowance for doubtful accounts	(16,373)	(11,974)
Total current assets	18,077,645	18,930,491
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	574,292	575,440
Machinery, equipment and vehicles, net	85,087	85,143
Land	1,269,023	1,785,017
Leased assets, net	41,287	35,900
Other, net	41,196	48,240
Total property, plant and equipment	2,010,887	2,529,743
Intangible assets		
Software	3,355	16,897
Leased assets	129,672	168,600
Other	48,748	43,920
Total intangible assets	181,776	229,418
Investments and other assets		
Investment securities	355,875	417,184
Deferred tax assets	79,591	59,156
Other	530,410	841,637
Allowance for doubtful accounts	(9,367)	(6,994)
Total investments and other assets	956,510	1,310,984
Total non-current assets	3,149,174	4,070,146
Total asset	21,226,819	23,000,638

(Thousand yen)

	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,813,764	4,038,327
Short-term loans payable	436,708	580,294
Current portion of long-term loans payable	179,700	377,238
Income taxes payable	310,486	307,654
Provision for bonuses	176,060	231,896
Other	552,891	711,739
Total current liabilities	5,469,610	6,247,150
Non-current liabilities		
Long-term loans payable	436,942	937,692
Net defined benefit liability	379,656	365,695
Long-term guarantee deposited	73,878	75,520
Long-term accounts payable - other	37,270	39,293
Other	139,868	163,857
Total non-current liabilities	1,067,616	1,582,058
Total liabilities	6,537,227	7,829,209
Net assets		
Shareholders' equity		
Capital stock	898,591	898,591
Capital surplus	961,044	961,044
Retained earnings	13,137,235	13,577,004
Treasury shares	(435,339)	(435,339)
Total shareholders' equity	14,561,531	15,001,299
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	100,026	139,275
Deferred gains or losses on hedges	2,924	1,890
Foreign currency translation adjustment	25,110	28,963
Total accumulated other comprehensive income	128,061	170,128
Total net assets	14,689,592	15,171,428
Total liabilities and net assets	21,226,819	23,000,638

(2) Consolidated statements of income and comprehensive income

(Quarterly consolidated statement of income)

(For the first half)

(Thousand yen)

	First half ended Sep. 30, 2016 (Apr. 1, 2016 – Sep. 30, 2016)	First half ended Sep. 30, 2017 (Apr. 1, 2017 – Sep. 30, 2017)
Net sales	18,319,747	20,472,493
Cost of sales	15,389,155	17,266,016
Gross profit	2,930,591	3,206,476
Selling, general and administrative expenses	2,241,592	2,329,730
Operating profit	688,999	876,746
Non-operating income		
Interest income	229	249
Dividend income	2,759	3,198
Purchase discounts	56,178	61,240
Foreign exchange gains	-	10,734
Other	17,469	13,175
Total non-operating income	76,636	88,599
Non-operating expenses		
Interest expenses	2,416	2,523
Sales discounts	61,538	67,860
Foreign exchange losses	64,351	-
Other	841	1,949
Total non-operating expenses	129,148	72,333
Ordinary profit	636,487	893,012
Extraordinary income		
Gain on sales of non-current assets	1,071	116
Total extraordinary income	1,071	116
Extraordinary losses		
Office transfer expenses	4,400	-
Loss on sales and retirement of non-current assets	0	0
Total extraordinary losses	4,400	0
Profit before income taxes	633,158	893,129
Income taxes - current	222,773	305,970
Income taxes - deferred	(1,444)	(13,285)
Total income taxes	221,328	292,684
Profit	411,830	600,444
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	411,830	600,444

(Quarterly consolidated statement of comprehensive income)

(For the first half)

(Thousand yen)

	First half ended Sep. 30, 2016 (Apr. 1, 2016 – Sep. 30, 2016)	First half ended Sep. 30, 2017 (Apr. 1, 2017 – Sep. 30, 2017)
Profit	411,830	600,444
Other comprehensive income		
Valuation difference on available-for-sale securities	(861)	39,248
Deferred gains or losses on hedges	4,547	(1,034)
Foreign currency translation adjustment	(39,655)	3,853
Total other comprehensive income	(35,969)	42,067
Comprehensive income	375,860	642,511
Comprehensive income attributable to owners of parent	375,860	642,511
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

(Subsequent events)

None