

Translation

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**Summary of Consolidated Financial Results
for the Year Ended March 31, 2019
(Based on Japanese GAAP)**

May 10, 2019

Company name: HOKUTO CORPORATION
 Stock exchange listing: Tokyo
 Stock code: 1379 URL <http://www.hokto-kinoko.co.jp>
 Representative: President Masayoshi Mizuno
 Executive Director, Administration
 Inquiries: Tomio Takato TEL 026-259-5955
 Department Director
 Scheduled date of ordinary general meeting of shareholders: June 21, 2019
 Scheduled date to file Securities Report: June 21, 2019
 Scheduled date to commence dividend payments: June 24, 2019
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2019 (from April 1, 2018 to March 31, 2019)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2019	70,183	4.9	3,503	10.1	4,610	14.3	3,188	31.8
Year ended March 31, 2018	66,907	6.0	3,181	(7.2)	4,033	(7.9)	2,418	(14.5)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2019	99.87	90.48	6.1	4.5	5.0
Year ended March 31, 2018	75.22	–	4.6	4.1	4.8

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2019	103,606	52,030	50.2	1,642.24
As of March 31, 2018	100,138	52,500	52.4	1,630.91

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2019	9,572	(10,305)	1,194	8,329
Year ended March 31, 2018	9,938	(9,028)	1,447	7,788

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2018	–	10.00	–	50.00	60.00	1,930	79.8	3.7
Year ended March 31, 2019	–	10.00	–	50.00	60.00	1,903	60.1	3.7
Year ending March 31, 2020 (Forecast)	–	10.00	–	50.00	60.00		–	

3. Forecast of consolidated financial results for the year ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2019	31,600	5.8	(3,060)	–	(2,900)	–	(2,330)	–	(69.85)
Full year	72,200	2.9	2,710	(22.6)	2,990	(35.1)	2,120	(33.5)	63.55

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2019

(changes in specified subsidiaries resulting in the change in scope of consolidation):

Yes

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations:

No

Changes in accounting policies due to other reasons:

No

Changes in accounting estimates:

No

Restatement of prior period financial statements:

No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2019	33,359,040 shares	As of March 31, 2018	33,359,040 shares
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Number of treasury shares at the end of the period

As of March 31, 2019	1,676,250 shares	As of March 31, 2018	1,168,161 shares
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Average number of shares during the period

Year ended March 31, 2019	31,929,708 shares	Year ended March 31, 2018	32,157,621 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Assets		
Current assets		
Cash and deposits	8,508	9,055
Notes and accounts receivable - trade	6,783	6,804
Merchandise and finished goods	1,659	1,677
Work in process	3,384	3,665
Raw materials and supplies	647	710
Other	439	587
Allowance for doubtful accounts	(16)	(29)
Total current assets	21,406	22,470
Non-current assets		
Property, plant and equipment		
Buildings and structures	60,711	64,413
Accumulated depreciation	(24,872)	(26,803)
Buildings and structures, net	35,839	37,610
Machinery, equipment and vehicles	49,071	56,235
Accumulated depreciation	(31,589)	(36,415)
Machinery, equipment and vehicles, net	17,482	19,819
Land	14,045	13,989
Construction in progress	1,330	489
Other	2,089	2,204
Accumulated depreciation	(1,596)	(1,747)
Other, net	492	457
Total property, plant and equipment	69,191	72,365
Intangible assets		
Goodwill	193	222
Other	60	141
Total intangible assets	253	363
Investments and other assets		
Investment securities	7,384	6,202
Deferred tax assets	227	429
Retirement benefit asset	901	867
Other	794	927
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	9,288	8,406
Total non-current assets	78,732	81,136
Total assets	100,138	103,606

(Millions of yen)

	As of March 31, 2018	As of March 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,967	6,239
Short-term loans payable	20,701	10,923
Current portion of long-term loans payable	833	1,043
Income taxes payable	1,470	1,551
Provision for bonuses	1,043	1,079
Other	4,818	4,428
Total current liabilities	34,834	25,265
Non-current liabilities		
Long-term loans payable	11,703	15,494
Bonds with share acquisition rights	–	9,983
Deferred tax liabilities	426	167
Retirement benefit liability	347	344
Asset retirement obligations	189	190
Other	137	130
Total non-current liabilities	12,803	26,309
Total liabilities	47,638	51,575
Net assets		
Shareholders' equity		
Capital stock	5,500	5,500
Capital surplus	5,695	5,697
Retained earnings	42,326	43,529
Treasury shares	(2,111)	(3,096)
Total shareholders' equity	51,411	51,630
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,829	1,255
Foreign currency translation adjustment	(434)	(537)
Remeasurements of defined benefit plans	(305)	(317)
Total accumulated other comprehensive income	1,089	400
Total net assets	52,500	52,030
Total liabilities and net assets	100,138	103,606

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Net sales	66,907	70,183
Cost of sales	48,784	51,145
Gross profit	18,122	19,038
Selling, general and administrative expenses	14,940	15,534
Operating profit	3,181	3,503
Non-operating income		
Interest income	5	10
Dividend income	159	135
Subsidy income	834	475
Land and house rent received	302	298
Foreign exchange gains	–	252
Other	80	58
Total non-operating income	1,382	1,231
Non-operating expenses		
Interest expenses	101	106
Foreign exchange losses	406	–
Other	22	18
Total non-operating expenses	530	124
Ordinary profit	4,033	4,610
Extraordinary income		
Gain on sales of non-current assets	0	123
Other	–	5
Total extraordinary income	0	128
Extraordinary losses		
Loss on sales of non-current assets	30	0
Loss on retirement of non-current assets	88	0
Loss on disaster	–	190
Other	8	0
Total extraordinary losses	127	190
Profit before income taxes	3,906	4,548
Income taxes - current	1,483	1,527
Income taxes - deferred	3	(168)
Total income taxes	1,487	1,359
Profit	2,418	3,188
Profit attributable to owners of parent	2,418	3,188

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Profit	2,418	3,188
Other comprehensive income		
Valuation difference on available-for-sale securities	81	(573)
Foreign currency translation adjustment	136	(102)
Remeasurements of defined benefit plans, net of tax	76	(12)
Total other comprehensive income	294	(689)
Comprehensive income	2,712	2,499
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,712	2,499
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Fiscal year ended March 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,500	5,828	41,835	(2,222)	50,941
Changes of items during period					
Dividends of surplus			(1,927)		(1,927)
Profit attributable to owners of parent			2,418		2,418
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		(132)		112	(20)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(132)	491	111	469
Balance at end of current period	5,500	5,695	42,326	(2,111)	51,411

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	1,748	(571)	(381)	795	51,736
Changes of items during period					
Dividends of surplus					(1,927)
Profit attributable to owners of parent					2,418
Purchase of treasury shares					(1)
Disposal of treasury shares					(20)
Net changes of items other than shareholders' equity	81	136	76	294	294
Total changes of items during period	81	136	76	294	763
Balance at end of current period	1,829	(434)	(305)	1,089	52,500

Fiscal year ended March 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,500	5,695	42,326	(2,111)	51,411
Changes of items during period					
Dividends of surplus			(1,928)		(1,928)
Profit attributable to owners of parent			3,188		3,188
Change of scope of consolidation			(56)		(56)
Purchase of treasury shares				(1,000)	(1,000)
Disposal of treasury shares		1		15	17
Net changes of items other than shareholders' equity					
Total changes of items during period	-	1	1,202	(985)	219
Balance at end of current period	5,500	5,697	43,529	(3,096)	51,630

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	1,829	(434)	(305)	1,089	52,500
Changes of items during period					
Dividends of surplus					(1,928)
Profit attributable to owners of parent					3,188
Change of scope of consolidation					(56)
Purchase of treasury shares					(1,000)
Disposal of treasury shares					17
Net changes of items other than shareholders' equity	(573)	(102)	(12)	(689)	(689)
Total changes of items during period	(573)	(102)	(12)	(689)	(469)
Balance at end of current period	1,255	(537)	(317)	400	52,030

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from operating activities		
Profit before income taxes	3,906	4,548
Depreciation	6,668	7,110
Amortization of goodwill	129	167
Increase (decrease) in provision for bonuses	40	35
Decrease (increase) in retirement benefit asset	15	(6)
Increase (decrease) in retirement benefit liability	(4)	18
Interest and dividend income	(165)	(146)
Interest expenses	101	106
Insurance income	–	(5)
Loss on disaster	–	80
Foreign exchange losses (gains)	343	(249)
Decrease (increase) in notes and accounts receivable - trade	(1,626)	16
Decrease (increase) in inventories	(227)	(279)
Increase (decrease) in notes and accounts payable - trade	784	369
Decrease (increase) in other current assets	460	(146)
Increase (decrease) in other current liabilities	949	(475)
Other, net	(74)	(94)
Subtotal	11,302	11,048
Interest and dividend income received	165	146
Interest expenses paid	(97)	(102)
Proceeds from insurance income	–	12
Payments for loss on disaster	–	(80)
Income taxes paid	(1,431)	(1,451)
Net cash provided by (used in) operating activities	9,938	9,572
Cash flows from investing activities		
Payments into time deposits	(271)	(25)
Proceeds from withdrawal of time deposits	120	21
Purchase of property, plant and equipment	(7,865)	(10,297)
Proceeds from sales of property, plant and equipment	74	216
Purchase of investment securities	(773)	(243)
Proceeds from sales of investment securities	402	285
Purchase of shares of subsidiaries	(558)	–
Other payments	(159)	(267)
Other proceeds	3	5
Net cash provided by (used in) investing activities	(9,028)	(10,305)

(Millions of yen)

	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019
Cash flows from financing activities		
Increase in short-term loans payable	13,000	6,000
Decrease in short-term loans payable	(8,982)	(15,787)
Proceeds from long-term loans payable	869	5,000
Repayments of long-term loans payable	(1,649)	(1,074)
Proceeds from issuance of bonds	–	9,984
Purchase of treasury shares	(1)	(1,000)
Proceeds from sales of treasury shares	143	–
Cash dividends paid	(1,931)	(1,928)
Net cash provided by (used in) financing activities	1,447	1,194
Effect of exchange rate change on cash and cash equivalents	(44)	37
Net increase (decrease) in cash and cash equivalents	2,314	498
Cash and cash equivalents at beginning of period	5,473	7,788
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	–	42
Cash and cash equivalents at end of period	7,788	8,329