

Translation

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**Summary of Consolidated Financial Results
for the Year Ended March 31, 2017
(Based on Japanese GAAP)**

May 12, 2017

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 23, 2017
 Scheduled date to file Securities Report: June 23, 2017
 Scheduled date to commence dividend payments: June 26, 2017
 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, 2017 (from April 1, 2016 to March 31, 2017)

(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, 2017	63,119	3.5	3,430	0.1	4,379	7.5	2,828	8.9
Year ended March 31, 2016	60,987	0.1	3,428	(13.5)	4,074	(29.2)	2,598	(29.7)

	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, 2017	88.17	88.16	5.6	4.9	5.4
Year ended March 31, 2016	81.20	81.13	5.2	4.9	5.6

(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, 2017	94,738	51,736	54.6	1,610.83
As of March 31, 2016	83,476	49,881	59.7	1,555.69

(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, 2017	8,000	(14,947)	7,779	5,473
Year ended March 31, 2016	8,744	(9,353)	1,164	4,660

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, 2016	–	10.00	–	50.00	60.00	1,922	73.9	3.9
Year ended March 31, 2017	–	10.00	–	50.00	60.00	1,926	68.1	3.7
Year ending March 31, 2018 (Forecast)	–	10.00	–	50.00	60.00		–	

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

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, 2017	28,600	9.6	(3,110)	–	(2,960)	–	(2,240)	–	(67.15)
Full year	65,800	4.2	2,250	(34.4)	2,870	(34.5)	1,870	(33.9)	56.06

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2017

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(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: Yes

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, 2017	33,359,040 shares	As of March 31, 2016	33,359,040 shares
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Number of treasury shares at the end of the period

As of March 31, 2017	1,240,942 shares	As of March 31, 2016	1,313,868 shares
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Average number of shares during the period

Year ended March 31, 2017	32,086,390 shares	Year ended March 31, 2016	32,004,839 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	5,212	6,047
Notes and accounts receivable - trade	4,840	5,172
Merchandise and finished goods	1,486	1,455
Work in process	3,187	3,402
Raw materials and supplies	562	615
Deferred tax assets	526	436
Other	235	881
Allowance for doubtful accounts	(22)	(21)
Total current assets	16,029	17,990
Non-current assets		
Property, plant and equipment		
Buildings and structures	51,586	56,967
Accumulated depreciation	(22,381)	(23,272)
Buildings and structures, net	29,205	33,695
Machinery, equipment and vehicles	38,017	46,322
Accumulated depreciation	(23,348)	(27,190)
Machinery, equipment and vehicles, net	14,668	19,131
Land	13,739	14,043
Construction in progress	2,025	1,018
Other	1,963	1,898
Accumulated depreciation	(1,504)	(1,437)
Other, net	459	461
Total property, plant and equipment	60,098	68,350
Intangible assets		
Goodwill	452	322
Other	111	81
Total intangible assets	563	403
Investments and other assets		
Investment securities	5,385	6,315
Deferred tax assets	163	239
Net defined benefit asset	724	795
Other	538	662
Allowance for doubtful accounts	(26)	(19)
Total investments and other assets	6,784	7,993
Total non-current assets	67,447	76,747
Total assets	83,476	94,738

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,460	5,592
Short-term loans payable	14,657	16,669
Current portion of long-term loans payable	773	771
Income taxes payable	1,669	1,418
Provision for bonuses	970	1,007
Other	3,821	3,556
Total current liabilities	27,351	29,015
Non-current liabilities		
Long-term loans payable	5,060	12,538
Deferred tax liabilities	412	774
Net defined benefit liability	389	340
Asset retirement obligations	173	188
Other	207	144
Total non-current liabilities	6,243	13,986
Total liabilities	33,595	43,001
Net assets		
Shareholders' equity		
Capital stock	5,500	5,500
Capital surplus	5,799	5,828
Retained earnings	40,929	41,835
Treasury shares	(2,340)	(2,222)
Total shareholders' equity	49,888	50,941
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,100	1,748
Foreign currency translation adjustment	(680)	(571)
Remeasurements of defined benefit plans	(457)	(381)
Total accumulated other comprehensive income	(36)	795
Subscription rights to shares	28	—
Total net assets	49,881	51,736
Total liabilities and net assets	83,476	94,738

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

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	60,987	63,119
Cost of sales	44,251	45,541
Gross profit	16,736	17,578
Selling, general and administrative expenses	13,308	14,147
Operating profit	3,428	3,430
Non-operating income		
Interest income	0	0
Dividend income	110	109
Subsidy income	899	681
Land and house rent received	255	276
Other	88	61
Total non-operating income	1,354	1,128
Non-operating expenses		
Interest expenses	123	108
Foreign exchange losses	558	26
Loss on subsidy return	–	36
Other	27	8
Total non-operating expenses	708	180
Ordinary profit	4,074	4,379
Extraordinary income		
Gain on sales of non-current assets	6	1
Insurance income	15	2
Gain on insurance adjustment	646	–
Gain on reversal of subscription rights to shares	0	22
Total extraordinary income	668	25
Extraordinary losses		
Loss on retirement of non-current assets	159	168
Impairment loss	189	–
loss on fire	75	–
Other	0	4
Total extraordinary losses	425	173
Profit before income taxes	4,317	4,231
Income taxes - current	1,686	1,351
Income taxes - deferred	32	51
Total income taxes	1,719	1,402
Profit	2,598	2,828
Profit attributable to owners of parent	2,598	2,828

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	2,598	2,828
Other comprehensive income		
Valuation difference on available-for-sale securities	(880)	647
Foreign currency translation adjustment	(41)	109
Remeasurements of defined benefit plans, net of tax	(162)	75
Total other comprehensive income	(1,085)	831
Comprehensive income	1,513	3,660
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,513	3,660
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,500	5,757	40,217	(2,473)	49,000
Changes of items during period					
Dividends of surplus			(1,886)		(1,886)
Profit attributable to owners of parent			2,598		2,598
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		42		134	177
Net changes of items other than shareholders' equity					
Total changes of items during period	-	42	712	133	888
Balance at end of current period	5,500	5,799	40,929	(2,340)	49,888

	Accumulated other comprehensive income				Subscription rights to shares	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	1,981	(638)	(294)	1,048	40	50,089
Changes of items during period						
Dividends of surplus						(1,886)
Profit attributable to owners of parent						2,598
Purchase of treasury shares						(1)
Disposal of treasury shares						177
Net changes of items other than shareholders' equity	(880)	(41)	(162)	(1,085)	(11)	(1,096)
Total changes of items during period	(880)	(41)	(162)	(1,085)	(11)	(208)
Balance at end of current period	1,100	(680)	(457)	(36)	28	49,881

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	5,500	5,799	40,929	(2,340)	49,888
Changes of items during period					
Dividends of surplus			(1,923)		(1,923)
Profit attributable to owners of parent			2,828		2,828
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		28		119	148
Net changes of items other than shareholders' equity					
Total changes of items during period	-	28	905	117	1,052
Balance at end of current period	5,500	5,828	41,835	(2,222)	50,941

	Accumulated other comprehensive income				Subscription rights to shares	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	1,100	(680)	(457)	(36)	28	49,881
Changes of items during period						
Dividends of surplus						(1,923)
Profit attributable to owners of parent						2,828
Purchase of treasury shares						(1)
Disposal of treasury shares						148
Net changes of items other than shareholders' equity	647	109	75	831	(28)	803
Total changes of items during period	647	109	75	831	(28)	1,855
Balance at end of current period	1,748	(571)	(381)	795	-	51,736

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	4,317	4,231
Depreciation	5,345	6,191
Amortization of goodwill	129	129
Impairment loss	189	–
loss on fire	75	–
Increase (decrease) in provision for bonuses	31	45
Decrease (increase) in net defined benefit asset	1	17
Increase (decrease) in net defined benefit liability	3	28
Interest and dividend income	(110)	(109)
Interest expenses	123	108
Insurance income	(15)	(2)
Gain on reversal of subscription rights to shares	(0)	(22)
Gain on insurance claim	(646)	–
Foreign exchange losses (gains)	596	26
Loss (gain) on sales of investment securities	(4)	(19)
Decrease (increase) in notes and accounts receivable - trade	93	(318)
Decrease (increase) in inventories	(84)	(231)
Increase (decrease) in notes and accounts payable - trade	212	274
Decrease (increase) in other current assets	168	(388)
Increase (decrease) in other current liabilities	(563)	24
Other, net	204	(386)
Subtotal	10,066	9,600
Interest and dividend income received	110	109
Interest expenses paid	(119)	(105)
Income taxes paid	(2,253)	(1,604)
Proceeds from insurance income	940	–
Net cash provided by (used in) operating activities	8,744	8,000
Cash flows from investing activities		
Payments into time deposits	(216)	(120)
Proceeds from withdrawal of time deposits	120	120
Purchase of property, plant and equipment	(9,357)	(14,869)
Proceeds from sales of property, plant and equipment	20	18
Purchase of investment securities	(153)	(193)
Proceeds from sales of investment securities	315	225
Other payments	(88)	(135)
Other proceeds	6	5
Net cash provided by (used in) investing activities	(9,353)	(14,947)
Cash flows from financing activities		
Increase in short-term loans payable	8,657	14,030
Decrease in short-term loans payable	(7,000)	(12,000)
Proceeds from long-term loans payable	2,000	8,056
Repayments of long-term loans payable	(773)	(523)
Purchase of treasury shares	(1)	(1)
Proceeds from sales of treasury shares	177	148
Cash dividends paid	(1,895)	(1,930)
Net cash provided by (used in) financing activities	1,164	7,779
Effect of exchange rate change on cash and cash equivalents	(43)	(18)
Net increase (decrease) in cash and cash equivalents	512	813
Cash and cash equivalents at beginning of period	4,147	4,660
Cash and cash equivalents at end of period	4,660	5,473