

**Translation**

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**Summary of Consolidated Financial Results  
for the Year Ended March 31, 2018  
(Based on Japanese GAAP)**

May 11, 2018

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 22, 2018  
 Scheduled date to file Securities Report: June 22, 2018  
 Scheduled date to commence dividend payments: June 25, 2018  
 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, 2018 (from April 1, 2017 to March 31, 2018)

(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, 2018	66,907	6.0	3,181	(7.2)	4,033	(7.9)	2,418	(14.5)
Year ended March 31, 2017	63,119	3.5	3,430	0.1	4,379	7.5	2,828	8.9

	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, 2018	75.22	—	4.6	4.1	4.8
Year ended March 31, 2017	88.17	88.16	5.6	4.9	5.4

(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, 2018	100,556	52,500	52.2	1,630.91
As of March 31, 2017	94,738	51,736	54.6	1,610.83

(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, 2018	9,938	(9,028)	1,447	7,788
Year ended March 31, 2017	8,000	(14,947)	7,779	5,473

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, 2017	—	10.00	—	50.00	60.00	1,926	68.1	3.7
Year ended March 31, 2018	—	10.00	—	50.00	60.00	1,930	79.8	3.7
Year ending March 31, 2019 (Forecast)	—	10.00	—	50.00	60.00		—	

3. Forecast of consolidated financial results for the year ending March 31, 2019 (from April 1, 2018 to March 31, 2019)

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, 2018	29,200	5.1	(3,050)	–	(2,890)	–	(2,260)	–	(67.75)
Full year	68,200	1.9	2,240	(29.6)	2,850	(29.3)	1,840	(23.9)	55.16

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2018

(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: 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, 2018	33,359,040 shares	As of March 31, 2017	33,359,040 shares
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Number of treasury shares at the end of the period

As of March 31, 2018	1,168,161 shares	As of March 31, 2017	1,240,942 shares
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Average number of shares during the period

Year ended March 31, 2018	32,157,621 shares	Year ended March 31, 2017	32,086,390 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
Assets		
Current assets		
Cash and deposits	6,047	8,508
Notes and accounts receivable - trade	5,172	6,783
Merchandise and finished goods	1,455	1,659
Work in process	3,402	3,384
Raw materials and supplies	615	647
Deferred tax assets	436	434
Other	881	439
Allowance for doubtful accounts	(21)	(16)
Total current assets	17,990	21,841
Non-current assets		
Property, plant and equipment		
Buildings and structures	56,967	60,711
Accumulated depreciation	(23,272)	(24,872)
Buildings and structures, net	33,695	35,839
Machinery, equipment and vehicles	46,322	49,071
Accumulated depreciation	(27,190)	(31,589)
Machinery, equipment and vehicles, net	19,131	17,482
Land	14,043	14,045
Construction in progress	1,018	1,330
Other	1,898	2,089
Accumulated depreciation	(1,437)	(1,596)
Other, net	461	492
Total property, plant and equipment	68,350	69,191
Intangible assets		
Goodwill	322	193
Other	81	60
Total intangible assets	403	253
Investments and other assets		
Investment securities	6,315	7,384
Deferred tax assets	239	209
Net defined benefit asset	795	901
Other	662	794
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	7,993	9,270
Total non-current assets	76,747	78,714
Total assets	94,738	100,556

(Millions of yen)

	As of March 31, 2017	As of March 31, 2018
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	5,592	5,967
Short-term loans payable	16,669	20,701
Current portion of long-term loans payable	771	833
Income taxes payable	1,418	1,470
Provision for bonuses	1,007	1,043
Other	3,556	4,818
Total current liabilities	29,015	34,834
Non-current liabilities		
Long-term loans payable	12,538	11,703
Deferred tax liabilities	774	843
Net defined benefit liability	340	347
Asset retirement obligations	188	189
Other	144	137
Total non-current liabilities	13,986	13,220
Total liabilities	43,001	48,055
<b>Net assets</b>		
Shareholders' equity		
Capital stock	5,500	5,500
Capital surplus	5,828	5,695
Retained earnings	41,835	42,326
Treasury shares	(2,222)	(2,111)
Total shareholders' equity	50,941	51,411
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,748	1,829
Foreign currency translation adjustment	(571)	(434)
Remeasurements of defined benefit plans	(381)	(305)
Total accumulated other comprehensive income	795	1,089
Total net assets	51,736	52,500
Total liabilities and net assets	94,738	100,556

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

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Net sales	63,119	66,907
Cost of sales	45,541	48,784
Gross profit	17,578	18,122
Selling, general and administrative expenses	14,147	14,940
Operating profit	3,430	3,181
Non-operating income		
Interest income	0	5
Dividend income	109	159
Subsidy income	681	834
Land and house rent received	276	302
Other	61	80
Total non-operating income	1,128	1,382
Non-operating expenses		
Interest expenses	108	101
Foreign exchange losses	26	406
Loss on subsidy return	36	–
Other	8	22
Total non-operating expenses	180	530
Ordinary profit	4,379	4,033
Extraordinary income		
Gain on reversal of share acquisition rights	22	–
Other	3	0
Total extraordinary income	25	0
Extraordinary losses		
Loss on sales of non-current assets	2	30
Loss on retirement of non-current assets	168	88
Other	1	8
Total extraordinary losses	173	127
Profit before income taxes	4,231	3,906
Income taxes - current	1,351	1,483
Income taxes - deferred	51	3
Total income taxes	1,402	1,487
Profit	2,828	2,418
Profit attributable to owners of parent	2,828	2,418

## Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Profit	2,828	2,418
Other comprehensive income		
Valuation difference on available-for-sale securities	647	81
Foreign currency translation adjustment	109	136
Remeasurements of defined benefit plans, net of tax	75	76
Total other comprehensive income	831	294
Comprehensive income	3,660	2,712
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,660	2,712
Comprehensive income attributable to non-controlling interests	—	—

## Consolidated statements of changes in equity

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				Share acquisition rights	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

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				Share acquisition rights	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



## Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018
Cash flows from operating activities		
Profit before income taxes	4,231	3,906
Depreciation	6,191	6,668
Amortization of goodwill	129	129
Increase (decrease) in provision for bonuses	45	40
Decrease (increase) in net defined benefit asset	17	15
Increase (decrease) in net defined benefit liability	28	(4)
Interest and dividend income	(109)	(165)
Interest expenses	108	101
Insurance income	(2)	–
Gain on reversal of share acquisition rights	(22)	–
Foreign exchange losses (gains)	26	343
Loss (gain) on sales of investment securities	(19)	–
Decrease (increase) in notes and accounts receivable - trade	(318)	(1,626)
Decrease (increase) in inventories	(231)	(227)
Increase (decrease) in notes and accounts payable - trade	274	784
Decrease (increase) in other current assets	(388)	460
Increase (decrease) in other current liabilities	24	949
Other, net	(386)	(74)
Subtotal	9,600	11,302
Interest and dividend income received	109	165
Interest expenses paid	(105)	(97)
Income taxes paid	(1,604)	(1,431)
Net cash provided by (used in) operating activities	8,000	9,938
Cash flows from investing activities		
Payments into time deposits	(120)	(271)
Proceeds from withdrawal of time deposits	120	120
Purchase of property, plant and equipment	(14,869)	(7,865)
Proceeds from sales of property, plant and equipment	18	74
Purchase of investment securities	(193)	(773)
Proceeds from sales of investment securities	225	402
Purchase of shares of subsidiaries	–	(558)
Other payments	(135)	(159)
Other proceeds	5	3
Net cash provided by (used in) investing activities	(14,947)	(9,028)
Cash flows from financing activities		
Increase in short-term loans payable	14,030	13,000
Decrease in short-term loans payable	(12,000)	(8,982)
Proceeds from long-term loans payable	8,056	869
Repayments of long-term loans payable	(523)	(1,649)
Purchase of treasury shares	(1)	(1)
Proceeds from sales of treasury shares	148	143
Cash dividends paid	(1,930)	(1,931)
Net cash provided by (used in) financing activities	7,779	1,447
Effect of exchange rate change on cash and cash equivalents	(18)	(44)
Net increase (decrease) in cash and cash equivalents	813	2,314
Cash and cash equivalents at beginning of period	4,660	5,473
Cash and cash equivalents at end of period	5,473	7,788