

Translation

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Summary of Consolidated Financial Results for the Six Months Ended September 30, 2018 (Based on Japanese GAAP)

November 2, 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 to file Quarterly Securities Report: November 9, 2018
 Scheduled date to commence dividend payments: December 5, 2018
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for analysts and institutional investors)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended September 30, 2018 (from April 1, 2018 to September 30, 2018)

(1) Consolidated operating results (cumulative)

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	%
Six months ended September 30, 2018	29,881	7.6	(1,990)	—	(1,301)	—	(1,132)	—
Six months ended September 30, 2017	27,779	6.4	(2,783)	—	(2,502)	—	(1,955)	—

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2018	(35.25)	—
Six months ended September 30, 2017	(60.88)	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	108,278	49,327	45.6
As of March 31, 2018	100,138	52,500	52.4

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2018	—	10.00	—	50.00	60.00
Year ending March 31, 2019	—	10.00			
Year ending March 31, 2019 (Forecast)			—	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
Full year	68,700	2.7	3,340	5.0	4,490	11.3	3,020	24.9	90.53

4. Notes

- (1) Changes in significant subsidiaries during the six months ended September 30, 2018
(changes in specified subsidiaries resulting in the change in scope of consolidation): Yes
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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

(4) Number of issued shares (common shares)

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

As of September 30, 2018	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 September 30, 2018	1,420,405 shares	As of March 31, 2018	1,168,161 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2018	32,131,010 shares	Six months ended September 30, 2017	32,128,997 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	8,508	9,135
Notes and accounts receivable - trade	6,783	7,736
Merchandise and finished goods	1,659	1,935
Work in process	3,384	4,081
Raw materials and supplies	647	677
Other	439	964
Allowance for doubtful accounts	(16)	(14)
Total current assets	21,406	24,515
Non-current assets		
Property, plant and equipment		
Buildings and structures	60,711	64,247
Accumulated depreciation	(24,872)	(25,889)
Buildings and structures, net	35,839	38,357
Machinery, equipment and vehicles	49,071	54,472
Accumulated depreciation	(31,589)	(33,966)
Machinery, equipment and vehicles, net	17,482	20,505
Land	14,045	14,001
Other	3,420	2,719
Accumulated depreciation	(1,596)	(1,662)
Other, net	1,823	1,057
Total property, plant and equipment	69,191	73,922
Intangible assets		
Goodwill	193	306
Other	60	110
Total intangible assets	253	417
Investments and other assets		
Investment securities	7,384	7,372
Net defined benefit asset	901	939
Other	1,021	1,131
Allowance for doubtful accounts	(19)	(19)
Total investments and other assets	9,288	9,422
Total non-current assets	78,732	83,763
Total assets	100,138	108,278

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,967	6,590
Short-term loans payable	20,701	21,679
Income taxes payable	1,470	190
Provision for bonuses	1,043	1,096
Other	5,651	6,776
Total current liabilities	34,834	36,332
Non-current liabilities		
Long-term loans payable	11,703	11,811
Bonds with share acquisition rights	—	9,998
Net defined benefit liability	347	358
Asset retirement obligations	189	194
Other	563	257
Total non-current liabilities	12,803	22,618
Total liabilities	47,638	58,951
Net assets		
Shareholders' equity		
Capital stock	5,500	5,500
Capital surplus	5,695	5,695
Retained earnings	42,326	39,522
Treasury shares	(2,111)	(2,595)
Total shareholders' equity	51,411	48,123
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,829	2,059
Foreign currency translation adjustment	(434)	(578)
Remeasurements of defined benefit plans	(305)	(277)
Total accumulated other comprehensive income	1,089	1,203
Total net assets	52,500	49,327
Total liabilities and net assets	100,138	108,278

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	27,779	29,881
Cost of sales	23,388	24,409
Gross profit	4,390	5,471
Selling, general and administrative expenses	7,174	7,461
Operating loss	(2,783)	(1,990)
Non-operating income		
Dividend income	88	90
Land and house rent received	152	166
Foreign exchange gains	—	421
Subsidy income	115	33
Other	47	37
Total non-operating income	404	749
Non-operating expenses		
Interest expenses	45	54
Foreign exchange losses	73	—
Other	3	6
Total non-operating expenses	122	60
Ordinary loss	(2,502)	(1,301)
Extraordinary income		
Gain on sales of non-current assets	0	122
Other	—	5
Total extraordinary income	0	128
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on disaster	—	236
Other	0	0
Total extraordinary losses	0	237
Loss before income taxes	(2,502)	(1,410)
Income taxes - current	127	161
Income taxes - deferred	(673)	(438)
Total income taxes	(546)	(277)
Loss	(1,955)	(1,132)
Loss attributable to owners of parent	(1,955)	(1,132)

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Loss	(1,955)	(1,132)
Other comprehensive income		
Valuation difference on available-for-sale securities	172	230
Foreign currency translation adjustment	2	(143)
Remeasurements of defined benefit plans, net of tax	25	27
Total other comprehensive income	200	114
Comprehensive income	(1,755)	(1,018)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(1,755)	(1,018)
Comprehensive income attributable to non-controlling interests	—	—