

Translation

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

July 11, 2017

Company name: KANEKO SEEDS CO., LTD.  
 Stock exchange listing: Tokyo  
 Stock code: 1376 URL <http://www.kanekoseeds.jp>  
 Representative: PRESIDENT MASAHIKO KANEKO  
 SENIOR MANAGING DIRECTOR  
 Inquiries: HIROKATSU HASE TEL 027-251-1619  
 FINANCE DEPARTMENT  
 Scheduled date of ordinary general meeting of shareholders: August 29, 2017  
 Scheduled date to file Securities Report: August 30, 2017  
 Scheduled date to commence dividend payments: August 30, 2017  
 Preparation of supplementary material on financial results: Yes  
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended May 31, 2017 (from June 1, 2016 to May 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 May 31, 2017 | 57,848          | (0.4) | 2,015            | (6.0) | 2,116           | (7.2) | 1,489                                   | 1.6 |
| Year ended May 31, 2016 | 58,099          | (1.2) | 2,144            | 0.1   | 2,281           | 0.3   | 1,465                                   | 7.2 |

|                         | 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 May 31, 2017 | 126.86             | –                          | 8.8  | 4.9                          | 3.5                        |
| Year ended May 31, 2016 | 124.83             | –                          | 9.3  | 5.2                          | 3.7                        |

(2) Consolidated financial position

|                    | Total assets    | Net assets      | Equity ratio | Net assets per share |
|--------------------|-----------------|-----------------|--------------|----------------------|
|                    | Millions of yen | Millions of yen | %            | Yen                  |
| As of May 31, 2017 | 43,369          | 17,686          | 40.8         | 1,506.34             |
| As of May 31, 2016 | 43,186          | 16,198          | 37.5         | 1,379.56             |

(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 May 31, 2017 | 1,705                                | (27)                                 | (1,264)                              | 4,369                                      |
| Year ended May 31, 2016 | 2,342                                | (208)                                | (607)                                | 3,891                                      |

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 May 31, 2016             | –                          | 11.00           | –               | 16.00           | 27.00 | 317                          | 21.6                                 | 2.0   |
| Year ended May 31, 2017             | –                          | 11.00           | –               | 15.00           | 26.00 | 305                          | 20.5                                 | 1.8   |
| Year ending May 31, 2018 (Forecast) | –                          | 11.00           | –               | 15.00           | 26.00 |                              | 21.1                                 |   |

3. Forecast of consolidated financial results for the year ending May 31, 2018 (from June 1, 2017 to May 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 November 30, 2017 | –               | –   | –                | –   | –               | –   | –                                       | –     | –                  |
| Full year                           | 59,500          | 2.9 | 2,050            | 1.7 | 2,150           | 1.6 | 1,450                                   | (2.6) | 123.50             |

4. Notes

(1) Changes in significant subsidiaries during the year ended May 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: 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 May 31, 2017 | 11,772,626 shares | As of May 31, 2016 | 11,772,626 shares |
|--------------------|-------------------|--------------------|-------------------|

Number of treasury shares at the end of the period

|                    |               |                    |               |
|--------------------|---------------|--------------------|---------------|
| As of May 31, 2017 | 31,555 shares | As of May 31, 2016 | 31,189 shares |
|--------------------|---------------|--------------------|---------------|

Average number of shares during the period

|                         |                   |                         |                   |
|-------------------------|-------------------|-------------------------|-------------------|
| Year ended May 31, 2017 | 11,741,273 shares | Year ended May 31, 2016 | 11,741,868 shares |
|-------------------------|-------------------|-------------------------|-------------------|

**Consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

|                                       | As of May 31, 2016 | As of May 31, 2017 |
|---------------------------------------|--------------------|--------------------|
| Assets                                |                    |                    |
| Current assets                        |                    |                    |
| Cash and deposits                     | 4,225,368          | 4,702,589          |
| Notes and accounts receivable - trade | 22,162,699         | 22,200,662         |
| Merchandise                           | 7,254,228          | 6,774,347          |
| Deferred tax assets                   | 213,085            | 204,126            |
| Other                                 | 1,130,613          | 1,296,528          |
| Allowance for doubtful accounts       | (76,747)           | (21,792)           |
| Total current assets                  | 34,909,248         | 35,156,461         |
| Non-current assets                    |                    |                    |
| Property, plant and equipment         |                    |                    |
| Buildings and structures, net         | 1,435,764          | 1,414,564          |
| Land                                  | 4,196,523          | 4,196,523          |
| Other, net                            | 278,748            | 265,774            |
| Total property, plant and equipment   | 5,911,036          | 5,876,862          |
| Intangible assets                     | 55,534             | 44,955             |
| Investments and other assets          |                    |                    |
| Investment securities                 | 1,513,642          | 1,625,174          |
| Deferred tax assets                   | 319,725            | 239,305            |
| Other                                 | 490,356            | 438,945            |
| Allowance for doubtful accounts       | (12,564)           | (12,619)           |
| Total investments and other assets    | 2,311,159          | 2,290,806          |
| Total non-current assets              | 8,277,730          | 8,212,624          |
| Total assets                          | 43,186,978         | 43,369,085         |

(Thousands of yen)

|   | As of May 31, 2016 | As of May 31, 2017 |
|---|--------------------|--------------------|
| <b>Liabilities</b>                                    |                    |                    |
| <b>Current liabilities</b>                            |                    |                    |
| Notes and accounts payable - trade                    | 22,501,299         | 22,201,137         |
| Short-term loans payable                              | 935,000            | –                  |
| Income taxes payable                                  | 367,467            | 397,090            |
| Other   | 1,274,069          | 1,208,135          |
| <b>Total current liabilities</b>                      | <b>25,077,836</b>  | <b>23,806,363</b>  |
| <b>Non-current liabilities</b>                        |                    |                    |
| Net defined benefit liability                         | 1,658,399          | 1,640,457          |
| Provision for directors' retirement benefits          | 127,075            | 117,750            |
| Other   | 125,617            | 118,495            |
| <b>Total non-current liabilities</b>                  | <b>1,911,091</b>   | <b>1,876,702</b>   |
| <b>Total liabilities</b>                              | <b>26,988,928</b>  | <b>25,683,066</b>  |
| <b>Net assets</b>                                     |                    |                    |
| <b>Shareholders' equity</b>                           |                    |                    |
| Capital stock   | 1,491,267          | 1,491,267          |
| Capital surplus                                       | 1,765,221          | 1,765,221          |
| Retained earnings                                     | 12,835,421         | 14,158,524         |
| Treasury shares                                       | (20,984)           | (21,497)           |
| <b>Total shareholders' equity</b>                     | <b>16,070,925</b>  | <b>17,393,515</b>  |
| <b>Accumulated other comprehensive income</b>         |                    |                    |
| Valuation difference on available-for-sale securities | 518,337            | 639,772            |
| Foreign currency translation adjustment               | –                  | (32,621)           |
| Remeasurements of defined benefit plans               | (391,212)          | (314,646)          |
| <b>Total accumulated other comprehensive income</b>   | <b>127,125</b>     | <b>292,504</b>     |
| <b>Total net assets</b>                               | <b>16,198,050</b>  | <b>17,686,019</b>  |
| <b>Total liabilities and net assets</b>               | <b>43,186,978</b>  | <b>43,369,085</b>  |

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

(Thousands of yen)

|  | Fiscal year ended<br>May 31, 2016 | Fiscal year ended<br>May 31, 2017 |
|--|-----------------------------------|-----------------------------------|
| Net sales                                    | 58,099,863                        | 57,848,330                        |
| Cost of sales                                | 48,950,890                        | 48,637,545                        |
| Gross profit                                 | 9,148,973                         | 9,210,785                         |
| Selling, general and administrative expenses | 7,004,324                         | 7,195,161                         |
| Operating profit                             | 2,144,648                         | 2,015,624                         |
| Non-operating income                         |                                   |                                   |
| Interest income                              | 4,093                             | 3,712                             |
| Dividend income                              | 66,679                            | 27,782                            |
| House rent income                            | 60,766                            | 57,253                            |
| Other  | 28,288                            | 33,046                            |
| Total non-operating income                   | 159,827                           | 121,794                           |
| Non-operating expenses                       |                                   |                                   |
| Interest expenses                            | 22,480                            | 18,210                            |
| Other  | 515                               | 2,834                             |
| Total non-operating expenses                 | 22,996                            | 21,045                            |
| Ordinary profit                              | 2,281,479                         | 2,116,373                         |
| Extraordinary income                         |                                   |                                   |
| Gain on sales of non-current assets          | –                                 | 312                               |
| Gain on sales of investment securities       | 909                               | 90,573                            |
| Total extraordinary income                   | 909                               | 90,885                            |
| Extraordinary losses                         |                                   |                                   |
| Loss on disposal of non-current assets       | 4,906                             | 156                               |
| Loss on valuation of investment securities   | 5,541                             | –                                 |
| Loss on valuation of other investments       | 1,120                             | –                                 |
| Total extraordinary losses                   | 11,568                            | 156                               |
| Profit before income taxes                   | 2,270,821                         | 2,207,102                         |
| Income taxes - current                       | 739,381                           | 725,356                           |
| Income taxes - deferred                      | 65,751                            | (7,696)                           |
| Total income taxes                           | 805,132                           | 717,659                           |
| Profit                                       | 1,465,688                         | 1,489,443                         |
| Profit attributable to owners of parent      | 1,465,688                         | 1,489,443                         |

## Consolidated statements of comprehensive income

(Thousands of yen)

|  | Fiscal year ended<br>May 31, 2016 | Fiscal year ended<br>May 31, 2017 |
|--|-----------------------------------|-----------------------------------|
| Profit   | 1,465,688                         | 1,489,443                         |
| Other comprehensive income                                     |                                   |                                   |
| Valuation difference on available-for-sale securities          | (56,520)                          | 121,435                           |
| Foreign currency translation adjustment                        | –                                 | (20,468)                          |
| Remeasurements of defined benefit plans, net of tax            | (359,650)                         | 76,565                            |
| Total other comprehensive income                               | (416,171)                         | 177,532                           |
| Comprehensive income   | 1,049,517                         | 1,666,975                         |
| Comprehensive income attributable to                           |                                   |                                   |
| Comprehensive income attributable to owners of parent          | 1,049,517                         | 1,666,975                         |
| Comprehensive income attributable to non-controlling interests | –                                 | –                                 |

## Consolidated statements of changes in equity

Fiscal year ended May 31, 2016

(Thousands of yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period                                     | 1,491,267            | 1,765,221       | 11,663,286        | (19,841)        | 14,899,933                 |
| Changes of items during period   |                      |                 |                   |                 |                            |
| Dividends of surplus   |                      |                 | (293,553)         |                 | (293,553)                  |
| Profit attributable to owners of parent                                    |                      |                 | 1,465,688         |                 | 1,465,688                  |
| Purchase of treasury shares  |                      |                 |                   | (1,142)         | (1,142)                    |
| Change of scope of consolidation   |                      |                 |                   |                 | –                          |
| Change of scope of consolidation - foreign currency translation adjustment |                      |                 |                   |                 | –                          |
| Net changes of items other than shareholders' equity                       |                      |                 |                   |                 | –                          |
| Total changes of items during period                                       | –                    | –               | 1,172,134         | (1,142)         | 1,170,992                  |
| Balance at end of current period   | 1,491,267            | 1,765,221       | 12,835,421        | (20,984)        | 16,070,925                 |

|  | 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                                     | 574,857   | –                                       | (31,561)                                | 543,296                                      | 15,443,229       |
| Changes of items during period   |   |   |   |  |                  |
| Dividends of surplus   |   |   |   |  | (293,553)        |
| Profit attributable to owners of parent                                    |   |   |   |  | 1,465,688        |
| Purchase of treasury shares  |   |   |   |  | (1,142)          |
| Change of scope of consolidation   |   |   |   |  | –                |
| Change of scope of consolidation - foreign currency translation adjustment |   |   |   |  | –                |
| Net changes of items other than shareholders' equity                       | (56,520)  | –                                       | (359,650)                               | (416,171)                                    | (416,171)        |
| Total changes of items during period                                       | (56,520)  | –                                       | (359,650)                               | (416,171)                                    | 754,820          |
| Balance at end of current period   | 518,337   | –                                       | (391,212)                               | 127,125                                      | 16,198,050       |

Fiscal year ended May 31, 2017

(Thousands of yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period                                     | 1,491,267            | 1,765,221       | 12,835,421        | (20,984)        | 16,070,925                 |
| Changes of items during period   |                      |                 |                   |                 |                            |
| Dividends of surplus   |                      |                 | (317,016)         |                 | (317,016)                  |
| Profit attributable to owners of parent                                    |                      |                 | 1,489,443         |                 | 1,489,443                  |
| Purchase of treasury shares  |                      |                 |                   | (513)           | (513)                      |
| Change of scope of consolidation   |                      |                 | 150,676           |                 | 150,676                    |
| Change of scope of consolidation - foreign currency translation adjustment |                      |                 |                   |                 | -                          |
| Net changes of items other than shareholders' equity                       |                      |                 |                   |                 | -                          |
| Total changes of items during period                                       | -                    | -               | 1,323,103         | (513)           | 1,322,589                  |
| Balance at end of current period   | 1,491,267            | 1,765,221       | 14,158,524        | (21,497)        | 17,393,515                 |

|  | 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                                     | 518,337   | -                                       | (391,212)                               | 127,125                                      | 16,198,050       |
| Changes of items during period   |   |   |   |  |                  |
| Dividends of surplus   |   |   |   |  | (317,016)        |
| Profit attributable to owners of parent                                    |   |   |   |  | 1,489,443        |
| Purchase of treasury shares  |   |   |   |  | (513)            |
| Change of scope of consolidation   |   |   |   |  | 150,676          |
| Change of scope of consolidation - foreign currency translation adjustment |   | (12,153)                                |   | (12,153)                                     | (12,153)         |
| Net changes of items other than shareholders' equity                       | 121,435   | (20,468)                                | 76,565                                  | 177,532                                      | 177,532          |
| Total changes of items during period                                       | 121,435   | (32,621)                                | 76,565                                  | 165,379                                      | 1,487,968        |
| Balance at end of current period   | 639,772   | (32,621)                                | (314,646)                               | 292,504                                      | 17,686,019       |



## Consolidated statements of cash flows

(Thousands of yen)

|   | Fiscal year ended<br>May 31, 2016 | Fiscal year ended<br>May 31, 2017 |
|---|-----------------------------------|-----------------------------------|
| Cash flows from operating activities  |                                   |                                   |
| Profit before income taxes  | 2,270,821                         | 2,207,102                         |
| Depreciation  | 222,835                           | 224,886                           |
| Increase (decrease) in allowance for doubtful accounts  | (5,534)                           | (54,794)                          |
| Increase (decrease) in net defined benefit liability  | 9,329                             | 81,294                            |
| Increase (decrease) in provision for directors' retirement benefits   | (87,505)                          | (9,325)                           |
| Interest and dividend income  | (70,772)                          | (31,494)                          |
| Interest expenses   | 22,480                            | 18,210                            |
| Loss (gain) on valuation of investment securities   | 5,541                             | –                                 |
| Loss (gain) on sales of investment securities   | (909)                             | (90,573)                          |
| Loss (gain) on sales and retirement of property, plant and equipment  | 4,906                             | (156)                             |
| Decrease (increase) in notes and accounts receivable - trade  | 1,978,489                         | 4,928                             |
| Decrease (increase) in inventories  | 192,888                           | 552,751                           |
| Increase (decrease) in notes and accounts payable - trade   | (1,480,411)                       | (434,387)                         |
| Decrease (increase) in guarantee deposits   | 4,531                             | 15,968                            |
| Increase (decrease) in accrued consumption taxes  | 68,713                            | (83,634)                          |
| Other, net  | 54,173                            | 20,903                            |
| Subtotal  | 3,189,578                         | 2,421,681                         |
| Interest and dividend income received   | 70,916                            | 31,573                            |
| Interest expenses paid  | (22,369)                          | (16,730)                          |
| Income taxes paid   | (895,796)                         | (731,389)                         |
| Net cash provided by (used in) operating activities   | 2,342,327                         | 1,705,135                         |
| Cash flows from investing activities  |                                   |                                   |
| Purchase of property, plant and equipment   | (218,263)                         | (180,809)                         |
| Proceeds from sales of property, plant and equipment  | –                                 | 935                               |
| Payments for retirement of property, plant and equipment  | (1,873)                           | –                                 |
| Purchase of intangible assets   | –                                 | (7,000)                           |
| Proceeds from sales of intangible assets  | 66                                | –                                 |
| Purchase of investment securities   | (7,661)                           | (7,862)                           |
| Proceeds from sales of investment securities  | 1,100                             | 117,978                           |
| Other, net  | 18,390                            | 49,175                            |
| Net cash provided by (used in) investing activities   | (208,241)                         | (27,582)                          |
| Cash flows from financing activities  |                                   |                                   |
| Increase in short-term loans payable  | 3,770,000                         | 3,340,000                         |
| Decrease in short-term loans payable  | (4,070,000)                       | (4,275,000)                       |
| Cash dividends paid   | (292,231)                         | (315,929)                         |
| Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation | (1,761)                           | –                                 |
| Purchase of treasury shares   | (1,142)                           | (513)                             |
| Other, net  | (12,145)                          | (12,964)                          |
| Net cash provided by (used in) financing activities   | (607,281)                         | (1,264,407)                       |
| Effect of exchange rate change on cash and cash equivalents   | –                                 | (7,722)                           |
| Net increase (decrease) in cash and cash equivalents  | 1,526,804                         | 405,423                           |
| Cash and cash equivalents at beginning of period  | 2,365,064                         | 3,891,868                         |
| Increase in cash and cash equivalents from newly consolidated subsidiary  | –                                 | 71,796                            |
| Cash and cash equivalents at end of period  | 3,891,868                         | 4,369,089                         |