

Translation

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

July 13, 2018

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 28, 2018
 Scheduled date to file Securities Report: August 29, 2018
 Scheduled date to commence dividend payments: August 29, 2018
 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, 2018 (from June 1, 2017 to May 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 May 31, 2018	59,102	2.2	1,747	(13.3)	1,891	(10.6)	978	(34.3)
Year ended May 31, 2017	57,848	(0.4)	2,015	(6.0)	2,116	(7.2)	1,489	1.6

	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, 2018	83.35	–	5.4	4.3	3.0
Year ended May 31, 2017	126.86	–	8.8	4.9	3.5

(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, 2018	44,995	18,722	41.6	1,594.79
As of May 31, 2017	43,369	17,686	40.8	1,506.34

(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, 2018	1,516	(658)	(307)	4,911
Year ended May 31, 2017	1,705	(27)	(1,264)	4,369

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, 2017	–	11.00	–	15.00	26.00	305	20.5	1.8
Year ended May 31, 2018	–	11.00	–	15.00	26.00	305	31.2	1.7
Year ending May 31, 2019 (Forecast)	–	11.00	–	15.00	26.00		21.8	

3. Forecast of consolidated financial results for the year ending May 31, 2019 (from June 1, 2018 to May 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 November 30, 2018	–	–	–	–	–	–	–	–	–
Full year	60,000	1.5	1,900	8.7	2,000	5.7	1,400	43.1	119.25

4. Notes

(1) Changes in significant subsidiaries during the year ended May 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 May 31, 2018	11,772,626 shares	As of May 31, 2017	11,772,626 shares
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Number of treasury shares at the end of the period

As of May 31, 2018	32,522 shares	As of May 31, 2017	31,555 shares
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Average number of shares during the period

Year ended May 31, 2018	11,740,629 shares	Year ended May 31, 2017	11,741,273 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of May 31, 2017	As of May 31, 2018
Assets		
Current assets		
Cash and deposits	4,702,589	5,244,625
Notes and accounts receivable - trade	22,200,662	22,369,028
Merchandise	6,774,347	7,169,573
Deferred tax assets	204,126	217,146
Other	1,296,528	1,543,912
Allowance for doubtful accounts	(21,792)	(22,081)
Total current assets	35,156,461	36,522,205
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,414,564	1,749,828
Land	4,196,523	3,896,134
Other, net	265,774	284,848
Total property, plant and equipment	5,876,862	5,930,811
Intangible assets	44,955	65,344
Investments and other assets		
Investment securities	1,625,174	1,971,935
Deferred tax assets	239,305	90,630
Other	438,945	422,302
Allowance for doubtful accounts	(12,619)	(7,292)
Total investments and other assets	2,290,806	2,477,577
Total non-current assets	8,212,624	8,473,732
Total assets	43,369,085	44,995,938

(Thousands of yen)

	As of May 31, 2017	As of May 31, 2018
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,201,137	23,137,706
Income taxes payable	397,090	298,728
Other	1,208,135	1,129,979
Total current liabilities	23,806,363	24,566,413
Non-current liabilities		
Net defined benefit liability	1,640,457	1,465,812
Provision for directors' retirement benefits	117,750	120,875
Other	118,495	119,890
Total non-current liabilities	1,876,702	1,706,578
Total liabilities	25,683,066	26,272,992
Net assets		
Shareholders' equity		
Capital stock	1,491,267	1,491,267
Capital surplus	1,765,221	1,765,221
Retained earnings	14,158,524	14,831,844
Treasury shares	(21,497)	(23,044)
Total shareholders' equity	17,393,515	18,065,288
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	639,772	857,119
Foreign currency translation adjustment	(32,621)	(52,912)
Remeasurements of defined benefit plans	(314,646)	(146,549)
Total accumulated other comprehensive income	292,504	657,657
Total net assets	17,686,019	18,722,946
Total liabilities and net assets	43,369,085	44,995,938

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

(Thousands of yen)

	Fiscal year ended May 31, 2017	Fiscal year ended May 31, 2018
Net sales	57,848,330	59,102,794
Cost of sales	48,637,545	49,857,965
Gross profit	9,210,785	9,244,828
Selling, general and administrative expenses	7,195,161	7,497,522
Operating profit	2,015,624	1,747,306
Non-operating income		
Interest income	3,712	2,926
Dividend income	27,782	28,697
House rent income	57,253	61,038
Insurance income	–	41,123
Other	33,046	33,420
Total non-operating income	121,794	167,206
Non-operating expenses		
Interest expenses	18,210	12,996
Foreign exchange losses	2,622	9,361
Other	212	780
Total non-operating expenses	21,045	23,138
Ordinary profit	2,116,373	1,891,374
Extraordinary income		
Gain on sales of non-current assets	312	122
Gain on sales of investment securities	90,573	50,124
Total extraordinary income	90,885	50,246
Extraordinary losses		
Loss on disposal of non-current assets	156	49,449
Loss on sales of investment securities	–	4,192
Impairment loss	–	320,667
Total extraordinary losses	156	374,309
Profit before income taxes	2,207,102	1,567,311
Income taxes - current	725,356	622,857
Income taxes - deferred	(7,696)	(34,128)
Total income taxes	717,659	588,728
Profit	1,489,443	978,582
Profit attributable to owners of parent	1,489,443	978,582

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended May 31, 2017	Fiscal year ended May 31, 2018
Profit	1,489,443	978,582
Other comprehensive income		
Valuation difference on available-for-sale securities	121,435	217,347
Foreign currency translation adjustment	(20,468)	(20,290)
Remeasurements of defined benefit plans, net of tax	76,565	168,096
Total other comprehensive income	177,532	365,153
Comprehensive income	1,666,975	1,343,736
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,666,975	1,343,736
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

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

Fiscal year ended May 31, 2018

(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	14,158,524	(21,497)	17,393,515
Changes of items during period					
Dividends of surplus			(305,262)		(305,262)
Profit attributable to owners of parent			978,582		978,582
Purchase of treasury shares				(1,546)	(1,546)
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	–	–	673,320	(1,546)	671,773
Balance at end of current period	1,491,267	1,765,221	14,831,844	(23,044)	18,065,288

	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	639,772	(32,621)	(314,646)	292,504	17,686,019
Changes of items during period					
Dividends of surplus				–	(305,262)
Profit attributable to owners of parent				–	978,582
Purchase of treasury shares				–	(1,546)
Change of scope of consolidation				–	–
Change of scope of consolidation - foreign currency translation adjustment				–	–
Net changes of items other than shareholders' equity	217,347	(20,290)	168,096	365,153	365,153
Total changes of items during period	217,347	(20,290)	168,096	365,153	1,036,927
Balance at end of current period	857,119	(52,912)	(146,549)	657,657	18,722,946

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended May 31, 2017	Fiscal year ended May 31, 2018
Cash flows from operating activities		
Profit before income taxes	2,207,102	1,567,311
Depreciation	224,886	227,338
Impairment loss	–	320,667
Increase (decrease) in allowance for doubtful accounts	(54,794)	(5,038)
Increase (decrease) in net defined benefit liability	81,294	67,054
Increase (decrease) in provision for directors' retirement benefits	(9,325)	3,125
Interest and dividend income	(31,494)	(31,623)
Interest expenses	18,210	12,996
Insurance income	–	(41,123)
Loss (gain) on sales of investment securities	(90,573)	(45,931)
Loss (gain) on sales and retirement of property, plant and equipment	(156)	49,327
Decrease (increase) in notes and accounts receivable - trade	4,928	(166,577)
Decrease (increase) in inventories	552,751	(388,443)
Increase (decrease) in notes and accounts payable - trade	(434,387)	715,179
Increase (decrease) in accrued consumption taxes	(83,634)	(132,774)
Other, net	36,872	23,045
Subtotal	2,421,681	2,174,532
Interest and dividend income received	31,573	31,623
Interest expenses paid	(16,730)	(12,884)
Income taxes paid	(731,389)	(718,308)
Proceeds from insurance income	–	41,123
Net cash provided by (used in) operating activities	1,705,135	1,516,086
Cash flows from investing activities		
Purchase of property, plant and equipment	(180,809)	(616,043)
Proceeds from sales of property, plant and equipment	935	–
Payments for retirement of property, plant and equipment	–	(17,871)
Purchase of intangible assets	(7,000)	(29,000)
Purchase of investment securities	(7,862)	(70,835)
Proceeds from sales of investment securities	117,978	79,203
Other, net	49,175	(4,040)
Net cash provided by (used in) investing activities	(27,582)	(658,586)
Cash flows from financing activities		
Increase in short-term loans payable	3,340,000	3,393,055
Decrease in short-term loans payable	(4,275,000)	(3,391,502)
Cash dividends paid	(315,929)	(294,379)
Purchase of treasury shares	(513)	(1,546)
Other, net	(12,964)	(13,417)
Net cash provided by (used in) financing activities	(1,264,407)	(307,790)
Effect of exchange rate change on cash and cash equivalents	(7,722)	(7,673)
Net increase (decrease) in cash and cash equivalents	405,423	542,035
Cash and cash equivalents at beginning of period	3,891,868	4,369,089
Increase in cash and cash equivalents from newly consolidated subsidiary	71,796	–
Cash and cash equivalents at end of period	4,369,089	4,911,125