

Translation

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

January 7, 2019

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: FINANCE DEPARTMENT HIROKATSU HASE TEL 027-251-1619
 Scheduled date to file Quarterly Securities Report: January 11, 2019
 Scheduled date to commence dividend payments: February 12, 2019
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended November 30, 2018 (from June 1, 2018 to November 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 November 30, 2018	25,141	0.9	351	26.0	393	16.0	258	33.6
Six months ended November 30, 2017	24,923	4.3	278	(11.7)	338	(3.6)	193	(18.4)

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended November 30, 2018	22.06	–
Six months ended November 30, 2017	16.51	–

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of November 30, 2018	35,284	18,918	53.6	1,611.57
As of May 31, 2018	44,995	18,722	41.6	1,594.79

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 May 31, 2018	–	11.00	–	15.00	26.00
Year ending May 31, 2019	–	11.00	–	–	–
Year ending May 31, 2019 (Forecast)	–	–	–	15.00	26.00

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
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 six months ended November 30, 2018
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (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 November 30, 2018	11,772,626 shares	As of May 31, 2018	11,772,626 shares
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Number of treasury shares at the end of the period

As of November 30, 2018	33,193 shares	As of May 31, 2018	32,522 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended November 30, 2018	11,739,828 shares	Six months ended November 30, 2017	11,740,911 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of May 31, 2018	As of November 30, 2018
Assets		
Current assets		
Cash and deposits	5,244,625	4,510,301
Notes and accounts receivable - trade	22,369,028	13,553,905
Merchandise	7,169,573	6,395,937
Other	1,543,912	1,867,829
Allowance for doubtful accounts	(22,081)	(13,081)
Total current assets	36,305,059	26,314,892
Non-current assets		
Property, plant and equipment		
Land	3,896,134	3,927,953
Other, net	2,034,677	2,207,088
Total property, plant and equipment	5,930,811	6,135,042
Intangible assets	65,344	56,712
Investments and other assets		
Other	2,702,015	2,785,014
Allowance for doubtful accounts	(7,292)	(7,134)
Total investments and other assets	2,694,723	2,777,880
Total non-current assets	8,690,879	8,969,634
Total assets	44,995,938	35,284,527
Liabilities		
Current liabilities		
Notes and accounts payable - trade	23,137,706	11,871,893
Short-term loans payable	–	1,600,000
Income taxes payable	298,728	148,394
Other	1,129,979	1,026,609
Total current liabilities	24,566,413	14,646,896
Non-current liabilities		
Net defined benefit liability	1,465,812	1,477,401
Provision for directors' retirement benefits	120,875	108,125
Other	119,890	133,141
Total non-current liabilities	1,706,578	1,718,668
Total liabilities	26,272,992	16,365,565
Net assets		
Shareholders' equity		
Capital stock	1,491,267	1,491,267
Capital surplus	1,765,221	1,765,221
Retained earnings	14,831,844	14,914,725
Treasury shares	(23,044)	(24,089)
Total shareholders' equity	18,065,288	18,147,124
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	857,119	948,642
Foreign currency translation adjustment	(52,912)	(46,334)
Remeasurements of defined benefit plans	(146,549)	(130,470)
Total accumulated other comprehensive income	657,657	771,838
Total net assets	18,722,946	18,918,962
Total liabilities and net assets	44,995,938	35,284,527

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

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended November 30, 2017	Six months ended November 30, 2018
Net sales	24,923,915	25,141,214
Cost of sales	21,009,707	21,079,987
Gross profit	3,914,208	4,061,227
Selling, general and administrative expenses	3,635,548	3,710,173
Operating profit	278,659	351,054
Non-operating income		
Dividend income	16,407	17,527
House rent income	30,746	30,618
Insurance income	17,403	–
Other	8,948	13,796
Total non-operating income	73,506	61,942
Non-operating expenses		
Interest expenses	7,203	6,897
Foreign exchange losses	5,758	11,962
Other	482	1,108
Total non-operating expenses	13,444	19,968
Ordinary profit	338,721	393,028
Extraordinary income		
Gain on sales of investment securities	–	6
Total extraordinary income	–	6
Extraordinary losses		
Loss on disposal of non-current assets	40,933	7,867
Loss on sales of investment securities	3,375	–
Total extraordinary losses	44,309	7,867
Profit before income taxes	294,412	385,166
Income taxes	100,554	126,184
Profit	193,857	258,981
Profit attributable to owners of parent	193,857	258,981

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended November 30, 2017	Six months ended November 30, 2018
Profit	193,857	258,981
Other comprehensive income		
Valuation difference on available-for-sale securities	165,628	91,522
Foreign currency translation adjustment	(997)	6,577
Remeasurements of defined benefit plans, net of tax	23,277	16,079
Total other comprehensive income	187,908	114,180
Comprehensive income	381,765	373,162
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	381,765	373,162

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended November 30, 2017	Six months ended November 30, 2018
Cash flows from operating activities		
Profit before income taxes	294,412	385,166
Depreciation	105,439	121,808
Decrease (increase) in notes and accounts receivable - trade	8,918,292	8,846,022
Decrease (increase) in inventories	829,909	689,296
Increase (decrease) in notes and accounts payable - trade	(11,284,090)	(11,591,368)
Other, net	(189,049)	(72,976)
Subtotal	(1,325,085)	(1,622,051)
Income taxes paid	(314,378)	(214,934)
Other, net	26,932	9,309
Net cash provided by (used in) operating activities	(1,612,531)	(1,827,676)
Cash flows from investing activities		
Purchase of property, plant and equipment	(342,770)	(315,264)
Proceeds from sales of investment securities	14,973	92
Other, net	(13,898)	2,133
Net cash provided by (used in) investing activities	(341,695)	(313,039)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,660,000	1,598,402
Cash dividends paid	(169,727)	(185,353)
Other, net	(7,258)	(8,734)
Net cash provided by (used in) financing activities	1,483,013	1,404,314
Effect of exchange rate change on cash and cash equivalents	(333)	2,077
Net increase (decrease) in cash and cash equivalents	(471,546)	(734,323)
Cash and cash equivalents at beginning of period	4,369,089	4,911,125
Cash and cash equivalents at end of period	3,897,542	4,176,801