

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

**Summary of Consolidated Financial Results
for the Year Ended May 31, 2019
(Based on Japanese GAAP)**

July 12, 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: HIROKATSU HASE TEL 027-251-1619
 FINANCE DEPARTMENT
 Scheduled date of ordinary general meeting of shareholders: August 27, 2019
 Scheduled date to file Securities Report: August 28, 2019
 Scheduled date to commence dividend payments: August 28, 2019
 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, 2019 (from June 1, 2018 to May 31, 2019)

(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, 2019	58,592	(0.9)	1,785	2.2	1,899	0.4	1,284	31.2
Year ended May 31, 2018	59,102	2.2	1,747	(13.3)	1,891	(10.6)	978	(34.3)

	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, 2019	109.39	–	6.7	4.2	3.0
Year ended May 31, 2018	83.35	–	5.4	4.3	3.0

(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, 2019	45,526	19,619	43.1	1,671.22
As of May 31, 2018	44,995	18,722	41.6	1,594.79

(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, 2019	892	(869)	(362)	4,573
Year ended May 31, 2018	1,516	(658)	(307)	4,911

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, 2018	–	11.00	–	15.00	26.00	305	31.2	1.7
Year ended May 31, 2019	–	11.00	–	17.00	28.00	328	25.6	1.7
Year ending May 31, 2020 (Forecast)	–	11.00	–	17.00	28.00		24.3	

3. Forecast of consolidated financial results for the year ending May 31, 2020 (from June 1, 2019 to May 31, 2020)

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, 2019	–	–	–	–	–	–	–	–	–
Full year	59,500	1.5	1,800	0.8	1,900	0.0	1,350	5.1	115.00

4. Notes

(1) Changes in significant subsidiaries during the year ended May 31, 2019

(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, 2019	11,772,626 shares	As of May 31, 2018	11,772,626 shares
--------------------	-------------------	--------------------	-------------------

Number of treasury shares at the end of the period

As of May 31, 2019	33,327 shares	As of May 31, 2018	32,522 shares
--------------------	---------------	--------------------	---------------

Average number of shares during the period

Year ended May 31, 2019	11,739,613 shares	Year ended May 31, 2018	11,740,629 shares
-------------------------	-------------------	-------------------------	-------------------

Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of May 31, 2018	As of May 31, 2019
Assets		
Current assets		
Cash and deposits	5,244,625	4,906,928
Notes and accounts receivable - trade	22,369,028	21,731,978
Merchandise	7,169,573	8,203,837
Other	1,543,912	1,501,244
Allowance for doubtful accounts	(22,081)	(22,075)
Total current assets	36,305,059	36,321,912
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,749,828	2,092,015
Land	3,896,134	3,953,976
Other, net	284,848	385,649
Total property, plant and equipment	5,930,811	6,431,641
Intangible assets	65,344	81,771
Investments and other assets		
Investment securities	1,971,935	1,902,856
Deferred tax assets	307,777	372,357
Other	422,302	424,688
Allowance for doubtful accounts	(7,292)	(8,911)
Total investments and other assets	2,694,723	2,690,990
Total non-current assets	8,690,879	9,204,403
Total assets	44,995,938	45,526,315

(Thousands of yen)

	As of May 31, 2018	As of May 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	23,137,706	22,593,327
Income taxes payable	298,728	309,674
Other	1,129,979	1,279,621
Total current liabilities	24,566,413	24,182,623
Non-current liabilities		
Retirement benefit liability	1,465,812	1,401,062
Provision for retirement benefits for directors (and other officers)	120,875	113,650
Other	119,890	209,907
Total non-current liabilities	1,706,578	1,724,619
Total liabilities	26,272,992	25,907,242
Net assets		
Shareholders' equity		
Capital stock	1,491,267	1,491,267
Capital surplus	1,765,221	1,765,224
Retained earnings	14,831,844	15,810,824
Treasury shares	(23,044)	(24,318)
Total shareholders' equity	18,065,288	19,042,997
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	857,119	693,164
Foreign currency translation adjustment	(52,912)	(46,304)
Remeasurements of defined benefit plans	(146,549)	(70,948)
Total accumulated other comprehensive income	657,657	575,911
Non-controlling interests	–	163
Total net assets	18,722,946	19,619,072
Total liabilities and net assets	44,995,938	45,526,315

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

(Thousands of yen)

	Fiscal year ended May 31, 2018	Fiscal year ended May 31, 2019
Net sales	59,102,794	58,592,669
Cost of sales	49,857,965	49,215,496
Gross profit	9,244,828	9,377,173
Selling, general and administrative expenses	7,497,522	7,591,465
Operating profit	1,747,306	1,785,707
Non-operating income		
Interest income	2,926	2,681
Dividend income	28,697	32,105
House rent income	61,038	62,988
Other	74,544	35,446
Total non-operating income	167,206	133,221
Non-operating expenses		
Interest expenses	12,996	12,629
Foreign exchange losses	9,361	6,783
Other	780	414
Total non-operating expenses	23,138	19,828
Ordinary profit	1,891,374	1,899,100
Extraordinary income		
Gain on sales of non-current assets	122	–
Gain on sales of investment securities	50,124	9,821
Total extraordinary income	50,246	9,821
Extraordinary losses		
Loss on disposal of non-current assets	49,449	57,760
Loss on sales of investment securities	4,192	–
Impairment loss	320,667	5,426
Total extraordinary losses	374,309	63,187
Profit before income taxes	1,567,311	1,845,734
Income taxes - current	622,857	587,184
Income taxes - deferred	(34,128)	(25,668)
Total income taxes	588,728	561,516
Profit	978,582	1,284,218
Profit attributable to non-controlling interests	–	2
Profit attributable to owners of parent	978,582	1,284,215

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended May 31, 2018	Fiscal year ended May 31, 2019
Profit	978,582	1,284,218
Other comprehensive income		
Valuation difference on available-for-sale securities	217,347	(163,955)
Foreign currency translation adjustment	(20,290)	6,608
Remeasurements of defined benefit plans, net of tax	168,096	75,601
Total other comprehensive income	365,153	(81,745)
Comprehensive income	1,343,736	1,202,472
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,343,736	1,202,466
Comprehensive income attributable to non-controlling interests	–	5

Consolidated statements of changes in equity

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)
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)
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

Fiscal year ended May 31, 2019

(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	14,831,844	(23,044)	18,065,288
Changes of items during period					
Dividends of surplus			(305,235)		(305,235)
Profit attributable to owners of parent			1,284,215		1,284,215
Disposal of treasury shares		43		50	93
Purchase of treasury shares				(1,324)	(1,324)
Change in ownership interest of parent due to transactions with non-controlling interests		(40)			(40)
Net changes of items other than shareholders' equity					-
Total changes of items during period		2	978,980	(1,274)	977,708
Balance at end of current period	1,491,267	1,765,224	15,810,824	(24,318)	19,042,997

	Accumulated other comprehensive income				Non-controlling interests	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	857,119	(52,912)	(146,549)	657,657	-	18,722,946
Changes of items during period						
Dividends of surplus				-	-	(305,235)
Profit attributable to owners of parent				-	-	1,284,215
Disposal of treasury shares				-	-	93
Purchase of treasury shares				-	-	(1,324)
Change in ownership interest of parent due to transactions with non-controlling interests				-	-	(40)
Net changes of items other than shareholders' equity	(163,955)	6,608	75,601	(81,745)	163	(81,582)
Total changes of items during period	(163,955)	6,608	75,601	(81,745)	163	896,126
Balance at end of current period	693,164	(46,304)	(70,948)	575,911	163	19,619,072

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended May 31, 2018	Fiscal year ended May 31, 2019
Cash flows from operating activities		
Profit before income taxes	1,567,311	1,845,734
Depreciation	227,338	287,907
Impairment loss	320,667	5,426
Increase (decrease) in allowance for doubtful accounts	(5,038)	1,614
Increase (decrease) in retirement benefit liability	67,054	43,726
Increase (decrease) in provision for retirement benefits for directors (and other officers)	3,125	(7,225)
Interest and dividend income	(31,623)	(34,786)
Interest expenses	12,996	12,629
Loss (gain) on sales of investment securities	(45,931)	(9,821)
Loss (gain) on sales and retirement of property, plant and equipment	49,327	57,760
Decrease (increase) in notes and accounts receivable - trade	(166,577)	706,369
Decrease (increase) in inventories	(388,443)	(1,025,467)
Increase (decrease) in notes and accounts payable - trade	715,179	(546,578)
Increase (decrease) in accrued consumption taxes	(132,774)	49,835
Other, net	(18,077)	59,354
Subtotal	2,174,532	1,446,480
Interest and dividend income received	31,623	34,786
Interest expenses paid	(12,884)	(12,515)
Income taxes paid	(718,308)	(576,303)
Other proceeds	41,123	—
Net cash provided by (used in) operating activities	1,516,086	892,447
Cash flows from investing activities		
Purchase of property, plant and equipment	(616,043)	(673,106)
Payments for retirement of property, plant and equipment	(17,871)	(33,019)
Purchase of intangible assets	(29,000)	(10,600)
Purchase of investment securities	(70,835)	(207,385)
Proceeds from sales of investment securities	79,203	50,379
Other, net	(4,040)	4,426
Net cash provided by (used in) investing activities	(658,586)	(869,305)
Cash flows from financing activities		
Increase in short-term loans payable	3,393,055	3,100,000
Decrease in short-term loans payable	(3,391,502)	(3,101,552)
Cash dividends paid	(294,379)	(314,995)
Purchase of treasury shares	(1,546)	(1,324)
Other, net	(13,417)	(45,042)
Net cash provided by (used in) financing activities	(307,790)	(362,915)
Effect of exchange rate change on cash and cash equivalents	(7,673)	2,077
Net increase (decrease) in cash and cash equivalents	542,035	(337,696)
Cash and cash equivalents at beginning of period	4,369,089	4,911,125
Cash and cash equivalents at end of period	4,911,125	4,573,428