

Translation

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Summary of Consolidated Financial Results for the Six Months Ended November 30, 2019 (Based on Japanese GAAP)

January 6, 2020

Company name: KANEKO SEEDS CO., LTD.
 Stock exchange listing: Tokyo
 Stock code: 1376 URL <http://www.kanekoseeds.jp>
 Representative: PRESIDENT MASAHIKO KANEKO
 Inquiries: SENIOR MANAGING DIRECTOR HEAD HIROKATSU HASE TEL 027-251-1619
 OF GENERAL ADMINISTRATION
 Scheduled date to file Quarterly Securities Report: January 10, 2020
 Scheduled date to commence dividend payments: February 10, 2020
 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, 2019 (from June 1, 2019 to November 30, 2019)

(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, 2019	25,106	(0.1)	152	(56.5)	215	(45.1)	154	(40.5)
Six months ended November 30, 2018	25,141	0.9	351	26.0	393	16.0	258	33.6

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended November 30, 2019	13.14	—
Six months ended November 30, 2018	22.06	—

(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, 2019	36,507	19,549	53.5	1,673.63
As of May 31, 2019	45,526	19,619	43.1	1,671.22

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, 2019	—	11.00	—	17.00	28.00
Year ending May 31, 2020	—	11.00	—	—	—
Year ending May 31, 2020 (Forecast)	—	—	—	17.00	28.00

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
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 six months ended November 30, 2019
(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, 2019	11,772,626 shares	As of May 31, 2019	11,772,626 shares
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Number of treasury shares at the end of the period

As of November 30, 2019	91,795 shares	As of May 31, 2019	33,327 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, 2019	11,726,068 shares	Six months ended November 30, 2018	11,739,828 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of May 31, 2019	As of November 30, 2019
Assets		
Current assets		
Cash and deposits	4,906,928	3,080,491
Notes and accounts receivable - trade	21,731,978	15,202,527
Merchandise	8,203,837	6,981,276
Other	1,501,244	1,898,210
Allowance for doubtful accounts	(22,075)	(15,077)
Total current assets	36,321,912	27,147,429
Non-current assets		
Property, plant and equipment		
Land	3,953,976	4,210,675
Other, net	2,477,664	2,310,735
Total property, plant and equipment	6,431,641	6,521,411
Intangible assets	81,771	90,332
Investments and other assets		
Other	2,699,902	2,770,484
Allowance for doubtful accounts	(8,911)	(22,245)
Total investments and other assets	2,690,990	2,748,239
Total non-current assets	9,204,403	9,359,983
Total assets	45,526,315	36,507,412
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,593,327	12,413,927
Short-term borrowings	–	1,558,999
Income taxes payable	309,674	99,800
Other	1,279,621	1,147,648
Total current liabilities	24,182,623	15,220,377
Non-current liabilities		
Retirement benefit liability	1,401,062	1,411,931
Provision for retirement benefits for directors (and other officers)	113,650	–
Provision for share-based remuneration for directors (and other officers)	–	4,635
Other	209,907	320,951
Total non-current liabilities	1,724,619	1,737,518
Total liabilities	25,907,242	16,957,895
Net assets		
Shareholders' equity		
Share capital	1,491,267	1,491,267
Capital surplus	1,765,224	1,765,224
Retained earnings	15,810,824	15,765,330
Treasury shares	(24,318)	(107,847)
Total shareholders' equity	19,042,997	18,913,974

(Thousands of yen)

	As of May 31, 2019	As of November 30, 2019
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	693,164	744,702
Foreign currency translation adjustment	(46,304)	(48,531)
Remeasurements of defined benefit plans	(70,948)	(60,809)
Total accumulated other comprehensive income	575,911	635,361
Non-controlling interests	163	181
Total net assets	19,619,072	19,549,517
Total liabilities and net assets	45,526,315	36,507,412

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, 2018	Six months ended November 30, 2019
Net sales	25,141,214	25,106,763
Cost of sales	21,079,987	21,171,333
Gross profit	4,061,227	3,935,429
Selling, general and administrative expenses	3,710,173	3,782,802
Operating profit	351,054	152,627
Non-operating income		
Dividend income	17,527	19,294
Rental income from buildings	30,618	34,358
Other	13,796	23,044
Total non-operating income	61,942	76,697
Non-operating expenses		
Interest expenses	6,897	6,791
Foreign exchange losses	11,962	6,057
Other	1,108	735
Total non-operating expenses	19,968	13,584
Ordinary profit	393,028	215,739
Extraordinary income		
Gain on sales of non-current assets	–	42,367
Gain on sales of investment securities	6	–
Total extraordinary income	6	42,367
Extraordinary losses		
Loss on disposal of non-current assets	7,867	29,050
Total extraordinary losses	7,867	29,050
Profit before income taxes	385,166	229,056
Income taxes	126,184	74,965
Profit	258,981	154,091
Profit attributable to non-controlling interests	–	17
Profit attributable to owners of parent	258,981	154,073

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended November 30, 2018	Six months ended November 30, 2019
Profit	258,981	154,091
Other comprehensive income		
Valuation difference on available-for-sale securities	91,522	51,537
Foreign currency translation adjustment	6,577	(2,227)
Remeasurements of defined benefit plans, net of tax	16,079	10,139
Total other comprehensive income	114,180	59,449
Comprehensive income	373,162	213,541
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	373,162	213,524
Comprehensive income attributable to non-controlling interests	–	17

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended November 30, 2018	Six months ended November 30, 2019
Cash flows from operating activities		
Profit before income taxes	385,166	229,056
Depreciation	121,808	114,999
Decrease (increase) in trade receivables	8,846,022	6,472,919
Decrease (increase) in inventories	689,296	1,187,608
Increase (decrease) in trade payables	(11,591,368)	(10,597,445)
Other, net	(72,976)	(118,816)
Subtotal	(1,622,051)	(2,711,676)
Income taxes paid	(214,934)	(227,166)
Other, net	9,309	23,974
Net cash provided by (used in) operating activities	(1,827,676)	(2,914,868)
Cash flows from investing activities		
Purchase of property, plant and equipment	(315,264)	(307,124)
Proceeds from sales of property, plant and equipment	989	144,016
Proceeds from sales of investment securities	92	–
Other, net	1,143	(2,611)
Net cash provided by (used in) investing activities	(313,039)	(165,719)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,598,402	1,558,999
Dividends paid	(185,353)	(196,716)
Purchase of treasury shares	(1,045)	(81,391)
Other, net	(7,689)	(25,863)
Net cash provided by (used in) financing activities	1,404,314	1,255,028
Effect of exchange rate change on cash and cash equivalents	2,077	(878)
Net increase (decrease) in cash and cash equivalents	(734,323)	(1,826,437)
Cash and cash equivalents at beginning of period	4,911,125	4,573,428
Cash and cash equivalents at end of period	4,176,801	2,746,991