

Translation

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Summary of Consolidated Financial Results for the Year Ended May 31, 2020 (Based on Japanese GAAP)

July 14, 2020

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 HEAD
 Inquiries: HIROKATSU HASE TEL 027-251-1619
 OF GENERAL ADMINISTRATION
 Scheduled date of ordinary general meeting of shareholders: August 27, 2020
 Scheduled date to file Securities Report: August 28, 2020
 Scheduled date to commence dividend payments: August 28, 2020
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended May 31, 2020 (from June 1, 2019 to May 31, 2020)

(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, 2020	58,179	(0.7)	1,487	(16.7)	1,613	(15.0)	1,122	(12.6)
Year ended May 31, 2019	58,592	(0.9)	1,785	2.2	1,899	0.4	1,284	31.2

	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, 2020	95.95	–	5.6	3.5	2.6
Year ended May 31, 2019	109.39	–	6.7	4.2	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, 2020	46,792	20,401	43.6	1,748.70
As of May 31, 2019	45,526	19,619	43.1	1,671.22

(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, 2020	589	(264)	(488)	4,411
Year ended May 31, 2019	892	(869)	(362)	4,573

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, 2019	–	11.00	–	17.00	28.00	328	25.6	1.7
Year ended May 31, 2020	–	11.00	–	17.00	28.00	328	29.2	1.6
Year ending May 31, 2021 (Forecast)	–	11.00	–	17.00	28.00		28.4	

3. Forecast of consolidated financial results for the year ending May 31, 2021 (from June 1, 2020 to May 31, 2021)

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, 2020	–	–	–	–	–	–	–	–	–
Full year	59,500	2.3	1,550	4.2	1,650	2.3	1,150	2.5	98.57

4. Notes

(1) Changes in significant subsidiaries during the year ended May 31, 2020

(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, 2020	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 May 31, 2020	106,041 shares	As of May 31, 2019	33,327 shares
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Average number of shares during the period

Year ended May 31, 2020	11,698,661 shares	Year ended May 31, 2019	11,739,613 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of May 31, 2019	As of May 31, 2020
Assets		
Current assets		
Cash and deposits	4,906,928	4,744,528
Notes and accounts receivable - trade	21,731,978	22,835,109
Merchandise	8,203,837	8,464,509
Other	1,501,244	1,463,318
Allowance for doubtful accounts	(22,075)	(23,063)
Total current assets	36,321,912	37,484,403
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,092,015	2,011,810
Land	3,953,976	4,210,675
Other, net	385,649	266,289
Total property, plant and equipment	6,431,641	6,488,776
Intangible assets	81,771	96,119
Investments and other assets		
Investment securities	1,902,856	1,981,177
Deferred tax assets	372,357	323,309
Other	424,688	441,919
Allowance for doubtful accounts	(8,911)	(23,087)
Total investments and other assets	2,690,990	2,723,319
Total non-current assets	9,204,403	9,308,215
Total assets	45,526,315	46,792,619

(Thousands of yen)

	As of May 31, 2019	As of May 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,593,327	22,903,100
Income taxes payable	309,674	234,102
Other	1,279,621	1,511,088
Total current liabilities	24,182,623	24,648,291
Non-current liabilities		
Retirement benefit liability	1,401,062	1,403,591
Provision for share-based remuneration for directors (and other officers)	–	16,192
Provision for retirement benefits for directors (and other officers)	113,650	–
Other	209,907	323,016
Total non-current liabilities	1,724,619	1,742,801
Total liabilities	25,907,242	26,391,092
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	16,604,614
Treasury shares	(24,318)	(129,522)
Total shareholders' equity	19,042,997	19,731,583
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	693,164	739,804
Foreign currency translation adjustment	(46,304)	(41,850)
Remeasurements of defined benefit plans	(70,948)	(28,188)
Total accumulated other comprehensive income	575,911	669,765
Non-controlling interests	163	177
Total net assets	19,619,072	20,401,526
Total liabilities and net assets	45,526,315	46,792,619

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

(Thousands of yen)

	Fiscal year ended May 31, 2019	Fiscal year ended May 31, 2020
Net sales	58,592,669	58,179,890
Cost of sales	49,215,496	49,047,518
Gross profit	9,377,173	9,132,372
Selling, general and administrative expenses	7,591,465	7,644,901
Operating profit	1,785,707	1,487,470
Non-operating income		
Interest income	2,681	3,626
Dividend income	32,105	34,198
Rental income from buildings	62,988	67,269
Other	35,446	38,210
Total non-operating income	133,221	143,304
Non-operating expenses		
Interest expenses	12,629	12,777
Foreign exchange losses	6,783	4,638
Other	414	61
Total non-operating expenses	19,828	17,477
Ordinary profit	1,899,100	1,613,297
Extraordinary income		
Gain on sales of non-current assets	–	42,411
Gain on sales of investment securities	9,821	774
Total extraordinary income	9,821	43,185
Extraordinary losses		
Loss on disposal of non-current assets	57,760	31,762
Impairment loss	5,426	–
Total extraordinary losses	63,187	31,762
Profit before income taxes	1,845,734	1,624,721
Income taxes - current	587,184	492,236
Income taxes - deferred	(25,668)	9,982
Total income taxes	561,516	502,218
Profit	1,284,218	1,122,502
Profit attributable to non-controlling interests	2	13
Profit attributable to owners of parent	1,284,215	1,122,488

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended May 31, 2019	Fiscal year ended May 31, 2020
Profit	1,284,218	1,122,502
Other comprehensive income		
Valuation difference on available-for-sale securities	(163,955)	46,639
Foreign currency translation adjustment	6,608	4,454
Remeasurements of defined benefit plans, net of tax	75,601	42,760
Total other comprehensive income	(81,745)	93,853
Comprehensive income	1,202,472	1,216,356
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,202,466	1,216,337
Comprehensive income attributable to non-controlling interests	5	18

Consolidated statements of changes in equity

Fiscal year ended May 31, 2019

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,491,267	1,765,221	14,831,844	(23,044)	18,065,288
Changes 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 in items other than shareholders' equity					–
Total changes during period	–	2	978,980	(1,274)	977,708
Balance at end of 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 period	857,119	(52,912)	(146,549)	657,657	–	18,722,946
Changes 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 in items other than shareholders' equity	(163,955)	6,608	75,601	(81,745)	163	(81,582)
Total changes during period	(163,955)	6,608	75,601	(81,745)	163	896,126
Balance at end of period	693,164	(46,304)	(70,948)	575,911	163	19,619,072

Fiscal year ended May 31, 2020

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,491,267	1,765,224	15,810,824	(24,318)	19,042,997
Changes during period					
Dividends of surplus			(328,698)		(328,698)
Profit attributable to owners of parent			1,122,488		1,122,488
Disposal of treasury shares					–
Purchase of treasury shares				(105,203)	(105,203)
Change in ownership interest of parent due to transactions with non-controlling interests					–
Net changes in items other than shareholders' equity					–
Total changes during period	–	–	793,790	(105,203)	688,586
Balance at end of period	1,491,267	1,765,224	16,604,614	(129,522)	19,731,583

	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 period	693,164	(46,304)	(70,948)	575,911	163	19,619,072
Changes during period						
Dividends of surplus				–	–	(328,698)
Profit attributable to owners of parent				–	–	1,122,488
Disposal of treasury shares				–	–	–
Purchase of treasury shares				–	–	(105,203)
Change in ownership interest of parent due to transactions with non-controlling interests				–	–	–
Net changes in items other than shareholders' equity	46,639	4,454	42,760	93,853	13	93,867
Total changes during period	46,639	4,454	42,760	93,853	13	782,454
Balance at end of period	739,804	(41,850)	(28,188)	669,765	177	20,401,526

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended May 31, 2019	Fiscal year ended May 31, 2020
Cash flows from operating activities		
Profit before income taxes	1,845,734	1,624,721
Depreciation	287,907	239,162
Impairment loss	5,426	–
Increase (decrease) in allowance for doubtful accounts	1,614	15,162
Increase (decrease) in retirement benefit liability	43,726	63,703
Increase (decrease) in provision for share-based remuneration for directors (and other officers)	–	16,192
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(7,225)	(113,650)
Interest and dividend income	(34,786)	(37,824)
Interest expenses	12,629	12,777
Loss (gain) on sales of investment securities	(9,821)	(774)
Loss (gain) on sales and retirement of property, plant and equipment	57,760	(10,649)
Decrease (increase) in trade receivables	706,369	(1,095,542)
Decrease (increase) in inventories	(1,025,467)	(267,124)
Increase (decrease) in trade payables	(546,578)	361,391
Increase (decrease) in accrued consumption taxes	49,835	197,905
Other, net	59,354	100,359
Subtotal	1,446,480	1,105,813
Interest and dividends received	34,786	37,824
Interest paid	(12,515)	(12,670)
Income taxes paid	(576,303)	(553,237)
Other proceeds	–	11,761
Net cash provided by (used in) operating activities	892,447	589,490
Cash flows from investing activities		
Purchase of property, plant and equipment	(673,106)	(366,921)
Proceeds from sales of property, plant and equipment	–	137,894
Payments for retirement of property, plant and equipment	(33,019)	–
Purchase of intangible assets	(10,600)	(19,400)
Purchase of investment securities	(207,385)	(11,499)
Proceeds from sales of investment securities	50,379	1,060
Other, net	4,426	(6,087)
Net cash provided by (used in) investing activities	(869,305)	(264,954)
Cash flows from financing activities		
Proceeds from short-term borrowings	3,100,000	2,960,000
Repayments of short-term borrowings	(3,101,552)	(2,960,000)
Dividends paid	(314,995)	(328,053)
Purchase of treasury shares	(1,324)	(105,203)
Other, net	(45,042)	(55,436)
Net cash provided by (used in) financing activities	(362,915)	(488,692)
Effect of exchange rate change on cash and cash equivalents	2,077	1,756
Net increase (decrease) in cash and cash equivalents	(337,696)	(162,400)
Cash and cash equivalents at beginning of period	4,911,125	4,573,428
Cash and cash equivalents at end of period	4,573,428	4,411,028