

Translation

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Summary of Consolidated Financial Results for the Year Ended May 31, 2016 (Based on Japanese GAAP)

July 11, 2016

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 30, 2016
 Scheduled date to file Securities Report: August 31, 2016
 Scheduled date to commence dividend payments: August 31, 2016
 Preparation of supplementary material on financial results: No
 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, 2016 (from June 1, 2015 to May 31, 2016)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended May 31, 2016	58,099	(1.2)	2,144	0.1	2,281	0.3	1,465	7.2
Year ended May 31, 2015	58,781	4.0	2,143	18.3	2,274	18.4	1,366	19.6

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended May 31, 2016	124.83	–	9.3	5.2	3.7
Year ended May 31, 2015	116.39	–	9.3	5.4	3.6

(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, 2016	43,186	16,198	37.5	1,379.56
As of May 31, 2015	44,088	15,443	35.0	1,315.16

(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, 2016	2,342	(208)	(607)	3,891
Year ended May 31, 2015	1,268	(215)	(695)	2,365

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, 2015	–	11.00	–	14.00	25.00	293	21.5	2.0
Year ended May 31, 2016	–	11.00	–	16.00	27.00	317	21.6	2.0
Year ending May 31, 2017 (Forecast)	–	11.00	–	14.00	25.00		20.0	

3. Forecast of consolidated financial results for the year ending May 31, 2017 (from June 1, 2016 to May 31, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		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, 2016	–	–	–	–	–	–	–	–	–
Full year	58,100	0.0	2,050	(4.4)	2,200	(3.6)	1,470	0.3	125.20

4. Notes

(1) Changes in significant subsidiaries during the year ended May 31, 2016

(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: Yes

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, 2016	11,772,626 shares	As of May 31, 2015	11,772,626 shares
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Number of treasury shares at the end of the period

As of May 31, 2016	31,189 shares	As of May 31, 2015	30,139 shares
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Average number of shares during the period

Year ended May 31, 2016	11,741,868 shares	Year ended May 31, 2015	11,743,568 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of May 31, 2015	As of May 31, 2016
Assets		
Current assets		
Cash and deposits	2,698,564	4,225,368
Notes and accounts receivable - trade	24,355,732	22,162,699
Merchandise	6,945,125	7,254,228
Deferred tax assets	230,772	213,085
Other	1,671,615	1,130,613
Allowance for doubtful accounts	(84,562)	(76,747)
Total current assets	35,817,247	34,909,248
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,446,952	1,435,764
Land	4,196,919	4,196,523
Other, net	255,356	278,748
Total property, plant and equipment	5,899,227	5,911,036
Intangible assets	77,098	55,534
Investments and other assets		
Investment securities	1,622,843	1,513,642
Deferred tax assets	170,971	319,725
Other	511,002	490,356
Allowance for doubtful accounts	(10,284)	(12,564)
Total investments and other assets	2,294,532	2,311,159
Total non-current assets	8,270,858	8,277,730
Total assets	44,088,105	43,186,978
Liabilities		
Current liabilities		
Notes and accounts payable - trade	24,054,682	22,501,299
Short-term loans payable	1,235,000	935,000
Income taxes payable	514,591	367,467
Other	1,388,628	1,274,069
Total current liabilities	27,192,902	25,077,836
Non-current liabilities		
Net defined benefit liability	1,147,735	1,658,399
Provision for directors' retirement benefits	214,580	127,075
Other	89,658	125,617
Total non-current liabilities	1,451,973	1,911,091
Total liabilities	28,644,875	26,988,928

(Thousands of yen)

	As of May 31, 2015	As of May 31, 2016
Net assets		
Shareholders' equity		
Capital stock	1,491,267	1,491,267
Capital surplus	1,765,221	1,765,221
Retained earnings	11,663,286	12,835,421
Treasury shares	(19,841)	(20,984)
Total shareholders' equity	14,899,933	16,070,925
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	574,857	518,337
Remeasurements of defined benefit plans	(31,561)	(391,212)
Total accumulated other comprehensive income	543,296	127,125
Total net assets	15,443,229	16,198,050
Total liabilities and net assets	44,088,105	43,186,978

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

(Thousands of yen)

	Fiscal year ended May 31, 2015	Fiscal year ended May 31, 2016
Net sales	58,781,739	58,099,863
Cost of sales	49,726,427	48,950,890
Gross profit	9,055,311	9,148,973
Selling, general and administrative expenses	6,911,893	7,004,324
Operating income	2,143,417	2,144,648
Non-operating income		
Interest income	5,995	4,093
Dividend income	53,396	66,679
House rent income	60,446	60,766
Other	38,863	28,288
Total non-operating income	158,701	159,827
Non-operating expenses		
Interest expenses	26,534	22,480
Other	1,397	515
Total non-operating expenses	27,932	22,996
Ordinary income	2,274,186	2,281,479
Extraordinary income		
Gain on sales of investment securities	–	909
Total extraordinary income	–	909
Extraordinary losses		
Loss on disposal of non-current assets	1,432	4,906
Loss on valuation of investment securities	–	5,541
Impairment loss	5,500	–
Loss on valuation of other investments	4,672	1,120
Total extraordinary losses	11,605	11,568
Profit before income taxes	2,262,581	2,270,821
Income taxes - current	846,086	739,381
Income taxes - deferred	49,633	65,751
Total income taxes	895,719	805,132
Profit	1,366,862	1,465,688
Profit attributable to owners of parent	1,366,862	1,465,688

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended May 31, 2015	Fiscal year ended May 31, 2016
Profit	1,366,862	1,465,688
Other comprehensive income		
Valuation difference on available-for-sale securities	305,130	(56,520)
Remeasurements of defined benefit plans, net of tax	51,291	(359,650)
Total other comprehensive income	356,421	(416,171)
Comprehensive income	1,723,284	1,049,517
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,723,284	1,049,517
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Fiscal year ended May 31, 2015

(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	10,578,281	(17,847)	13,816,922
Changes of items during period					
Dividends of surplus			(281,857)		(281,857)
Profit attributable to owners of parent			1,366,862		1,366,862
Purchase of treasury shares				(1,994)	(1,994)
Net changes of items other than shareholders' equity					–
Total changes of items during period	–	–	1,085,005	(1,994)	1,083,011
Balance at end of current period	1,491,267	1,765,221	11,663,286	(19,841)	14,899,933

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	269,727	(82,852)	186,874	14,003,797
Changes of items during period				
Dividends of surplus				(281,857)
Profit attributable to owners of parent				1,366,862
Purchase of treasury shares				(1,994)
Net changes of items other than shareholders' equity	305,130	51,291	356,421	356,421
Total changes of items during period	305,130	51,291	356,421	1,439,432
Balance at end of current period	574,857	(31,561)	543,296	15,443,229

Fiscal year ended May 31, 2016

(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	11,663,286	(19,841)	14,899,933
Changes of items during period					
Dividends of surplus			(293,553)		(293,553)
Profit attributable to owners of parent			1,465,688		1,465,688
Purchase of treasury shares				(1,142)	(1,142)
Net changes of items other than shareholders' equity					-
Total changes of items during period	-	-	1,172,134	(1,142)	1,170,992
Balance at end of current period	1,491,267	1,765,221	12,835,421	(20,984)	16,070,925

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	574,857	(31,561)	543,296	15,443,229
Changes of items during period				
Dividends of surplus				(293,553)
Profit attributable to owners of parent				1,465,688
Purchase of treasury shares				(1,142)
Net changes of items other than shareholders' equity	(56,520)	(359,650)	(416,171)	(416,171)
Total changes of items during period	(56,520)	(359,650)	(416,171)	754,820
Balance at end of current period	518,337	(391,212)	127,125	16,198,050

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended May 31, 2015	Fiscal year ended May 31, 2016
Cash flows from operating activities		
Profit before income taxes	2,262,581	2,270,821
Depreciation	206,304	222,835
Impairment loss	5,500	–
Increase (decrease) in allowance for doubtful accounts	(3,229)	(5,534)
Increase (decrease) in net defined benefit liability	3,328	9,329
Increase (decrease) in provision for directors' retirement benefits	14,400	(87,505)
Interest and dividend income	(59,391)	(70,772)
Interest expenses	26,534	22,480
Loss (gain) on valuation of investment securities	–	5,541
Loss (gain) on sales of investment securities	–	(909)
Loss (gain) on sales and retirement of property, plant and equipment	1,432	4,906
Decrease (increase) in notes and accounts receivable - trade	(971,265)	1,978,489
Decrease (increase) in inventories	(1,276,405)	192,888
Increase (decrease) in notes and accounts payable - trade	1,629,487	(1,480,411)
Decrease (increase) in guarantee deposits	169,738	4,531
Increase (decrease) in accrued consumption taxes	(63,769)	68,713
Other, net	93,803	54,173
Subtotal	2,039,049	3,189,578
Interest and dividend income received	59,541	70,916
Interest expenses paid	(26,403)	(22,369)
Income taxes paid	(803,802)	(895,796)
Net cash provided by (used in) operating activities	1,268,384	2,342,327
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	250	–
Purchase of property, plant and equipment	(211,518)	(218,263)
Proceeds from sales of property, plant and equipment	1,659	–
Payments for retirement of property, plant and equipment	–	(1,873)
Purchase of intangible assets	(2,499)	–
Proceeds from sales of intangible assets	–	66
Purchase of investment securities	(21,567)	(7,661)
Proceeds from sales of investment securities	–	1,100
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	25,592	–
Other, net	(7,762)	18,390
Net cash provided by (used in) investing activities	(215,844)	(208,241)

(Thousands of yen)

	Fiscal year ended May 31, 2015	Fiscal year ended May 31, 2016
Cash flows from financing activities		
Increase in short-term loans payable	3,770,000	3,770,000
Decrease in short-term loans payable	(4,120,000)	(4,070,000)
Repayments of long-term loans payable	(52,205)	–
Cash dividends paid	(279,819)	(292,231)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(1,761)
Purchase of treasury shares	(1,994)	(1,142)
Other, net	(11,737)	(12,145)
Net cash provided by (used in) financing activities	(695,756)	(607,281)
Net increase (decrease) in cash and cash equivalents	356,783	1,526,804
Cash and cash equivalents at beginning of period	2,008,280	2,365,064
Cash and cash equivalents at end of period	2,365,064	3,891,868