

Translation

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Summary of Consolidated Financial Results for the Six Months Ended November 30, 2017 (Based on Japanese GAAP)

January 5, 2018

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, 2018
 Scheduled date to commence dividend payments: February 13, 2018
 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, 2017 (from June 1, 2017 to November 30, 2017)

(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, 2017	24,923	4.3	278	(11.7)	338	(3.6)	193	(18.4)
Six months ended November 30, 2016	23,900	(3.9)	315	(35.8)	351	(35.7)	237	(32.9)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended November 30, 2017	16.51		-	
Six months ended November 30, 2016	20.24		-	

(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, 2017	34,021	17,890	52.6	1,523.85
As of May 31, 2017	43,369	17,686	40.8	1,506.34

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended May 31, 2017	-	11.00	-	15.00	26.00
Year ending May 31, 2018	-	11.00	-	-	-
Year ending May 31, 2018 (Forecast)	-	-	-	15.00	26.00

3. Forecast of consolidated financial results for the year ending May 31, 2018 (from June 1, 2017 to May 31, 2018)

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	2.9	2,050	1.7	2,150	1.6	1,450	(2.6)	123.50

4. Notes

- (1) Changes in significant subsidiaries during the six months ended November 30, 2017
(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, 2017	11,772,626 shares	As of May 31, 2017	11,772,626 shares
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Number of treasury shares at the end of the period

As of November 30, 2017	32,042 shares	As of May 31, 2017	31,555 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, 2017	11,740,911 shares	Six months ended November 30, 2016	11,741,346 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of May 31, 2017	As of November 30, 2017
Assets		
Current assets		
Cash and deposits	4,702,589	4,231,042
Notes and accounts receivable - trade	22,200,662	13,320,814
Merchandise	6,774,347	5,868,099
Other	1,500,654	1,999,090
Allowance for doubtful accounts	(21,792)	(12,922)
Total current assets	35,156,461	25,406,124
Non-current assets		
Property, plant and equipment		
Land	4,196,523	4,196,523
Other, net	1,680,338	1,962,941
Total property, plant and equipment	5,876,862	6,159,465
Intangible assets	44,955	39,149
Investments and other assets		
Other	2,303,425	2,428,966
Allowance for doubtful accounts	(12,619)	(12,598)
Total investments and other assets	2,290,806	2,416,368
Total non-current assets	8,212,624	8,614,982
Total assets	43,369,085	34,021,107
Liabilities		
Current liabilities		
Notes and accounts payable - trade	22,201,137	11,395,717
Short-term loans payable	–	1,660,000
Income taxes payable	397,090	122,256
Other	1,208,135	1,088,291
Total current liabilities	23,806,363	14,266,265
Non-current liabilities		
Net defined benefit liability	1,640,457	1,636,603
Provision for directors' retirement benefits	117,750	115,650
Other	118,495	111,681
Total non-current liabilities	1,876,702	1,863,935
Total liabilities	25,683,066	16,130,200
Net assets		
Shareholders' equity		
Capital stock	1,491,267	1,491,267
Capital surplus	1,765,221	1,765,221
Retained earnings	14,158,524	14,176,265
Treasury shares	(21,497)	(22,259)
Total shareholders' equity	17,393,515	17,410,494
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	639,772	805,401
Foreign currency translation adjustment	(32,621)	(33,619)
Remeasurements of defined benefit plans	(314,646)	(291,369)
Total accumulated other comprehensive income	292,504	480,412
Total net assets	17,686,019	17,890,906
Total liabilities and net assets	43,369,085	34,021,107

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, 2016	Six months ended November 30, 2017
Net sales	23,900,568	24,923,915
Cost of sales	20,167,231	21,009,707
Gross profit	3,733,336	3,914,208
Selling, general and administrative expenses	3,417,585	3,635,548
Operating profit	315,751	278,659
Non-operating income		
Dividend income	16,371	16,407
House rent income	29,094	30,746
Insurance income	–	17,403
Other	8,484	8,948
Total non-operating income	53,950	73,506
Non-operating expenses		
Interest expenses	9,833	7,203
Foreign exchange losses	8,412	5,758
Other	–	482
Total non-operating expenses	18,245	13,444
Ordinary profit	351,456	338,721
Extraordinary losses		
Loss on disposal of non-current assets	17	40,933
Loss on sales of investment securities	–	3,375
Total extraordinary losses	17	44,309
Profit before income taxes	351,439	294,412
Income taxes	113,765	100,554
Profit	237,673	193,857
Profit attributable to owners of parent	237,673	193,857

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended November 30, 2016	Six months ended November 30, 2017
Profit	237,673	193,857
Other comprehensive income		
Valuation difference on available-for-sale securities	134,971	165,628
Foreign currency translation adjustment	–	(997)
Remeasurements of defined benefit plans, net of tax	22,441	23,277
Total other comprehensive income	157,413	187,908
Comprehensive income	395,086	381,765
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	395,086	381,765

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended November 30, 2016	Six months ended November 30, 2017
Cash flows from operating activities		
Profit before income taxes	351,439	294,412
Depreciation	102,870	105,439
Decrease (increase) in notes and accounts receivable - trade	9,376,254	8,918,292
Decrease (increase) in inventories	1,298,394	829,909
Increase (decrease) in notes and accounts payable - trade	(11,792,158)	(11,284,090)
Other, net	(239,300)	(189,049)
Subtotal	(902,500)	(1,325,085)
Income taxes paid	(328,192)	(314,378)
Other, net	5,755	26,932
Net cash provided by (used in) operating activities	(1,224,937)	(1,612,531)
Cash flows from investing activities		
Purchase of property, plant and equipment	(64,888)	(342,770)
Proceeds from sales of investment securities	–	14,973
Other, net	3,426	(13,898)
Net cash provided by (used in) investing activities	(61,462)	(341,695)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,460,000	1,660,000
Cash dividends paid	(181,558)	(169,727)
Other, net	(52,153)	(7,258)
Net cash provided by (used in) financing activities	1,226,288	1,483,013
Effect of exchange rate change on cash and cash equivalents	–	(333)
Net increase (decrease) in cash and cash equivalents	(60,112)	(471,546)
Cash and cash equivalents at beginning of period	3,891,868	4,369,089
Cash and cash equivalents at end of period	3,831,756	3,897,542