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# Financial Highlights Material for the Period Ending May 2020

Sakata Seed Corporation  
July 21, 2020



## Basic policy

Minimize the risk of infection for stakeholders in accordance with national government policies. In addition, as the company supporting agriculture and horticulture and food, we will fulfill our responsibility to supply seeds and seedlings.

## Structure

Early establishment of the Risk Management Committee to gather information globally and implement flexible responses.

## Current situation

- Rapid response to sales and logistics risks
- In locked down countries, business continuity is permitted as "essential category" by the government

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# I Overview of Period Ending May 2020

Figures in the document are rounded off for fractions less than the unit.  
Please be advised that some figures may differ from the summary of financial results.

## Decrease in revenue and net income compared to the previous year

Unit:100 million yen	2019	2020	Difference	Difference(%)	Forecast for 2020(*1)
Sales	627	<b>617</b>	-11	-1.7%	635(-18)
Gross profit	354	<b>344</b>	-11	-3.0%	-
Gross profit margin(%)	56.5%	<b>55.7%</b>	-	-	-
R&D expenses	56	<b>63</b>	7	12.5%	-
Ratio against sales(%)	8.9%	<b>10.3%</b>	-	-	-
Other SGA expenses	221	<b>206</b>	-15	-7.0%	-
Operating income	77	<b>75</b>	-2	-3.1%	77(-2)
Ordinary income	83	<b>81</b>	-2	-3.1%	79(+2)
Net income	69	<b>61</b>	-8	-11.1%	60(+1)
(※2)					
Yen/USD(¥)	111	<b>109</b>	-2		107(+2)
Yen/Euro(¥)	125	<b>120</b>	-5		120(±0)

(\*1) Announced Jan. 2020    (\*2) Exchange rates for overseas subsidiaries (Period ending March)

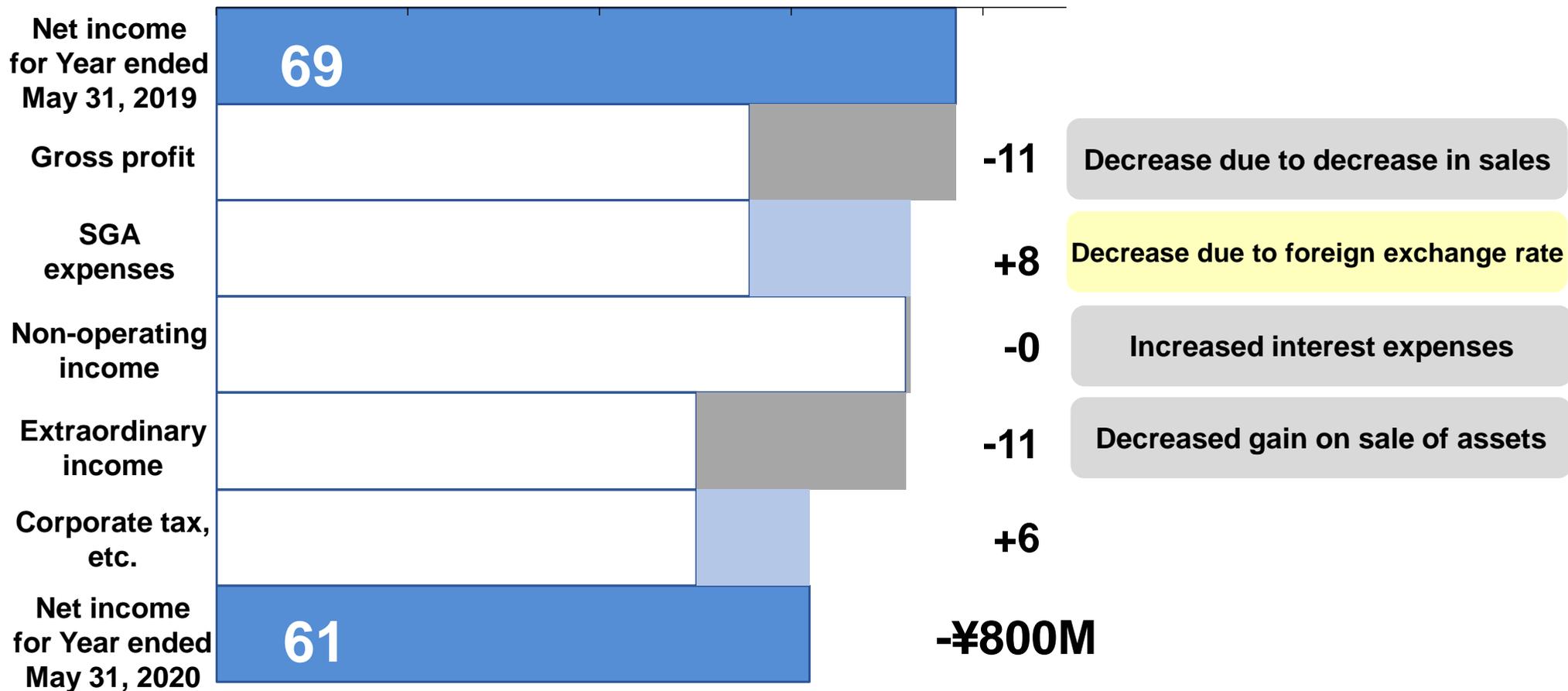
Impact of foreign  
exchange  
**-¥2,200M**

## Decrease in net income due to decrease in sales and gain on sale of assets

Unit:100 million yen

30 40 50 60 70

Main factors causing change in net income



# Results for period ending May 2020: By business segment

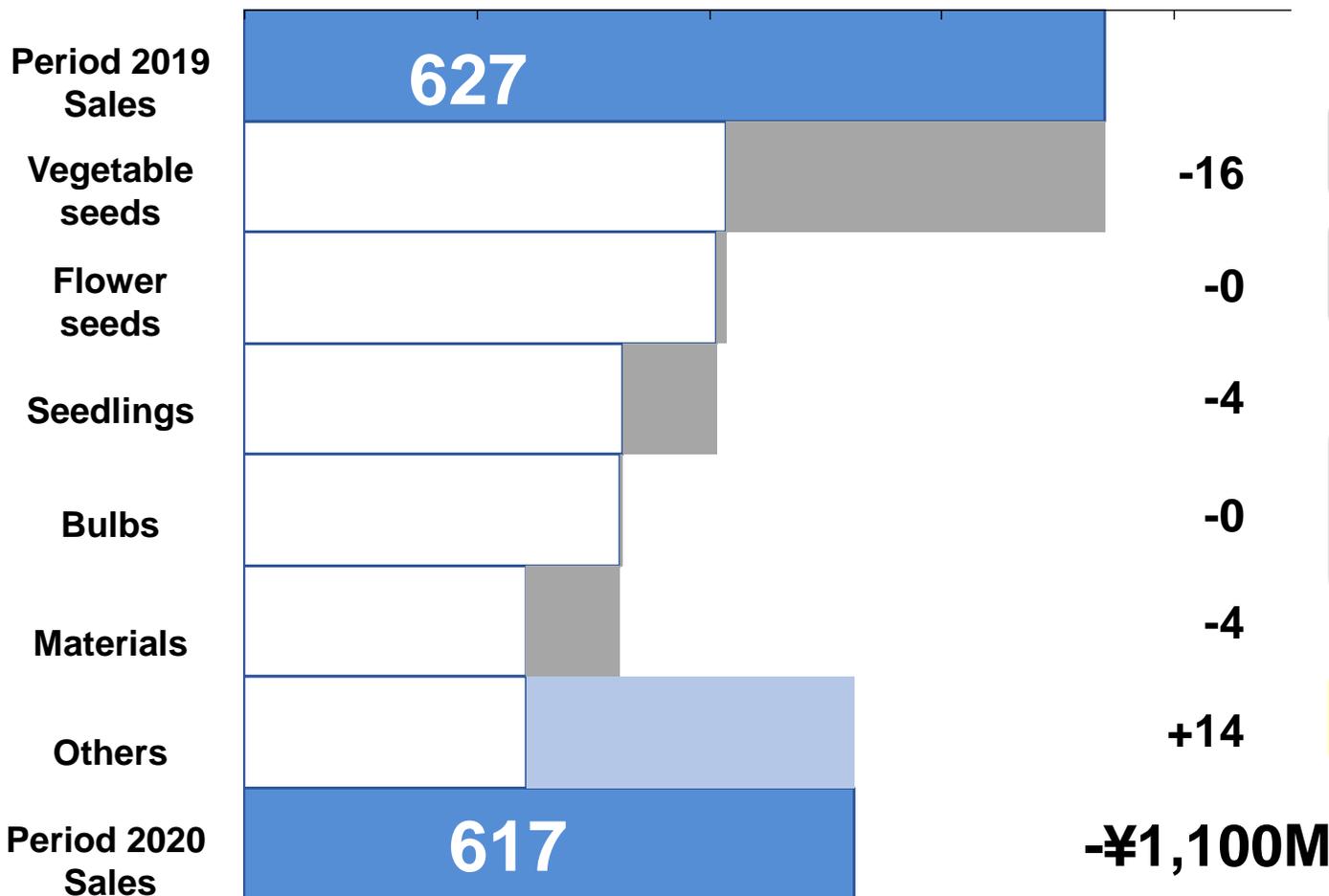
**Domestic wholesales and Retail sales: decrease in sales but increase in profit**  
**Overseas wholesales: decrease in sales and profit**  
**Landscape business in Other: significant increase in sales and profit**

unit:	Sales				Operating income			
	19/5	20/5	Change	Change(%)	19/5	20/5	Change	Change(%)
100 million yen								
Domestic wholesale	168	164	-5	-2.8%	49	52	3	5.1%
Overseas wholesale	381	368	-13	-3.4%	116	111	-5	-4.3%
Retail sales	60	56	-4	-6.7%	-0	-0	0	-
Other	18	29	11	59.9%	-0	1	1	-
Subtotal	627	617	-11	-1.7%	165	164	-1	-0.6%
Elimination	-	-	-	-	-88	-89	-1	-
Consolidated	627	617	-11	-1.7%	77	75	-2	-3.1%

## Significant decrease in vegetable affected by exchange rates, Significant increase in landscape business

Unit: 100 million yen

600                  610                  620                  630



### Main factors causing change in sales

Decrease in broccoli and carrot

Continuing favorable sales of sunflower seeds led to an increase in revenue even with a strong yen

Affected by bad weather like extreme heat and typhoon

Significant increase in landscape business

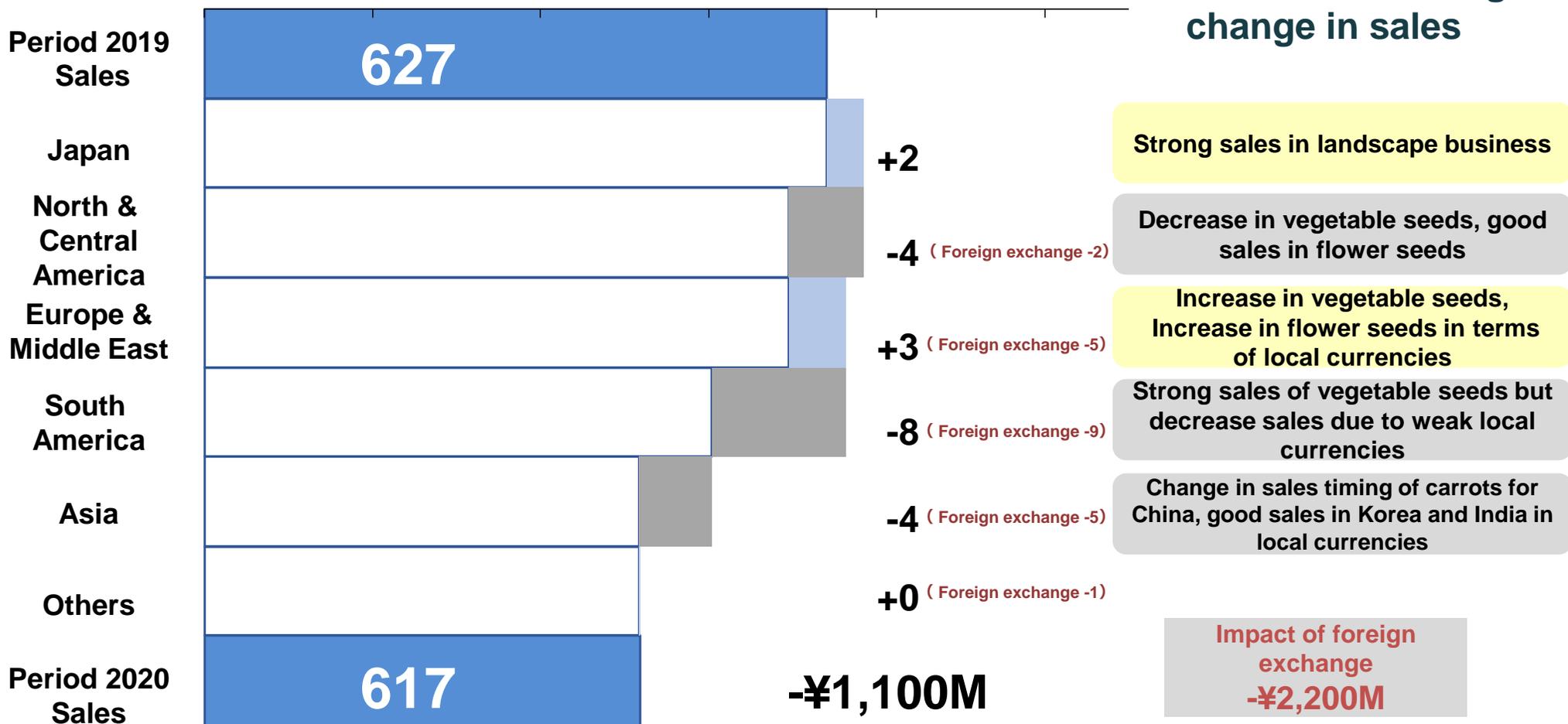
**-¥1,100M**

## Increase in Japan and Europe & Middle East, Decrease in North & Central America, South America and Asia

Unit: 100 million yen

600      610      620      630      640

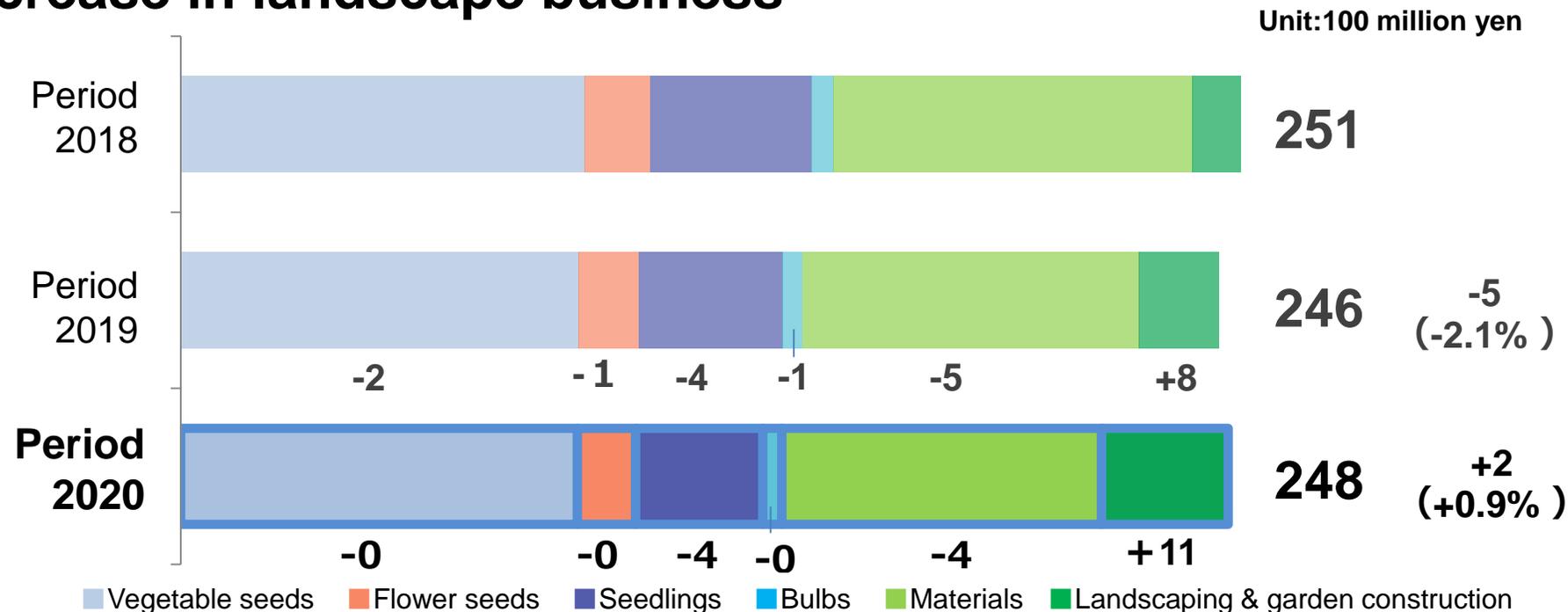
### Main factors causing change in sales



**-¥1,100M**

**Impact of foreign exchange  
-¥2,200M**

## Decrease in seedling and materials due to bad weather, increase in landscape business



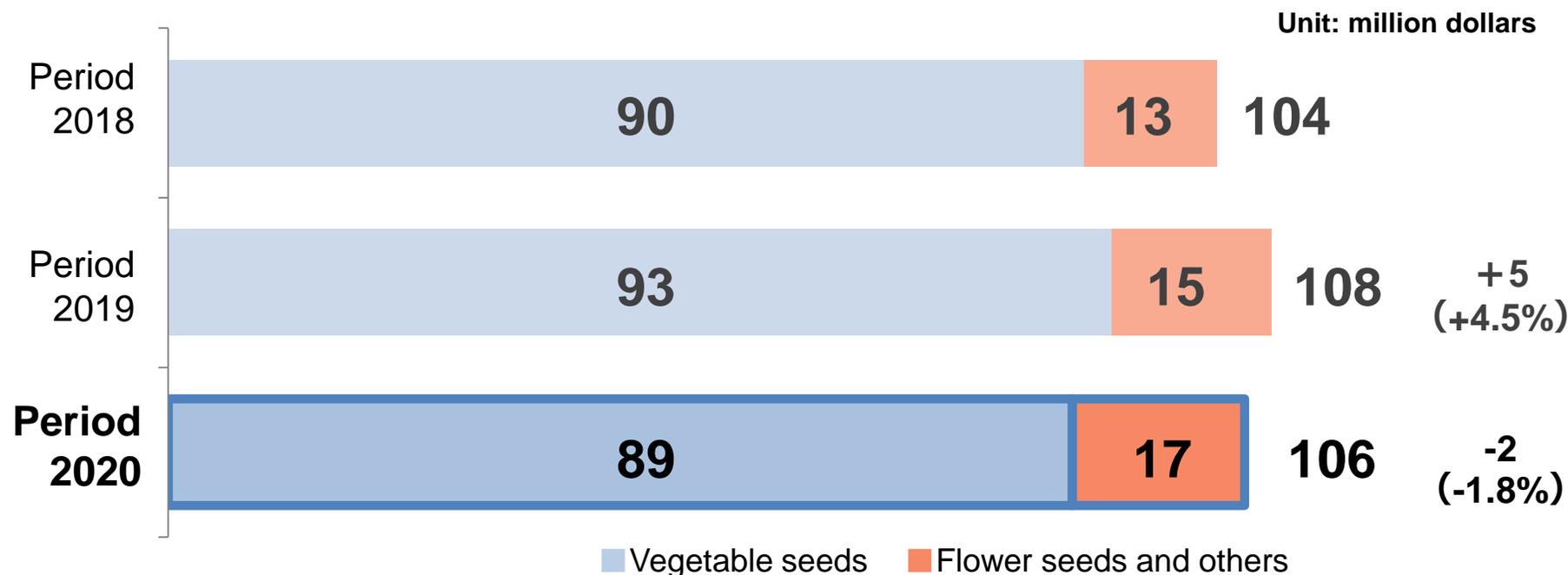
### 2018/6-2019/5 Products whose sales changed most

Vegetable seeds:	Bunching Onion	+0.9
	Lettuce	+0.5
	Broccoli	+0.5
Flower seeds:	Pansy	- 0.1

### 2019/6-2020/5 Products whose sales changed most

Vegetable seeds:	Broccoli	+0.6
	Sweetcorn	- 0.5
	Carrot	- 0.4
Flower seeds:	Sunflower	- 0.8

### Decrease in broccoli and melon, while flower seed sold well



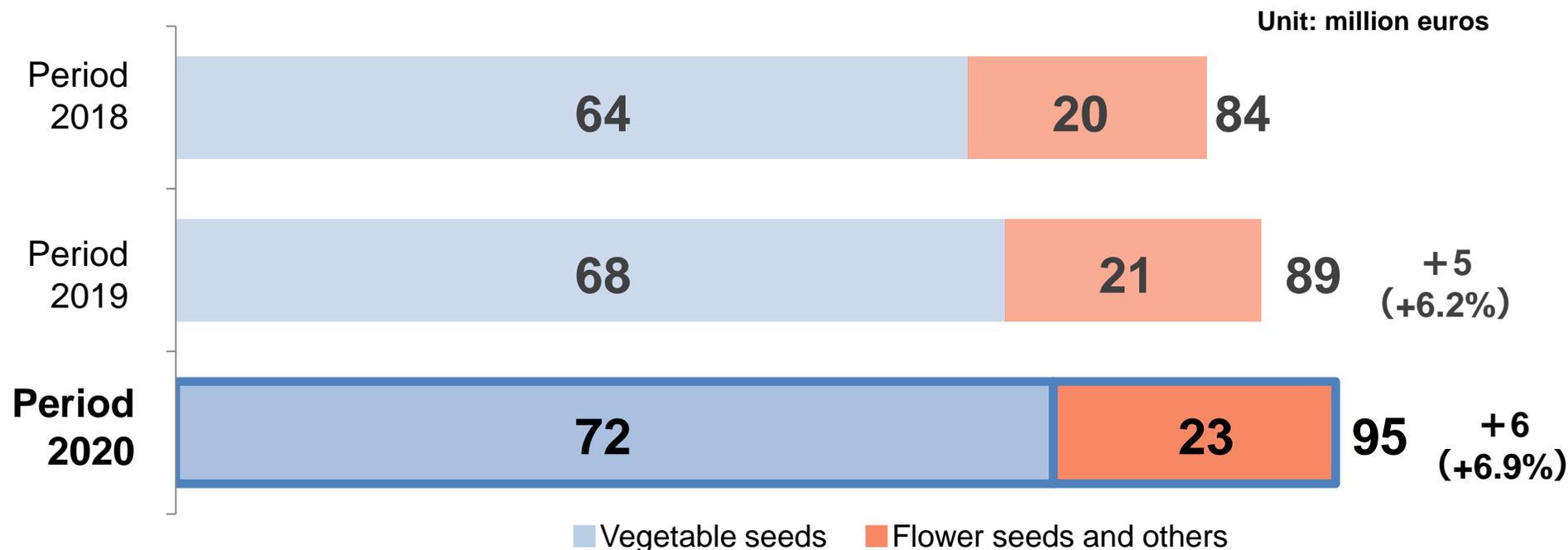
#### 2018/6-2019/5 Products whose sales changed most

Vegetable seeds:	Carrot	- 3.0
	Broccoli	+2.7
	Tomato	+1.7
Flower seeds:	Sunflower	+0.6

#### 2019/6-2020/5 Products whose sales changed most

Vegetable seeds:	Broccoli	- 1.3
	Melon	- 1.2
	Tomato	+1.2
Flower seeds:	Sunflower	+0.7

### Broccoli, tomato, lisianthus seeds and etc. sold well



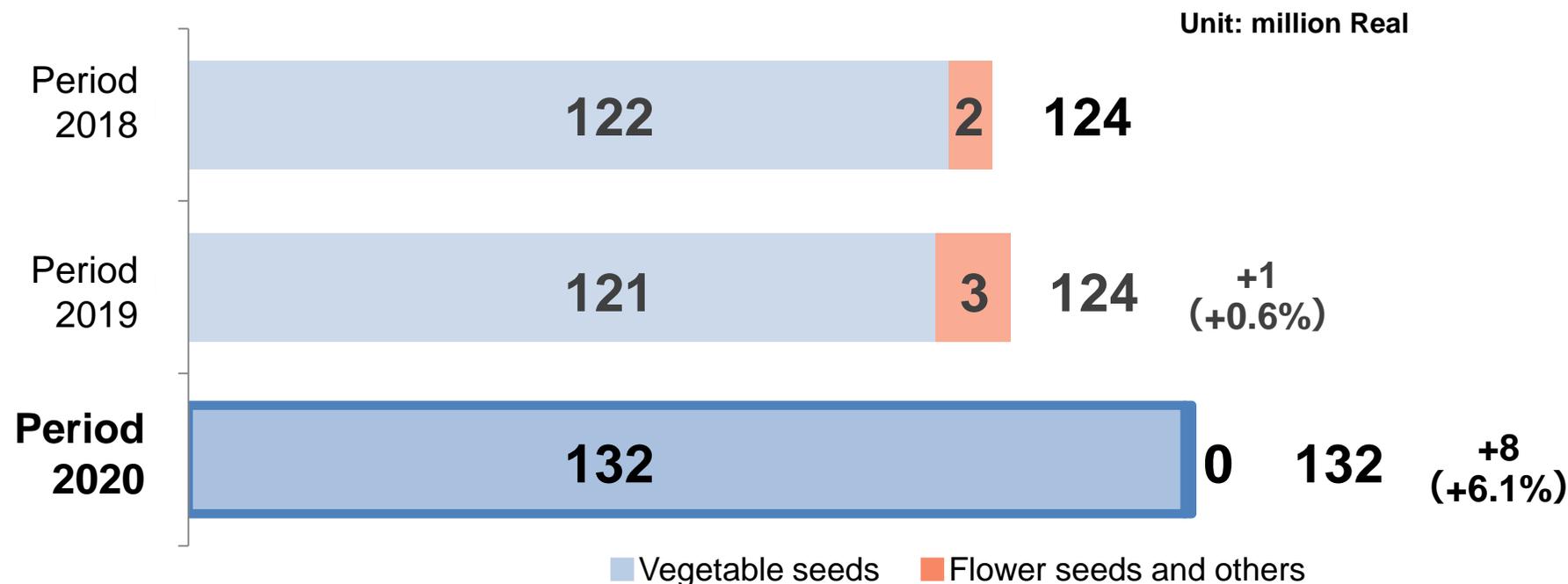
#### 2018/6-2019/5 Products whose sales changed most

Vegetable seeds:	Tomato	+1.1
	Melon	+0.6
	Cucumber	+0.5
Flower seeds:	Lisianthus	+1.2

#### 2019/6-2020/5 Products whose sales changed most

Vegetable seeds:	Broccoli	+1.7
	Tomato	+0.9
	Melon	- 0.9
Flower seeds:	Lisianthus	+0.9

## Significant increase sales thanks to squash, broccoli and sunflower



### 2018/6-2019/5 Products whose sales changed most

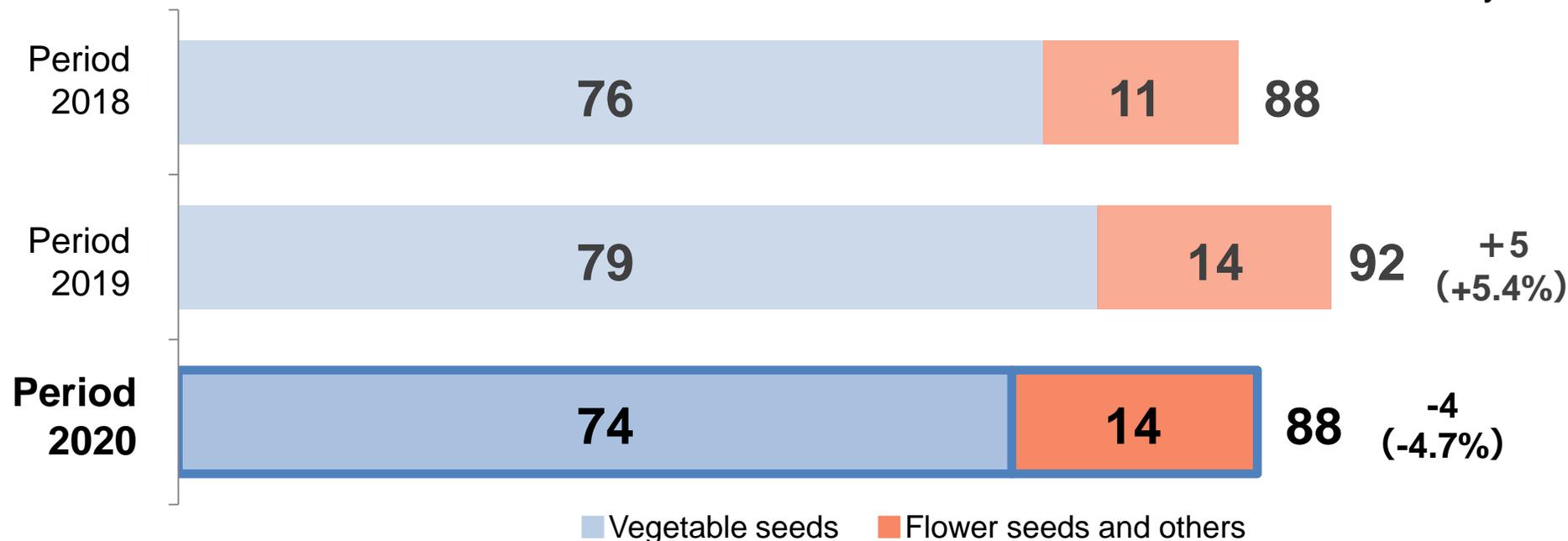
Vegetable seeds:	Broccoli	- 2.8
	Squash	+1.9
	Melon	- 1.5
Flower seeds:	Sunflower	+0.3

### 2019/6-2020/5 Products whose sales changed most

Vegetable seeds:	Squash	+6.6
	Broccoli	+3.9
	Tomato	- 2.9
Flower seeds:	Sunflower	+0.3

## Decrease in vegetable seeds, while favorable sales in sunflower

Unit:100 million yen



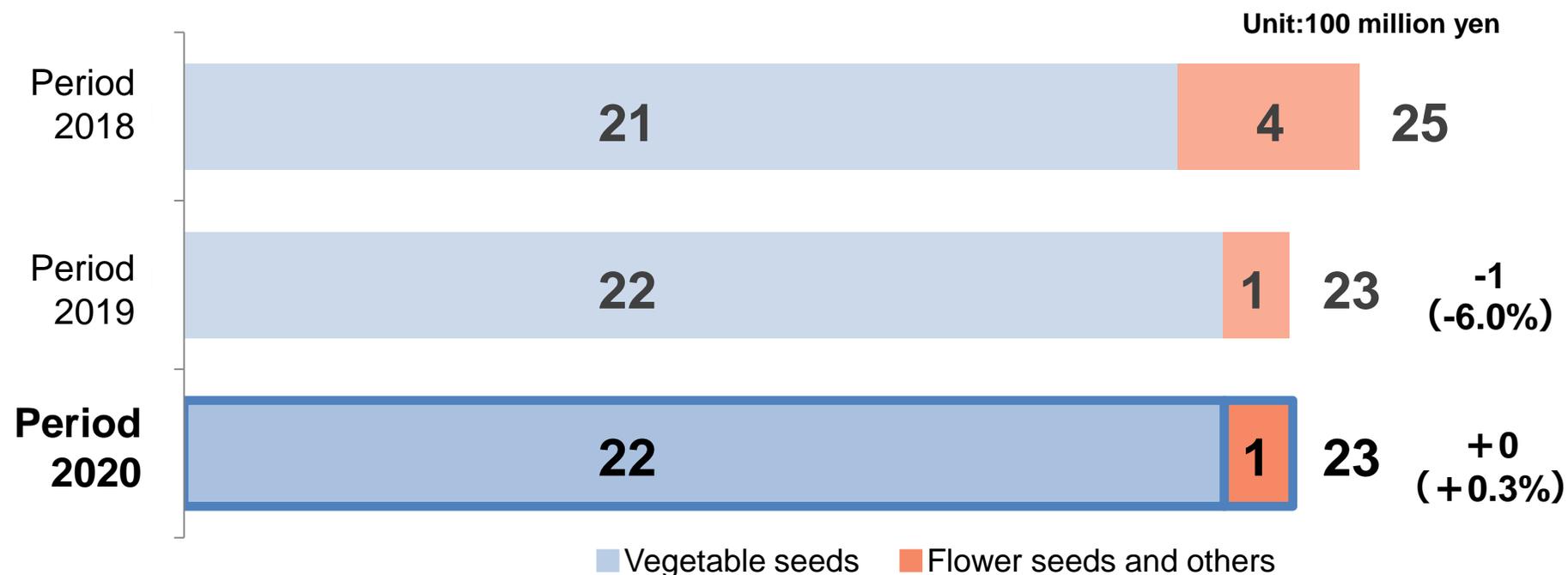
### 2018/6-2019/5 Products whose sales changed most

Vegetable seeds:	Broccoli	+3.9
	Carrot	- 3.5
	Bunching Onion	+2.5
Flower seeds:	Sunflower	+1.0

### 2019/6-2020/5 Products whose sales changed most

Vegetable seeds:	Broccoli	- 4.3
	Carrot	- 3.4
	Spinach	+2.3
Flower seeds:	Sunflower	+1.9

### Slight increase in spite of a weak South African rand



#### 2018/6-2019/5 Products whose sales changed most

Vegetable seeds:	Squash	- 1.2
	Onion	- 0.6
	Spinach	- 0.3
Flower seeds:	Pansy	+0.0

#### 2019/6-2020/5 Products whose sales changed most

Vegetable seeds:	Melon	+0.6
	Broccoli	- 0.5
	Carrot	- 0.5
Flower seeds:	Pansy	+0.0

# Main selling, general and administrative (SGA) expenses for period ending May 2020

## Decrease from the previous fiscal year due to the impact of foreign exchange rates and cost-saving

Unit: 100 million yen; consolidated basis

(Breakdowns given on the basis of locations of head office and major subsidiaries)

	SGA expenses	Personnel expenses	Travel/transportation expenses	Depreciation	R&D expenses*	
Results for period 2020	268.7	143.9	10.3	17.0	63.2	
Results for period 2019	277.1	144.0	11.8	14.3	56.2	
Difference YoY	- 8.4	- 0.1	- 1.5	2.7	7.0	
Impact of foreign exchange out of the above	- 12.4	- 6.1	- 0.4	- 0.7	- 2.6	
Breakdown	Japan (head office)	- 5.7	1.2	- 1.1	- 0.1	1.6
	Europe & Middle East	2.6	1.0	- 0.3	2.1	4.2
	North & Central America	1.0	0.0	- 0.1	0.4	2.4
	South America (Brazil)	- 4.5	- 2.2	- 0.0	0.3	- 1.0
	Others + consolidation adjustment	- 1.8	- 0.1	- 0.0	0.1	- 0.1

\*R&D expenses are the total expenses related to research activities, part of which include personnel expenses and depreciation.

# **II Actions and impact of COVID-19**

## Actions to COVID-19

### Prevention of infection

- Thorough wearing of masks and temperature measurement
- Voluntary restraint in non-essential and non-urgent business trips
- Staggered working hours and working at home system introduced
- Thorough implementation of social distance by utilizing web conferences

### R & D, supply chain, and sales

- R&D: Continue as usual with thorough infection prevention
- Production: Little impact on seed production as production sites have been globally dispersed
- Logistics: Responding flexibly to front-loading shipment while taking measures against infection through shift work
- Sales: Use early orders and online orders, refrain from visiting production areas

### Finance and Cash Flows

- Maintain a sound financial position
  - Sufficient level of cash and deposits
  - Existing borrowing limits and liquid assets that can be converted into cash

→ **At present, there is no concern about liquidity on hand**

## Major changes in business environment and risks

### Restriction on movement of people

- Inbound reduction
- Event canceled
- Outing restrictions
- Workforce reduction



Risk of reduced demand for gardening and ornamental flowers

→ **Impact on flower seed and seedling business (Domestic and overseas)**

Risk of reduced acreage due to labor shortage

→ **Impact on seed business (Domestic and overseas)**

### Restriction of movement of goods

- Logistical delay
- Increase in transportation costs



Risk of losing the proper time for sowing in production area

→ **Impact on seed business (Domestic and overseas)**

### Other

- Recession



Risk of declining consumption worldwide, especially in emerging countries

Credit risk and foreign exchange risk due to economic downturn

→ **Impact on sales**

## Demand associated with new behaviors and values

- **Increased nesting consumption**

Refocus on kitchen garden and horticulture as a healthy hobby that can be done at home with restrictions on going out

- **Stress relief and healing**

→ **Impact on retail business**

- **Renewed awareness of the importance of health**

Reaffirming the importance of vegetables, which are essential for increasing the immune system and healthy life, mainly in developed countries

- **Changes in food demand under logistical restrictions**

New consumption trends centered on frozen and processed foods

→ **Impact on vegetable seed business**

# **Ⅲ Forecast for ending May 2021 and Dividend Policy**

## Assumptions for business forecast considering COVID-19

- Situation as of May in each region will continue until September
- After that, it gradually calmed down toward the latter half of the period ending May 2021
- Based on the above assumptions, incorporate the impact into business forecast as much as possible

## Impact of COVID-19 on business performance

Negative impact of approximately 5% on sales in yen for the period ending May 2021

Revised business forecasts will be disclosed according to changes in future situation

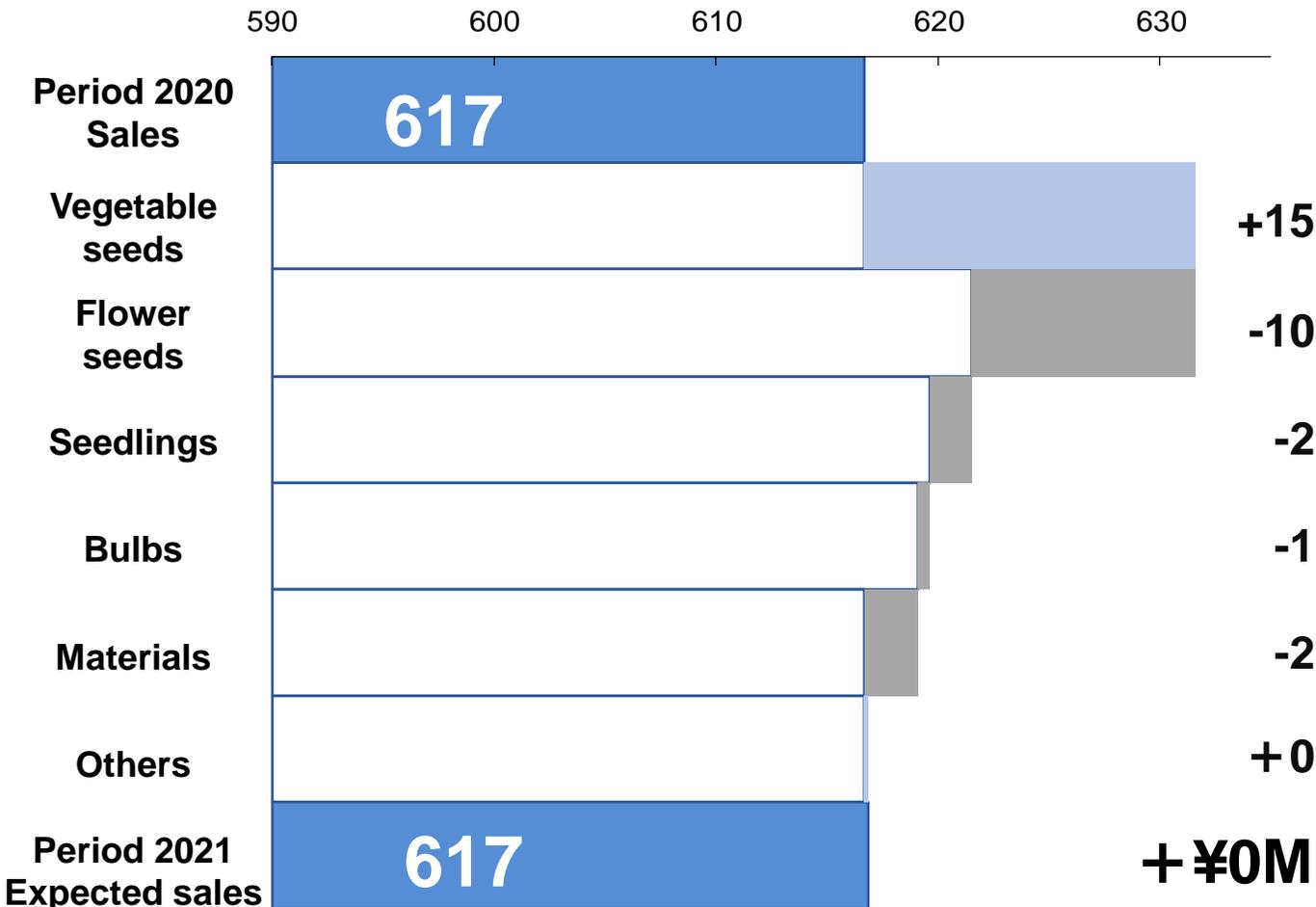
## Flat sales, decrease at each level of profit

Unit:100 million yen	Period 2019	Period 2020	Period 2021 forecast	Difference	Difference (%)
Sales	627	617	<b>617</b>	0	0.1%
Gross profit	354	344	<b>342</b>	-2	-0.5%
Gross profit margin (%)	56.5%	55.7%	<b>55.4%</b>	-	-
R&D expenses	56	63	<b>66</b>	3	4.1%
Ratio against sales (%)	8.9%	10.3%	<b>10.7%</b>	-	-
Other SGA expenses	221	206	<b>216</b>	11	5.3%
Operating income	77	75	<b>60</b>	-15	-19.8%
Ordinary income	83	81	<b>62</b>	-19	-23.2%
Net income of FY	69	61	<b>44</b>	-17	-27.8%
Yen/USD (yen)	111	109	<b>107</b>	Estimate of exchange sensitivity*(million yen)	
Yen/Euro (yen)	125	120	<b>120</b>	USD	72
				Euro	10

\* Estimated impact on annual operating income by exchange-rate fluctuations of ¥1

## Increase in vegetable seed sales despite COVID-19 may cause negative impact

Unit: 100 million yen



### Major factors considered in sales estimate

3~5% decrease in sales affected by COVID-19 but increase in sales

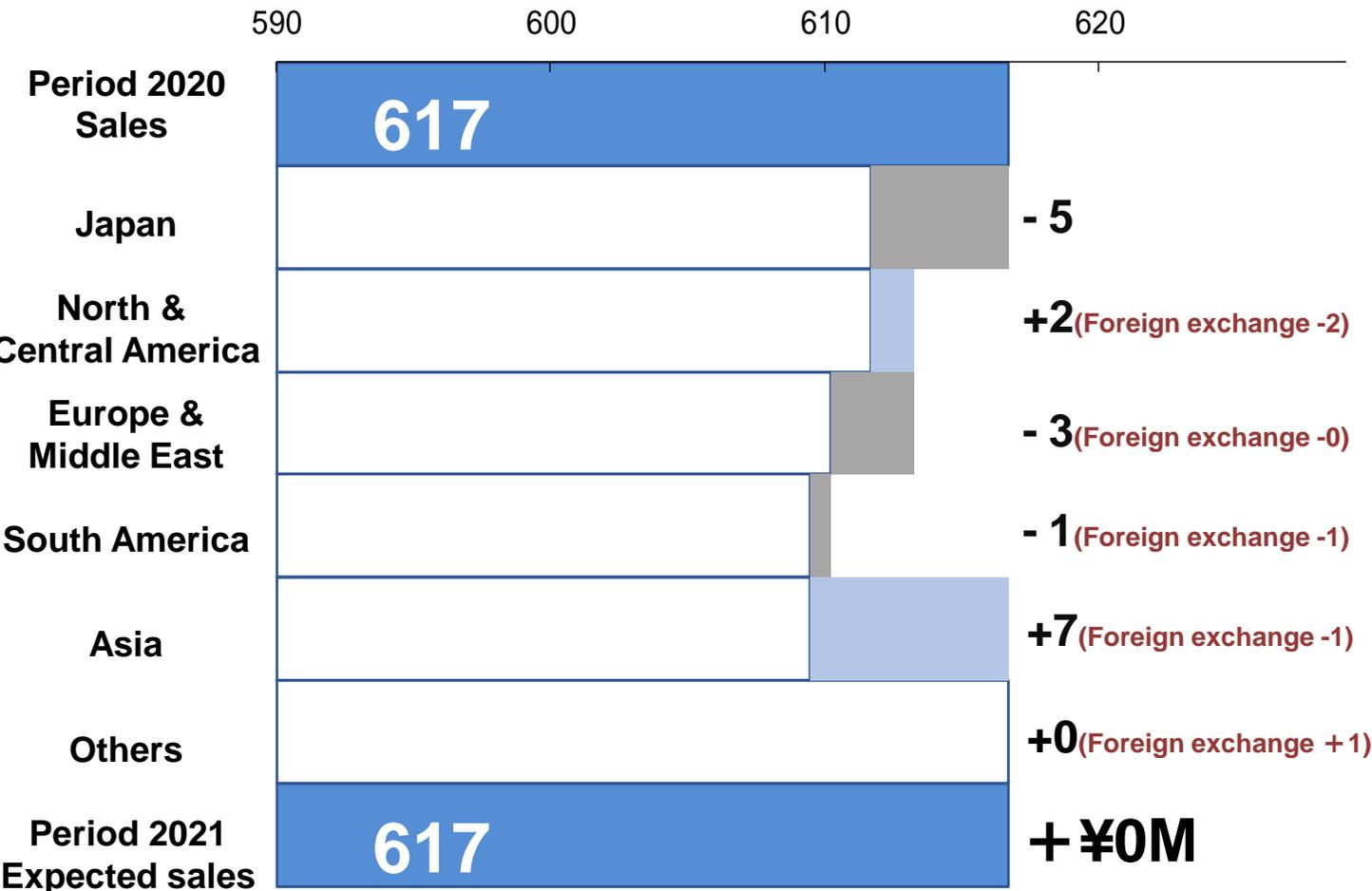
15~20% decrease in sales affected by COVID-19

1~3% decrease in sales affected by COVID-19

Increase in sales of landscape business

## Expecting recovery in sales in North & Central America and Asia

Unit: 100 million yen



### Major factors likely to cause change in sales

Decrease due to COVID-19

Recovery in sales from the previous year

Significant decrease in flower seed due to COVID-19

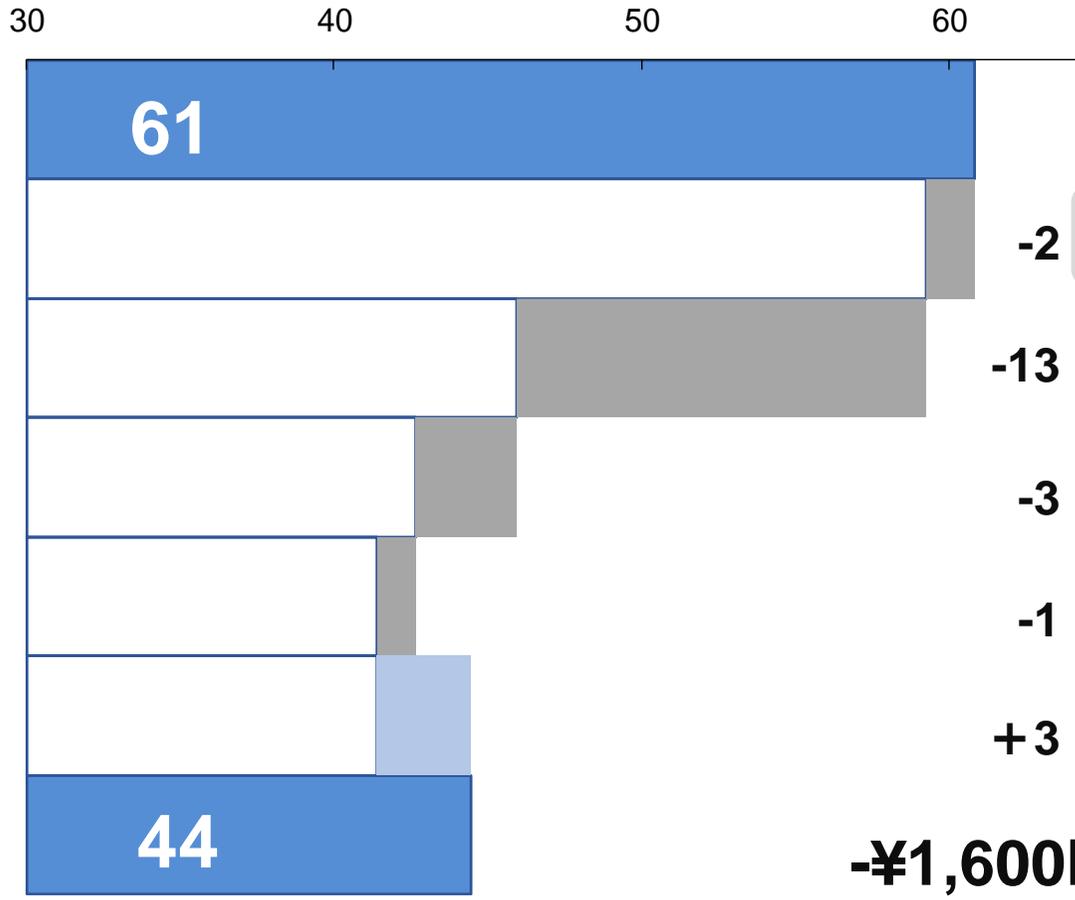
Decrease due to COVID-19

Carrot sales for China

Impact of foreign exchange  
-¥300M

## Decrease in profit due to expected rise in SGA expenses

Unit: 100 million yen



**-¥1,600M**

### Major factors likely to cause change in net income

- Expecting slight decrease in gross profit margin %
- Increase in expenses for replacement of core IT system and sustainable R&D activity
- Not assuming any special factors

# Forecast for period ending May 2021 (Main selling, general and administrative (SGA) expenses)

## Expecting increase in replacement core IT system and R&D expenses

Unit: 100 million yen; consolidated basis

(Breakdowns given on the basis of locations of head office and major subsidiaries)

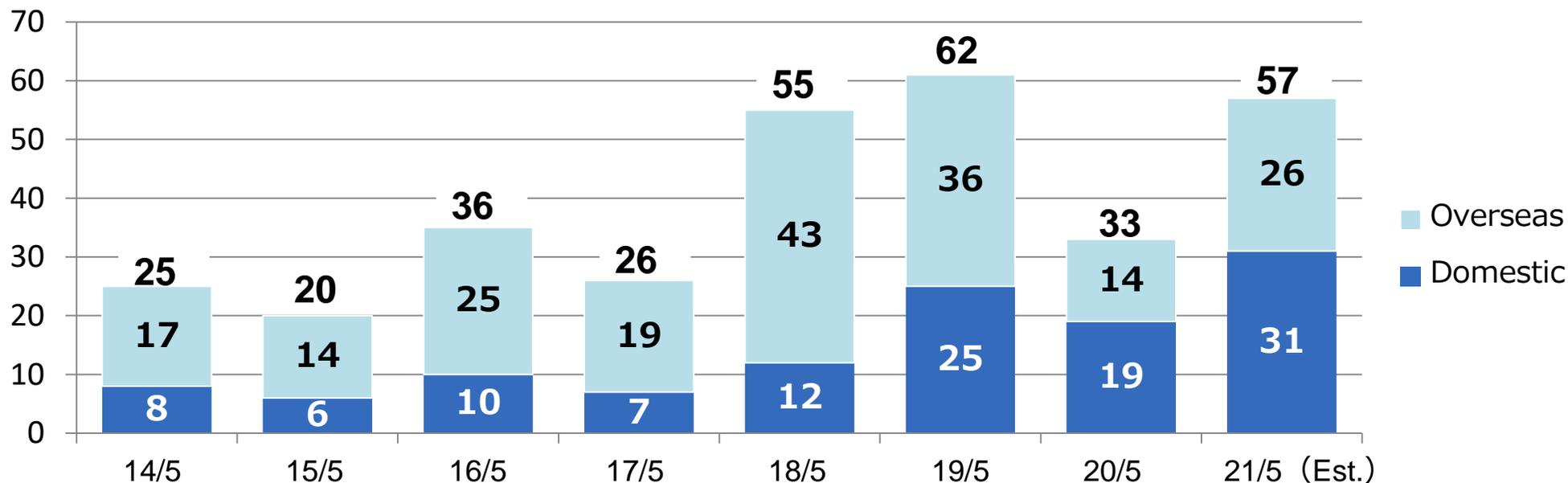
	SGA expenses	Personnel expenses	Depreciation	R&D expenses*	
Forecast for period 2021	282.0	147.7	19.5	65.8	
Results for period 2020	268.7	143.9	17.0	63.2	
Difference YoY	13.3	3.8	2.5	2.6	
Impact of foreign exchange out of the above	- 1.5	- 0.7	- 0.1	- 0.4	
Breakdown	Japan (head office)	14.9 **	2.2	0.6	4.3
	Europe & Middle East	0.5	0.6	1.3	- 0.9
	North & Central America	- 1.0	0.7	0.3	- 0.3
	South America (Brazil)	- 0.5	- 0.0	0.2	- 0.1
	Others + consolidation adjustments	- 0.4	0.3	0.1	- 0.4

\*R&D expenses are the total amount of expenses related to research activities, part of which include personnel expenses and depreciation.

\*\*Include about 600 million yen for replacement of core IT system cost.

## Decrease in total capital expenditure

Unit: 100 million yen;  
consolidated basis



\*2014/5-2020/5: Actual capital expenditure amounts for each period (including acquisition of intangible fixed assets)  
2021/5: Including amounts of investment for periods after period 2020

### Major CAPEX

Unit: 100 million yen

	Total amts	Actual amts for period 2020	Planned amts for period 2021
Replacement of core IT system (Japan)	27	8	14

## Year-end dividends for period 2020 is ¥18, For period 2021, ¥33 is expected.

Our company considers the return of profits to shareholders to be an important management issue, and has adopted a basic policy of ensuring a stable and continuous distribution of profits while securing internal reserves necessary to strengthen the management structure and management base, taking into consideration the consolidated results for each fiscal year from a medium- to long-term management perspective.

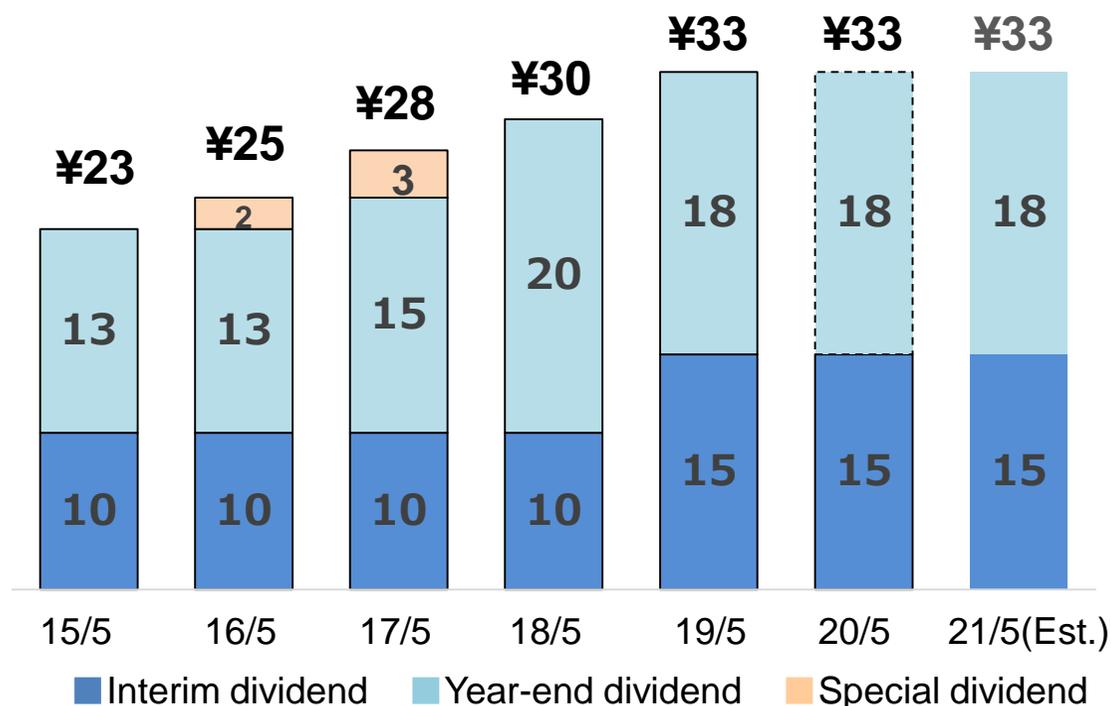
1) The year-end dividend for period 2020 is ¥18.  
(Same as the previous year and forecast)

2) For period 2021, ¥33 is expected.

Interim dividend: ¥15

Year-end dividend: ¥18

(Same as period 2020)



\*Amount per share

# IV Future forecasts and strategies

## Market environment awareness

- The impact of COVID-19 is limited
- The importance of seed business remains unchanged or becomes more important
- Global seed markets remains fundamentally healthy

## Strategy

- **By product** 
  - Maintaining world market share of broccoli and lisianthus
  - Develop new markets for fruit vegetables
  - Increase share of sunflowers mainly in emerging markets
- **By region** 
  - Target is emerging markets mainly Asia
  - In the mature markets of Europe and the United States, we are capturing the demand for health

**Achieve sustainable and strong growth by taking changes in the environment and the time**

Establishment of a profitable business model

Establishment of healthy profit structure and promoting key strategies in each region

Development of a global supply chain to boost supply reliability and efficiency

Internal structural development to foster global enterprise growth

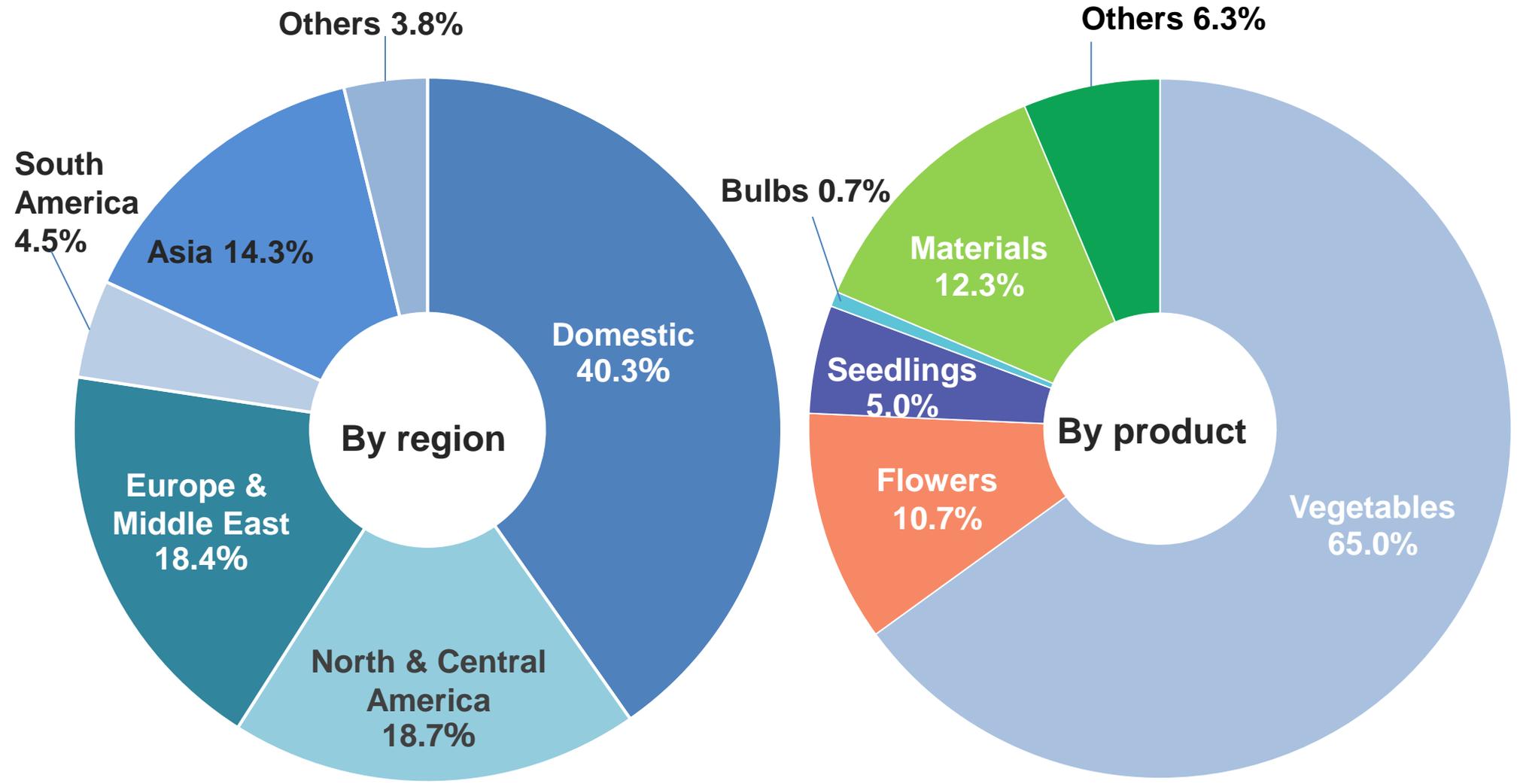
**Maintaining the four growth strategy and strengthening communication activities**

**“Vegetable nourishes the people's body and flower nourishes the people's soul.”**

**Aiming for Sustainable Development of the Environment, Society, and Agriculture and Horticulture**

# V Appendix

# Results for period ending May 2020: Breakdown of external sales (1)



## Results for period ending May 2020: Breakdown of external sales (2)

### Difference of sales YoY by product and region (after eliminating internal transactions)

Unit: 100 million yen

	Vegetables	Flowers	Seedlings	Bulbs	Materials	Others	Total
North & Central America	- 6.2	0.8	- 0.0	—	0.0	0.9	- 4.5
Europe & Middle East	2.0	- 0.2	—	—	—	1.5	3.4
South America	- 6.9	- 0.3	—	—	—	- 0.5	- 7.7
Asia	- 5.1	- 0.4	- 0.0	—	0.0	1.1	- 4.3
Other regions	0.0	0.0	—	—	—	0.0	0.1
<b>Overseas subtotal</b>	<b>- 16.1</b>	<b>0.0</b>	<b>- 0.0</b>	<b>—</b>	<b>0.1</b>	<b>3.0</b>	<b>- 13.0</b>
Domestic subtotal	- 0.2	- 0.4	- 4.1	- 0.1	- 4.1	11.1	2.2
<b>Total</b>	<b>- 16.3</b>	<b>- 0.4</b>	<b>- 4.1</b>	<b>- 0.1</b>	<b>- 4.0</b>	<b>14.1</b>	<b>- 10.8</b>

# Results for period ending May 2020: External sales by customers' region (Quarterly change)

## Overseas sales (by customers' region)

Unit: thousand in local currency/million yen

	1st Qtr	YoY	YoY (%)	2nd Qtr	YoY	YoY (%)	3rd Qtr	YoY	YoY (%)	4th Qtr	YoY	YoY (%)	Total	YoY	YoY (%)
North & Central America (\$US)	14,623	-2,988	-17.0	28,100	2,135	8.2	25,411	-314	-1.2	38,104	-758	-2.0	106,237	-1,925	-1.8
Europe & Middle East (EUR)	20,493	1,052	5.4	23,258	2,867	14.1	20,610	2,094	11.3	30,606	77	0.3	94,966	6,089	6.9
South America (Real)	25,294	1,087	4.5	33,677	445	1.3	31,549	-1,280	-3.9	41,554	7,358	21.5	132,075	7,611	6.1
Asia (Yen)	2,579	47	1.9	2,411	190	8.6	1,921	-36	-1.8	1,897	-634	-25.1	8,809	-432	-4.7
Korea out of the above (WON)	5,624	823	17.1	6,782	-116	-1.7	3,855	285	8.0	5,262	254	5.1	21,523	1,245	6.1
India out of the above (INR)	174	-22	-11.2	333	46	16.2	186	61	49.3	190	100	111.5	882	186	26.7
Others (Yen) (Africa, Oceania)	444	-54	-10.9	574	-44	-7.1	638	-18	-2.8	692	124	21.9	2,348	8	0.3

**This presentation document includes descriptions and materials on forecasts regarding performance, strategies and business plans of Sakata Seed Corporation. Those descriptions and materials are the Company's estimates based on information available at the time of announcement, not facts in the past.**

**Also, they include potential risks and uncertain elements such as economic circumstances, conditions of competition with other companies, and foreign exchange rates. Therefore, please acknowledge that the Company's actual performance, business development or financial conditions may turn out very different to the forecasts given herein due to various economic, social and political factors, including economic circumstances, competition in the industry, market demand and foreign exchange rates in the future.**

**Please refer to the annual securities report, the summary of consolidated earnings report and the like for details on general uncertainty and fluctuating elements.**