

# Financial Highlights Material for the 2<sup>nd</sup> quarter of Period Ending May 2022

Sakata Seed Corporation  
January 24, 2022



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# I Overview of 2nd quarter of Period Ending May 2022

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

## Increase in sales, figures exceeded forecasts

Unit:100 million yen

	Nov./2020	Nov./2021	Difference	Difference(%)	Forecast for 2022 announced October 2021
Sales (Previous standard)*	315	<b>341</b>	26	8.3%	-
Sales (New standard)	-	<b>327</b>	12	3.7%	305(+22)
Gross profit	188	<b>204</b>	16	8.5%	-
Gross profit margin (%)	59.7%	<b>62.5%</b>	-	-	-
R&D expenses	31	<b>37</b>	6	18.7%	-
Ratio against sales (%)	9.9%	<b>11.3%</b>	-	-	-
Other SGA expenses	101	<b>110</b>	10	9.7%	-
Operating income	56	<b>57</b>	0	0.9%	38(+19)
Ordinary income	58	<b>62</b>	4	6.8%	39(+23)
Net income	43	<b>41</b>	- 2	-4.4%	26(+15)
Exchange rates for overseas subsidiaries					
Yen/USD (¥)	106	<b>112</b>	+6	Impact of FX +12	110(+2)
Yen/Euro (¥)	124	<b>130</b>	+6		130(±0)

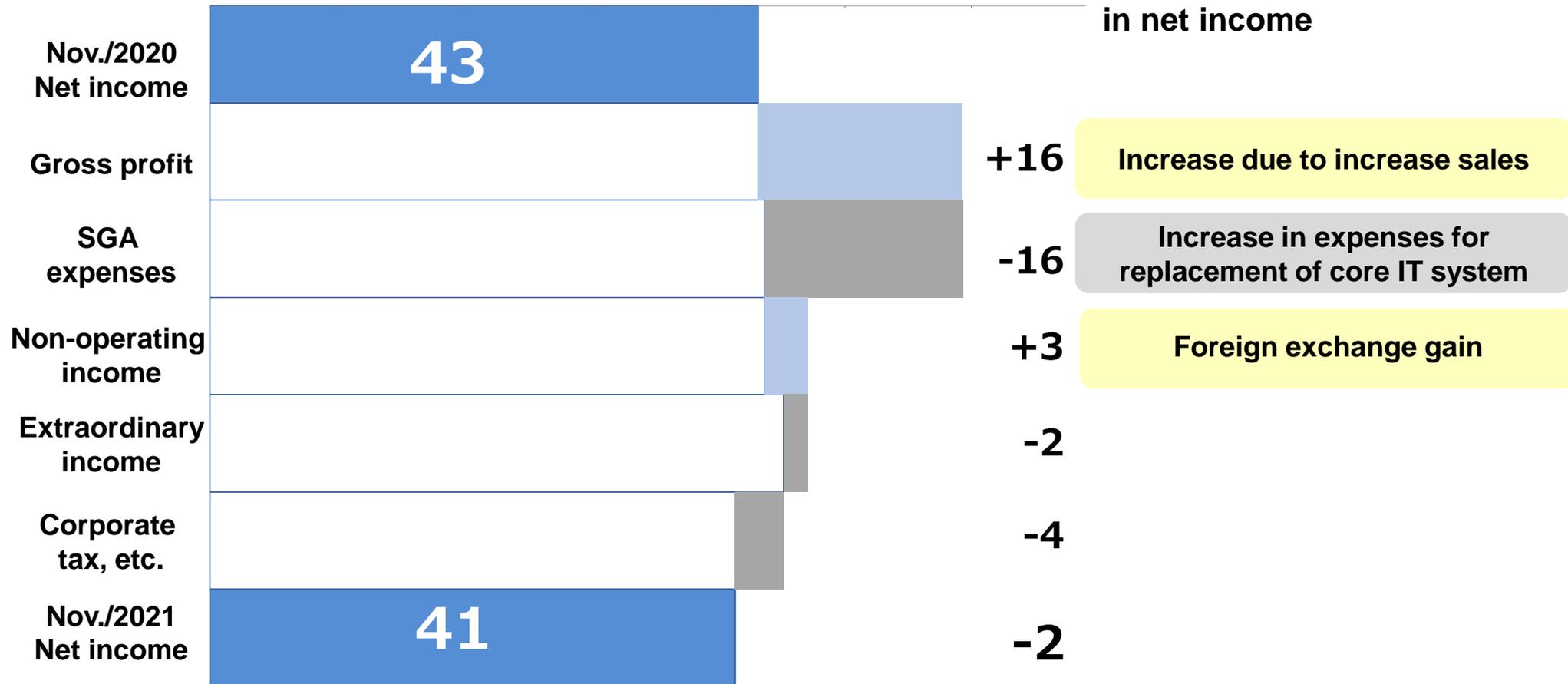
\* Based on the previous standard before application of a new revenue recognition standard

## Increase in gross profit due to increase sales, Increase in SGA expenses

Unit: 100 million yen

0 10 20 30 40 50 60

Main factors causing change  
in net income



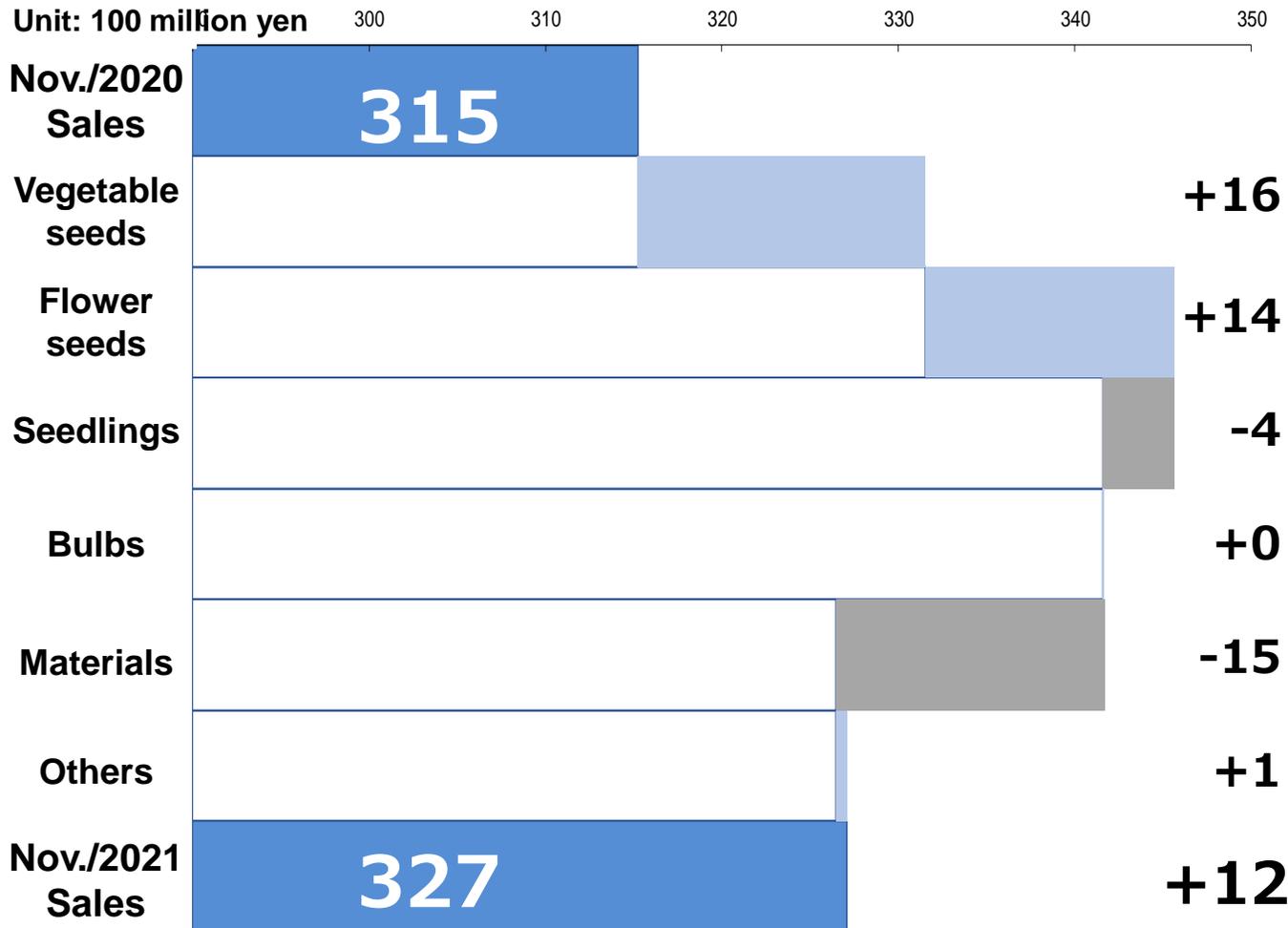
## Overseas wholesale has been a driver

Unit: 100 million yen

	Sales				Operating income			
	Nov./20	Nov./21	Difference	Difference(%)	Nov./20	Nov./21	Difference	Difference(%)
Domestic wholesale	82	63	- 19	-23.5%	30	26	- 4	-14.0%
Overseas wholesale	194	229	35	18.0%	69	80	11	16.4%
Retail sales	24	20	- 4	-17.7%	- 0	- 0	0	—
Other	15	16	0	2.4%	0	1	0	21.3%
Subtotal	315	327	12	3.7%	99	106	7	7.4%
Elimination	—	—	—	—	- 43	- 49	- 7	—
Total	315	327	12	3.7%	56	57	0	0.9%

# Results for 2<sup>nd</sup> quarter of period ending May 2022 (Sales by product)

**Significant increase in vegetable and flower seeds,  
Decrease in materials due to applying a new revenue recognition  
standard**



## Main factors causing change in sales

Increase in broccoli, tomato and pepper

Increase in sunflower and lisianthus

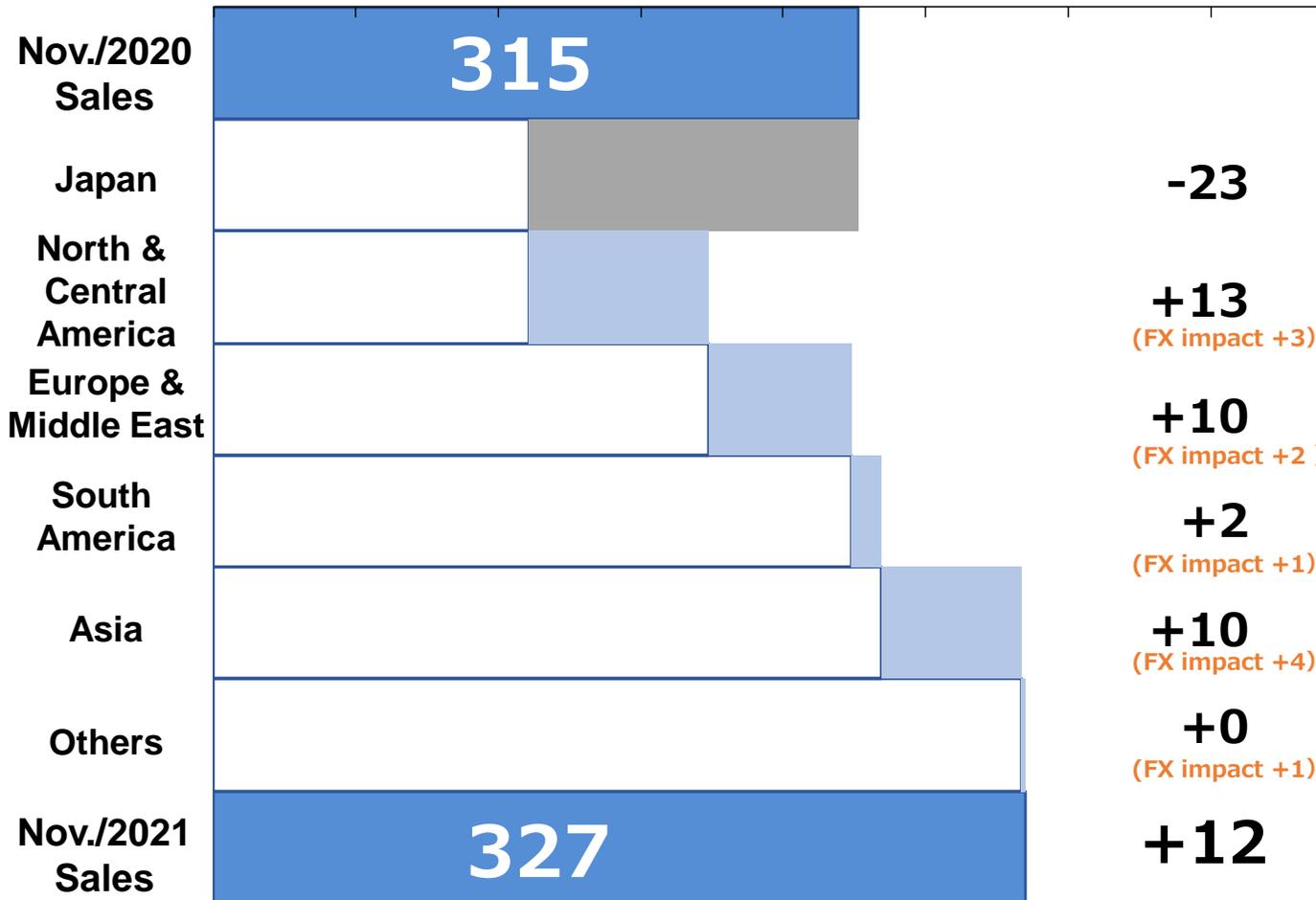
Stop handling some products

Decrease due to net revenue recognition for agent transactions

## Increase sales in every overseas region

Unit: 100 million yen

270 280 290 300 310 320 330 340 350



### Main factors causing change in sales

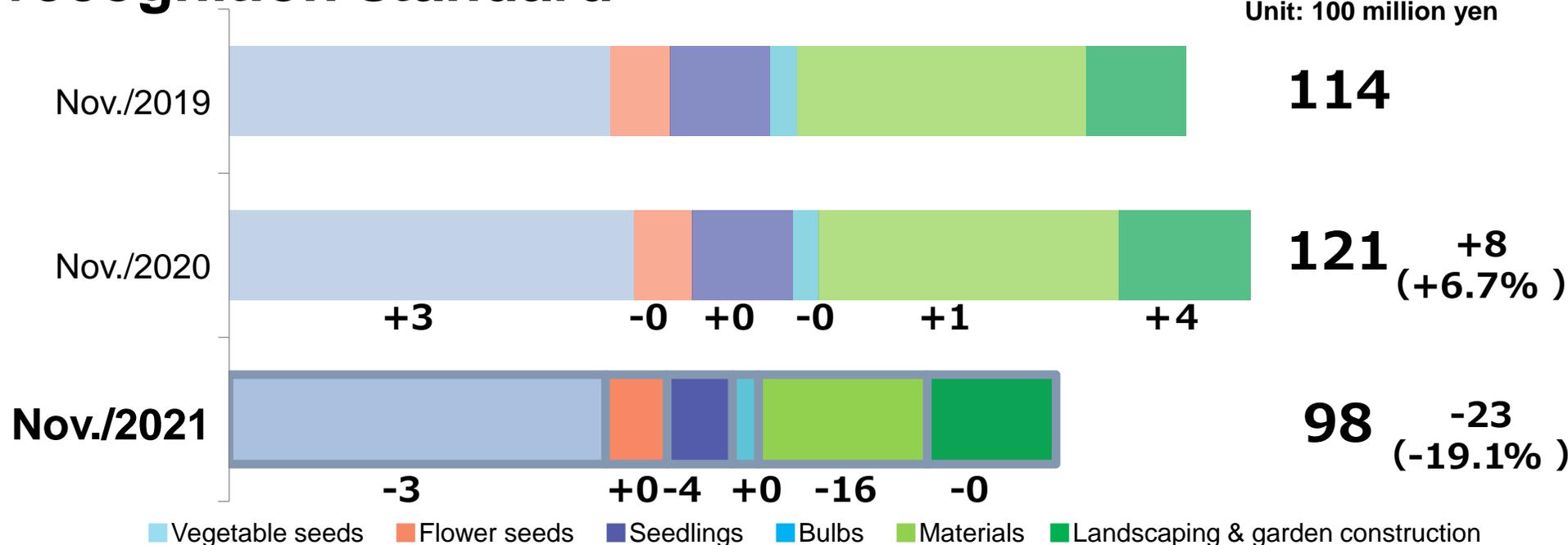
Reactionary fall of early shipment,  
Decrease due to Indication of net  
amount for agency transactions

Increase in both vegetable and  
flower seeds

**Impact of FX  
+12**

# Decrease in materials due to applying a new revenue recognition standard

Unit: 100 million yen



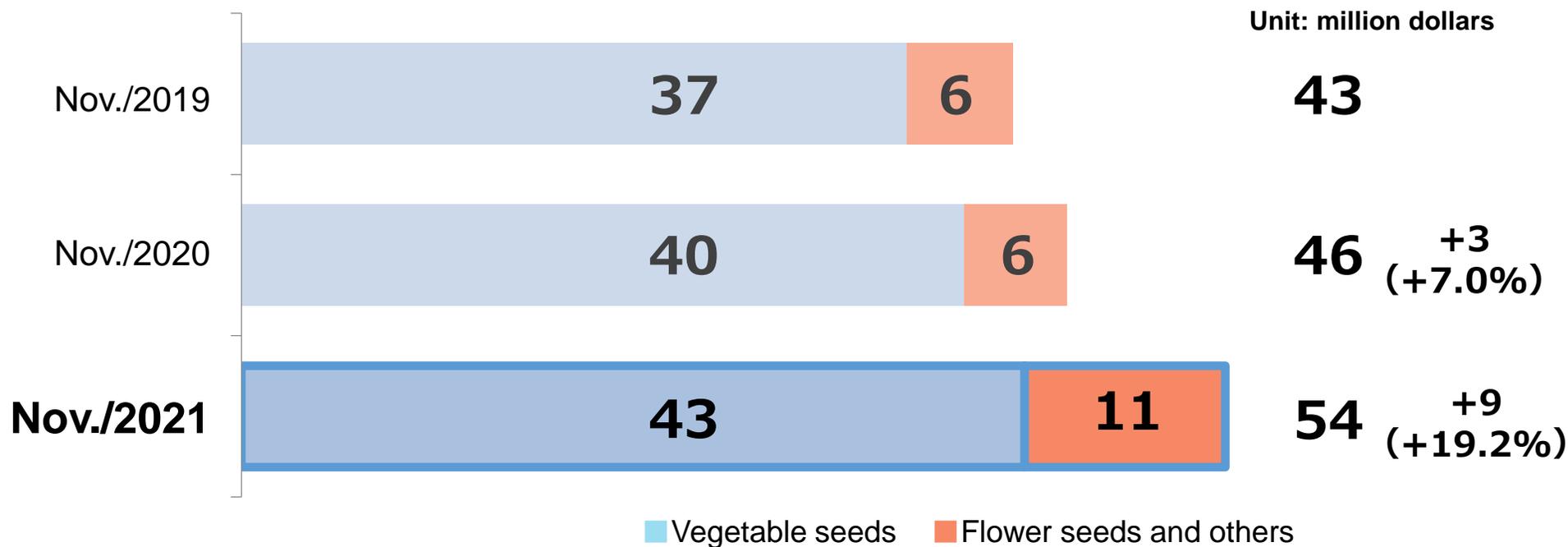
### Nov./19-Nov./20 Products whose sales changed most

Vegetable seeds	Broccoli	+0.7
	Tomato	+0.5
	Sweetcorn	+0.4
Flower seeds	Pansy	-0.2

### Nov./20-Nov./21 Products whose sales changed most

Vegetable seeds	Tomato	-0.6
	Sweetcorn	-0.4
	Lettuce	+0.3
Flower seeds	Pansy	+0.5

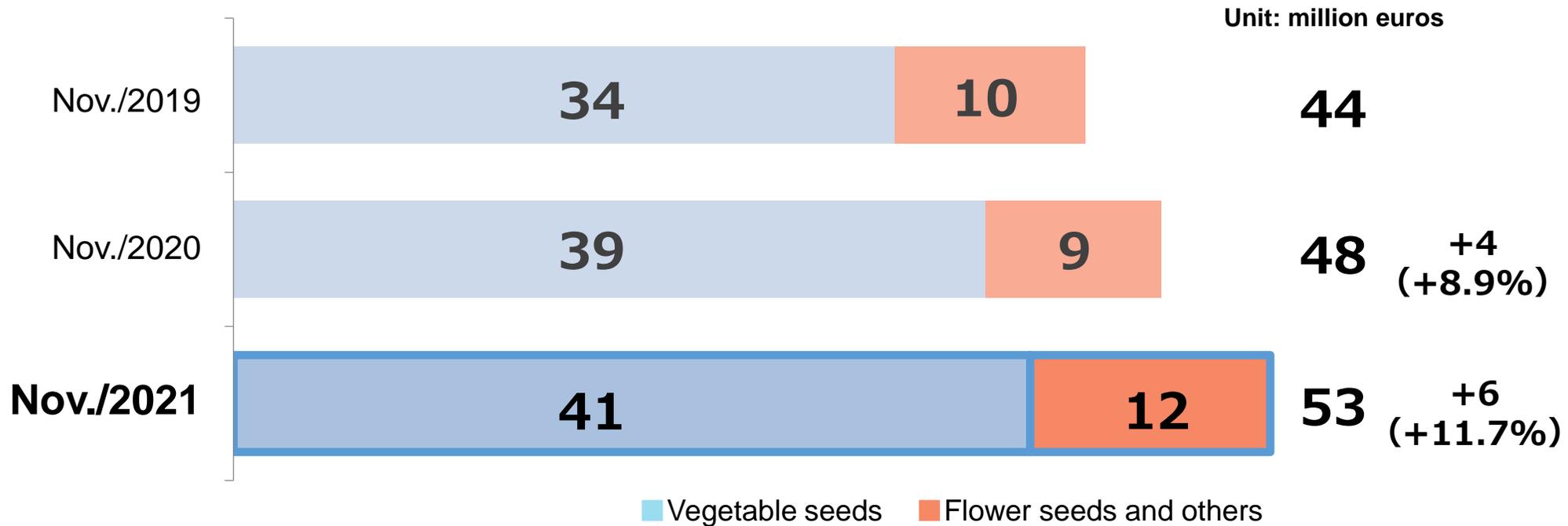
# Significant increase in both vegetable and flower seeds



Nov./19-Nov./20 Products whose sales changed most		
Vegetable seeds :	Lettuce	+1.1
	Tomato	+1.1
	Cabbage	+0.9
Flower seeds :	Campanula	+0.4

Nov./20-Nov./21 Products whose sales changed most		
Vegetable seeds :	Pepper	+1.0
	Broccoli	+0.8
	Lettuce	+0.6
Flower seeds :	Sunflower	+1.6

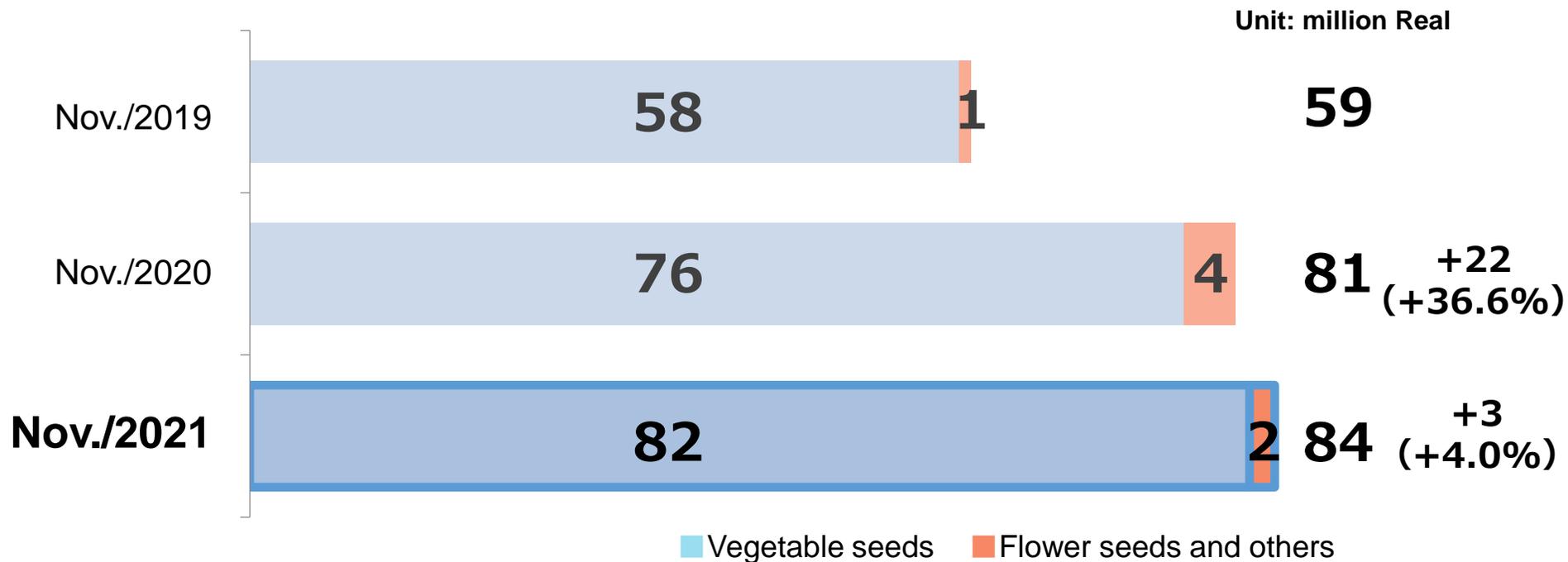
### Significant increase in both vegetable and flower seeds



Nov./19-Nov./20 Products whose sales changed most		
Vegetable seeds :	Broccoli	+2.4
	Squash	+0.9
	Bunching Onion	+0.5
Flower seeds :	Lisianthus	- 0.8

Nov./20-Nov./21 Products whose sales changed most		
Vegetable seeds :	Broccoli	+1.7
	Squash	+1.0
	Pepper	+0.7
Flower seeds :	Lisianthus	+1.4

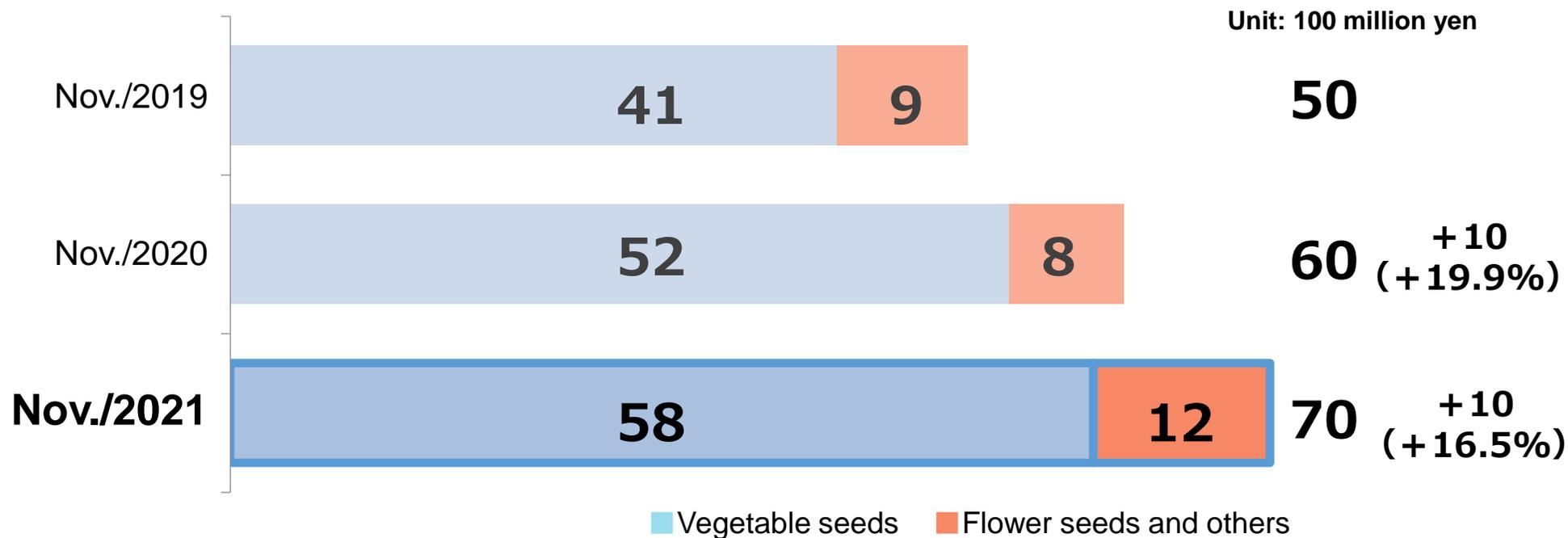
# Continuing favorable sales of vegetable seeds



Nov./19-Nov./20 Products whose sales changed most		
Vegetable seeds :	Broccoli	+7.7
	Squash	+3.0
	Tomato	+2.3
Flower seeds :	Sunflower	+0.5

Nov./20-Nov./21 Products whose sales changed most		
Vegetable seeds :	Broccoli	+1.4
	Squash	+1.2
	Watermelon	+1.1
Flower seeds :	Sunflower	+0.9

### Significant increase in both vegetable and flower seeds



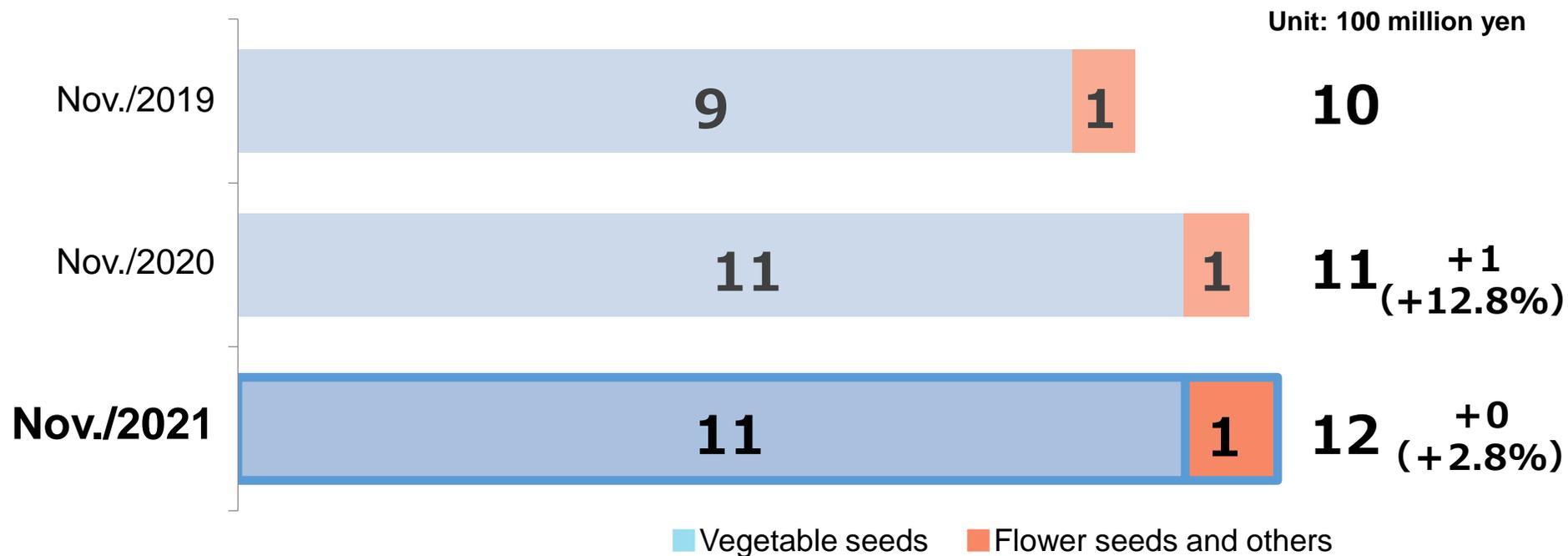
#### Nov./19-Nov./20 Products whose sales changed most

Vegetable seeds	Carrot	+9.6
	Broccoli	+3.7
	Bunching Onion	- 2.7
Flower seeds	Sunflower	- 1.0

#### Nov./20-Nov./21 Products whose sales changed most

Vegetable seeds	Carrot	+2.7
	Pepper	+1.1
	Broccoli	+0.5
Flower seeds	Sunflower	+4.7

## Slight increase in both vegetable and flower seeds



Nov./19-Nov./20 Products whose sales changed most		
Vegetable seeds	Melon	- 0.6
	Cabbage	+0.5
	Squash	+0.3
Flower seeds	Petunia	+0.1

Nov./20-Nov./21 Products whose sales changed most		
Vegetable seeds	Broccoli	+0.2
	Cabbage	- 0.2
	Onion	- 0.2

# Main selling, general and administrative (SGA) expenses for 2<sup>nd</sup> quarter of period ending May 2022

## Increase from the previous fiscal year due to overseas personnel expenses and replacement of core IT system

Unit: 100 million yen; consolidated basis

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

	SGA expenses	Personnel expenses	Travel expenses	Depreciation	R&D expenses*
Results for Nov./2021	147	79	3	12	37
Results for Nov./2020	132	73	2	9	31
Difference YoY	16	6	1	3	6
Impact of foreign exchange out of the above	5	2	0	0	1
Breakdown					
Japan	5	-1	-0	2	1
Europe & Middle East	6	3	0	1	3
North & Central America	7	2	0	0	1
South America	2	1	0	0	0
Others + consolidation adjustment	-5	1	0	0	-0

\*R&D expenses are the total expenses related to research activities,  
which may also be included as personnel expenses and depreciation.

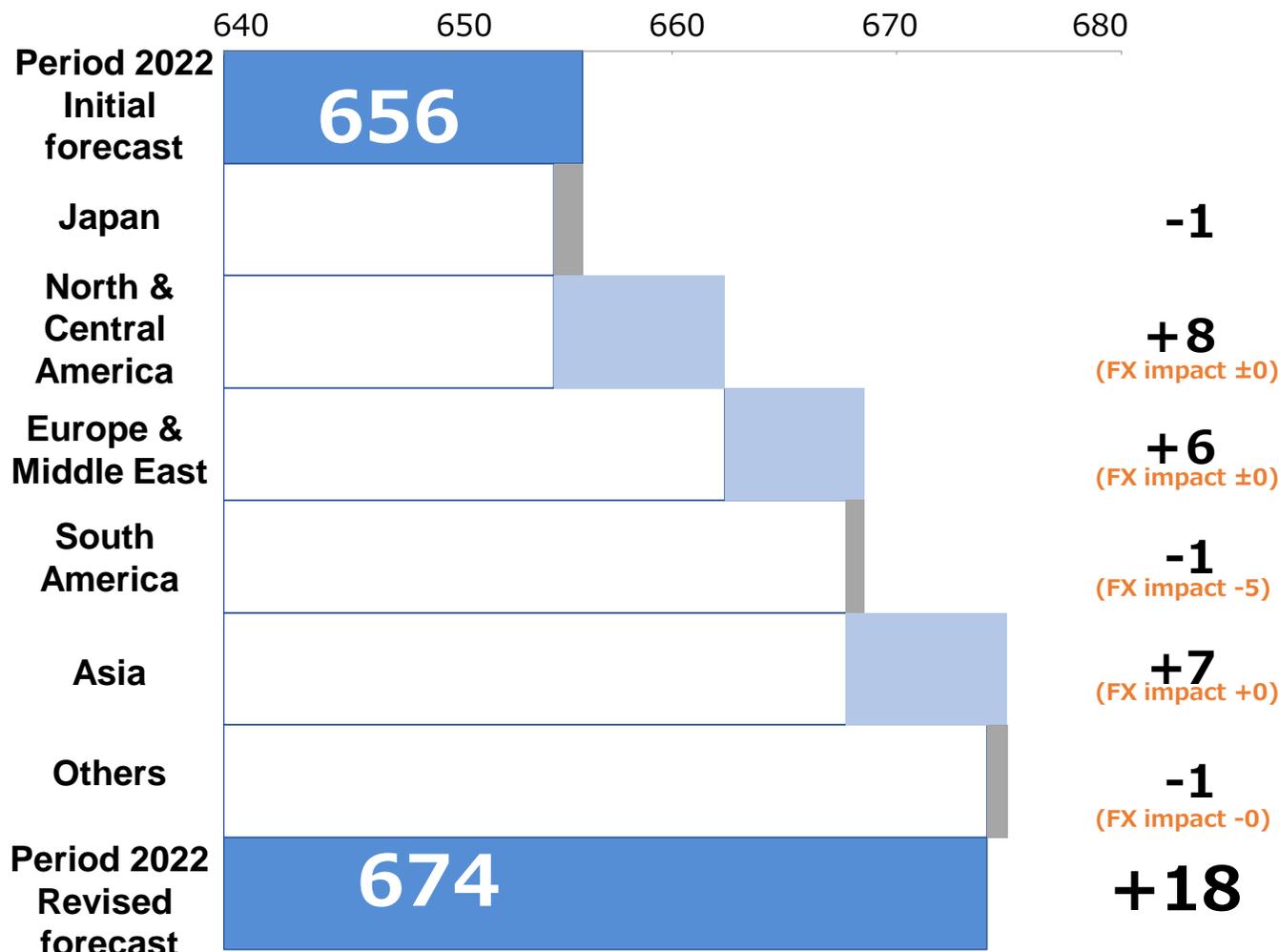
## **Ⅱ Forecast for Period Ending May 2022 and Dividend Policy**



# Forecast for period ending May 2022: Sales by customers' region (compared to initial forecast)

## Sales forecast revised upward significantly

Unit: 100 million yen



### Major factors likely to cause change in sales

Expecting decrease in landscape business etc.

Good sales in vegetable and flower seeds

Good sales in vegetable and flower seeds

Impact of foreign exchange

Good sales in vegetable and flower seeds

Decrease in vegetable seeds in South Africa

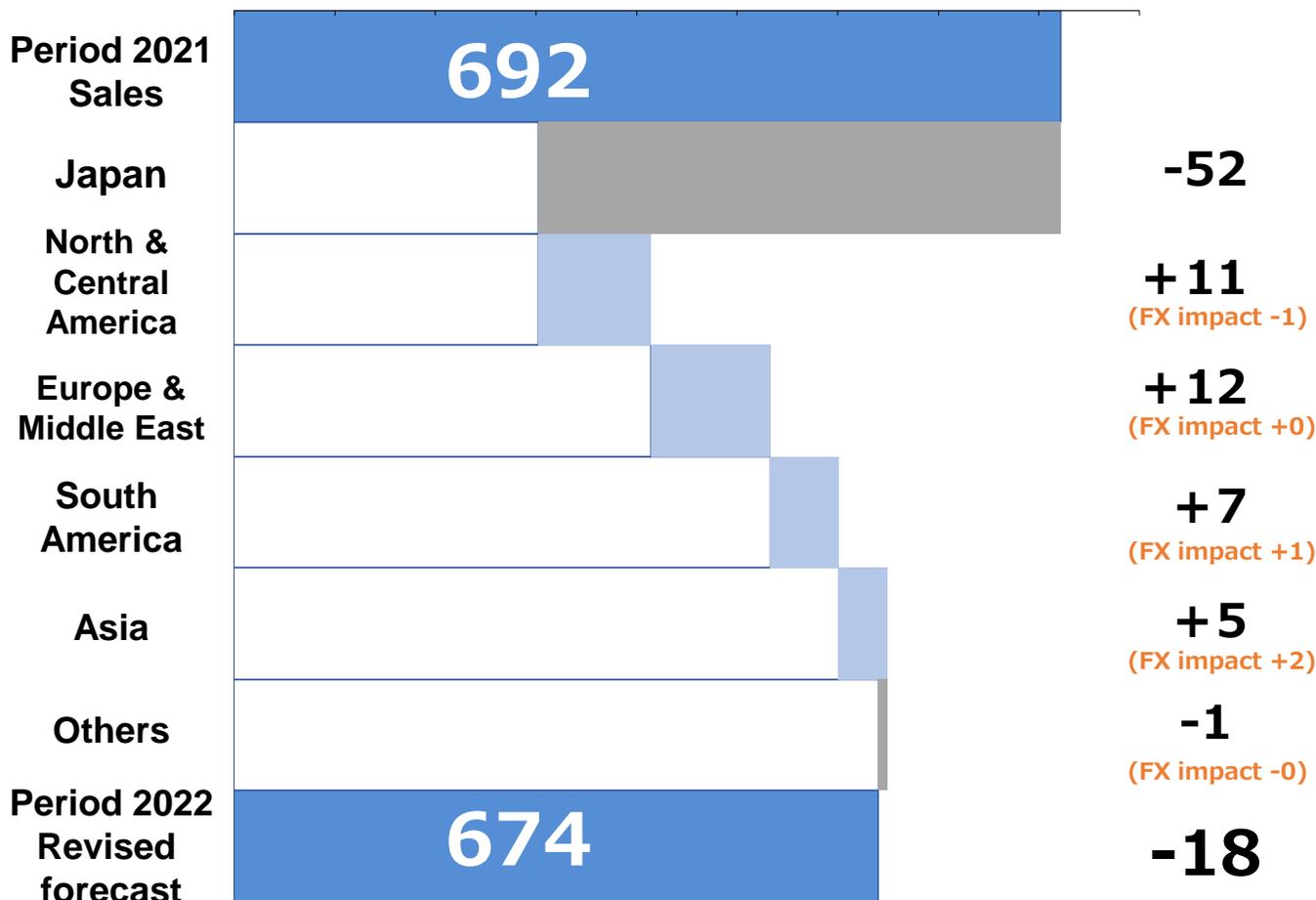
Impact of FX  
-4

# Forecast for period ending May 2022: Sales by customers' region (compared to the previous year)

**Expecting decrease in sales forecast for results compared to the previous year due to applying a new revenue recognition standard**

Unit: 100 million yen

610      630      650      670      690



## Main factors likely to cause change in sales

Decrease due to net revenue recognition for agent transactions

Good sales in vegetable and flower seeds

Decrease in vegetable seeds in South Africa

Impact of FX  
+2

# Forecast for period ending May 2022 (Main selling, general and administrative (SGA) expenses)

## Increased 400 million yen from initial forecast

Unit: 100 million yen; consolidated basis

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

		Compared to initial forecast		Compared to previous year	
<b>Revised forecast for period 2022</b>		<b>316</b>		<b>316</b>	
<b>Initial forecast for period 2022 / Results for period 2021</b>		<b>312</b>		<b>288</b>	
<b>Difference YoY</b>		<b>4</b>	<b>(-3)</b>	<b>27</b>	<b>(-0)</b>
Breakdown	Japan	3	(0)	10	(0)
	Europe & Middle East	1	(0)	11	(0)
	North & Central America	5	(0)	7	(-0)
	South America	-3	(-3)	3	(0)
	Others + consolidation adjustment	-2	(-0)	-3	(0)

Number in parentheses are the impact of foreign exchange

## Interim dividends decided at 18 yen; year-end dividends forecast at 20 yen

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.

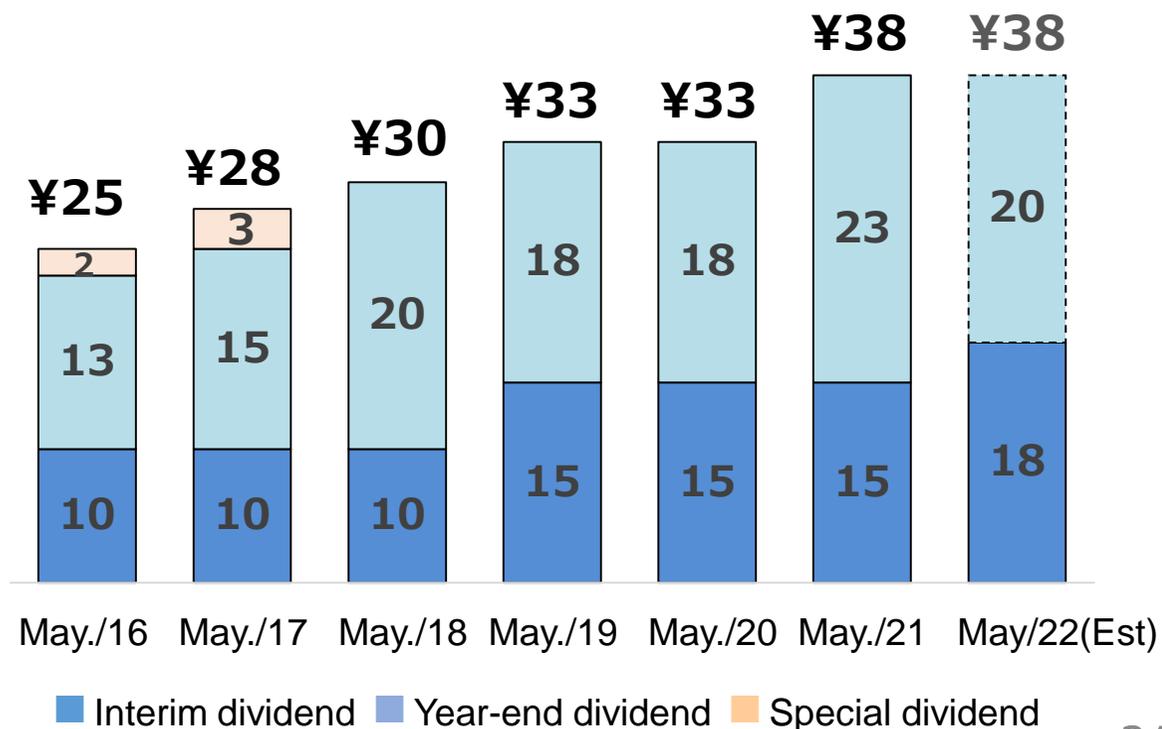
**Interim dividend:**

**¥18/share**

**Year-end dividend forecast:**

**¥20/share**

**We are planning no change from our initial forecast.**



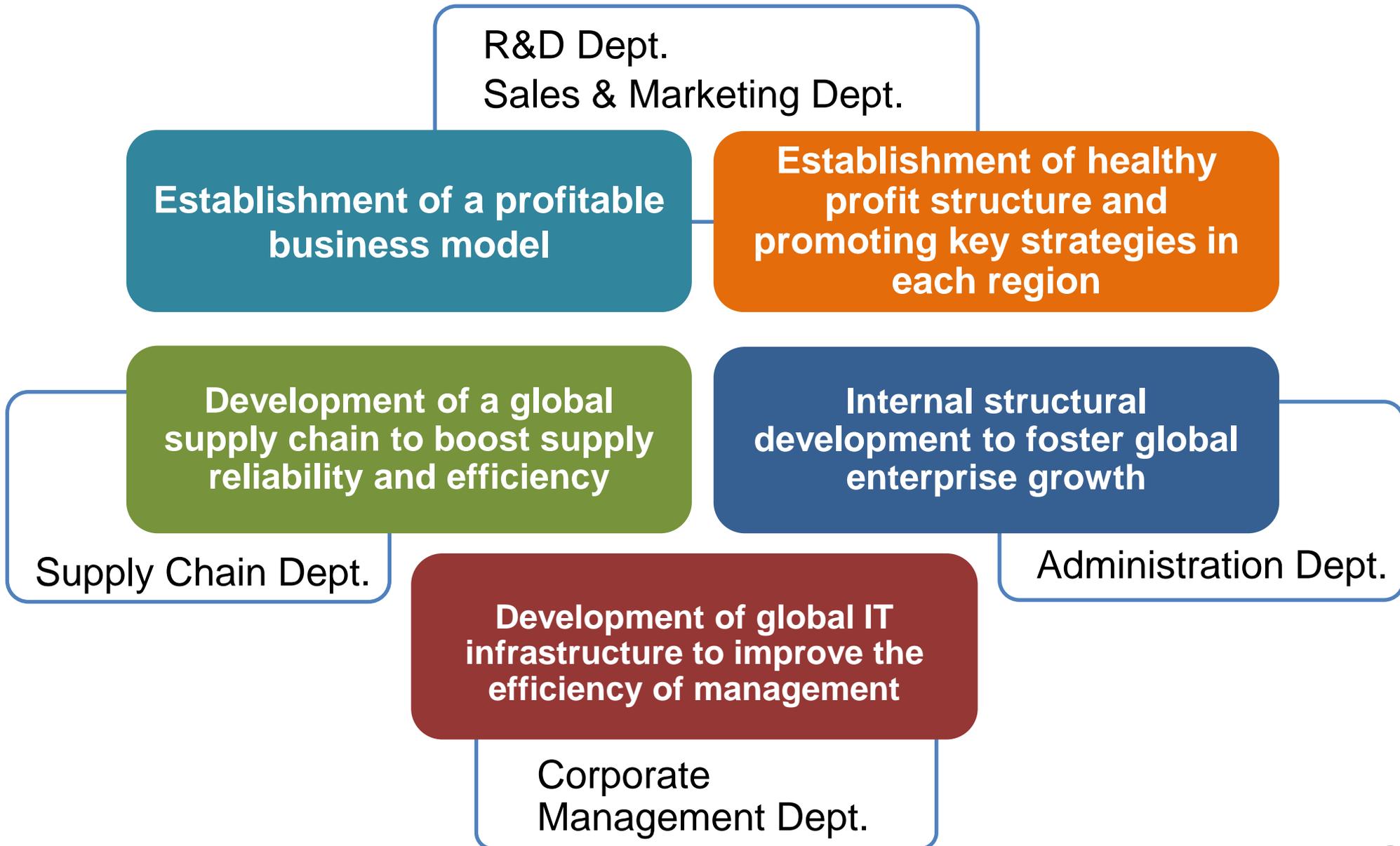
## Ⅲ Action for Global Growth

# Global Strategic Crop : Pepper



- 1. Growth strategy of SAKATA group**
- 2. Basic strategy for Vegetable Business**
- 3. Overview of Pepper**
- 4. Strategy and measures of Pepper**
- 5. Future prospects of Pepper**

# 1. Growth Strategy of SAKATA group



## Establishment of a profitable business model

**The company has developed research capabilities to generate an ongoing stream of original, high-quality seeds and seedlings**

**To promote development of market-leading strategic products and related growth in sales**

- 1. Growth strategy of SAKATA group**
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## 2. Basic strategy for Vegetable Business

### The global vegetable seed market

- A growing market increasing 7-8% annually
- Steady demand even in a Covid-19 catastrophe
- Fruit vegetables take up a large share



**The market is not easily affected by economic trends and has high growth potential, especially for fruit vegetables**

### Characteristics of fruit vegetables

- Large market size
- High unit price and high profit (margins)
- Growing segment worldwide

**Market size: ~9 billion USD**

\*Our estimate

#### Leafy and Root Vegetables

Vegetables that we eat their leaves and roots (Cabbage, Lettuce, Broccoli, Onion, Carrot, etc.)



#### Fruit vegetables

Vegetables that bear fruits (Tomato, Sweet pepper, Hot pepper, Cucumber, Watermelon, Melon, Eggplant, Okra, etc.)



**Maintain high  
market share of top  
crops**

Leafy vegetables such as  
broccoli and cabbage

**Establish new crops  
that will become  
pillars of revenue**

Fruit vegetables such as tomato,  
pepper, and squash

**Precisely cover needs with  
a locally based research system**

Rooted in the local culture and respond to diversified needs  
Breed varieties with adaptability to a wide range of environments  
through global expansion

- 1. Growth strategy of SAKATA group**
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## History

Originated in Central and South America  
Spread throughout the world in the 16th century  
Permeated in the world food culture, including spices



Different types of peppers have been developed around the world



## Main Types

**Sweet Pepper**  
Not spicy/No pungency

**Hot Pepper**  
Spicy/pungent

**Size, shape(length, style), color, flesh quality, processing and cultivation characteristics**



**There are many different types around the world and the market is fragmented and complex**

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## Market characteristics and competitive situation

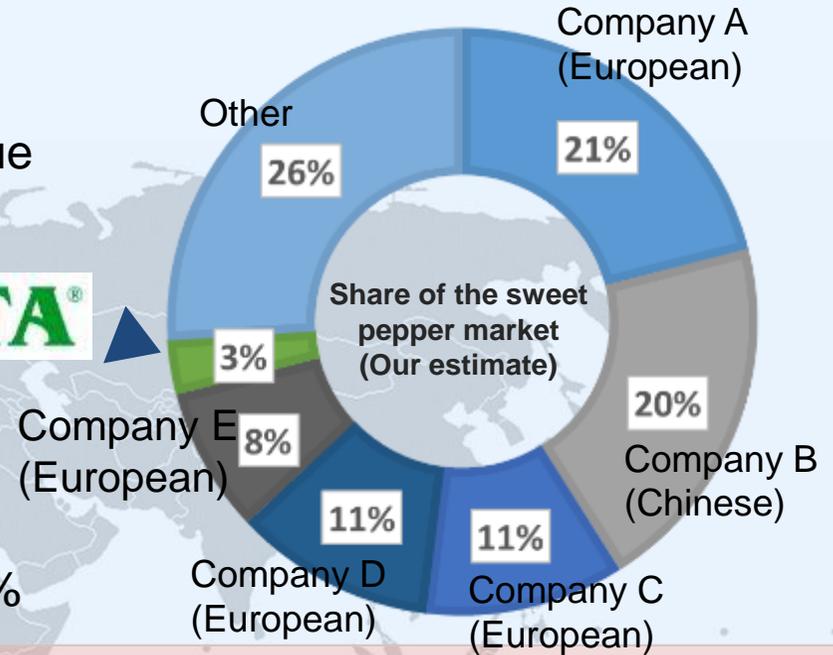
### Sweet Pepper

**Region:** Worldwide

**Features:** Mature market with high added-value and high unit price



**Competitors:** Mid to large-sized seed companies in Europe and the U.S.  
Our estimated share is about 3%



### Hot Pepper

**Region:** Concentrated in equatorial regions such as India and Mexico in addition to China

**Features:** Huge market including processing use, high growth potential due to population growth and the shift to F1 use in the future

**Competitors:** Local seed companies in each region (especially in Asia)

**SAKATA just entered the market and there is significant potential for sales and profits to grow**



**R&D and sales expansion rooted in local food culture**

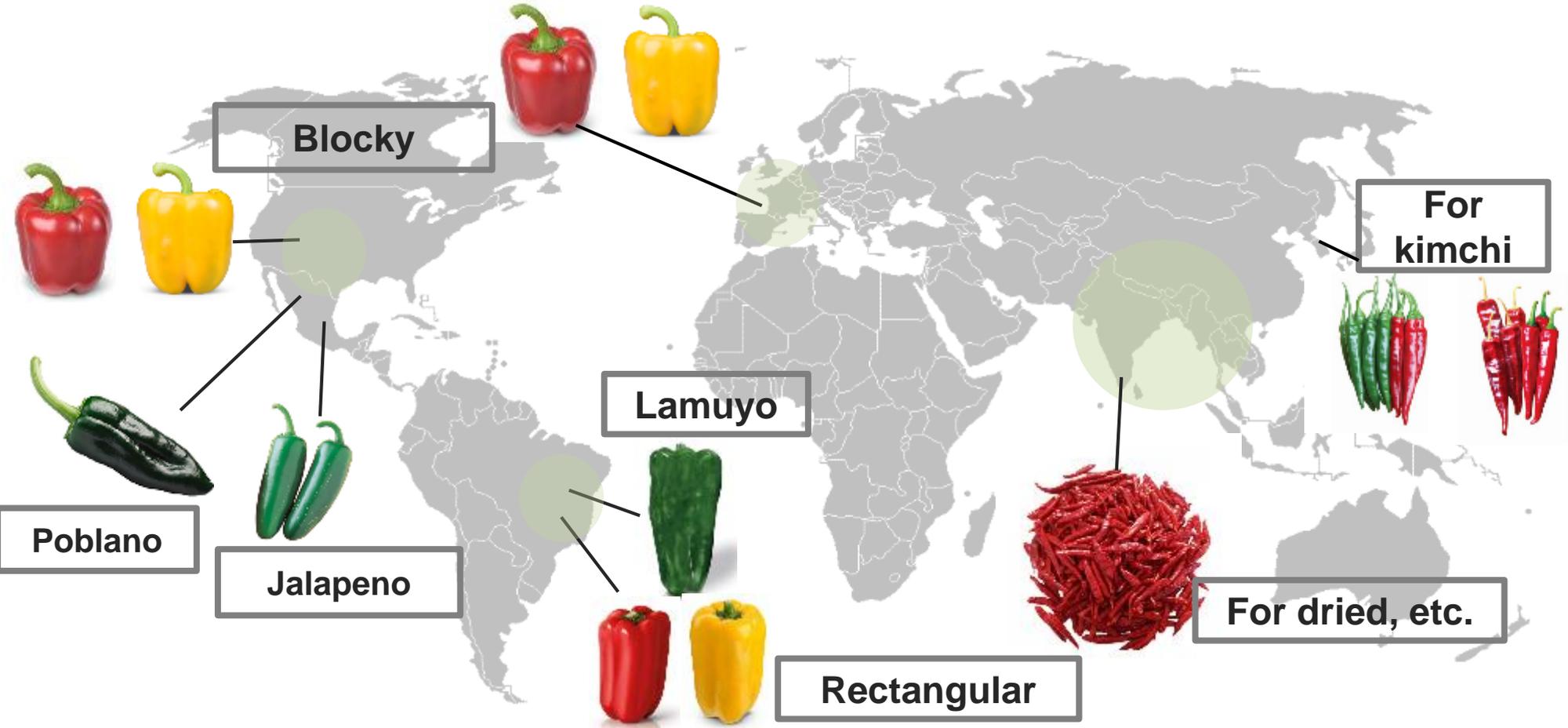
**Locate breeders in key regions to meet the diversity of food culture**

**Sensitivity of locals is especially important in the selection of "taste (spiciness)"**

**Show competitive advantages in Hot pepper**



## Selection and concentration on major types



**Concentrate on types with high future and growth potential instead of expanding exhaustively**

### Active investment and collaboration on a global scale

- **Promote R&D at the Woodland Innovation Center (opened in 2018 in the US) and Almeria Research Station (opened in 2019 in Spain) with the state-of-the-art facilities**



Woodland Innovation Center



Almeria Research Station

- **Acquisition of the sweet pepper breeding program from Danziger (2020)**

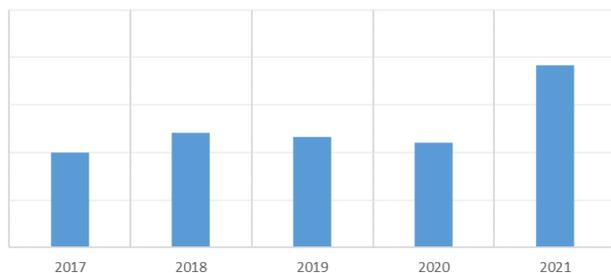


**Share genetic material and know-how, and strengthen global cooperation of Sales and R&D**

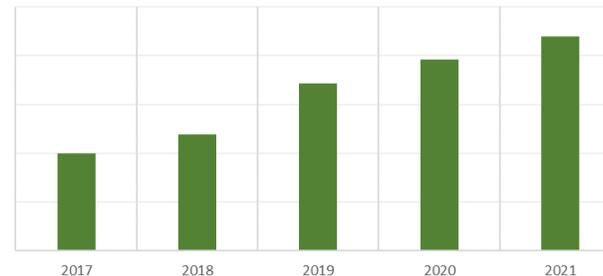
## 4. Strategy and measures of Pepper

### Pepper sales trend in each region (FY May 2017-FY May 2021)

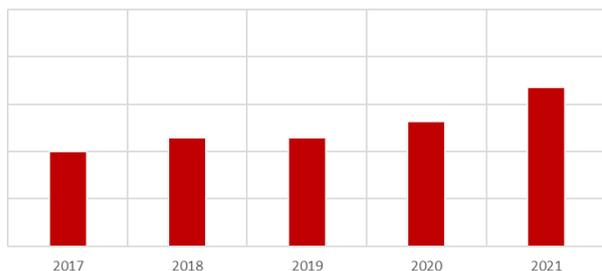
North & Central America



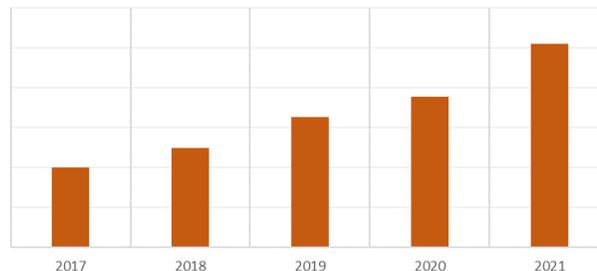
Europe & Middle East



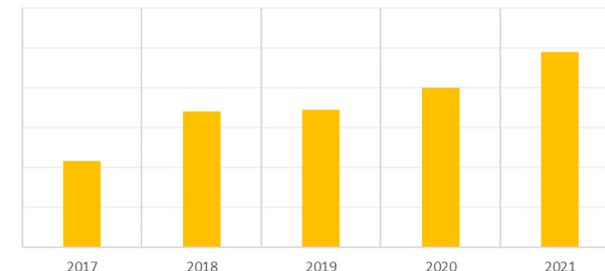
South America



Asia



Other regions



**Steady growth in each region, about 10-70% increase from the previous year in local currency**

### Case 1: North America

#### Target: Poblano type

- Hot pepper
- Large, flat, moderately spicy

#### Market Overview

- A staple of Mexican food with high demand

#### Target: Blocky type

- Sweet pepper
- Large, square, thick flesh

#### Market Overview

- One of the major types of pepper in North America

#### Our Measures

- Acquisition of Danziger's pepper breeding program
- Promote R&D and strengthen cooperation in Woodland Innovation Center, Florida, and Mexico



Poblano type



Blocky type

**North American market is growing rapidly**

**Good sales with aggressive investment and regional strategies**

### Case 2: Spain

#### Target: Blocky type

- Sweet pepper
- Large, square, thick flesh
- Similar to Japanese “Paprika”

#### Market Overview

- One of the major types of pepper in Europe. Commonly used globally.
- Mainly grown in greenhouse, high value-added variety

#### Our Measures

- Develop a new variety with excellent yield
- Utilize Almeria Research Station located in a major fruit vegetable production area in Europe and conduct proactive marketing in main production areas



Greenhouse cultivation area in Almeria

**Highly evaluated in a major European fruit vegetable production areas, expecting to expand throughout Europe**

### Case 3: Brazil

#### Target: Lamuyo type

- Sweet pepper
- Large, slightly oblong shape

#### Market Overview

- One of the major types of pepper in South America
- One of the most popular vegetable, essential for daily diet
- Mainly grown in open field and require resistance to specific disease

#### Our Measures

- Already have a high market share so constantly update varieties to respond to new diseases



**Maintaining top market share valued for disease resistance and high yield**

### Case 4: South Korea

**Target:** For kimchi

- Hot pepper
- Medium, elongated, very spicy
- A chili pepper used for making kimchi

#### Market Overview

- One of the major types of pepper in South Korea with high production volume
- Require disease resistance

#### Our Measures

- Utilize global R&D network and introduce useful materials
- Develop new varieties with both disease resistance and good taste (spiciness)

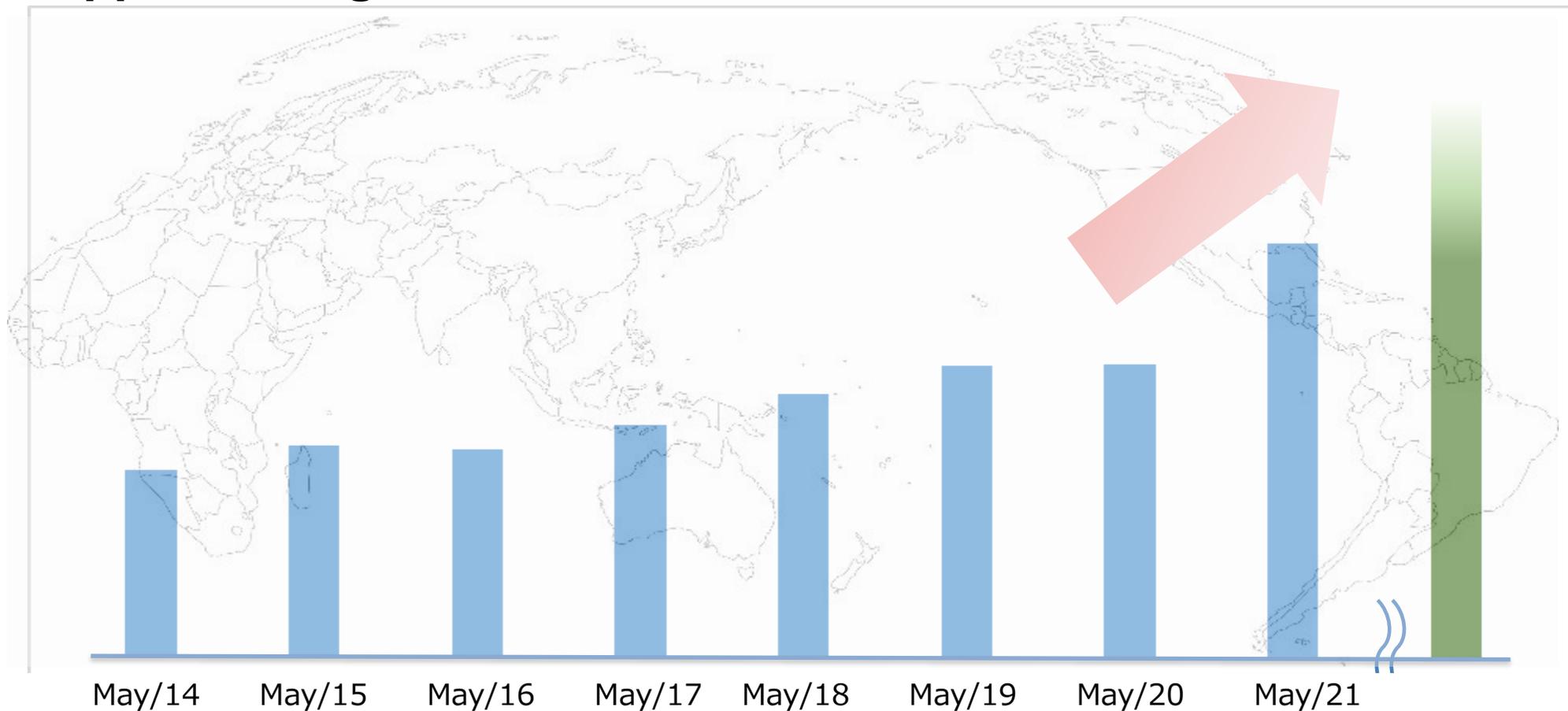


**Competitive varieties with high originality,  
rapid increase in market share**



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### Pepper sales growth forecast



**Aim to double the current sales by 2025 and make it one of the pillars of vegetable seed sales**



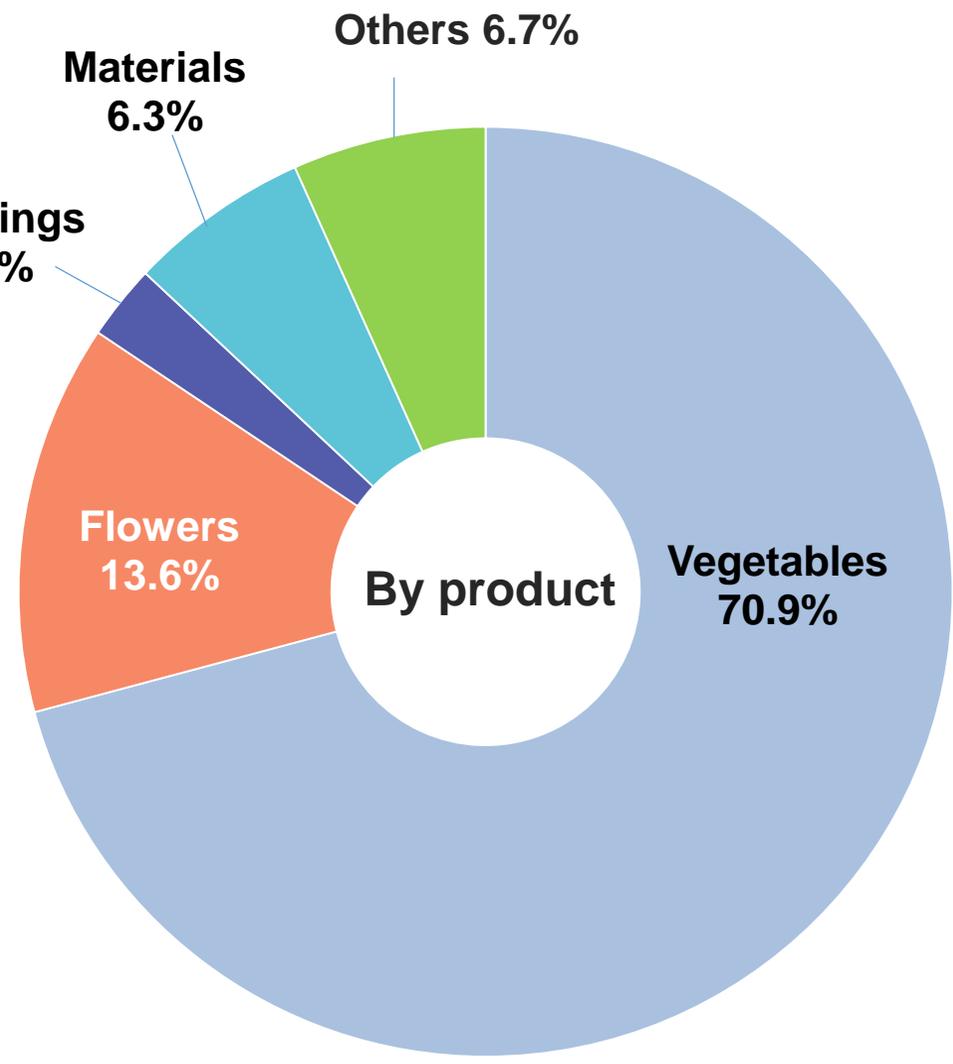
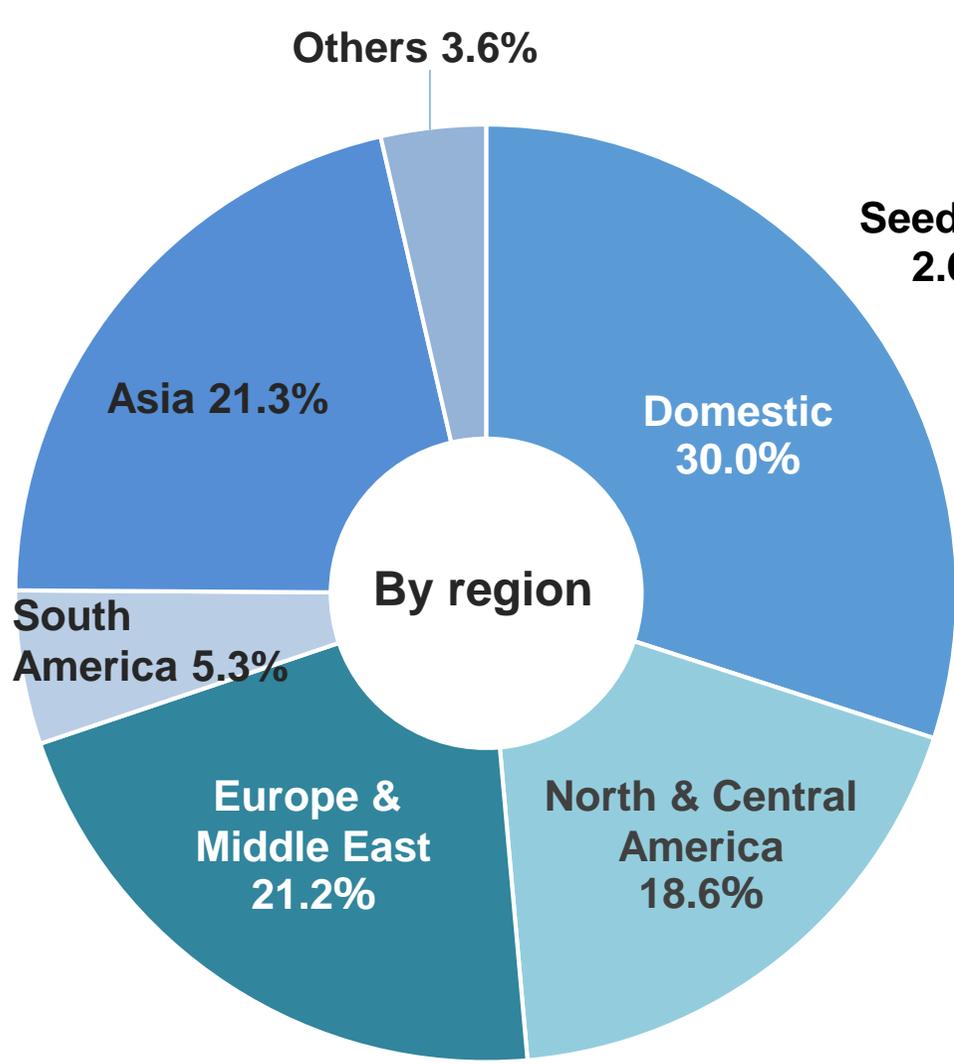
**Vegetables nourish the body and flowers  
nourish the soul**

**We aim for sustainable development of the environment,  
society, and agriculture and horticulture**



# IV Appendix

# Results for 2nd quarter of period ending May 2022: Breakdown of external sales (1)



# Results for 2nd quarter of period ending May 2022: Breakdown of external sales (2)

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

Unit: 100 million yen

	Vegetables	Flowers	Seedlings	Materials	Others	Total
North & Central America	6.2	4.8	-0.0	0.4	1.3	12.6
Europe & Middle East	5.2	4.1	—	—	0.7	10.0
South America	2.5	0.3	—	—	-0.7	2.1
Asia	5.7	4.5	0.2	0.0	-0.5	9.8
Other regions	0.0	0.1	—	—	0.2	0.3
<b>Overseas subtotal</b>	<b>19.6</b>	<b>13.7</b>	<b>0.2</b>	<b>0.4</b>	<b>1.0</b>	<b>34.9</b>
<b>Domestic subtotal</b>	<b>-3.3</b>	<b>0.4</b>	<b>-4.2</b>	<b>-15.6</b>	<b>-0.3</b>	<b>-23.1</b>
<b>Total</b>	<b>16.3</b>	<b>14.1</b>	<b>-4.1</b>	<b>-15.2</b>	<b>0.7</b>	<b>11.8</b>

# Results for period ending May 2022:

## External sales by customers' region (Quarterly change)

### Overseas sales (by customers' region)

	1st Qtr	QoQ	QoQ (%)	2nd Qtr	QoQ	QoQ (%)	Total	YoY	YoY (%)
North & Central America (1,000US\$)	20,242	2,626	14.9	34,241	6,149	21.9	54,483	8,775	19.2
Europe & Middle East (1,000EUR)	27,918	3,859	16.0	25,340	1,738	7.4	53,257	5,597	11.7
South America (1,000BRL)	42,614	4,076	10.6	41,217	-828	-2.0	83,831	3,248	4.0
Asia (Million Yen)	2,863	220	8.3	4,102	764	22.9	6,966	984	16.5
Korea included in Asia (Million WON)	7,359	602	8.9	6,365	-325	-4.9	13,725	277	2.1
India included in Asia (Million INR)	302	63	26.1	374	22	6.3	676	85	14.3
Others (Million Yen) (Africa, Oceania)	518	39	8.1	662	-6	-1.0	1,180	32	2.8

# Results for period ending May 2021: External sales by customers' region (Quarterly change)

## Overseas sales (by customers' region)

	1st Qtr	QoQ	QoQ (%)	2nd Qtr	QoQ	QoQ (%)	3rd Qtr	QoQ	QoQ (%)	4th Qtr	QoQ	QoQ (%)	Total	QoQ	QoQ (%)
North & Central America (1,000US\$)	17,617	2,994	20.5	28,091	- 9	-0.0	32,792	7,381	29.0	39,310	1,206	3.2	117,809	11,572	10.9
Europe & Middle East (1,000EUR)	24,059	3,566	17.4	23,602	344	1.5	23,326	2,716	13.2	30,580	- 26	- 0.1	101,566	6,600	6.9
South America (1,000BRL)	38,538	13,244	52.4	42,044	8,367	24.8	40,773	9,224	29.2	42,564	1,010	2.4	163,919	31,845	24.1
Asia (Million Yen)	2,643	65	2.5	3,338	927	38.4	2,183	261	13.6	3,720	1,823	96.1	11,884	3,076	34.9
Korea included in Asia (Million WON)	6,758	1,134	20.2	6,690	- 92	- 1.4	4,189	334	8.7	6,697	1,435	27.3	24,334	2,811	13.1
India included in Asia (Million INR)	240	66	38.0	352	19	5.7	194	8	4.5	66	- 124	- 65.5	851	- 31	- 3.5
Others (Million Yen) (Africa, Oceania)	479	35	7.8	669	95	16.5	637	- 1	- 0.2	718	25	3.6	2,502	154	6.5

**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.**