

# Financial Highlights Material for the 2<sup>nd</sup> quarter of Period Ending May 2023

Sakata Seed Corporation  
January 23, 2023



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# I Overview of 2nd quarter of Period Ending May 2023

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.

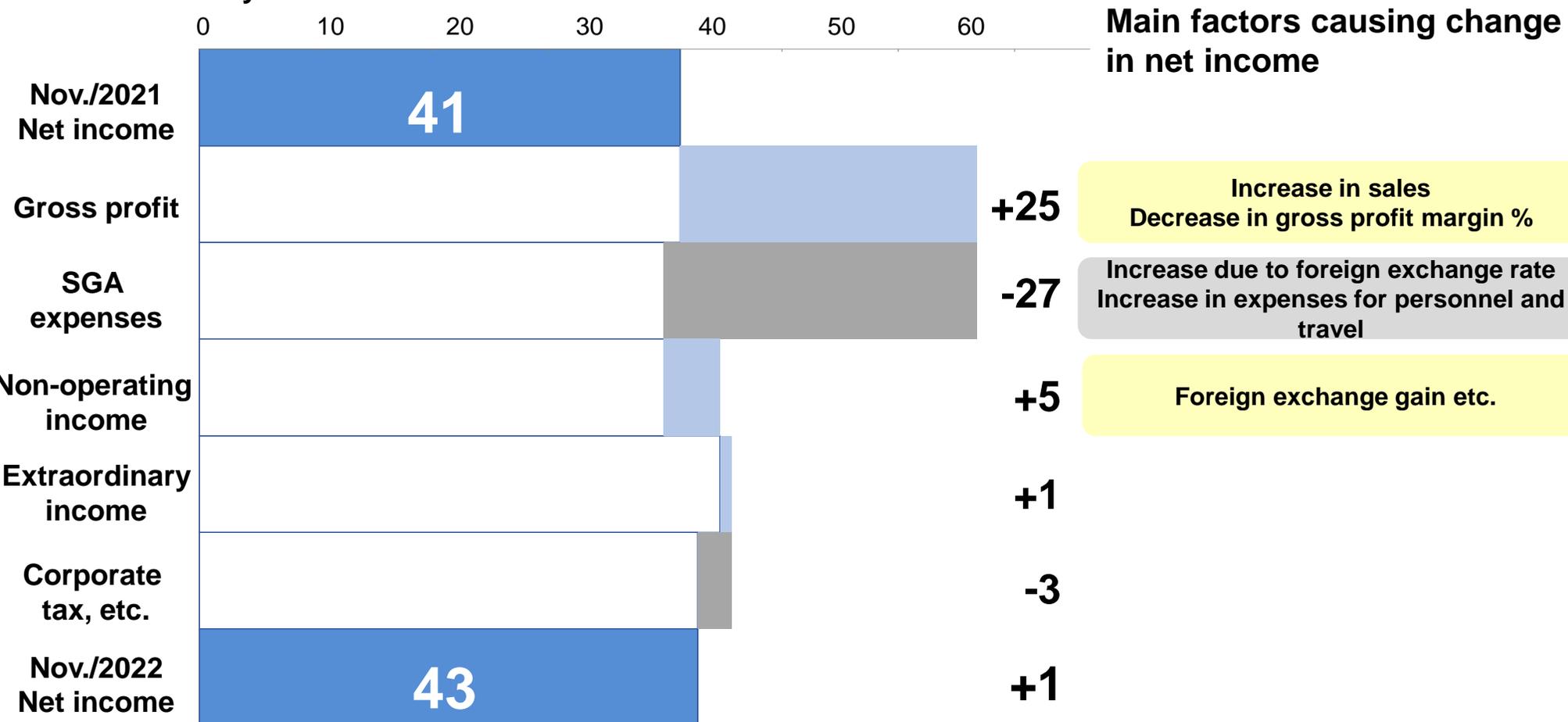
## Increase in sales compared to the previous year, figures exceeded forecasts

Unit:100 million yen

	Nov./2021	<b>Nov./2022</b>	Difference	Difference(%)	Forecast for 2023 announced July 2022
Sales	327	<b>380</b>	53	16.2%	376(+4)
Gross profit	204	<b>230</b>	25	12.5%	-
Gross profit margin (%)	62.5%	<b>60.5%</b>	-	-	-
R&D expenses	37	<b>48</b>	11	28.6%	-
Ratio against sales (%)	11.3%	<b>12.6%</b>	-	-	-
Other SGA expenses	110	<b>127</b>	16	14.7%	-
Operating income	57	<b>56</b>	-1	-2.4%	54(+2)
Ordinary income	62	<b>65</b>	3	5.6%	58(+7)
Net income	41	<b>43</b>	1	3.6%	40(+3)
Exchange rates for overseas subsidiaries					
Yen/USD (¥)	112	<b>145</b>	+33	<b>Impact of FX +46</b>	133(+12)
Yen/Euro (¥)	130	<b>142</b>	+12		140(+2)

## Increase in net income thanks to gross profit increase, despite SGA increased

Unit: 100 million yen



# Results for 2<sup>nd</sup> quarter of period ending May 2023 (By business segment)

## Overseas wholesale has been a driver

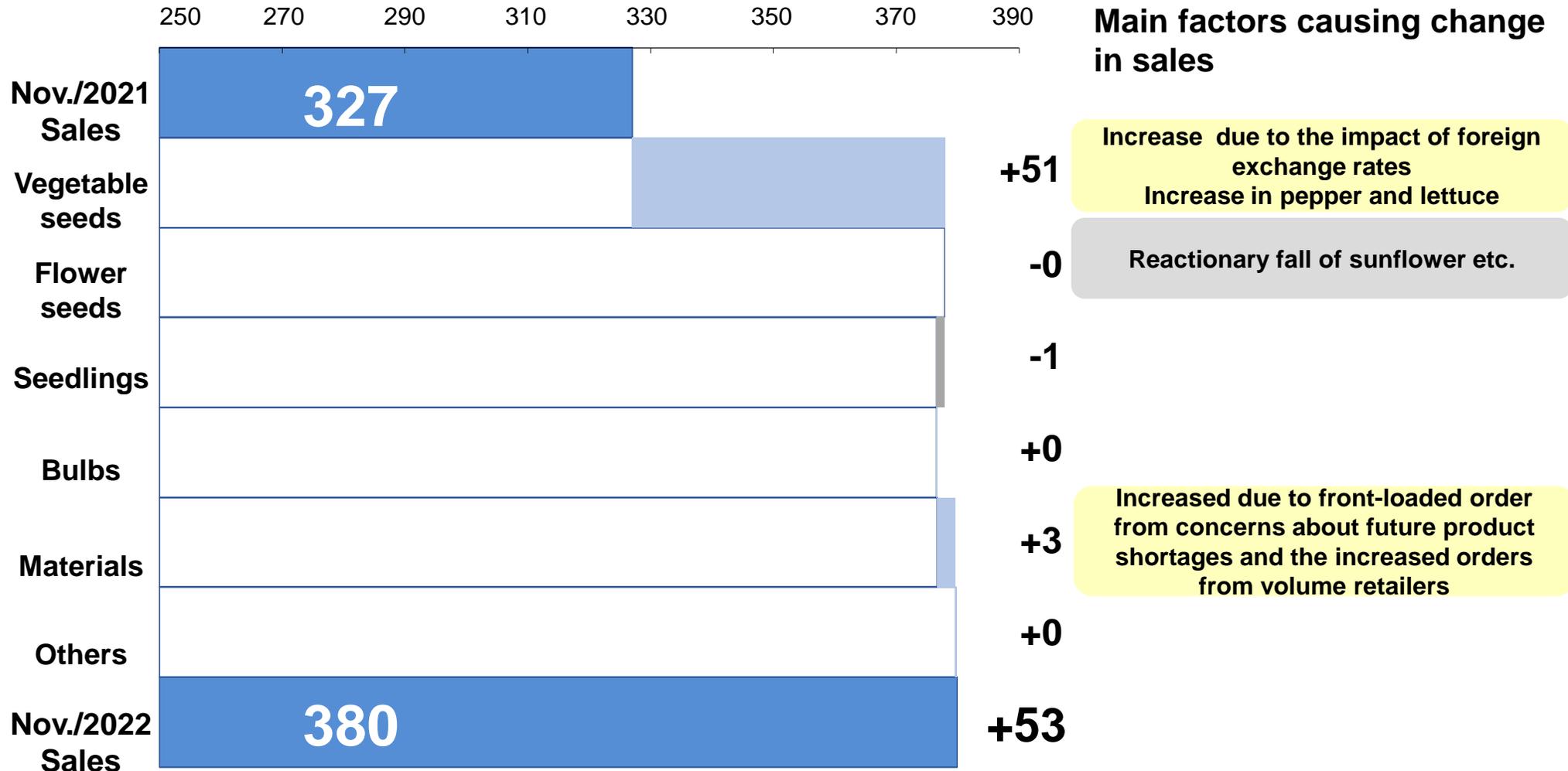
Unit: 100 million yen

	Sales				Operating income			
	Nov./21	Nov./22	Difference	Difference(%)	Nov./21	Nov./22	Difference	Difference(%)
Domestic wholesale	63	61	-2	-2.6%	26	26	-0	-0.3%
Overseas wholesale	229	280	51	22.2%	80	81	1	0.9%
Retail sales	20	22	2	11.8%	-0	-1	-0	—
Other	16	17	1	8.2%	1	1	0	15.9%
Subtotal	327	380	53	16.2%	106	107	0	0.5%
Elimination	—	—	—	—	-49	-51	-2	—
Total	327	380	53	16.2%	57	56	△ 1	-2.4%

# Results for 2<sup>nd</sup> quarter of period ending May 2023 (Sales by product)

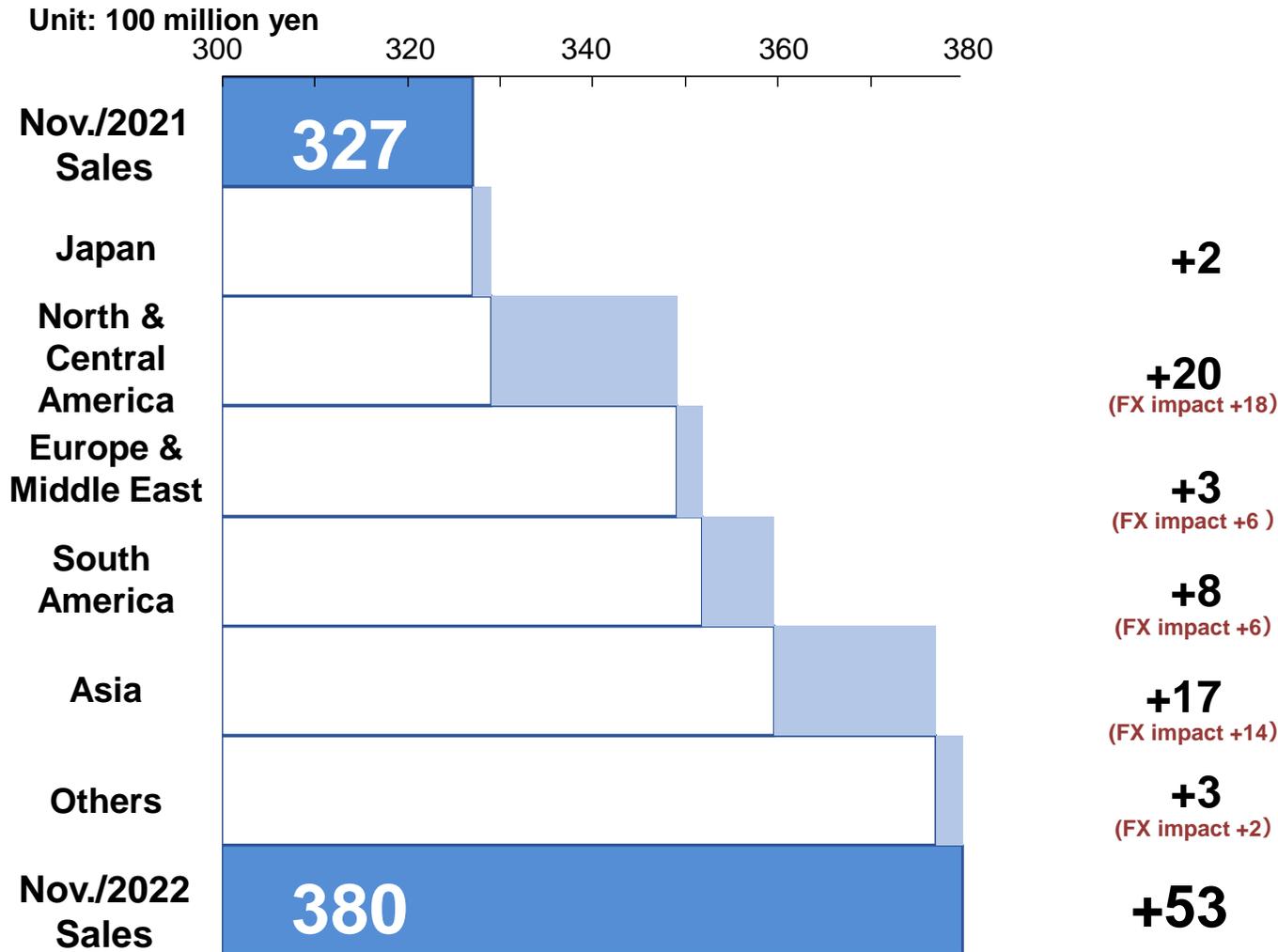
## Significant increase in vegetable, slight decrease in flower

Unit: 100 million yen



# Results for 2<sup>nd</sup> quarter of period ending May 2023 (Sales by customers' region)

## Increase in local currency basis worldwide except for EMEA



### Main factors causing change in sales

Increase in materials, landscape business etc.

Increase in vegetable seeds

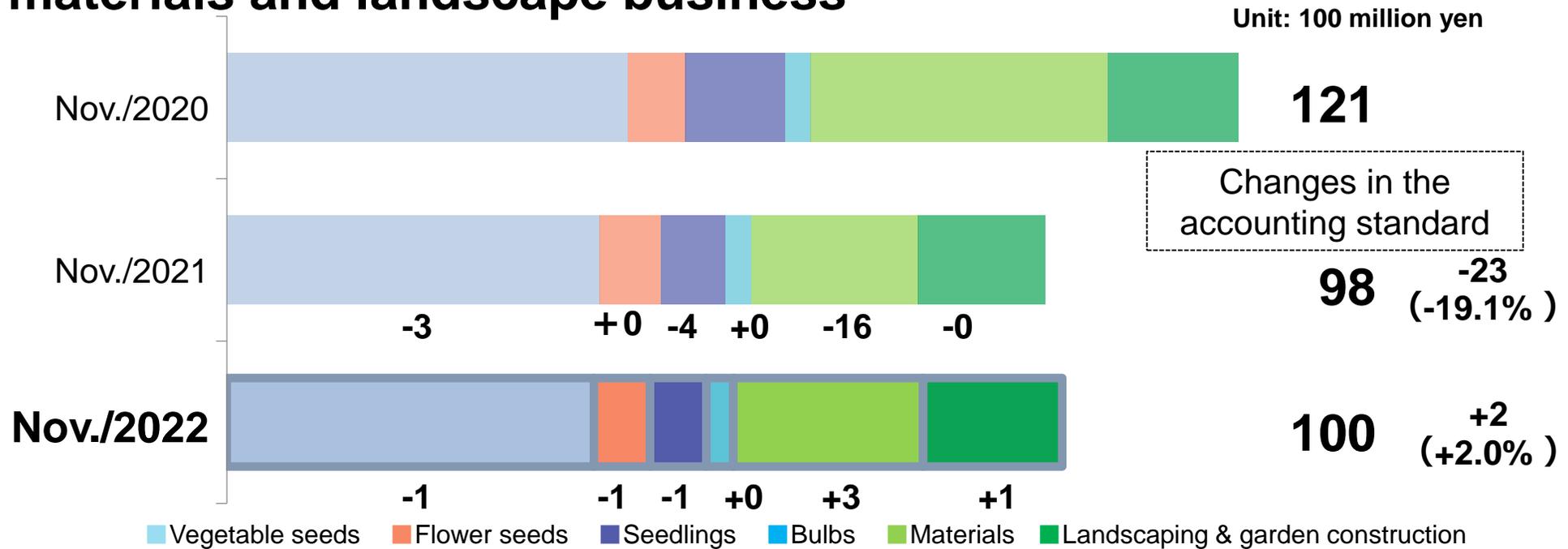
Decrease in both vegetable and flower seeds in terms of local currencies

Increase in both vegetable and flower seeds

Increase in vegetable seeds

**Impact of FX +46**

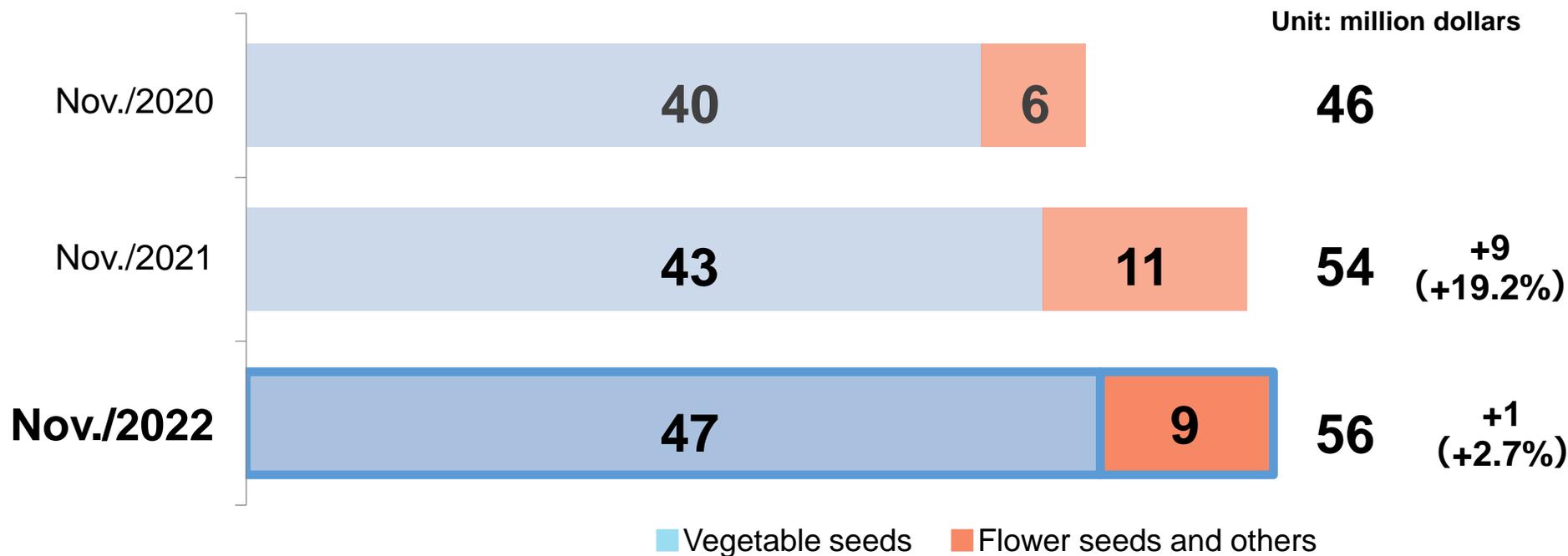
### While decrease in vegetable and flower seeds, increase in materials and landscape business



Nov./20-Nov./21 Products Inc/dec most		
Vegetable seeds :	Tomato	-0.6
	Sweetcorn	-0.4
	Lettuce	+0.3
Flower seeds :	Pansy	+0.5

Nov./21-Nov./22 Products Inc/dec most		
Vegetable seeds :	Spinach	-0.6
	Bunching Onion	-0.5
	Tomato	+0.5
Flower seeds :	Pansy	-0.1

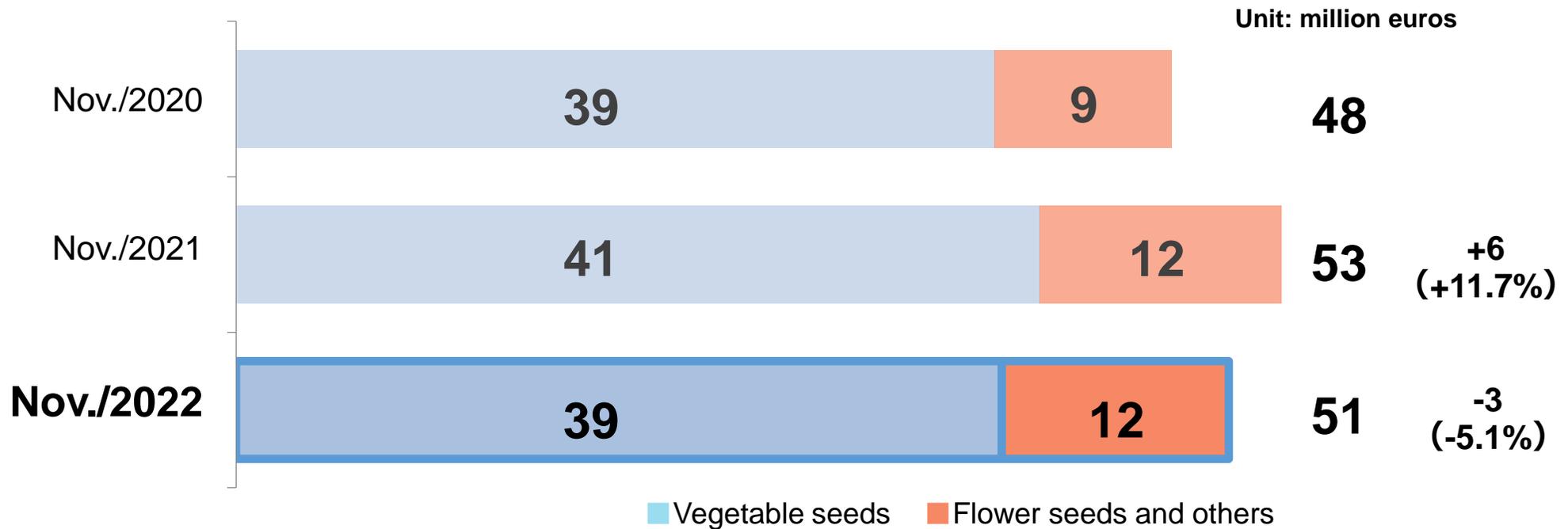
### Vegetable seeds increased, while flower seeds decreased



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

Nov./21-Nov./22 Products Inc/dec most		
Vegetable seeds :	Pepper	+2.1
	Tomato	+0.8
	Spinach	+0.4
Flower seeds :	Sunflower	-0.5

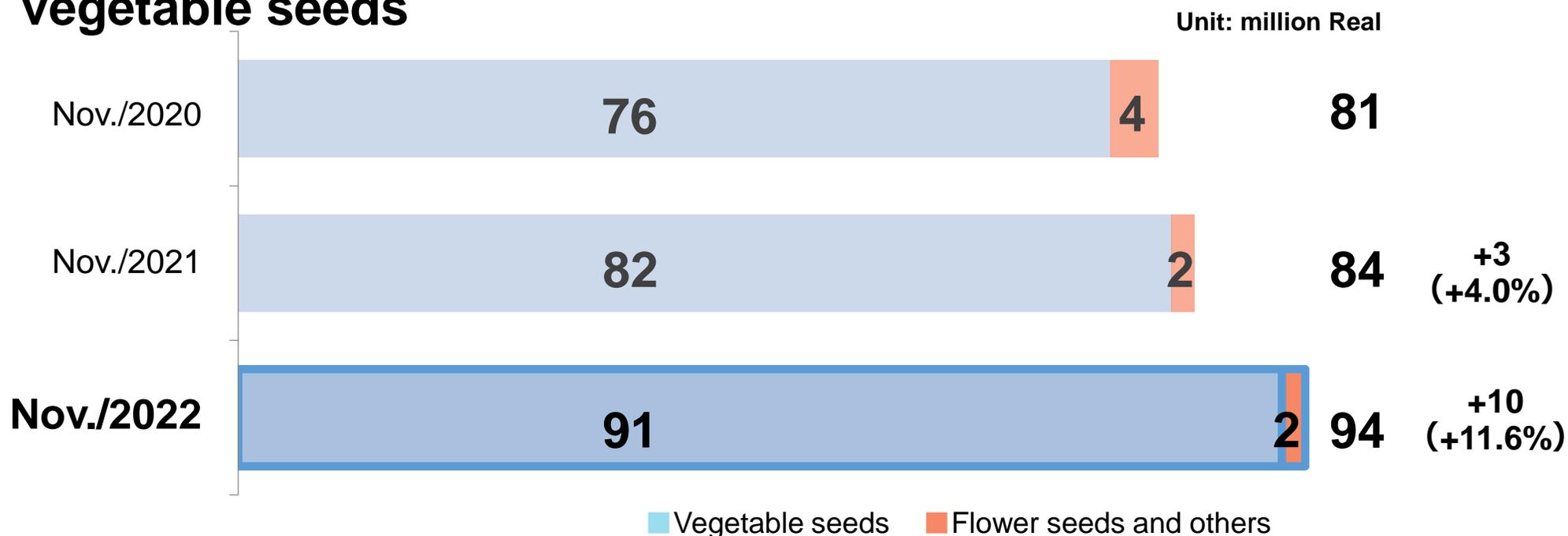
### Decrease in both vegetable and flower seeds



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

Nov./21-Nov./22 Products Inc/dec most		
Vegetable seeds :	Tomato	-2.2
	Cucumber	+0.6
	Melon	-0.4
Flower seeds :	Lisianthus	-0.6

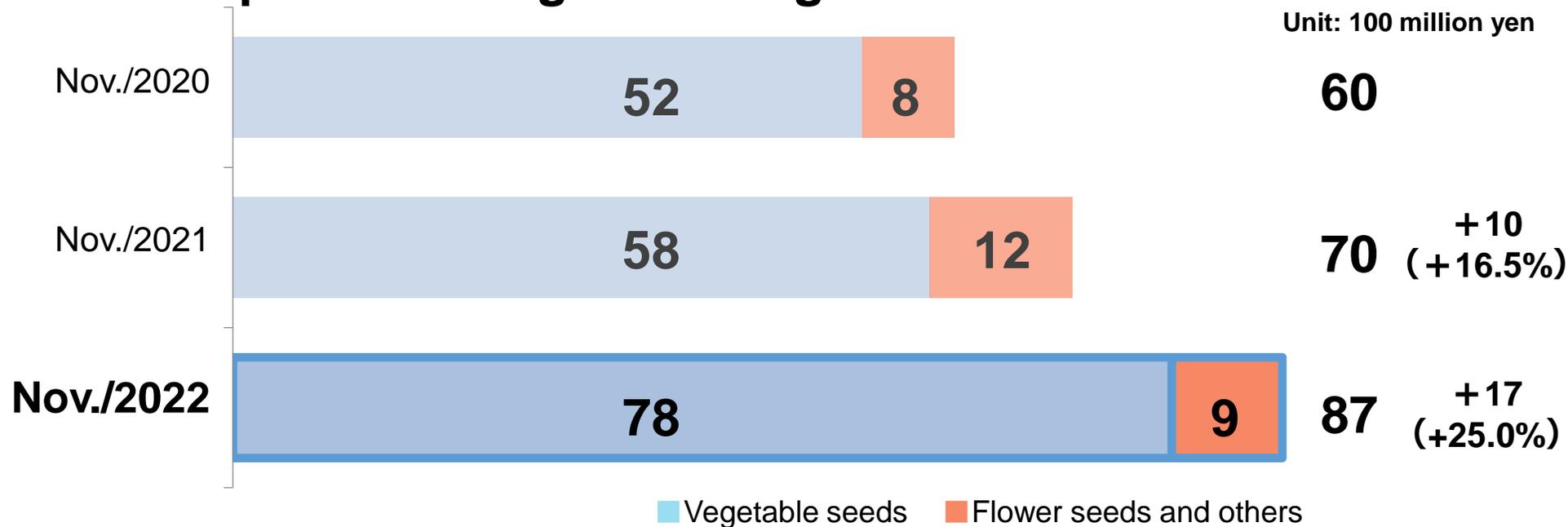
### Significant increase due to continuing favorable sales of vegetable seeds



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

Nov./21-Nov./22 Products Inc/dec most		
Vegetable seeds :	Melon	-4.2
	Squash	+3.4
	Lettuce	+2.5
Flower seeds :	Lisianthus	+0.3

### Strong sales in vegetable seeds, Significant increase in sales due to impact of foreign exchange rates

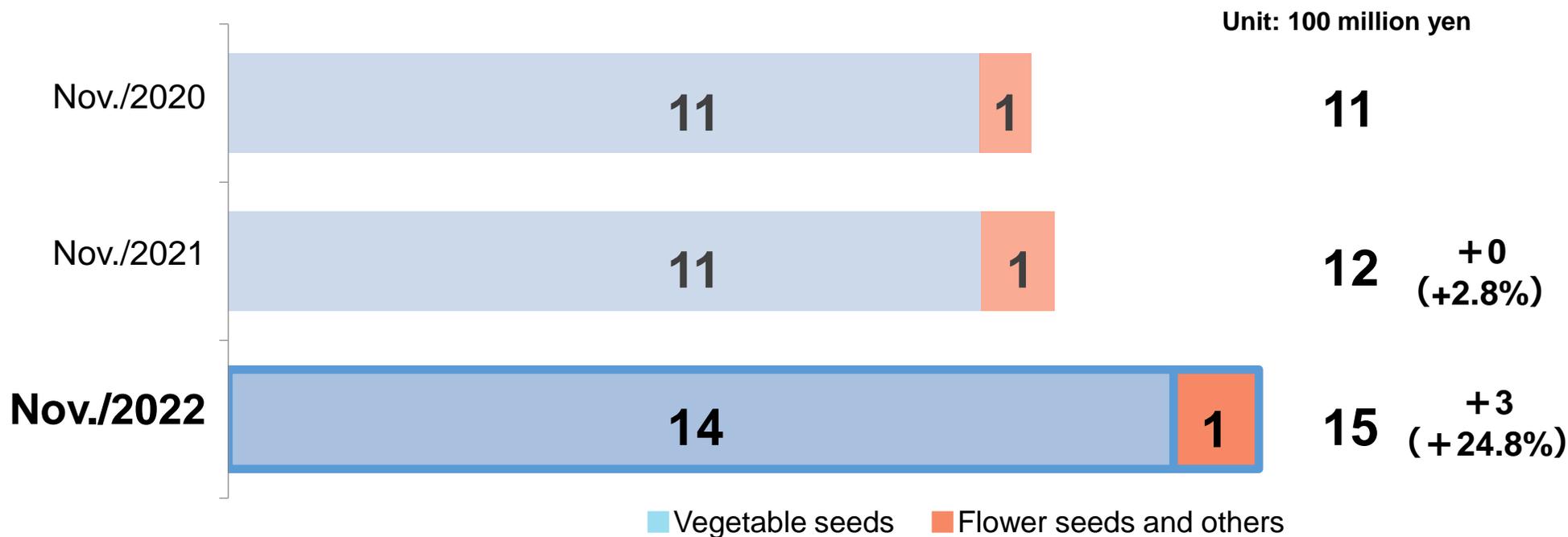


Nov./20-Nov./21 Products Inc/dec most		
Vegetable seeds :	Carrot	+2.7
	Pepper	+1.1
	Broccoli	+0.5
Flower seeds :	Sunflower	+4.7

Nov./21-Nov./22 Products Inc/dec most		
Vegetable seeds :	Carrot	+5.5
	Broccoli	+4.1
	Bunching Onion	+2.6
Flower seeds :	Sunflower	-1.8

# Sales by region for 2<sup>nd</sup> quarter of period ending May 2023 (6) 【 Other regions (Africa and Oceania) 】

## Increase due to the impact of foreign exchange rates



Nov./20-Nov./21 Products Inc/dec most		
Vegetable seeds :	Broccoli	+0.2
	Cabbage	- 0.2
	Onion	- 0.2

Nov./21-Nov./22 Products Inc/dec most		
Vegetable seeds :	Broccoli	+0.7
	Squash	+0.3
	Onion	+0.3

# Main selling, general and administrative (SGA) expenses for 2<sup>nd</sup> quarter of period ending May 2023

## Increase in overseas personnel expenses, R&D expenses and travel expenses

Unit: 100 million yen (Breakdowns given on the basis of locations of head office and major subsidiaries)

	SGA	Personnel	Travel	Depreciation	R&D*
Results for Nov./2022	174	91	6	15	48
Results for Nov./2021	147	79	3	12	37
<b>Difference YoY</b>	<b>27</b>	<b>12</b>	<b>3</b>	<b>3</b>	<b>11</b>
Impact of foreign exchange out of the above	20	9	1	1	5
<b>Breakdown</b>					
Japan	3	-0	1	0	1
Europe & Middle East	12	5	1	1	4
North & Central America	6	3	1	1	4
South America	4	2	0	0	1
Others + consolidation adjustment	2	2	0	1	1

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

## **II Forecast for Period Ending May 2023 and Dividend Policy**

## No change from our initial forecast

	2021	2022	Forecast for 2023	Difference	Difference(%)
Sales (Previous standard)*1	692			-	-
Sales (New standard)*1	-	730	<b>780</b>	50	6.8%
Gross profit	386	439	<b>472</b>	33	7.5%
Gross profit margin (%)	55.7%	60.1%	<b>60.6%</b>	-	-
R&D expenses	70	81	<b>87</b>	5	6.4%
Ratio against sales (%)	10.1%	11.1%	<b>11.8%</b>	-	-
Other SGA expenses	218	246	<b>272</b>	26	10.6%
Operating income	97	112	<b>113</b>	1	1.1%
Ordinary income	101	121	<b>118</b>	-3	-2.6%
Net income	76	123	<b>85</b>	-38	-30.6%

### Exchange rates for overseas subsidiaries \*2

	2021	2022	Forecast for 2023	Estimate of exchange sensitivity*3 (million yen)	
Yen/USD(¥)	111	122	<b>133</b>		
Yen/Euro(¥)	130	137	<b>140</b>	USD 59	EUR 12

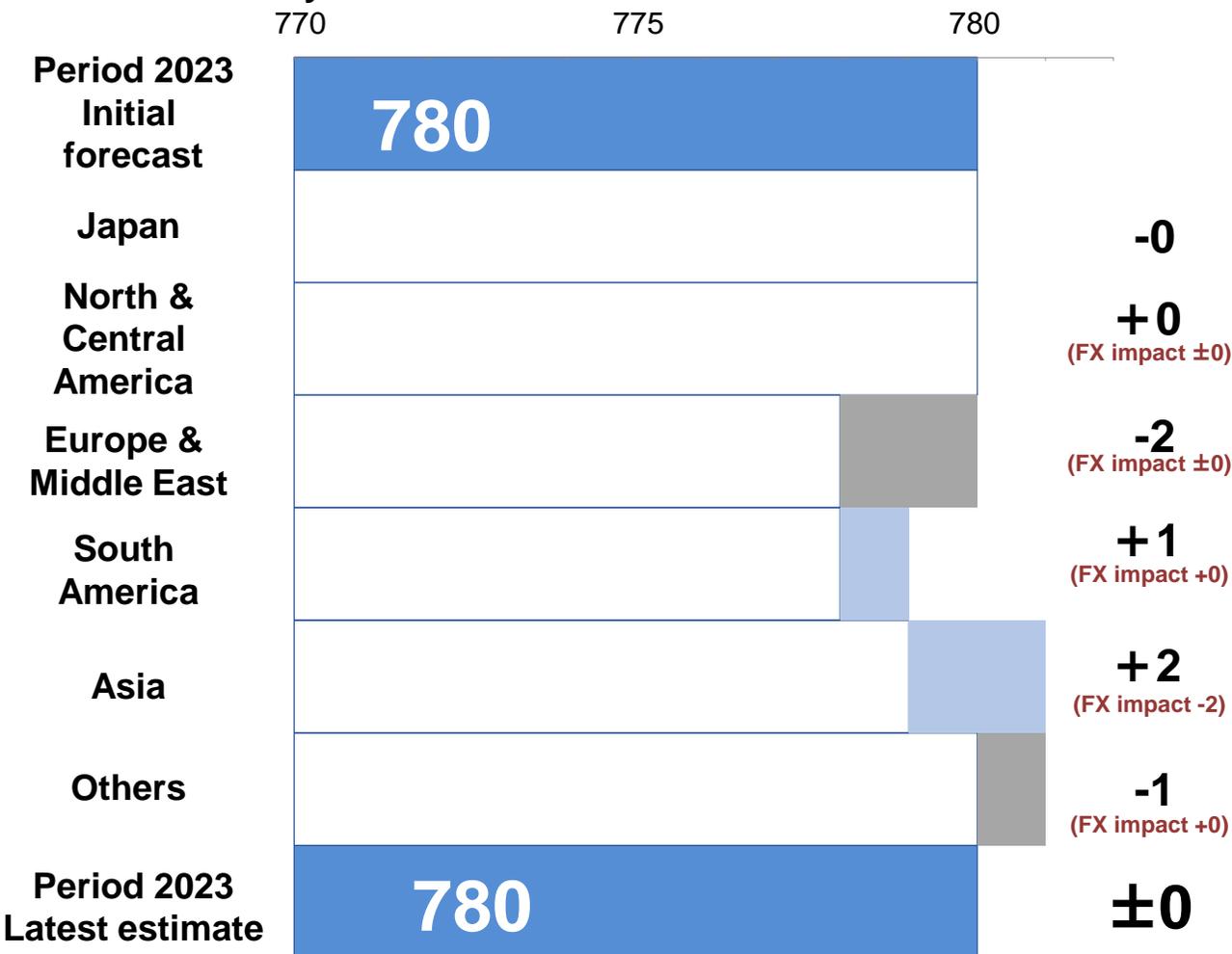
\*1 From the beginning of the year ended May 31, 2022, "Accounting Standard for Revenue Recognition" (ASBJ) etc. have been adopted.

\*2 Exchange rates for overseas subsidiaries (Period ended March) \*3 Estimated amount of affect from currency fluctuation of 1 yen on revised expected amount for operating income

# Forecast for period ending May 2023: Sales by customers' region (compared to initial forecast)

## Total sales remained unchanged despite the shift in sales between regions

Unit: 100 million yen



### Main factors likely to cause change in sales

figures revised downward from the initial forecast based on 2Q results

Good sales of both vegetable and flower seeds compared to the initial forecast

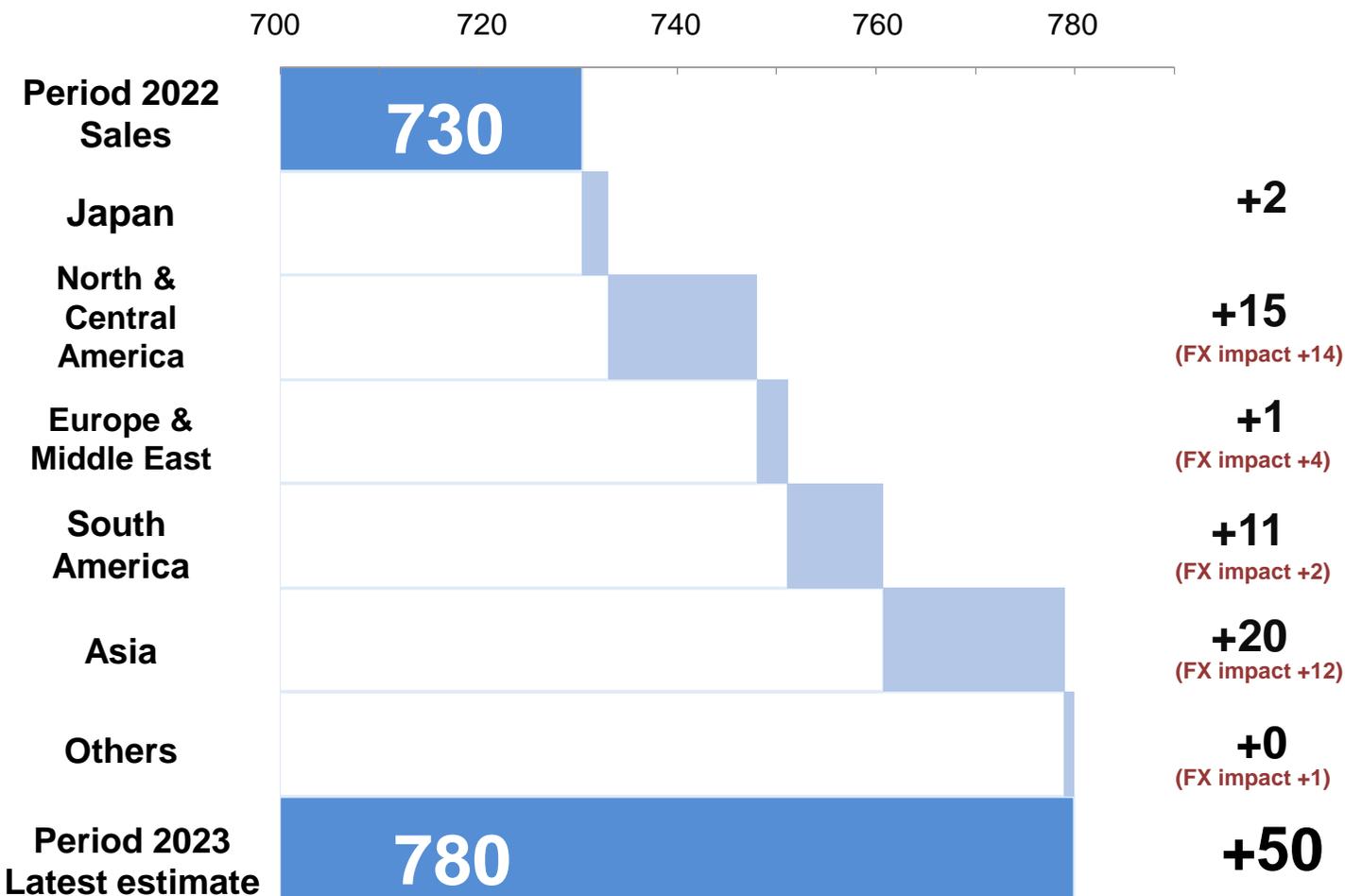
Good sales of both vegetable and flower seeds compared to the initial forecast

**Impact of FX**  
-2

# Forecast for period ending May 2023: Sales by customers' region (compared to the previous year)

## Expecting increase in sales due to good sales of vegetable seed and impact of foreign exchange rates

Unit: 100 million yen



### Main factors likely to cause change in sales

Expecting increase in sales of landscape business

Expecting increase in vegetable seeds, decrease in flower seeds

Expecting decrease in flower seeds

Expecting significant increase in vegetable seeds

Expecting significant increase in vegetable seeds

Impact of FX  
+33

# Forecast for period ending May 2023 (Main selling, general and administrative (SGA) expenses)

## Total expenses remained unchanged despite the shift in expenses between regions

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	
Latest estimate for period 2023		359		359	
Initial forecast for period 2023 / Results for period 2022		359		327	
Difference YoY		0	(-1)	32	(11)
Breakdown	Japan	2	(0)	17	(0)
	North & Central America	0	(0)	14	(7)
	Europe & Middle East	1	(0)	12	(3)
	South America	-1	(0)	3	(1)
	Others + consolidation adjustment	-1	(0)	-15	(1)

Number in parentheses are the impact of foreign exchange

## Interim dividends decided at ¥20, year-end dividends forecast at ¥30

We consider the return of profits to shareholders one of the important management issues. We have a policy to ensure stable, continuous profit-sharing to shareholders.

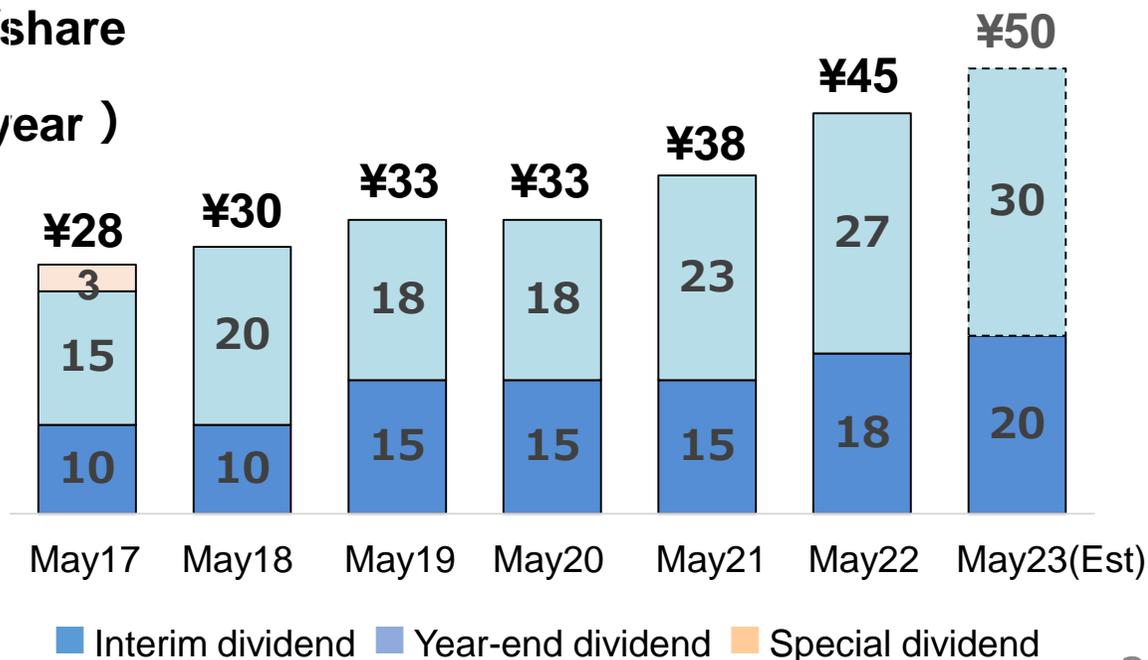
### 1) Interim dividend: ¥20/share

(Increase of ¥2 compared to last year )

### 2) Year-end dividend forecast: ¥30/share

(Increase of ¥3 compared to last year )

We are planning no change from our initial forecast.



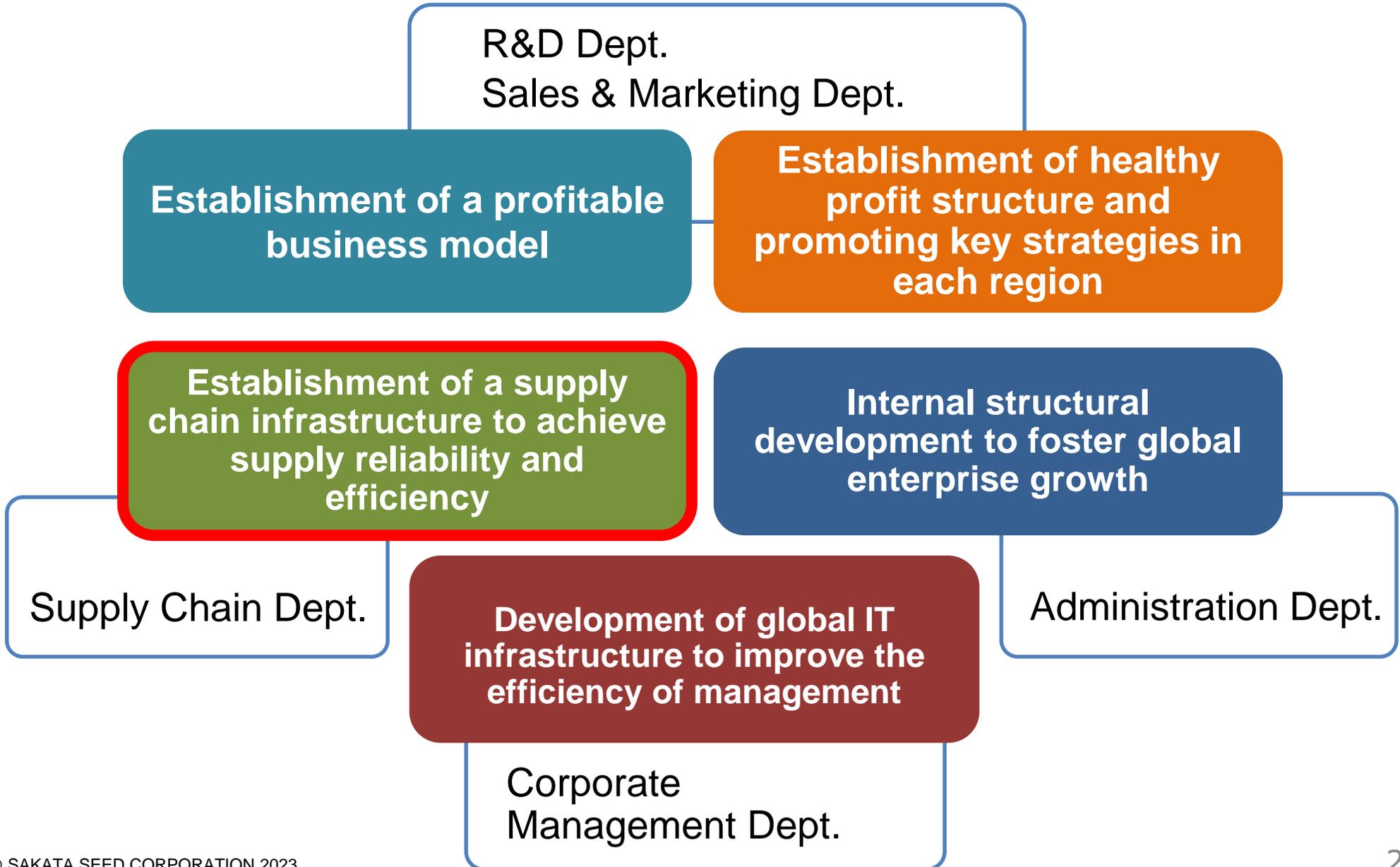
## III Action for Global Growth

# Seed production to support new growth

- 1 Growth strategy of SAKATA group**
- 2 Overview and features of seed production**
- 3 SAKATA's Structure, policies, and strengths**



# 1 Growth strategy of SAKATA group



# 1 Growth strategy of SAKATA group

**R&D:**  
Development of  
new varieties



## Supply Chain Division

Comprehensive procurement through production, quality assurance, etc. to supply seeds of commercialized varieties to Sales & Marketing division.



**Seed production**



**Cleaning**



**Quality assurance**



**Processing and shipping**

## Farmers and consumers



**Sales & Marketing**  
Sales of seeds

# Seed production to support new growth

- 1 Growth strategy of SAKATA group**
- 2 Overview and features of seed production**
- 3 SAKATA's Structure, policies, and strengths**



# 2 Overview and features of seed production

## From sowing to harvest

Sowing



Ripening and harvesting



Cultivation



Flowering and fruiting



**A seed is produced through a lifetime of the plant**

## 1 Suitable land for high-quality seeds

**Suitable land for high-quality seeds (ensuring a suitable environment for the crop) is the first step toward stable, high-quality seed production**

- As a general rule, plants grow best in their climate of origin
- There are only a very limited number of places where conditions including temperature, humidity, and day length are suitable



From left to right: okra, edible chrysanthemum, and sunflower seed plots Seeds are produced in different countries and regions depending on the plant



**Suitable land for the seed production is limited throughout the world**

## 2 High level of expertise and cultivation techniques

### Pollination methods



**Cross pollination using honey bees**  
Brassica plants, carrots, sunflowers, etc.



**Cross pollination by hand**  
Fruit crops and vegetables, flowers, etc.

### Hybrid (F<sub>1</sub>) seed production

This is brassica plant seed production. Male and female parents are grown in separate rows to match the timing of flowering

Cabbage flowering adjustment



**Experience and know-how are required in preparing plants and selecting cross pollination methods**

# 2 Overview and features of seed production

## Seed Production Vegetable Flowers

Broccoli



Cross pollination using insects

Carrot



Great burdock



Cross  
pollination  
by hand

Tomato



Sweet corn



Cross  
pollination  
by wind

## 3 Effect of weather

- Crops are often grown in open fields and are susceptible to natural disasters



**With global warming and extreme weather occurring frequently, mitigating the effects of such disasters is a challenge**

# Seed production to support new growth

- 1 Growth strategy of SAKATA group
- 2 Overview and features of seed production
- 3 **SAKATA's Structure, policies, and strengths**



## Seed production to support new growth

**Establishment of a supply chain infrastructure to achieve supply reliability and efficiency**

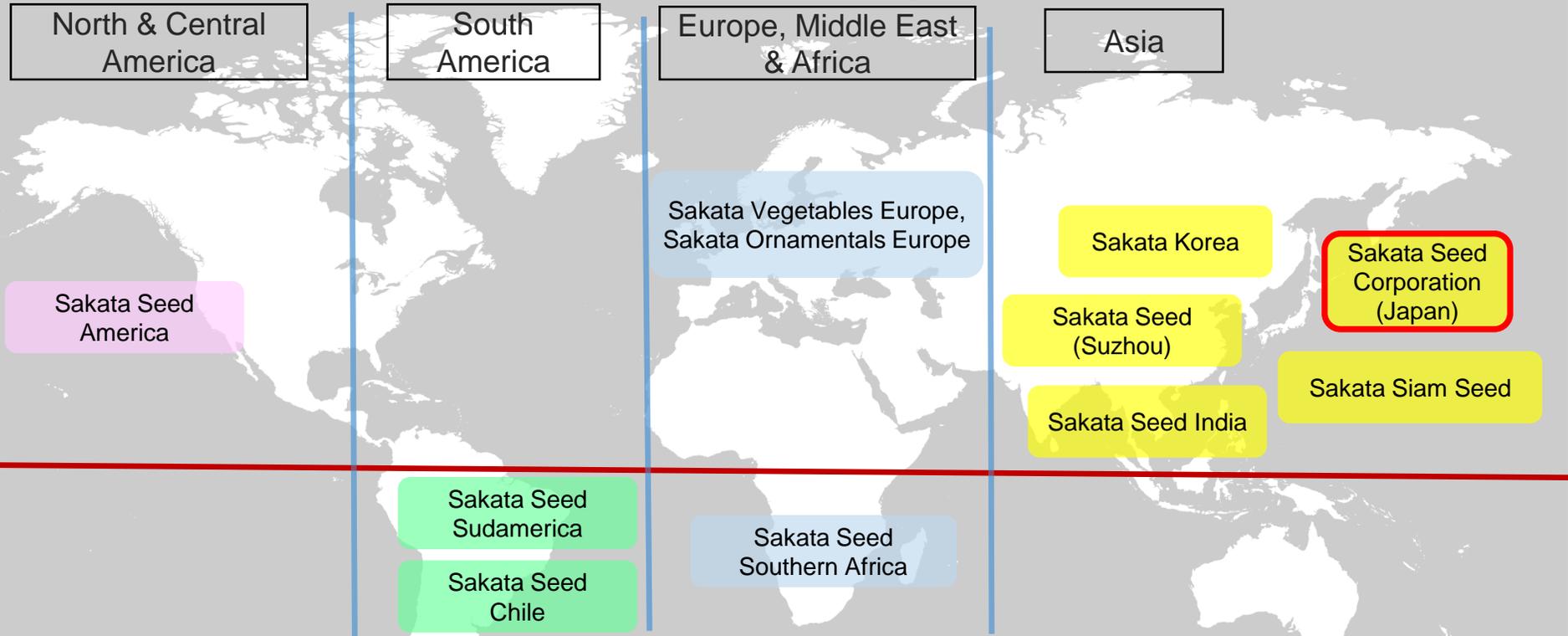


**Strengthening production structure, production technology, and other functions to achieve stable seed supply**

## Strengthening production structure, technology, and functions

### 1 Enhance global production structure

Distribute bases in the northern and southern hemispheres and in various regions



Searching for “The suitable land”, we utilize the northern and southern hemispheres to enable production twice a year

**Hedge risks and improve production efficiency through diversification**

# 3 SAKATA's Structure, policies, and strengths

## Strengthening production structure, technology, and functions

### 2 Establishment of new bases and enhancement of their functions

Large warehouse newly established recently



South Africa (2018)



France (2022)



Chile(2022)

Seed processing and quality control functions are also attached, supporting more efficient logistics and smooth commercialization



Further strengthening of diversification and speedy logistics structure



**Enables supply in each region  
even if the global distribution network falters**

## Strengthening production structure, technology, and functions

### 3 Management system – Self-supporting / localized

#### 1 Direct contract with seed producers

- Building trust and strengthening relationships
- Prevention of outflow of intellectual property and know-how



#### 2 Management of production by in-house staff

- Familiarity with the characteristics of own varieties, detailed response to uncertainties such as annual weather variations

**Focusing on the “Genba”, manage production in-house  
with a focus on strategic products**

## Strengthening production structure, technology, and functions

### 4 Human resource development and technology transfer



#### 1 Sharing and standardization of technology

- Sharing of cultivation manuals and know-how among bases
- Emphasis on quality, standardized methods

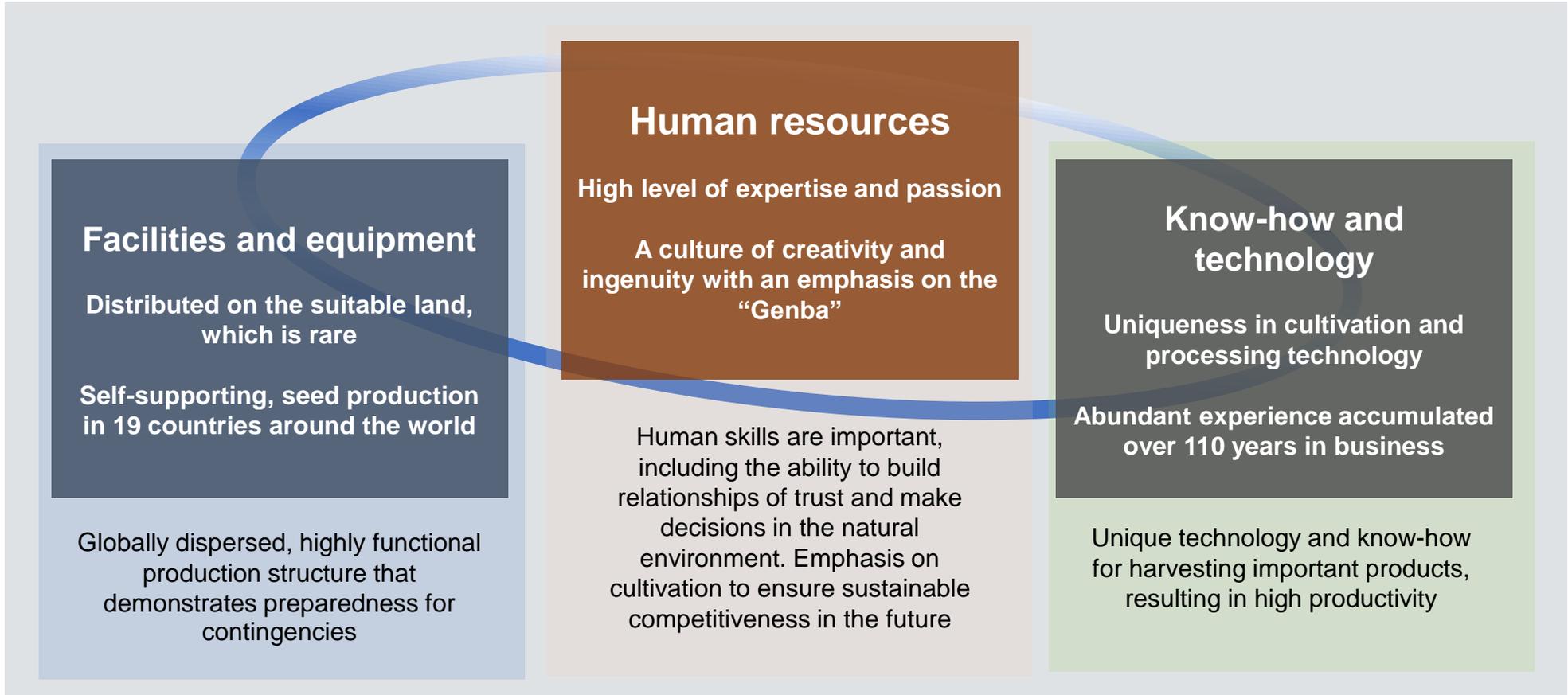


#### 2 Emphasis on face to face

- Exchange of opinions and guidance while seeing actual products in the field with a field-oriented approach
- Invigoration of global exchanges

**Improvement of technological capabilities at each site  
and activation of exchanges to strengthen regional functions**

## SAKATA's strengths and outlook



**Flexible and robust production structure  
with well-equipped facilities, human resources, and technology  
Toward the establishment of a stable supply system  
for sustainable high-quality seeds**

# Management Philosophy : Mutual Prosperity, Mutual Interest, Mutual Harmony

Mutual Harmony

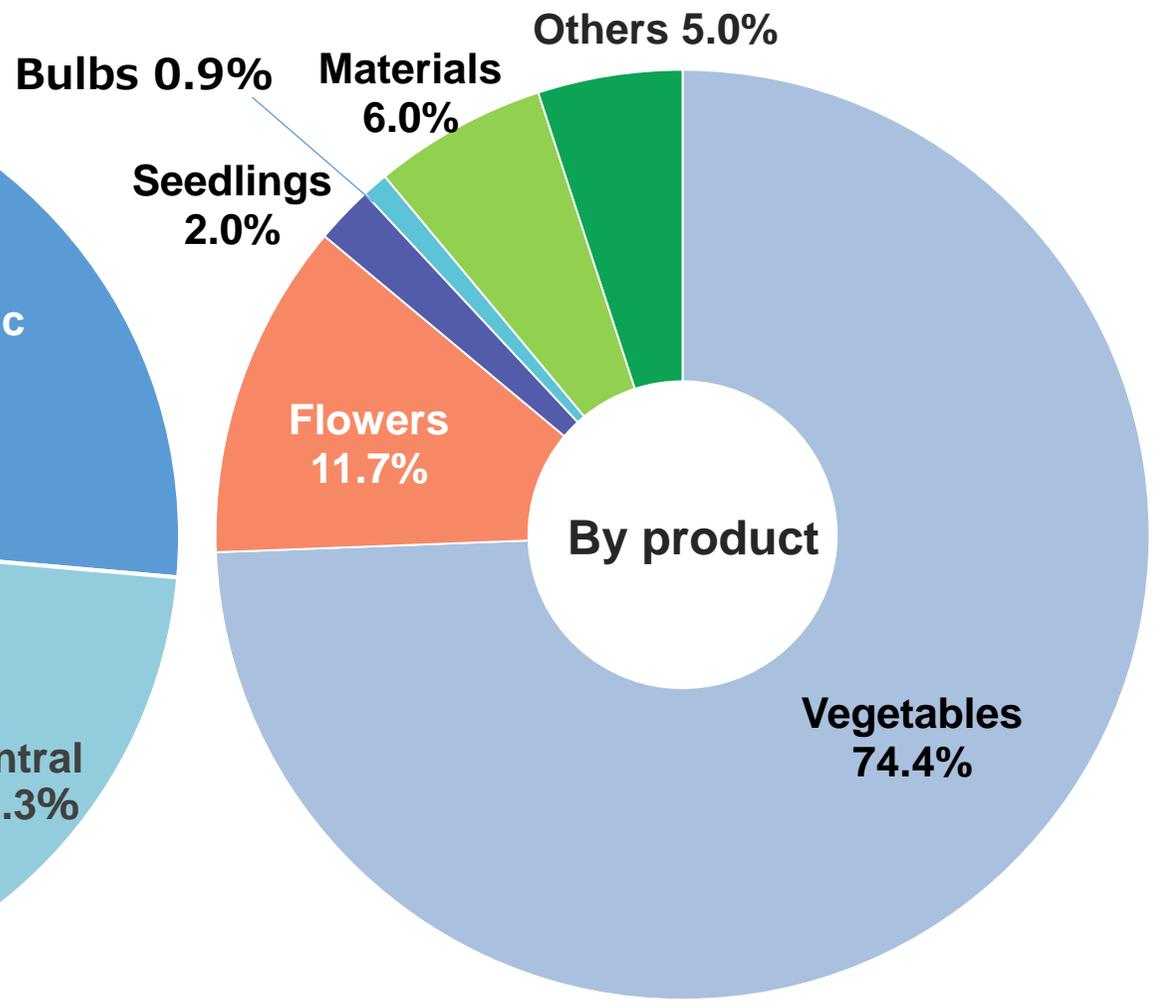
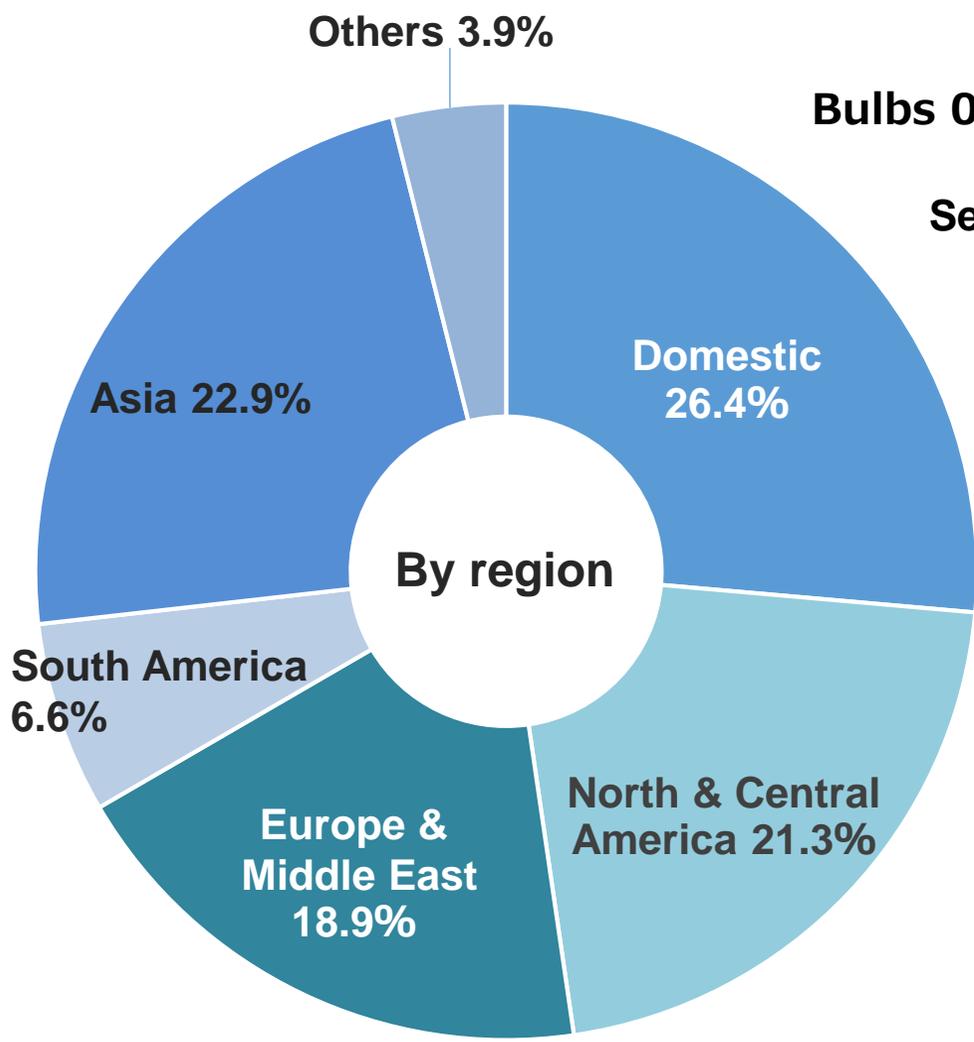
This principle is to aim for continuous coexistence between nature on earth and the society and companies which nature surrounds.



**We will continue to provide a stable supply of high-quality seeds in harmony with nature and society.**

# IV Appendix

# Results for 2nd quarter of period ending May 2023: Breakdown of external sales (1)



# Results for 2nd quarter of period ending May 2023: 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	18.8	1.0	0.1	-0.2	0.4	20.0
Europe & Middle East	2.3	-0.4	—	—	0.9	2.8
South America	7.7	0.4	—	—	-0.3	7.8
Asia	20.1	-0.5	-0.0	0.0	-2.2	17.4
Other regions	2.7	0.0	—	—	0.2	2.9
<b>Overseas subtotal</b>	<b>51.6</b>	<b>0.5</b>	<b>0.0</b>	<b>-0.2</b>	<b>-1.1</b>	<b>50.9</b>
<b>Domestic subtotal</b>	<b>-0.7</b>	<b>-0.6</b>	<b>-1.0</b>	<b>2.7</b>	<b>1.5</b>	<b>2.0</b>
<b>Total</b>	<b>50.9</b>	<b>-0.0</b>	<b>-0.9</b>	<b>2.5</b>	<b>0.5</b>	<b>52.9</b>

# Results for period ending May 2023: External sales by customers' region (Quarterly change)



PASSI<sup>+</sup>N in Seed

	1st Qtr	QoQ	QoQ (%)	2nd Qtr	QoQ	QoQ (%)	3rd Qtr	QoQ	QoQ (%)	4th Qtr	QoQ	QoQ (%)	Total	YoY	YoY (%)
North & Central America (1,000US\$)	22,491	2,248	11.1%	33,446	-795	-2.3%							55,936	1,453	2.7%
Europe & Middle East (1,000EUR)	26,032	-1,886	-6.8%	24,522	-818	-3.2%							50,554	-2,703	-5.1%
South America (1,000BRL)	44,156	1,542	3.6%	49,376	8,159	19.8%							93,532	9,701	11.6%
Asia (Million Yen)	3,006	142	5.0%	5,700	1,597	38.9%							8,705	1,739	25.0%
Korea included in Asia (Million WON)	6,697	-662	-9.0%	6,557	192	3.0%							13,254	-471	-3.4%
India included in Asia (Million INR)	340	38	12.5%	479	105	28.0%							819	143	21.1%
Others (Million Yen) (Africa, Oceania)	635	117	22.6%	838	176	26.5%							1,473	293	24.8%

# Results for period ending May 2022:

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



PASSI<sup>+</sup>N in Seed

	1st Qtr	QoQ	QoQ (%)	2nd Qtr	QoQ	QoQ (%)	3rd Qtr	QoQ	QoQ (%)	4th Qtr	QoQ	QoQ (%)	Total	YoY	YoY (%)
North & Central America (1,000US\$)	20,242	2,626	14.9%	34,241	6,149	21.9%	37,316	4,524	13.8%	43,588	4,278	10.9%	135,387	17,578	14.9%
Europe & Middle East (1,000EUR)	27,918	3,859	16.0%	25,340	1,738	7.4%	23,977	651	2.8%	31,635	1,055	3.4%	108,869	7,303	7.2%
South America (1,000BRL)	42,614	4,076	10.6%	41,217	-828	-2.0%	44,273	3,500	8.6%	46,173	3,610	8.5%	174,278	10,359	6.3%
Asia (Million Yen)	2,863	220	8.3%	4,102	764	22.9%	2,513	330	15.1%	3,986	266	7.2%	13,465	1,581	13.3%
Korea included in Asia (Million WON)	7,359	602	8.9%	6,365	-325	-4.9%	4,554	365	8.7%	8,449	1,752	26.2%	26,727	2,393	9.8%
India included in Asia (Million INR)	302	63	26.1%	374	22	6.3%	187	-7	-3.6%	110	45	68.2%	974	122	14.4%
Others (Million Yen) (Africa, Oceania)	518	39	8.1%	662	-6	-1.0%	689	52	8.2%	786	68	9.5%	2,655	153	6.1%

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