

*** Notes**

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
- a. Changes in accounting policies in accordance with changes in accounting standards, etc.: Yes
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatement: None

Note: For more details, please refer to the section of “2. Quarterly consolidated financial statements and significant notes thereto, (4) Notes to quarterly consolidated financial statements, Changes in accounting policies” on page 9 of the attached materials.

(4) Number of shares issued (common shares)

- a. Number of shares issued at the end of the period (including treasury shares)

As of June 30, 2022	11,072,000 shares
As of December 31, 2021	11,072,000 shares

- b. Number of treasury shares at the end of the period

As of June 30, 2022	498,207 shares
As of December 31, 2021	529,688 shares

- c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Six months ended June 30, 2022	10,552,056 shares
Six months ended June 30, 2021	10,837,103 shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, the statements herein do not constitute assurances regarding the Company’s actual results. Actual financial and other results may differ substantially from the statements herein due to various factors.

Attached Materials

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1. Qualitative information regarding financial results for the first six months

(1) Information regarding operating results

In the first six months of the fiscal year ending December 31, 2022, the Japanese economy showed a gentle trend of recovery, supported by both measures against the novel coronavirus disease (COVID-19) and advancement in economic activity. However, the outlook of the economic situation for both Japan and the broader global sphere continued to be difficult to predict mainly due to Russia's military invasion of Ukraine, higher energy prices, supply chain disruptions, and sharp fluctuations in foreign exchange.

Under such business conditions, in May 2022, the Company upwardly revised its earnings forecasts for the fiscal year ending December 31, 2022, due to active efforts in sales activities, along with the yen depreciation providing a tail-wind effect on the Company's business earnings. The OAT Agrio Group (the "Group") gave top priority to steadily executing the New Mid-Term Business Plan [2022-2024] announced in February 2022, and shored up its efforts toward several key policy initiatives, which include enhancing the initiative to develop growth drivers such as green products, the biostimulant business, the greenhouse horticulture field, and handling products globally through expanding agrochemical registrations; as well as pursuing maximization of global synergetic effects by strengthening communication across the Group.

As a result, in the first six months under review, net sales was ¥153,68 million, up ¥2,425 million or 18.7% year on year, operating profit was ¥2,956 million, up ¥1,129 million or 61.8% year on year, ordinary profit was ¥3,109 million, up ¥1,217 million or 64.4% year on year, and profit attributable to owners of parent was ¥2,102 million, up ¥786 million or 59.7% year on year.

Net sales and operating profit of the Group tend to be higher in the first and second quarters of the fiscal year compared with the other two quarters because they are the periods for deliveries in preparation for peak demand seasons, particularly with respect to the domestic agrichemicals business.

The Group has a single business segment, the AgriTechno Business. The operating results by business fields in this segment are as follows.

In the agrichemicals field in Japan, the Group continued to achieve favorable results due to green products that the Company has focused on, such as acaricides *Acaritouch* and *Suffoil* and the fungicide *Kaligreen*. In addition, sales were strong for the Company's main-stay insecticide *Orion*, acaricide *Cyflumetofen*, and fungicide *Shochinosuke*. In the overseas markets, fungicide *Gatten* achieved favorable results. Furthermore, acaricide *Cyflumetofen* saw steady results for the North American market, as did acaricide *Cyflumetofen* and insecticide *Oncol* for the South American market. As a result, net sales in the agrichemicals field amounted to ¥7,503 million, up ¥1,166 million or 18.4% year on year.

In the fertilizer and biostimulant field, greenhouse fertilizer, drip fertigation fertilizer, phosphite fertilizer, etc. were strong in the domestic market. In the overseas markets, group companies saw favorable results for the biostimulant *Atonik*. The major overseas affiliates continued to provide favorable earnings with substantial growth in sales for Blue Wave Holding B.V. of the Netherlands, which has strengths in the process from harvesting to delivery to consumers and in post-harvest related products, and for LIDA Plant Research, S.L. of Spain, which develops, manufactures and sells biostimulants. As a result, net sales in the fertilizer and biostimulant field increased by ¥1,251 million, or 18.9% year on year, to ¥7,865 million.

(2) Information regarding financial position

a. Position of assets, liabilities, and net assets

Total assets as of June 30, 2022, was ¥33,827 million, an increase of ¥5,480 million compared to December 31, 2021. This was mainly the result of increases of ¥313 million in cash and deposits, ¥3,335 million in notes and accounts receivable - trade, ¥517 million in raw materials and supplies, ¥259 million in work in process, and ¥245 million in goodwill due to the impact of foreign currency translation.

Total liabilities was ¥21,566 million, an increase of ¥2,315 million compared to December 31, 2021. This was mainly the result of increases of ¥1,221 million in short-term borrowings, ¥375 million in notes and accounts payable - trade, and ¥603 million in income taxes payable, and a decrease of ¥322 million in long-term borrowings.

Net assets was ¥12,261 million, an increase of ¥3,164 million compared to December 31, 2021. This was mainly the result of the recording of ¥2,102 million in profit attributable to owners of parent, ¥237 million in payment of dividends of surplus, and an increase of ¥1,132 million in foreign currency translation adjustment.

b. Cash flows

Cash and cash equivalents as of June 30, 2022, was ¥3,809 million, an increase of ¥295 million compared to December 31, 2021.

Net cash used in operating activities was ¥3 million (¥840 million was provided in the same period of the previous fiscal year). The main sources of cash were profit before income taxes of ¥3,088 million, depreciation of ¥420 million, amortization of goodwill of ¥301 million, and an increase in trade payables of ¥250 million. The main uses of cash were an increase in trade receivables of ¥3,110 million, and an increase in inventories of ¥556 million.

Net cash used in investing activities was ¥262 million (¥90 million was used in the same period of the previous fiscal year). The main uses of cash were purchase of property, plant and equipment of ¥125 million, purchase of intangible assets of ¥60 million, and purchase of investment securities of ¥71 million.

Net cash provided by financing activities was ¥334 million (¥990 million was used in the same period of the previous fiscal year). The main source of cash was an increase in short-term borrowings of ¥1,150 million. The main uses of cash were repayments of long-term borrowings of ¥507 million, dividends paid of ¥237 million, and repayments of lease obligations of ¥84 million.

(3) Information regarding consolidated earnings forecasts and other forward-looking statements

For details of the consolidated earnings forecasts for the fiscal year ending December 31, 2022, please refer to “Notice Concerning Revisions to Full-Year Financial Results Forecasts and Dividends Forecast” announced on August 9, 2022.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	3,651	3,965
Notes and accounts receivable - trade	5,275	8,611
Merchandise and finished goods	2,682	2,689
Work in process	605	865
Raw materials and supplies	1,687	2,205
Other	664	810
Allowance for doubtful accounts	(54)	(76)
Total current assets	14,513	19,071
Non-current assets		
Property, plant and equipment	3,708	4,005
Intangible assets		
Goodwill	6,085	6,331
Software	98	121
Customer relation assets	2,651	2,785
Other	357	398
Total intangible assets	9,193	9,638
Investments and other assets	930	1,111
Total non-current assets	13,833	14,755
Total assets	28,346	33,827
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,076	3,452
Short-term borrowings	4,728	5,950
Income taxes payable	465	1,068
Accounts payable - other	617	480
Provision for bonuses	33	36
Provision for compensation for damage	21	24
Refund liability	105	243
Other	1,342	1,541
Total current liabilities	10,392	12,797
Non-current liabilities		
Long-term borrowings	7,401	7,078
Retirement benefit liability	161	169
Deferred tax liabilities	915	965
Other	379	554
Total non-current liabilities	8,858	8,768
Total liabilities	19,250	21,566

(Millions of yen)

	As of December 31, 2021	As of June 30, 2022
Net assets		
Shareholders' equity		
Share capital	461	461
Capital surplus	2,404	2,393
Retained earnings	5,882	7,747
Treasury shares	(433)	(408)
Total shareholders' equity	8,314	10,194
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	83	80
Foreign currency translation adjustment	(172)	959
Remeasurements of defined benefit plans	45	44
Total accumulated other comprehensive income	(43)	1,083
Non-controlling interests	825	982
Total net assets	9,096	12,261
Total liabilities and net assets	28,346	33,827

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income (cumulative)

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net sales	12,943	15,368
Cost of sales	6,810	7,790
Gross profit	6,133	7,578
Selling, general and administrative expenses	4,306	4,621
Operating profit	1,827	2,956
Non-operating income		
Interest income	6	4
Foreign exchange gains	79	208
Dividend income	5	2
Insurance fee income	29	–
Share of profit of entities accounted for using equity method	13	8
Other	20	29
Total non-operating income	154	253
Non-operating expenses		
Interest expenses	87	87
Other	3	12
Total non-operating expenses	90	100
Ordinary profit	1,891	3,109
Extraordinary income		
Gain on sale of non-current assets	3	0
Total extraordinary income	3	0
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on sale of non-current assets	0	–
Impairment losses	4	19
Total extraordinary losses	5	20
Profit before income taxes	1,889	3,088
Income taxes - current	607	1,021
Income taxes - deferred	(92)	(105)
Total income taxes	515	916
Profit	1,373	2,172
Profit attributable to non-controlling interests	57	69
Profit attributable to owners of parent	1,316	2,102

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Profit	1,373	2,172
Other comprehensive income		
Valuation difference on available-for-sale securities	50	(3)
Foreign currency translation adjustment	428	1,223
Remeasurements of defined benefit plans, net of tax	3	(1)
Total other comprehensive income	481	1,218
Comprehensive income	1,855	3,390
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,765	3,230
Comprehensive income attributable to non-controlling interests	90	160

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Cash flows from operating activities		
Profit before income taxes	1,889	3,088
Depreciation	414	420
Amortization of goodwill	299	301
Impairment losses	4	19
Increase (decrease) in retirement benefit liability	(8)	1
Increase (decrease) in provision for loss on litigation	(25)	–
Increase (decrease) in allowance for doubtful accounts	11	16
Increase (decrease) in refund liability	96	138
Increase (decrease) in provision for bonuses	1	3
Interest and dividend income	(12)	(7)
Interest expenses	87	87
Share-based payment expenses	5	14
Foreign exchange losses (gains)	(9)	1
Insurance claim income	(29)	–
Loss (gain) on sale and retirement of non-current assets	(2)	0
Decrease (increase) in trade receivables	(2,328)	(3,110)
Decrease (increase) in inventories	201	(556)
Increase (decrease) in trade payables	748	250
Other, net	(141)	(116)
Subtotal	1,202	554
Interest and dividends received	14	6
Interest paid	(78)	(79)
Proceeds from insurance income	29	–
Income taxes paid	(303)	(486)
Compensation for damage paid	(25)	–
Net cash provided by (used in) operating activities	840	(3)
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	58	–
Payments into time deposits	(7)	(3)
Proceeds from sale of property, plant and equipment and intangible assets	2	0
Purchase of property, plant and equipment	(57)	(125)
Purchase of intangible assets	(84)	(60)
Purchase of investment securities	(0)	(71)
Other, net	(1)	(2)
Net cash provided by (used in) investing activities	(90)	(262)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	238	1,150
Repayments of long-term borrowings	(915)	(507)
Proceeds from long-term borrowings	–	12
Repayments of lease obligations	(87)	(84)
Dividends paid	(215)	(237)
Dividends paid to non-controlling interests	(9)	–
Other, net	0	(0)
Net cash provided by (used in) financing activities	(990)	334
Effect of exchange rate change on cash and cash equivalents	47	227
Net increase (decrease) in cash and cash equivalents	(193)	295
Cash and cash equivalents at beginning of period	3,527	3,514
Cash and cash equivalents at end of period	3,334	3,809

(4) Notes to quarterly consolidated financial statements

Notes on premise of going concern

No items to report.

Notes on substantial changes in the amount of shareholders' equity

No items to report.

Changes in accounting policies

Application of Accounting Standard for Revenue Recognition, Etc.

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations effective from the beginning of the first quarter of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon the exchange of said goods or services. The main changes due to this are as follows.

(1) Sales incentives

As for part of the sales incentives, etc. paid to customers, previously only the confirmed amount of sales incentives, etc. was deducted from net sales or it was treated as selling, general and administrative expenses, but the Group has changed this to a method to deduct the estimated amount of sales incentives, etc. from net sales. In addition, the estimated amount of sales incentives, etc. is presented under "current liabilities" as refund liability.

(2) Sales with right of return

As for merchandise and finished goods forecast to be returned, previously these were recorded as provision for sales returns based on the equivalent amount of gross profit, but the Group has changed this to a method not to recognize revenue at the time of sale but to recognize the consideration of merchandise and finished goods forecast to be returned as refund liability and to recognize the right to collect the merchandise and finished goods from the customer at the time of payment of the refund liability as returned assets. In addition, refund liability is presented in "current liabilities" and returned assets are included in "other" under "current assets."

(3) Agent transactions

For transactions where it is the Group's role to act as an agent to provide merchandise to customers, the Group previously recognized the total amount of consideration received from customers as revenue, but the Group has changed this to a method to recognize the net amount after deducting the amount paid to the suppliers of the merchandise from the amount received from the customer as revenue.

The said change in accounting policy, in principle, has been applied retrospectively and therefore be reflected in the quarterly consolidated financial statements for the previous fiscal year and the quarters thereof. However, the following method provided for in paragraph 85 of the Accounting Standard for Revenue Recognition has been applied.

(1) Comparative information is not retrospectively restated for contracts for which nearly all the revenue amounts have been recognized prior to the beginning of the previous fiscal year in accordance with the previous treatment.

(2) The quarterly consolidated financial statements for the previous fiscal year are not retrospectively restated for contracts that commenced and expired within the previous fiscal year.

As a result, for the first six months of the previous fiscal year, compared with the figures before the retrospective application, net sales decreased by ¥7 million and cost of sales decreased by ¥3 million, but the impact on operating profit, ordinary profit and profit before income taxes was insignificant.

Furthermore, the information on disaggregation of revenue from contracts with customers during the first six months of the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020).

Application of Accounting Standard for Fair Value Measurement, Etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations effective from the beginning of the first quarter of the current fiscal year, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). There is no impact on the quarterly consolidated financial statements.

Segment information, etc.

[Segment information]

As the Group consists of a single business segment, the AgriTechno Business, this information is omitted.