

*** 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.: None

b. Changes in accounting policies due to other reasons: None

c. Changes in accounting estimates: None

d. Restatement: None

(4) Number of shares issued (common shares)

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

As of March 31, 2023	11,072,000 shares
As of December 31, 2022	11,072,000 shares

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

As of March 31, 2023	498,207 shares
As of December 31, 2022	498,207 shares

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

Three months ended March 31, 2023	10,573,793 shares
Three months ended March 31, 2022	10,542,312 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 three months

(1) Information regarding operating results

In the first three months of the fiscal year ending December 31, 2023, the Japanese economy moved toward a new phase of “living with the novel coronavirus disease (COVID-19),” including the easing of restrictions on movement, etc. in response to COVID-19. The domestic economy turned toward recovery, albeit gradually, driven by consumer activity accompanying the recovery in the flow of people, including the resumption of welcoming foreign tourists, and the gradual increase in the number of events without various restrictions. However, there are still many causes for concern, such as soaring prices of raw materials and energy, unstable exchange rate fluctuations, etc., that require continued monitoring.

Under such business conditions, OAT Agrio Group (the “Group”) updated the “New Mid-Term Business Plan [2022-2024]” formulated last year and announced the “New Mid-Term Business Plan [2023-2025]” titled “Taking on Further Challenges” in February 2023. We clarified our “long-term vision,” and shared specific initiatives and priority measures for the future with the entire Group, while keeping our management philosophy, “Contributing to the People in the World with Our Agritechnology and Sincerity,” as our unwavering axis.

As a result, in the first three months under review, net sales was ¥9,307 million, up ¥1,091 million or 13.3% year on year, operating profit was ¥2,507 million, up ¥741 million or 42.0% year on year, ordinary profit was ¥2,511 million, up ¥657 million or 35.5% year on year, and profit attributable to owners of parent was ¥1,703 million, up ¥427 million or 33.5% year on year.

Net sales and operating profit of the Group tend to be higher in the first quarter of the fiscal year compared with the other three quarters because it is the period 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 achieved favorable results as a result of aggressive sales activities of the Company’s main-stay insecticides *Oncol* and *Orion*. In addition, the Company’s focus on green agrochemicals, such as the acaricide *Suffoil* and the fungicide *Kaligreen*, also maintained firm sales. Meanwhile, in the overseas markets, the acaricide *Cyflumetofen* continued to perform well, and sales of green agrichemical *Suffoil* increased significantly year-on-year. As a result, net sales in the agrichemicals field amounted to ¥4,780 million, up ¥332 million or 7.5% year on year.

In the fertilizer and biostimulant field, greenhouse fertilizer, drip fertigation fertilizer, phosphite fertilizer, etc. were strong in the domestic market. For overseas affiliates, Blue Wave Holding B.V. of the Netherlands, which is strong in Post Harvest products such as Cut Flower Long Lasting Liquid, etc., performed well, and LIDA Plant Research, S.L. of Spain, which develops, manufactures, and sells biostimulants, also performed well, with strong sales to Latin America driving earnings growth. As a result, net sales in the fertilizer and biostimulant field and other fields increased by ¥759 million, or 20.1% year on year, to ¥4,527 million.

(2) Information regarding financial position

Total assets as of March 31, 2023, was ¥35,676 million, an increase of ¥4,666 million compared to December 31, 2022. This was the result of increases of ¥596 million in notes receivable - trade and ¥2,709 million in accounts receivable - trade, a decrease of ¥533 million in merchandise and finished goods, and increases of ¥953 million in work in process and ¥453 million in raw materials and supplies.

Total liabilities was ¥22,044 million, an increase of ¥2,984 million compared to December 31, 2022. This was mainly the result of increases of ¥1,683 million in notes and accounts payable - trade and ¥1,241 million in short-term borrowings, and a decrease of ¥310 million in long-term borrowings.

Net assets was ¥13,631 million, an increase of ¥1,681 million compared to December 31, 2022. This was mainly the result of the recording of ¥1,703 million in profit attributable to owners of parent, ¥475 million in payment of dividends of surplus, and an increase of ¥353 million in foreign currency translation adjustment.

(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, 2023, please refer to “Notice Concerning Revisions to Full-Year Financial Results Forecasts and Dividends Forecast” announced on May 10, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of December 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	3,614	3,952
Notes receivable - trade	452	1,049
Electronically recorded monetary claims - operating	62	39
Accounts receivable - trade	5,239	7,948
Merchandise and finished goods	3,443	2,909
Work in process	1,071	2,024
Raw materials and supplies	2,345	2,798
Other	750	712
Allowance for doubtful accounts	(60)	(63)
Total current assets	16,920	21,371
Non-current assets		
Property, plant and equipment	3,779	3,853
Intangible assets		
Goodwill	5,960	5,976
Software	184	178
Customer relation assets	2,650	2,672
Other	382	393
Total intangible assets	9,177	9,220
Investments and other assets	1,132	1,230
Total non-current assets	14,089	14,304
Total assets	31,009	35,676
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,954	4,637
Short-term borrowings	5,865	7,106
Accounts payable - other	686	438
Income taxes payable	646	885
Provision for bonuses	37	143
Provision for compensation for damages	23	24
Refund liability	128	203
Other	1,275	1,338
Total current liabilities	11,617	14,778
Non-current liabilities		
Long-term borrowings	5,951	5,640
Retirement benefit liability	282	282
Deferred tax liabilities	883	975
Other	324	367
Total non-current liabilities	7,442	7,266
Total liabilities	19,060	22,044

(Millions of yen)

	As of December 31, 2022	As of March 31, 2023
Net assets		
Shareholders' equity		
Share capital	461	461
Capital surplus	2,410	2,419
Retained earnings	7,906	9,134
Treasury shares	(408)	(408)
Total shareholders' equity	10,371	11,608
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	72	95
Foreign currency translation adjustment	632	986
Remeasurements of defined benefit plans	(44)	(42)
Total accumulated other comprehensive income	660	1,039
Non-controlling interests	917	983
Total net assets	11,949	13,631
Total liabilities and net assets	31,009	35,676

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

Consolidated statement of income (cumulative)

(Millions of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Net sales	8,216	9,307
Cost of sales	4,137	4,405
Gross profit	4,078	4,902
Selling, general and administrative expenses	2,312	2,395
Operating profit	1,765	2,507
Non-operating income		
Interest income	2	7
Foreign exchange gains	115	29
Dividend income	2	3
Insurance fee income	–	0
Share of profit of entities accounted for using equity method	8	9
Other	1	2
Total non-operating income	131	52
Non-operating expenses		
Interest expenses	42	41
Other	0	7
Total non-operating expenses	43	48
Ordinary profit	1,853	2,511
Extraordinary losses		
Impairment losses	18	–
Loss on retirement of non-current assets	0	0
Other	–	0
Total extraordinary losses	18	0
Profit before income taxes	1,835	2,511
Income taxes - current	610	775
Income taxes - deferred	(78)	(6)
Total income taxes	532	769
Profit	1,302	1,742
Profit attributable to non-controlling interests	26	38
Profit attributable to owners of parent	1,276	1,703

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended March 31, 2022	Three months ended March 31, 2023
Profit	1,302	1,742
Other comprehensive income		
Valuation difference on available-for-sale securities	7	23
Foreign currency translation adjustment	657	381
Remeasurements of defined benefit plans, net of tax	(0)	1
Total other comprehensive income	665	406
Comprehensive income	1,968	2,148
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,899	2,082
Comprehensive income attributable to non-controlling interests	68	66

(3) 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.

Segment information, etc.

[Segment information]

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

Significant subsequent events

No items to report.