

# For a Sustainable Future

Sustainability Report 2023

OAT Agrio Co., Ltd.



## Contributing to people around the world through increased food production while making full use of agritechnology

We will take steps toward realizing our long-term vision through the growth of our human resources, which sprout like leaves and branches from the trunk and soil of our management philosophy.

### Using agritechnology to address the world's food issues

Since its establishment in 2010, OAT Agrio has maintained an unwavering commitment to its management philosophy of contributing to people around the world with its agritechnology and sincerity. Although the term *sustainability* had yet to attract the widespread attention it receives today, I felt a profound sense of crisis regarding the global environment and water resources. The world's population is projected to exceed nine billion by 2050. Against this backdrop, the Food and Agriculture Organization (FAO) has announced that food production needs to increase by roughly 70% to accommodate this population growth.

COVID-19 has reiterated the importance of food to humankind. How we can continue to provide safe and secure food is therefore a fundamental theme of our business. As such, I am convinced that the very essence of our work is directly linked to sustainability management. Despite the importance of an increase in food production, there are limits

to how much land can be cultivated for agriculture. The question then is "how can we improve the yield per unit of land area?" As we work to provide an answer, I see an opportunity for our agritechnology to play an active role.

The OAT Agrio Group's agritechnologies cover three core domains: crop protection (chemicals for plants) against pests, fertilizers and drip irrigation (nutrients for plants) that provide the minimum amount of fertilizers and water required to help nourish plants according to their growth stage, and biostimulants (increasing plants' immunity to diseases) that enhance crop immunity against environmental changes and pests. Cultivating the soil, which serves as our management philosophy, while building on our three core agritechnology domains, we must determine the approach needed to push forward our business activities and how best to flourish through leaf and branch growth. Building on this metaphor, we set out the Group's long-term vision in February this year and redefined our efforts based on three key goals.

### The essence of our long-term vision

The first goal is to become a company that contributes to the future of agriculture through crop protection, fertilizers and drip irrigation (cultivation technology), and biostimulants. This goal looks beyond our efforts to date. The second goal is to become a change-oriented company that can take on the challenge of creating new markets with original ideas. Here, we will monitor plant growth through cultivation to generate new ideas. Drawing on our existing proprietary technologies, as well as our research-and-development activities, we will utilize our findings to create new markets. The third goal is to become a company that is sensitive to diversity, including changes in the external environment and regional characteristics. Climate change impacts the crops that grow in each region as well as the incidence of pests and diseases. Conversely, climate change affords us the opportunity to capture new markets that have yet to emerge. Against this backdrop and recognizing that pests build up a resistance to agrochemicals through repeated use, we are cognizant of the need to identify new agrochemicals with innovative effects. OAT Agrio's vision is to develop technologies that contribute to an increase in crop yields without negatively affecting the rich biodiversity of the overall environment, whether that be humans, plants and the bees they attract, local water resources, or aquatic animals. In bringing this vision to fruition, we will enhance our corporate value by contributing to sustainable agriculture that is friendly to people and the environment while pursuing ultimate agritechnology and nurturing our corporate culture.

### Employee development a conduit for corporate growth

The development of our employees is critical to realizing our long-term vision. OAT Agrio recognizes the undeniable importance of its human resources. The Company has continued to expand its global business through various means, including M&As. As a result, more than 60% of the Group's workforce is made up of international employees with a wide range of skills irrespective of nationality or gender. I take great pride in the fact that our employees continue to grow while fulfilling their designated roles with a clear understanding of the concept of human- and eco-friendly sustainable agriculture. Honing one's expertise and skills as a professional in each field of work, including R&D, sales, and accounting, is extremely important. Of equal importance is the need to expand interest in one's surroundings and gain new insights to ensure exponential personal growth. In this regard, I convey to all employees the value of participating in the cultivation experience. Becoming a corporate entity where all employees engage in the cultivation process is the epitome of our management philosophy.

On a personal note, I have been cultivating such produce as mini-tomatoes, peppers, cucumbers, eggplants, and bitter gourds at home for the past two years. Despite encountering difficulties in my cultivation endeavors, the joy and excitement that I feel from watching my efforts bear fruit is enormous. Insights gained from the use of OAT Agrio products in the cultivation process will help improve and enhance the Company's lineup. By extension, each person's participation in cultivation will contribute to an increase in food production.

Regarding human capital, issues requiring immediate attention are the development of international human resources and the empowerment of women. With interaction between human resources continuing to progress through the exchange of technologies among Group companies worldwide, OAT Agrio is focusing on developing the personnel who will spearhead our global growth over the medium to long term. The share of female managers is affected by the low number of women in science-related positions in Japan as a whole. Despite this impediment, we hope to achieve a ratio of 20% on a non-consolidated basis and 25% on a consolidated basis as soon as possible by making conscious efforts to increase the number of women in management positions.

### Focusing on growth drivers to achieve steady business growth

Despite a challenging external environment due to such factors as soaring raw material prices, OAT Agrio has positioned the pursuit of growth drivers at the heart of its business growth while focusing on the launch of new products, participation in smart agriculture, and the maximization of global synergies. In its Strategy for Sustainable Food Systems, Japan's Ministry of Agriculture, Forestry and Fisheries set the goals of reducing agrochemical use by 50% on a risk-equivalent basis and chemical fertilizer use by 30% by 2050. In line with this road map, OAT Agrio is working to promote and expand the use of Green Products, fertilizers and drip irrigation, and biostimulants. As far as Green Products (plant protection materials derived from natural and food additives) are concerned, the use of Suffoil, a miticide and insecticide that employs both safflower and cottonseed oils as its main ingredients, has exhibited steady growth. We are increasing sales by enhancing Suffoil's appeal as an insecticide for hard-to-control pests for tomatoes and citrus. In addition, biostimulants are substances and technologies that enhance the natural immunity and function of plants, increasing their resistance to cold, heat, and pests. Within our biostimulant lineup, Potetoru, which stimulates photosynthesis and encourages growth, performed well. In the greenhouse horticulture field, we have already successfully reduced the amount of fertilizer used by approximately 25% compared to



President, CEO  
Hisashi Oka



conventional farming methods, by promoting a drip fertigation technology system that delivers the right amount of fertilizer and water at the right time while eliminating the stress caused by excessive application. Not limited to the current demand for its products, OAT Agrio will continue to further address the demands of producers. We have also developed an AI-based automated growth diagnosis system and a comprehensive cultivation solutions service to promote widespread participation in smart agriculture. Rather than relying solely on established producers, we will work to ensure that new farmers can also secure higher yields. Evaluating seedling images, our AI-based system diagnoses growth based on multiple parameters, including leaf color and size. If the supply of fertilizer is insufficient, for example, adjustments are automatically made to ensure application of the appropriate amount. The cultivation of Sachinoka strawberries generally yields three to four tons per 1,000 square meters. Utilizing its greenhouses, OAT Agrio has developed a cultivation system that can increase this yield to six tons. Based on the concept of cultivating products without a physical presence in each facility, we have rolled out the comprehensive cultivation solutions service, Agrio Ichigo Master, to practice our vision of smart agriculture from 2022.

### Realizing sustainability

In 2023 and beyond, OAT Agrio will continue to allocate resources to the growth drivers of Green Products, biostimulants, the greenhouse horticulture field, and the development

of products globally. At the same time, we will place considerable emphasis on fostering a corporate culture that experiences the pleasures and difficulties of cultivation and shares that with the world. The Company provides information on how the public can easily enjoy its horticulture and cultivation through its cultivation media site and Instagram. I am convinced that these endeavors will have an enormous impact as more and more people experience the joy of cultivating, the emotion of watching that cultivation, and the contentment of eating, and how everyone relates to food and agriculture is reevaluated. Moreover, we will work to have an impact on society while simultaneously upgrading and expanding the disclosure of sustainability-related information in connection with our business activities. The calculation of Scope 1, 2, and 3 GHG emissions and the disclosure of information by companies listed on the Prime Market based on the recommendations of the Task Force on Climate-related Financial Disclosures is indispensable in the consideration and management of risks. Among a host of initiatives, OAT Agrio also devotes resources to internal education and training to help Group companies better understand the nature of Scope 3 emissions. In this regard, our business activities contribute directly to the achievement of SDGs from each of the environmental conservation, improvement in resource efficiency, and eradication of famine perspectives. As we work to achieve our established goals, we ask for the continued support and understanding of our stakeholders.

## We at the OAT Agrio Group contribute to people around the world with our agritechology and sincerity.

Under the philosophy that “We contribute to people around the world with our agritechology and sincerity,” the OAT Agrio Group develops and systematizes a comprehensive technology set that contributes to increased crop yields through the development, manufacturing, and marketing of agrochemicals, fertilizers, and proprietary cultivation systems. By continuously developing “new technologies that

contribute to improved crop yields” based on our accumulated technology and know-how, we aim to resolve food issues and support an ever-increasing world population, as well as to obtain high trust and evaluation from stakeholders and society, thereby maximizing our corporate value as our basic management policy.



### Plant protection products

Research on safer and more effective chemicals for plants

- Research at two laboratories (in Naruto and India)
- Discovery of new highly safe, effective substances

### Fertilizers and drip irrigation

Development of nutrients for plants that promise abundant harvests

- Cultivation technology
- Fertilizers for hydroponic culture (largest share in the Japanese market)

### Biostimulants

Increasing plants' immunity to diseases, pests, and environmental stress

- Boosting the immunity of crops against diseases, pests, and environmental stress
- Respecting the environment and the biodiversity that boosts the immunity of crops against diseases and pests

### Brand film

Both agriculture and people's lives passed down from one generation to the next— OAT Agrio has produced a video in the hope of conveying the importance of food and agriculture through the life of a young girl growing up.

The video portrays an adult woman with tears in her eyes as she remembers the taste of her mother's food as a young child. This is a scene with which we can all empathize, recollecting fond memories through food. Just as a mother passes on her hopes and dreams for the future as she hands a single pumpkin seed to her daughter at the beginning of the video, and both agriculture and people's lives pass down from one generation to the next, through this video, OAT Agrio is

conveying the message that it stands side by side with those involved in agriculture. Our hope is to provide people everywhere with the joy of cultivating, the emotion of watching, and the contentment of eating. In addition to the video on YouTube, we have placed advertisements in the *Yomiuri*, *Asahi*, *Mainichi*, *Nihon Keizai*, and *Sankei* newspapers to reach as many people as possible. Through these efforts, roughly 1.15 million people have watched the video. In doing so, we believe that our wishes have been made known to a great many people.

This video can be viewed using the two-dimensional code below or on the OAT Agrio Group's YouTube channel.



OAT Agrio's hopes Video now available

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## Progress under the New Mid-term Business Plan

### Aiming to remain a company that can contribute to sustainable agriculture

Under the New Mid-term Business Plan (2021–2023), formulated in February 2021, and its renewal the following year as the New Mid-term Business Plan (2022–2024)—Further Challenges, we believe that successful steps have been taken

to lay the foundation for sustainable growth by steadily pursuing growth drivers. Having again reformulated the New Mid-term Business Plan (2023–2025)—Toward New Challenges in February 2023, we are advancing toward a phase during which we will realize our long-term vision.

#### Positioning the pursuit of growth drivers at the heart of our business growth while focusing on the launch of new products, participation in smart agriculture, and the maximization of global synergies

- Pursuing Growth Drivers**
  - Green Products (GP)
  - Biostimulants (BS)
  - Spurring demand in the greenhouse horticulture field (smart agriculture: utilization of AI growth diagnosis)
  - Developing products globally
- Maximization of Global Synergies**
  - Communications among Group companies
  - Globalization of R&D

Expand sales to Group companies (2022 result: up 22% year on year), initiate steps to expand sales, enhance production, and start purchasing/procurement projects among Group companies

#### Building a corporate culture and working toward management that contributes to human- and eco-friendly sustainable agriculture, while enhancing our corporate value

- Building a Corporate Culture**
  - Putting into practice cultivation technology (agritechnology)
  - Communicating the “fun” of cultivation
- Contributing to Human- and Eco-friendly Sustainable Agriculture**
  - Engaging in sustainability management
  - Contributing to local communities
- Enhancing Corporate Value**
  - Strengthening the management base

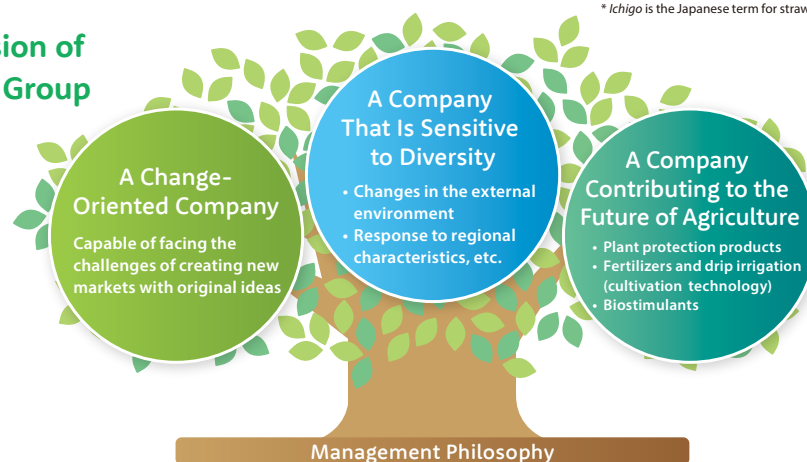
#### Shintomi Town Development Project



- Concluded a partnership agreement covering the promotion and development of local agriculture with Shintomi, Miyazaki Prefecture (January 2022)
- Agrio Ichigo\* Master comprehensive cultivation solutions service
- Demonstration of Probioponics, hydroponic cultivation for which organic fertilizers are used

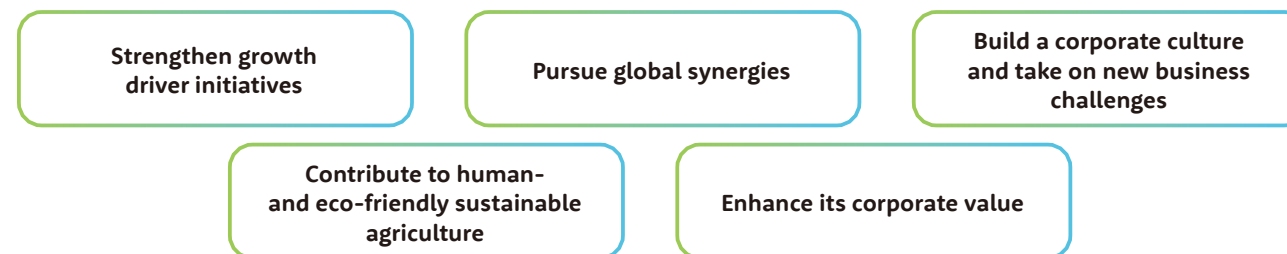
\* Ichigo is the Japanese term for strawberry.

### Long-Term Vision of the OAT Agrio Group



## Basic Policy

Under its New Mid-term Business Plan, the OAT Agrio Group will, based on its management philosophy, implement the following:



## Business Indicators

	FY2021 Results	FY2022 Results	FY2023 Plan	FY2024 Plan	FY2025 Plan
Net sales (Billions of yen)	22.67	26.96	27.70	29.20	30.70
Operating profit (Billions of yen)	2.00	3.34	3.20	3.40	3.70
Ordinary profit (Billions of yen)	1.98	3.38	3.12	3.28	3.60
Profit attributable to owners of parent (Billions of yen)	1.45	2.26	2.10	2.21	2.55
Operating profit margin	8.8%	12.4%	11.5%	11.7%	12.1%
Consolidated ROE	19.2%	23.4%	17.8%	16.5%	16.8%

## Summary of Fiscal 2022

In fiscal 2022, the outlook remained uncertain due to factors that included the prolonged global impact of COVID-19, changes in demand trends arising from the conflict between Russia and Ukraine, and supply chain disruptions. Also, given the need to continue recognizing as risks various changes in the external environment, such as significant exchange rate fluctuations and rising prices, the Group worked on the steady implementation of its New Mid-term Business Plan (2022–2024), which was announced in February 2022. Based on our management philosophy of contributing to the people of the world with our agritech and sincerity, we took steps to maximize global synergies through cooperation with Group companies and partners. This included focusing on growth drivers such as Green Products<sup>1</sup>, biostimulants<sup>2</sup>, the greenhouse horticulture field, and the promotion of global expansion. The depreciation of the yen was a factor in improving

the Group’s performance, and we believe that fiscal 2022 was a period for laying the foundation for the future. We feel that the activities advocated by the Group, which are said to spread the technology to increase food production (agritech- nology), will contribute to the Sustainable Development Goals (SDGs) for environmental conservation, improving resource efficiency, and the eradication of famine. Through the development of new products, technologies, and services, we will continue to promote business activities to contribute to human- and eco-friendly sustainable agriculture.

#### Notes:

- Green Products: Safe and environmentally friendly plant protection products with no restrictions on the number of times they can be used, such as natural/food additive-derived or organic, JAS-compliant pesticides.
- Biostimulants: A generic term for substances and technologies that enhance the natural immunity of plants and promote their resistance to cold, heat, diseases, and pests, as well as potential crop growth.



## Progress and Targets for Important CSR Issues

In addition to widely proposing the OAT Agrio Group's technologies and product functions, we will contribute to human- and eco-friendly sustainable agriculture by undertaking active product releases while working to enhance our corporate value. We will also actively incorporate environmental (E),

social (S), and governance (G) perspectives into our management. We believe that the corporate activities of the Group will help build a sustainable future together with society and embody the intent of the Sustainable Development Goals (SDGs).

ESG	Important Issues	Initiatives for 2022	2022 Results	2023 Targets
Environment	Reduction and recycling of waste	Reduction of waste and plastic trash, cutback in production loss, practical application of recycling of industrial materials	Naruto Factory: Waste down 7.2% YoY	Naruto Factory: Waste down 17% YoY
	Use of renewable energy and reduction of greenhouse gas emissions	Promotion of renewable energy use	Collection of Scope 1, 2, and 3 calculation data; set reduction targets	Setting and implementing reduction targets
	Management of emissions and wastewater	Management of consumption and wastewater at factories	Naruto Fertilizer Factory: Amount of wastewater generated down 20% YoY	Naruto AL Factory Continued strengthening of rinse water quality management
Society	Labor environment	Ensuring the safety of workplaces, with zero accidents	Naruto Factory: 296 zero accident days (ongoing as of the end of December 2022)	Implementing regular education on health and safety Accident-free days 296 days + 365 days = 661 consecutive days
	Quality of products	Strengthening the quality assurance system	Reviews of standards/manuals	Human resource development
	Personnel affairs	Setting up new work styles and evaluation systems, observing and promoting the Act on the Promotion of Female Participation and Career Advancement in the Workplace	Creating comfortable working environments so that employees can balance work and child-rearing, formulating action plans that allow all employees to demonstrate their abilities	Male childcare leave acquisition rate 20%, expansion of employee eligibility for staggered commuting, introduction of no overtime days
	Training and development of personnel	Support obtaining qualifications and training under each theme	TOEIC testing (held in-house), sales training, anti-harassment training, defined contribution (DC) pension training, compliance/risk management training	Reviews of qualification acquisition costs/allowances, management/evaluator training sessions, etc.
	Supply chain management	Establishing a distribution system and ensuring the responsible procurement of materials	Implementing the joint procurement of raw materials with associated companies	Implementing procurement source diversification
Governance	Corporate governance	Tightening governance and internal controls, securing management transparency by disclosing information, and promoting stakeholder engagement	Sustainability Report 2022 (published in March 2022) Establishing the Sustainability Promotion Committee (June 2022) CDP Survey Responses (scores released December 2022)	Meeting Prime Market listing criteria Sustainability Report update
	Risk management	IT controls	Strengthening the security of core systems	Core system update, server replacement
	Compliance	Promoting compliance, maintenance, and renewal of ISO 9001 quality management	Adhering to compliance Maintenance of ISO 9001:2015	Adhering to compliance ISO 9001: 2015 renewal audit

## Society

### Establishing a Structure and Environment for Diverse Human Resources to Maximize Their Abilities

#### Promoting the use of childcare leave and strengthening communication within the Company

Japan's Child Care and Family Care Leave Act was revised in October 2022. It includes the establishment of a postpartum father childcare leave system so that both men and women can balance work and childcare. As part of efforts to create an environment conducive to the advancement of women, the OAT Agrio Group has set a goal of increasing the share of female managers. We believe that for women to play an active role, men's participation in household duties and childcare must be linked to that of women. This revision of the Act has prompted us to formulate a General Employer Action Plan based on the Next Generation Act, and we aim to achieve a 20% take-up rate of childcare leave among male employees starting this fiscal year. Although some male employees have already taken childcare leave, we are working to create an environment in which even more male employees will take childcare leave.

Taking into consideration the fact that men might not have the same level of access to external information networks as women when it comes to childcare, the Group has decided to create a venue for the mutual provision of information, where both male and female employees are invited to exchange information on childcare and other matters. Although there are still many issues to be addressed regarding the participants and themes to be selected, employees with past childcare experience, those currently raising children, and those who might be involved in childcare in the future will gather to hold open and forthright conversations. The number of male employees who want to be actively involved in childcare and to have access to information on how to take part in the rearing of children is certainly increasing. We believe that meaningful information sharing is essential even when male employees are unable to take childcare leave due to their individual circumstances.

The number of Group employees who are of child-rearing age is increasing, and we have found that creating opportunities for them to interact affords them the chance to share information unique to the area in which they reside. In the future, we will also make available to employees faced with nursing care issues places to share information with those who have similar problems, with the aim of creating a system in which the diversity of human resources can be truly complementary.

We also believe in the critical nature of strengthening communication between supervisors and subordinates as well as among employees in the workplace. Deepening communication necessitates a mutual understanding and respect for one another's position. To avoid communication that flows

only in one direction, we believe it is important for employees to refresh their understanding of the Company's management policy, to share their respective goals, and to properly evaluate results. We also plan to provide opportunities to enhance evaluation skills and training to deepen the understanding of internal systems. For managers, training will be provided to ensure a proper understanding of management as well as to heighten their ability to manage and develop subordinates in such areas as how to attain goals and stress management.

With harassment becoming an increasingly serious social problem in recent years, the Group has implemented anti-harassment-related training by department, job type, and position. The type of harassment varies depending on the job and position, so we simultaneously analyzed the trends of each work style. We will continue to enhance communication and provide ongoing anti-harassment training with the goal of creating a workplace where employees can carry out their duties while accepting and appreciating one another.

#### Reform of work styles and promotion of health management

Our General Employer Action Plan based on the Next Generation Act sets forth such goals as expanding staggered commuting and establishing no overtime days. In addition to those currently utilizing public transportation for staggered commuting and external workers, we are looking to expand staggered commuting, particularly to employees performing childcare and nursing care. The establishment of no overtime days will help reduce overtime work, thus curbing the chronic working of extra hours, and will help us reassess and improve work practices to facilitate efficient operations.

In considering the health management of employees, our aim is to gain certification as an Excellent Health Management Corporation, while advancing efforts toward certification as an outstanding company by the Japan Health Insurance Association. We also monitor the status of employees' health checkups and thoroughly manage reexaminations. The Group pays all fees for periodic health checkups and physical examinations (excluding optional services). In addition, to raise employees' health awareness, we have added a health management-oriented course to our suite of e-learning training courses from this fiscal year. This has led to more opportunities for employees to conduct self-checks and increase their knowledge of health issues. We believe that by contributing to the improvement of employees' health, the Group can provide a work environment where its human resources can maximize their individual strengths.

# Environment

## Greenhouse Gas (GHG) Emissions Calculation and Reduction Initiatives

### Background

OAT Agrio has maintained an unwavering commitment to sustainability-conscious management since its founding and considers the calculation of GHG emissions to be essential. The Group has calculated GHG emissions since fiscal 2020 and will continue to focus on the calculation, verification, and reduction of emissions to proactively help achieve carbon neutrality by 2050. Collaborative calculation efforts among Group companies also serve to educate employees on environmental issues and instill sustainability management within the Company. We will continue communicating to our stakeholders how our agritechology will contribute to the resolution of environmental problems as part of the SDGs.

### Method of calculation

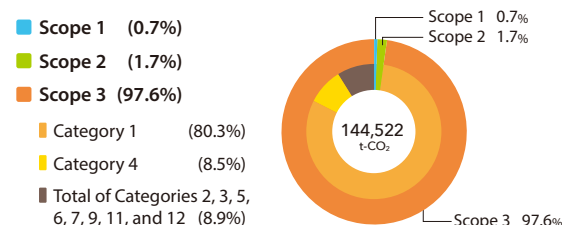
Scope 1 and 2 have been calculated at our major business sites since 2020. During the first year of implementation, Scope 3 calculations were limited to OAT Agrio's headquarters. Owing to the substantial emissions attributable to Category 1 "Purchased Goods and Services" and Category 4 "Upstream Transportation and Distribution," each was identified as an important category. From 2021, we undertook Scope 3 calculations at major business sites. For Category 1, the quantity and amount of goods are accurately determined and refined from purchasing information. For Category 4, we use distances that are in line with the physical quantity of raw materials and actual conditions. For other categories, we use physical quantity data to the extent possible to calculate GHG emissions that are realistic. While estimates are made for categories with low emissions, actual data are obtained whenever possible and used for internal training purposes.

### Analysis of results and improvement measures

In Scope 1, GHG emissions originate primarily from heat sources and fuel consumption for transport. For heat sources, we continue to study low-carbon alternatives for boilers and fuels for in-house power generation. For transport fuel, gasoline and light oil are the main sources of emissions from passenger cars, and we will continue to promote the conversion to

EVs and low-carbon vehicles. As far as Scope 2 GHG emission sources are concerned, OAT Agrio Naruto Factory and Chrysal International (Chrysal) continue to use zero carbon electricity. From the end of 2021, LIDA also began using electricity derived from renewable energy sources, contributing to the reduction of CO<sub>2</sub> emissions. We believe that there is an urgent need for measures to increase the ratio of renewable energy in the Asian region as well, given the large amount of GHG emissions in line with the purchase of steam at the Naruto Factory, as well as the electricity consumed by OAT & IIL India Laboratories Private Limited and OAT Agrio Cultivation Research Center. The main source of Scope 3 GHG emissions came from the purchase of raw materials in Category 1. Calculations are performed without omission by refining and linking to purchasing information. We will analyze and consider countermeasures in the future.

### Ratio of Scope 1, 2, and 3 emissions



#### Notes:

- Of the 15 categories in Scope 3, Categories 8, 10, 13, 14, and 15 are not subject to calculation.
- Figures in parentheses above are percentages using the total value of 144,522 t-CO<sub>2</sub> of Scope 1 through 3 as the denominator.

### Results of Scope 1, 2, and 3 emissions (t-CO<sub>2</sub>)

	FY2021	FY2022
Scope 1	1,044	1,048
Scope 2	2,451	2,456
Scope 3	123,708	141,018

Note: As far as the Chrysal Group of affiliated companies is concerned, the shipping and transportation of Category 4 shippers are excluded from calculation due to the complexity of distribution channels. Plans are in place to remedy and refine this in the future.

that in our management strategies and risk management, and appropriately disclose progress with the aim of achieving the sustainable development of society and enhanced corporate value over the medium to long term.

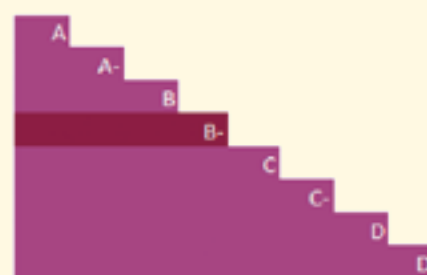
## Responding to CDP and Evaluation

CDP is a nonprofit organization that asks companies, organizations, cities, and others questions about their environmental impact, including climate change, and evaluates and scores their responses for disclosure to investors around the world. In 2022, in response to a request from CDP, the Group responded to a questionnaire that addressed the area of climate change for the first time. While Scope 3 had not yet been calculated at the time of our response, the Group's overall efforts to reduce GHG emissions were highly evaluated and we received a

management level score of B-. This is an average score for chemical companies worldwide and above the average of C for the Asian region and all industries globally. The Group will continue to promote sustainability activities, including the reduction of GHG emissions, using the CDP score as a benchmark while striving to disclose information in an appropriate manner. The Group's responses and scores to the CDP Climate Change Questionnaire are available on the CDP website.

▶ <https://www.cdp.net/>

### UNDERSTANDING YOUR SCORE REPORT



OAT Agrio Co., Ltd. received a B- which is in the Management band. This is higher than the Asia regional average of C, and the same as the Chemicals sector average of B-.

- Leadership (A/A-):** Implementing current best practices
- Management (B/B-):** Taking coordinated action on climate issues
- Awareness (C/C-):** Knowledge of impacts on, and of, climate issues
- Disclosure (D/D-):** Transparent about climate issues

### Chrysal's efforts to realize a zero-impact flower industry

Group company Chrysal, a cut-flower nutrient manufacturer based in the Netherlands, has been developing products to improve the quality of cut flowers and potted plants for more than 90 years. Through its worldwide distribution network, the company offers products in major markets for cut flowers and potted plants, from South America, Africa, and Asia, where flower production is thriving, to Western Europe, the United States, and Japan, where demand is booming. In 2009, Chrysal started its Chrysal Cares CSR program, which is focused on realizing a zero-impact flower industry through four different ways: fighting climate change, contributing to a sustainable economy, caring for people, and striving for a positive environmental impact. Among these initiatives, Chrysal is looking to achieve carbon neutrality by 2030 in the fight against climate change, and has set its sights on respective goals from the perspectives of reducing CO<sub>2</sub> emissions, improving energy efficiency, using sustainable energy sources, and reducing environmental impact during transportation. Calculations are under way with the goal of a global Life Cycle Assessment (LCA) for all entities and products, and the switch to renewable energy has also progressed.

Looking to 2030, Chrysal will strengthen its efforts in supply chains, other than its own, which account for more than 90% of its GHG emissions. For the transport of flowers, CO<sub>2</sub> emissions can be reduced by 90% just by switching from air to marine transportation between Kenya and the Netherlands and Chrysal offers services to make this possible.

Moreover, to contribute to a circular economy, Chrysal will convert its packaging to fully recyclable, reusable, or compostable packaging in 2025. In addition to these efforts, Chrysal is promoting biodiversity conservation and sustainable land and water usage to further create a positive impact on the global environment. For example, Chrysal supports activities for the Bees for Development program in Africa to alleviate poverty through apiculture beekeeping, and has established three bee colonies in the garden of its headquarters in the Netherlands as an initiative to tackle the issue of declining bee populations at home and abroad.

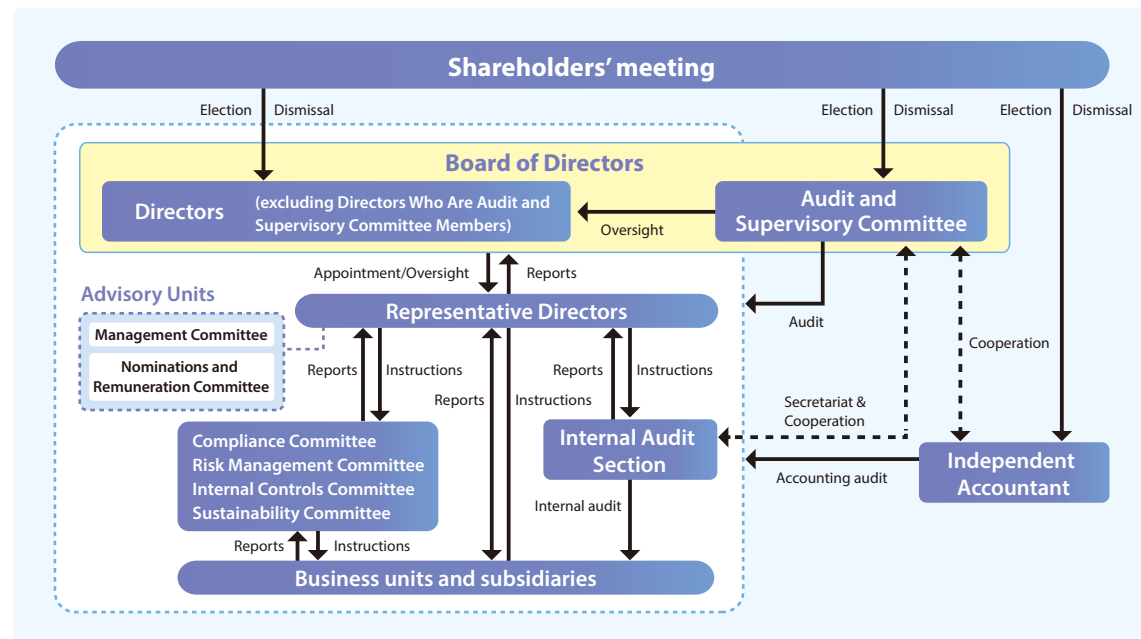


# Corporate Governance

## Corporate Governance Structure

Guided by our management philosophy of contributing to people around the world with our agritechnology and sincerity, the OAT Agrio Group aspires to an approach that can contribute to human- and eco-friendly sustainable agriculture, and engages in business activities with the mission of enhancing corporate value while contributing to the advancement of society. In June 2022, the Group established the Sustainability Committee with the president as its chair to achieve sustainable growth in corporate value through its business activities and develop a sustainable society, for the purpose of promoting sustainability management across the entire Group. Under the direction of the president, this committee deliberates on basic management policies regarding sustainability, including

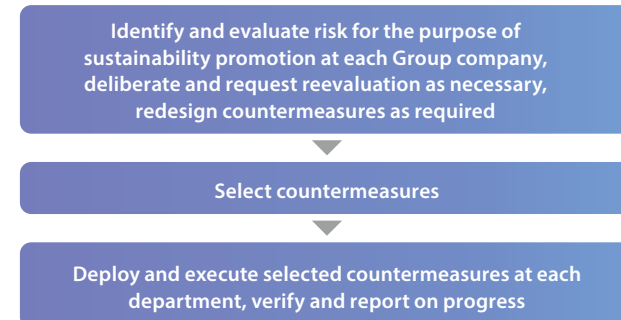
the issue of climate change, and planning regarding business activity policies and strategies. It also discusses the results of these deliberations with the Board of Directors. In addition, the Risk Management Committee deliberates on matters involving the issue of climate change that might have a material impact on the business continuity, financial standing, management performance, and cash flows of affiliated companies, and reports on the results of these deliberations to the Board of Directors in conjunction with Group-wide risk. Matters resolved by the Board of Directors are then deployed and promoted Group-wide in cooperation with each business unit under the leadership of the Sustainability Committee.



## Risk Management

The Sustainability Committee identifies risks currently faced by the OAT Agrio Group, or those with the potential to arise in the future, and implements systematic and appropriate preventive measures. The Committee similarly analyzes, evaluates, and recognizes matters relating to climate change that hold the potential to materially impact the business continuity, financial standing, management performance, and cash flows of affiliated companies. In addition, the Committee broadly classifies these matters into short-, medium-, and long-term categories from a standpoint specific to sustainability, and analyzes, evaluates, and recognizes each from both qualitative and quantitative perspectives.

### Concrete process



## Message from an Outside Director

Director (Outside Director)  
Audit and Supervisory Committee Member

**Minoru Kimura**

### OAT Agrio's corporate governance structure

OAT Agrio is a company with an audit and supervisory committee with all its outside directors serving as members. As such, the Company's Board of Directors consists of six internal directors and the three independent outside directors who are Audit and Supervisory Committee members. With one-third or more of its members made up of outside directors, the Company's Board of Directors meets the criteria required by the revised Corporate Governance Code. As we have already released the Board's skill matrix, I recognize that each director expresses various opinions and poses questions drawing on his or her diverse skills, expertise, and knowledge as I look back on discussions through my participation in those meetings. As such, I am confident that the directors are definitively fulfilling their role. The Audit and Supervisory Committee consists of the three independent outside directors. The role of the Committee is to oversee whether each director, including the representative director, can play an active role from the perspectives of sustainability, investment in human and intellectual capital, and risk regarding the Company's corporate governance system. As a company listed on the Prime Market, OAT Agrio has been strengthening its governance system. For the Company to build a more substantial governance system, however, I feel there is a need to further deepen and verify discussions from the perspectives of sustainability, investment, and risk. To that end, regularly reviewing and renewing the governance structure, policies, and procedures, as well as complying with the latest systems and best practices, are considered essential for building a more effective governance system and improving the transparency of the internal control system. The Company has also established the Nominations and Remuneration Committee as a voluntary advisory unit. This Committee is chaired by the president and representative director and comprises three members, including two Audit and Supervisory Committee members who are independent outside directors. In addition to the election of directors, I am confident that the Committee is fulfilling its supervisory role as required while performing a variety of functions including regular evaluation.

### Disclosure of non-financial information

Recently, calls for the proactive disclosure of non-financial information have increased to better measure corporate

sustainability. Of equal importance is the need to disclose non-financial information that can be easily understood and accessed by stakeholders. As far as the Company's non-financial information is concerned, including its human capital initiatives that are directly related to its growth, OAT Agrio recognizes the need to investigate and verify indicators that convey such details as the diversity of its officers and employees, employee satisfaction, and status of skills in an easy-to-understand manner. In doing so, the Company also acknowledges the importance of establishing a flow of regular reporting by incorporating information into quarterly, annual, and other disclosure systems. Over and above the disclosure of information, every effort will be made to ensure that the Company discloses as much information as possible regarding its policies and plans for future initiatives.

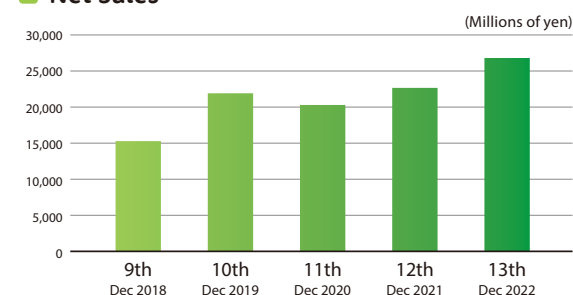
### Toward improving the effectiveness of Board of Directors' meetings

At Board of Directors' meetings, we have discussed a variety of topics, including monthly and quarterly financial conditions, strategic decision-making in each business unit, and potential risks to compliance and internal control systems. Each director strives to conduct discussions with openness and transparency, and consequently I believe that discussions are lively and free flowing. Having verified the effectiveness of Board of Directors' meetings from a variety of perspectives—including discussion and decision-making procedures and quality, independence and diversity, and management activities and strategies, as well as consistency with management policies—I am confident that meetings are currently fully addressing the expectations of stakeholders. In addition, outside directors, who are Audit and Supervisory Committee members, work to communicate with individual directors through regular interviews, and effectiveness is ensured by having evaluations of each director and of the Board of Directors discussed during Audit and Supervisory Committee meetings. Meanwhile, in a fiercely competitive environment, it will become increasingly important to make decisions that take the long-term view from a more sustainable perspective in the years to come. Looking back at past Board of Directors' meetings, I cannot deny that it was easy to focus on short-term business performance and the resolution of immediate issues. I feel that there has been rather little discussion about long-term sustainability or sustainability-related issues, such as the environment, or of a social nature. While bringing about improvements on this point, I would like to devise ways to bring greater sophistication to the Company's corporate governance.

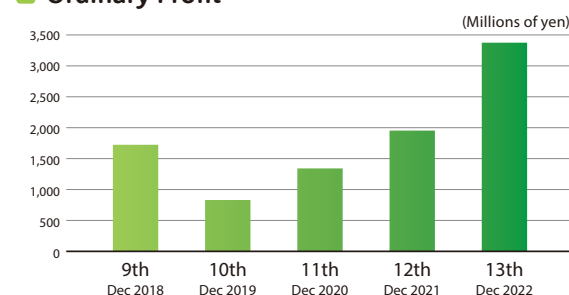


### Performance Highlights

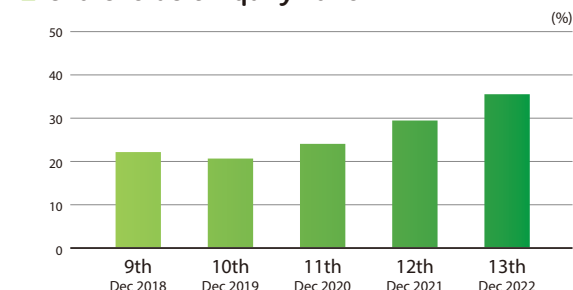
#### Net Sales



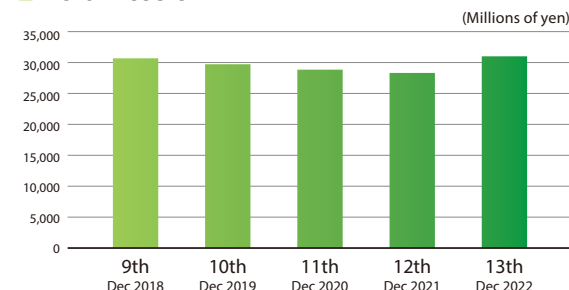
#### Ordinary Profit



#### Shareholders' Equity Ratio



#### Total Assets

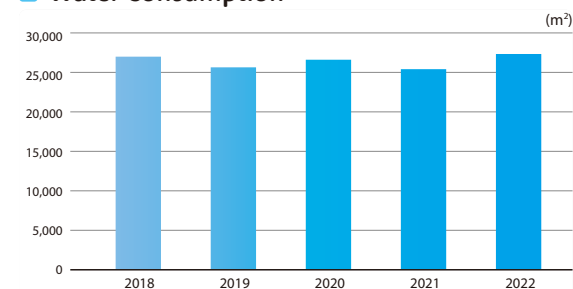


<Formula> Shareholders' equity ratio = Equity capital / Total assets × 100; Equity capital = Net assets - Subscription rights - Share options - Noncontrolling interests

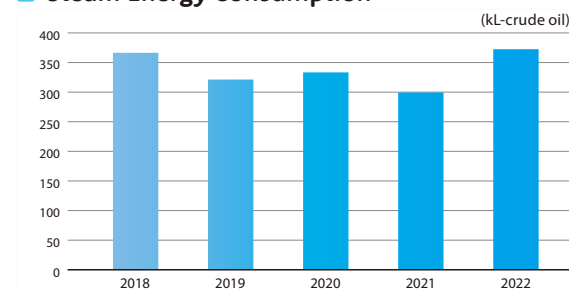
Note: OAT Agrio has applied the Accounting Standard for Revenue Recognition effective from the fiscal year ended December 31, 2022. Data for the fiscal year ended December 31, 2021, are presented after retrospectively applying the said Standard.

### Environmental Conservation Reports (Naruto Factory)

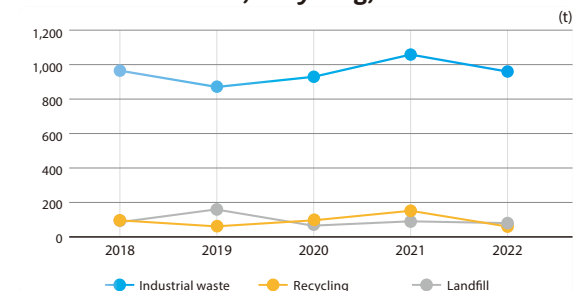
#### Water Consumption



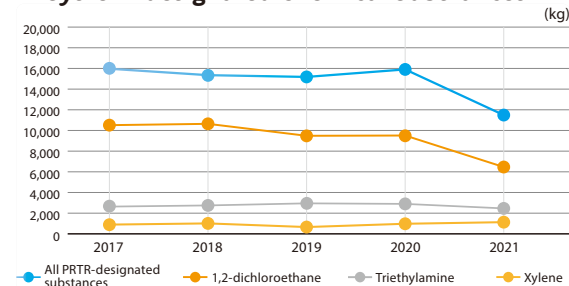
#### Steam Energy Consumption



#### Industrial Waste, Recycling, and Landfill



#### Transfer and Release of Class I Pollutant Release and Transfer Register (PRTR) System-designated Chemical Substances



**O** — おいしいを  
Oishii wo  
**A** — あたりまえにする  
Atarimae ni suru  
**T** — テクノロジー  
Technology  
**ア**  
**グ**  
**リ**  
**オ**

Using its name as a play on words, the Company has coined the phrase in Japanese "Oishii wo Atarimae ni suru Technology" for advertising purposes. Literally translated, this means "Technology that makes deliciousness a matter of course."

The world population exceeded eight billion in 2022. There is no longer enough food to feed this many people. The question then is how to harvest more high-quality crops on limited arable land unaffected by changes in the environment. Taking on this challenge, OAT Agrio has developed advanced agritech to increase food production. We are working boldly to help resolve food problems through our three pillars of crop protection, fertilizers and drip irrigation, and biostimulants.



OAT Agrio's hope is to provide all people everywhere with the joy of cultivating, the emotion of watching, and the contentment of eating.

#### Editorial policy

The OAT Agrio Group has published the Sustainability Report since 2022, describing its initiatives for the environment (E), social (S), and governance (G) perspectives aimed at the establishment of a sustainable society, as well as its management plans and other information. We hope that this report will help communication with the supply chain and other stakeholders and enhance the understanding of our company and Group companies throughout society. We will continue to improve the report with reference to your input and advice.

#### Reported period

January to December 2022

#### Reported organization

The Group (our company and its associated companies) consists of OAT Agrio Co., Ltd., 27 consolidated subsidiaries (including Asahi Chemical Manufacturing Co., Ltd.; Runhe (Zhoushan) Plant Science Co., Ltd.; OAT & IIL India Laboratories Private Limited; Asahi Chemical Europe s. r. o.; PT. Oat Mitoku Agrio; Lida Plant Research, S.L.; Inplanta Innovations Inc.; and Blue Wave Holding B.V.), two unconsolidated companies, and three associated companies.

#### Published

March 2023





[www.oat-agrio.co.jp](http://www.oat-agrio.co.jp)