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August 8, 2023

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending December 31, 2023 <under Japanese GAAP>

Company name: **OAT Agrio Co., Ltd.**
Listing: Tokyo Stock Exchange
Securities code: 4979
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Scheduled date to file Quarterly Securities Report: August 8, 2023
Scheduled date to commence dividend payments: –
Preparation of supplementary material on quarterly financial results: None
Holding of quarterly financial results presentation meeting: Yes

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the first six months of the fiscal year ending December 31, 2023 (from January 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

Six months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2023	16,364	6.5	3,253	10.0	3,399	9.3	2,275	8.2
June 30, 2022	15,368	18.7	2,956	61.8	3,109	64.4	2,102	59.7

Note: Comprehensive income Six months ended June 30, 2023: ¥3,884 million [14.5%]
Six months ended June 30, 2022: ¥3,390 million [–%]

Six months ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
June 30, 2023	214.94	–
June 30, 2022	199.26	–

Note: Diluted earnings per share is not presented because there are no potential shares.

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2023	38,001	15,361	37.7	1,348.07
December 31, 2022	31,009	11,949	35.6	1,043.37

Reference: Equity As of June 30, 2023: ¥14,311 million
As of December 31, 2022: ¥11,032 million

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2022	–	0.00	–	45.00	45.00
Fiscal year ending December 31, 2023	–	0.00			
Fiscal year ending December 31, 2023 (Forecast)			–	50.00	50.00

Note: Revisions to the dividends forecasts most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2023 (from January 1, 2023 to December 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2023	28,500	5.7	4,000	19.5	4,050	19.6	2,650	17.2	250.62

Note: Revisions to the earnings forecasts most recently announced: None

*** 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 June 30, 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 June 30, 2023	455,953 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)

Six months ended June 30, 2023	10,585,702 shares
Six months ended June 30, 2022	10,552,056 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, 2023, the Japanese economy did show improvements in the employment situation and capital investment by companies, etc. but there were also negative factors such as a prolonged inflationary trend, and the pace of recovery in economic activity became more moderate. COVID-19's legal classification of infectious disease was reclassified to Class V, and restrictions on overseas passage were mostly lifted, and while the environment in which society operates has been resuming normalcy through such measures, it is considered we have fully entered into a period of searching for responses to post COVID-19 society.

Under such business conditions, OAT Agrio Group (the "Group") began initiatives aimed at realizing the long-term vision set forth in the "New Mid-Term Business Plan [2023-2025]," which was announced in February 2023. As a "company structured for change," we are capable of taking on the challenges of creating new markets; as a "company receptive to diversity," we tailor our response to regional characteristics, etc., and as a "company contributing to the future of agriculture," we are active in the fields of plant protection, cultivation technology, and biostimulants. This is the "ideal state of OAT Agrio" that the Group commonly aims for as it moves forward in unison.

As a result, in the first six months under review, net sales was ¥16,364 million, up ¥995 million or 6.5% year on year, operating profit was ¥3,253 million, up ¥296 million or 10.0% year on year, ordinary profit was ¥3,399 million, up ¥290 million or 9.3% year on year, and profit attributable to owners of parent was ¥2,275 million, up ¥172 million or 8.2% 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 maintained favorable sales results for the Company's mainstay insecticides *Orion* and *Oncol* and fungicide *Shochinosuke*. Sales were strong for insecticides in the green agrochemicals, which is the Company's focus, such as *Toarrow* and *Tomonol*. Meanwhile, in the overseas markets, the acaricide *Cyflumetofen* continued to perform well, and sales of green agrochemical *Acaritouch* increased significantly year-on-year. As a result, net sales in the agrichemicals field amounted to ¥7,678 million, up ¥175 million or 2.3% year on year.

In the fertilizer and biostimulant field, mainly sales of the biostimulant *Potetoru*, which stimulates photosynthesis and encourages growth, and sales of *Lidavital*, *Algamix*, and *Fullbody*, which are products of LIDA Plant Research, S.L., our affiliate in Spain grew in the domestic market. In overseas markets, favorable sales were maintained for *Atonik*, and it was expanded into Central and South America and the Asian region. Also, Blue Wave Holding B.V. of the Netherlands, which is strong in Post-Harvest products such as *Cut Flower Long Lasting Liquid*, etc., achieved robust sales growth, and LIDA Plant Research, S.L. of Spain maintained strong sales, particularly in the Central and South American markets. As a result, net sales in the fertilizer and biostimulant field and other fields increased by ¥820 million, or 10.4% year on year, to ¥8,686 million.

(2) Information regarding financial position

a. Position of assets, liabilities, and net assets

Total assets as of June 30, 2023, was ¥38,001 million, an increase of ¥6,992 million compared to December 31, 2022. This was mainly the result of increases of ¥1,387 million in cash and deposits, ¥559 million in notes receivable - trade, ¥2,643 million in accounts receivable - trade, ¥291 million in raw materials and supplies, ¥1,372 million in work in process, and ¥325 million in goodwill due to the impact of foreign currency translation.

Total liabilities was ¥22,640 million, an increase of ¥3,580 million compared to December 31, 2022. This was mainly the result of increases of ¥3,499 million in short-term borrowings, ¥1,272 million in notes and accounts payable - trade, and ¥391 million in income taxes payable, and a decrease of ¥2,076 million in long-term borrowings.

Net assets was ¥15,361 million, an increase of ¥3,411 million compared to December 31, 2022. This was mainly the result of the recording of ¥2,275 million in profit attributable to owners of parent, ¥475 million in payment of dividends of surplus, and an increase of ¥1,418 million in foreign currency translation adjustment.

b. Cash flows

Cash and cash equivalents as of June 30, 2023, was ¥4,729 million, an increase of ¥1,358 million compared to December 31, 2022.

Net cash provided by operating activities was ¥676 million (¥3 million was used in the same period of the previous fiscal year). The main sources of cash were profit before income taxes of ¥3,399 million, depreciation of ¥456 million, amortization of goodwill of ¥327 million, and an increase in trade payables of ¥1,132 million. The main uses of cash were an increase in trade receivables of ¥2,870 million, and an increase in inventories of ¥915 million.

Net cash used in investing activities was ¥226 million (¥262 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 ¥197 million and purchase of intangible assets of ¥34 million.

Net cash provided by financing activities was ¥642 million (¥334 million was provided in the same period of the previous fiscal year). The main source of cash was an increase in short-term borrowings of ¥1,880 million. The main uses of cash were repayments of long-term borrowings of ¥669 million, dividends paid of ¥474 million, and repayments of lease obligations of ¥83 million.

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

There is no change to the consolidated earnings forecasts for the fiscal year ending December 31, 2023 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 June 30, 2023
Assets		
Current assets		
Cash and deposits	3,614	5,001
Notes receivable - trade	452	1,011
Electronically recorded monetary claims - operating	62	41
Accounts receivable - trade	5,239	7,883
Merchandise and finished goods	3,443	2,982
Work in process	1,071	2,444
Raw materials and supplies	2,345	2,637
Other	750	1,004
Allowance for doubtful accounts	(60)	(64)
Total current assets	16,920	22,940
Non-current assets		
Property, plant and equipment	3,779	4,059
Intangible assets		
Goodwill	5,960	6,286
Software	184	178
Customer relation assets	2,650	2,827
Other	382	417
Total intangible assets	9,177	9,710
Investments and other assets	1,132	1,291
Total non-current assets	14,089	15,060
Total assets	31,009	38,001
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,954	4,226
Short-term borrowings	5,865	9,365
Accounts payable - other	686	520
Income taxes payable	646	1,038
Provision for bonuses	37	37
Provision for compensation for damages	23	26
Refund liability	128	262
Other	1,275	1,603
Total current liabilities	11,617	17,081
Non-current liabilities		
Long-term borrowings	5,951	3,874
Retirement benefit liability	282	286
Deferred tax liabilities	883	1,002
Other	324	395
Total non-current liabilities	7,442	5,558
Total liabilities	19,060	22,640

(Millions of yen)

	As of December 31, 2022	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	461	461
Capital surplus	2,410	2,395
Retained earnings	7,906	9,706
Treasury shares	(408)	(373)
Total shareholders' equity	10,371	12,189
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	72	111
Foreign currency translation adjustment	632	2,051
Remeasurements of defined benefit plans	(44)	(41)
Total accumulated other comprehensive income	660	2,121
Non-controlling interests	917	1,050
Total net assets	11,949	15,361
Total liabilities and net assets	31,009	38,001

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

Consolidated statement of income (cumulative)

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Net sales	15,368	16,364
Cost of sales	7,790	8,186
Gross profit	7,578	8,178
Selling, general and administrative expenses	4,621	4,924
Operating profit	2,956	3,253
Non-operating income		
Interest income	4	15
Foreign exchange gains	208	230
Dividend income	2	3
Share of profit of entities accounted for using equity method	8	11
Other	29	11
Total non-operating income	253	271
Non-operating expenses		
Interest expenses	87	95
Other	12	30
Total non-operating expenses	100	125
Ordinary profit	3,109	3,399
Extraordinary income		
Gain on sale of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on sale of non-current assets	–	0
Impairment losses	19	0
Total extraordinary losses	20	0
Profit before income taxes	3,088	3,399
Income taxes - current	1,021	1,139
Income taxes - deferred	(105)	(66)
Total income taxes	916	1,073
Profit	2,172	2,326
Profit attributable to non-controlling interests	69	51
Profit attributable to owners of parent	2,102	2,275

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Profit	2,172	2,326
Other comprehensive income		
Valuation difference on available-for-sale securities	(3)	39
Foreign currency translation adjustment	1,223	1,515
Remeasurements of defined benefit plans, net of tax	(1)	1
Total other comprehensive income	1,218	1,557
Comprehensive income	3,390	3,884
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,230	3,735
Comprehensive income attributable to non-controlling interests	160	148

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended June 30, 2022	Six months ended June 30, 2023
Cash flows from operating activities		
Profit before income taxes	3,088	3,399
Depreciation	420	456
Amortization of goodwill	301	327
Impairment losses	19	0
Increase (decrease) in retirement benefit liability	1	(0)
Increase (decrease) in allowance for doubtful accounts	16	(0)
Increase (decrease) in refund liability	138	133
Increase (decrease) in provision for bonuses	3	0
Interest and dividend income	(7)	(19)
Interest expenses	87	95
Share-based payment expenses	14	19
Foreign exchange losses (gains)	1	(85)
Insurance claim income	–	(0)
Loss (gain) on sale and retirement of non-current assets	0	(0)
Decrease (increase) in trade receivables	(3,110)	(2,870)
Decrease (increase) in inventories	(556)	(915)
Increase (decrease) in trade payables	250	1,132
Other, net	(116)	(125)
Subtotal	554	1,545
Interest and dividends received	6	14
Interest paid	(79)	(101)
Proceeds from insurance income	–	0
Income taxes paid	(486)	(782)
Net cash provided by (used in) operating activities	(3)	676
Cash flows from investing activities		
Payments into time deposits	(3)	(3)
Proceeds from sale of property, plant and equipment and intangible assets	0	0
Purchase of property, plant and equipment	(125)	(197)
Purchase of intangible assets	(60)	(34)
Purchase of investment securities	(71)	(0)
Other, net	(2)	8
Net cash provided by (used in) investing activities	(262)	(226)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,150	1,880
Repayments of long-term borrowings	(507)	(669)
Proceeds from long-term borrowings	12	–
Repayments of lease liabilities	(84)	(83)
Dividends paid	(237)	(474)
Dividends paid to non-controlling interests	–	(19)
Other, net	(0)	10
Net cash provided by (used in) financing activities	334	642
Effect of exchange rate change on cash and cash equivalents	227	265
Net increase (decrease) in cash and cash equivalents	295	1,358
Cash and cash equivalents at beginning of period	3,514	3,371
Cash and cash equivalents at end of period	3,809	4,729

(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.

Segment information, etc.

[Segment information]

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

Significant subsequent events

Purchase of treasury shares

At the Board of Directors meeting held on August 8, 2023, the Company resolved to purchase treasury shares as provided for in the Articles of Incorporation in accordance with the provision of Article 459, paragraph (1) of the Companies Act.

1. Reason for purchase of treasury shares

To provide return of profit to the shareholders and to improve capital efficiency.

2. Details of matters concerning the purchase

(1) Type of shares to be purchased: Common shares

(2) Total number of shares to be purchased: Up to 400,000 shares

(Ratio to the total number of issued shares (excluding treasury shares): 3.77%)

(3) Aggregate purchase value: Up to ¥600 million

(4) Purchase period: From August 9, 2023 to December 31, 2023

(5) Purchase method: Purchase by means of market trades on the Tokyo Stock Exchange