

For a Sustainable Future

Sustainability Report 2024

OAT Agrio Co., Ltd.

Realizing sustainability through food and agriculture with pride in our management philosophy

Using agritech to address the world's food issues

Just as UN Secretary-General António Guterres predicted when he stated “the era of global warming has ended; the era of global boiling has arrived,” many cities in the northern hemisphere have experienced unprecedented heat waves, leading to what has been considered the warmest year in recorded human history during 2023. Rising ocean temperatures brought about by the El Niño weather pattern that triggered these heat waves are also causing more intense tropical cyclones and hurricanes, as well as inviting higher temperatures around the globe. A major market for the OAT Agrio Group, Central and South America saw restrictions on the passage of ships through the Panama Canal due to insufficient rainfall during the rainy season, as well as suffering from droughts on a scale that will remain in each country's history books. Even in Europe, Spain is experiencing large-scale droughts. Under an environment where these climate change risks have manifested, determining how to sustainably provide safe, secure food has been a fundamental theme of our business since our founding in 2010. 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?” The true value of the Group's agritech is now truly coming into question. And I am certainly not the only one who feels a stronger sense of mission and pride than ever before in the Group's management philosophy of “contributing to people around the world with our agritech and sincerity.” In fact, I keenly hear about the intentions and passion of every employee at the OAT Agrio Group on a daily basis, which has given me a strong sense of confidence. The world's population is projected to exceed nine billion by 2050. Against this backdrop, in 2010, the same year the Group was founded, the Food and Agriculture Organization (FAO) announced that food production needs to

increase by roughly 70% to accommodate this population growth. The OAT Agrio Group's agritech covers 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. By spreading the prevalence of these three agritech to increase food production in a way that does not succumb to climate change, we will contribute to communities throughout the world.

Contributing to local communities and employee growth

Our employees must without question grow if we are to sustainably expand our business in a way that achieves our management philosophy. Likewise, actively investing in human resources and training personnel to enhance their appeal will serve to create an attractive company. To become attractive personnel, however, employees must possess an interest in and understand their surroundings, in addition to deepening their expertise and skills in the fields related to their own duties as professionals. I believe that curiosity and new knowledge will open the door to communication and that recognizing this will lead to something new. In this sense, the Group is focusing its energies on contributing to local communities through CSR activities. Since 2013, the third year of our founding, we have engaged in hands-on educational programs for kindergartens and elementary schools in the Naruto region of Tokushima Prefecture, where our factory, research facility, and Cultivation Research Center are located. Specifically, these activities include flower seedling planting, as well as soil preparation and rice planting for bucket rice cultivation. Our younger employees have taken the lead and actively engage in these activities. I am convinced that coming into direct contact with the soil and experiencing cultivation together with the children who will take responsibility for the future will connect to significant growth for both these children and our employees. In July 2023, we held a seminar and Cultivation Research Center facility tour for those from the Community Design Department of the Matsushima City government in Tokushima Prefecture. This event was initiated after the members of the department read the CSR activity report on our website and became

interested in our eco-friendly products. Although this was the first time we held a seminar for a local public body as part of our CSR activities, I would be most happy if such activities allowed the Group's eco-friendly agritech to help energize local agricultural promotion and urban planning activities.

Focusing on growth drivers to achieve steady business growth

The Strategy for Sustainable Food Systems established by Japan's Ministry of Agriculture, Forestry and Fisheries in 2021 sets 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, the OAT Agrio Group is also 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, sales of Suffoil, a plant protection material that employs both safflower and cottonseed oils as its main ingredients, have grown ever since its release as an insecticide for tomatoes, citrus, and strawberries that targets hard-to-control pests. It was also adopted as the pest control program for the ZEN-NOH ICHIGOHADANI ZERO PROJECT. As for biostimulants, Lidavital, which is produced by LIDA, a Group company based in Spain, has seen increasing sales following its recognition as an effective biostimulant for budding among tea farmers in Shizuoka Prefecture. In addition, Fullbody, also produced by LIDA, has been adopted by many lettuce growers in Nagano Prefecture, the largest lettuce producing region in Japan, as a means of preventing continuous cropping damage and of strengthening root spreading. In the greenhouse horticulture field, we have promoted widespread participation in smart agriculture since 2022 by offering Agrio Ichigo Master, a comprehensive cultivation solutions service using an AI-based automated growth diagnosis system. By quantifying and visualizing experienced-based rules used by growers, we aim for a scenario in which new farmers can steadily secure higher yields under the concept of cultivating products without a physical presence in each facility. Agrio Ichigo Master has also been adopted by tourism farms in Ibaraki, Chiba, Fukui, and Nara prefectures. In fact, a tourism farm (0.8 acres of acreage under cultivation) in Yasato, Ibaraki Prefecture, that began regular operations in December 2022 received 7,000 visitors in 2023, more than 1.5 times that of an average year. The farm successfully allowed every visitor to fully enjoy delicious strawberries and has produced significant results where strawberry growth has nearly outstripped harvesting capacity. In addition to the yield, the strawberries have been well-received for the strength of their quality, with entries at the National Strawberry Competition receiving prizes.



Realizing sustainability

At the time OAT Agrio was founded in 2010, the term *sustainability* was not as common as it is today, yet even at that time I felt a sense of crisis regarding the sustainability of the global environment and water resources. We have therefore raised the three concepts of environmental conservation, eradication of famine, and improvement in resource efficiency as our goals for contributing to the SDGs. However, simply converting forests and grasslands into cropland, or introducing greater amounts of fertilizer, for the purpose of increasing food production will result in higher greenhouse gas emissions. In other words, sustainability and these approaches to increasing food production contradict one another. The three agritech technologies possessed by the Group will function as a breakthrough for achieving these contradictory goals at the same time. By skillfully combining crop protection against pests, fertilizers and drip irrigation, and biostimulants, the Group will serve as a growth driver for Green Products, biostimulants, greenhouse horticulture, and the development of products globally as the fields that can exhibit the greatest outcomes while still considering the environment. And in this way, we are working to increase food production in the field of agriculture as an indispensable part of realizing a sustainable society. Moreover, we will continue to convey the joy of cultivating, the emotion of watching, and the contentment of eating to everyone through the OAT Agrio cultivation media site and Instagram. Three years after its launch, our Instagram account reached 50,000 followers. Although this is still just a small first step, people around the world are reviewing their relationships with food and agriculture from the standpoint of sustainability, which I believe will have a major impact on achieving sustainability if we can reach a common awareness. OAT Agrio will continue to make steady progress, one step at a time, toward achieving sustainability together with everyone around the world. We therefore ask for your continued support.

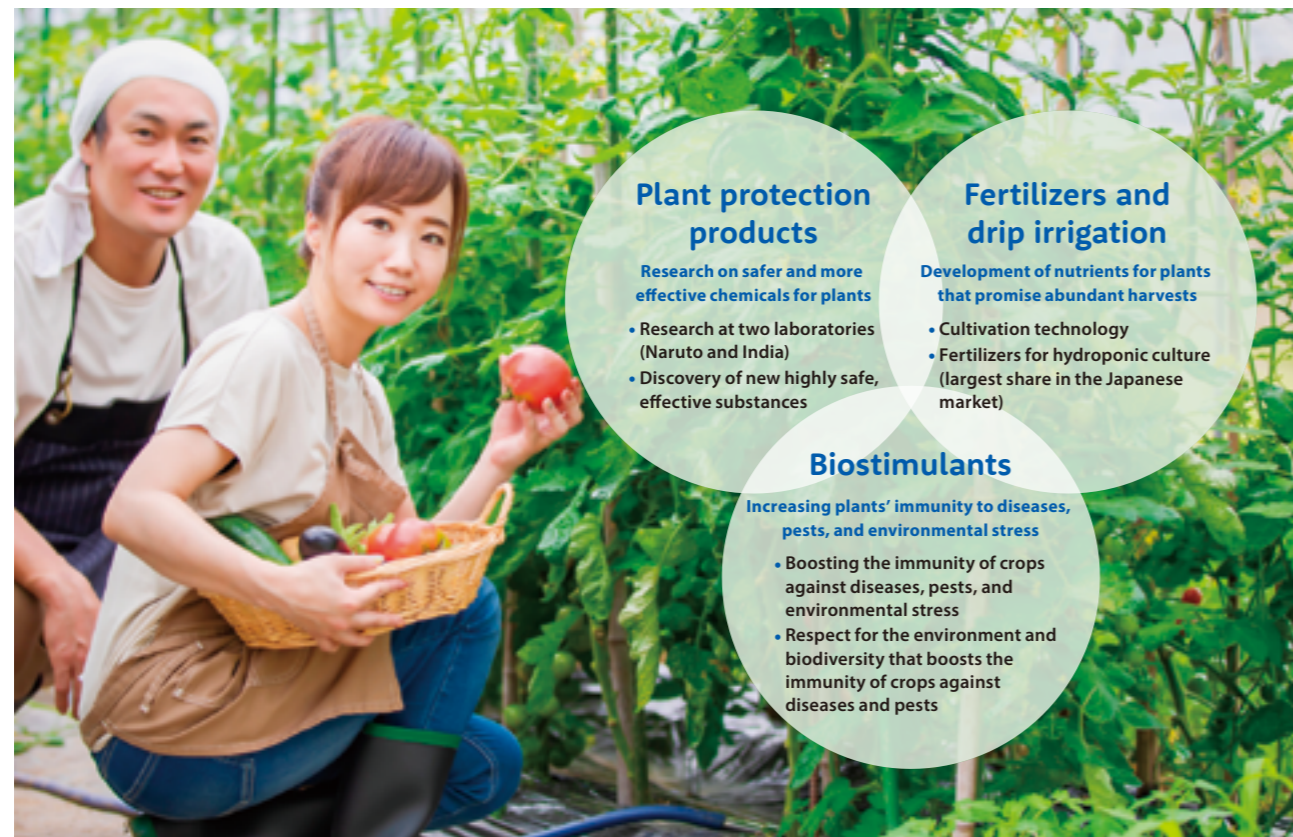


President, CEO
Hisashi Oka

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

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

technology” 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 overall, 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 (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
 - Respect for the environment and biodiversity that boosts the immunity of crops against diseases and pests

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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 represent the very embodiment of the Sustainable Development Goals (SDGs).

| ESG | Important Issues | Initiatives for 2023 | 2023 Results | 2024 Targets |
|-------------|--|---|---|---|
| Environment | Reduction and recycling of waste | <ul style="list-style-type: none"> • Reduction of waste and plastic trash, reduction of production loss • Naruto Factory Management: Waste down 17% YoY | <ul style="list-style-type: none"> • Naruto Factory Management: Waste down 17% YoY • Down 4.4% YoY per 1 ton of production | <ul style="list-style-type: none"> • Naruto Factory Management: Waste down 3% per 1 ton of production compared with 2023 |
| | Use of renewable energy and reduction of emissions of greenhouse gases | <ul style="list-style-type: none"> • Promotion of renewable energy use • Setting and implementation of greenhouse gas reduction targets | <ul style="list-style-type: none"> • Calculation and publication of Scope 1, 2, and 3 emissions for the Group • Implementation of comparative investigations of reduction measures for the setting of reduction targets | <ul style="list-style-type: none"> • Implementation of comparative investigations of renewable energy introduction costs • Setting and implementation of reduction targets |
| | Management of emissions and water discharge | <ul style="list-style-type: none"> • Management of consumption and discharge of water at factories • Setting and implementation of reduction targets • Naruto AL Factory: Continued strengthening of rinse water quality management | <ul style="list-style-type: none"> • Naruto Overall: Amount of wastewater generated down 38.3% YoY • Amount of outsourced wastewater treated down 25% YoY (Fertilizer factory up 2.5% YoY on a non-consolidated basis) | <ul style="list-style-type: none"> • Naruto AL Factory: Continued strengthening of rinse water quality management • In addition to the management of nitrogen emissions, consideration given to the management of phosphorous emissions |
| Society | Labor environment | <ul style="list-style-type: none"> • Safety of workplaces with zero accidents • Implementation of regular education on health and safety/Accident-free days: 661 consecutive days | <ul style="list-style-type: none"> • Naruto Factory: 290 zero accident days (up to December 31, 2022) (In 2023, an accident occurred on March 16; otherwise, the year was accident-free) | <ul style="list-style-type: none"> • Implementation of regular education on health and safety/Achievement of 366 accident-free days/Prevention of accidents year-round and continuation into the next fiscal year |
| | Quality of products | <ul style="list-style-type: none"> • Strengthening of the quality assurance system/Human resource development and improvement/Renewal of ISO 9001 quality management | <ul style="list-style-type: none"> • Implementation of ISO internal audit personnel training./increase in the number of auditors • Renewal screening approval for ISO9001 | <ul style="list-style-type: none"> • Management of safety for products/Preparation and provision of SDSs for each product based on legal systems for appropriately controlling chemical substances/Renewal of ISO9001 status |
| | Personnel affairs | <ul style="list-style-type: none"> • Setting of new work styles and evaluation systems/Observance and promotion of the Act on the Promotion of Female Participation and Career Advancement in the Workplace/Male childcare leave acquisition rate of 20%/Employee eligibility expansion for staggered commuting/Introduction of no overtime days | <ul style="list-style-type: none"> • Holding of information exchange meetings for balancing work and child-rearing once every three months/Holding of asset formation seminars to support child-rearing/Male childcare leave acquisition rate of 33%/Implementation of initiatives for health improvement (certification as an Excellent Health and Productivity Management Organization by the Health Insurance Association)/Establishment of every Wednesday as no overtime days | <ul style="list-style-type: none"> • Consideration given to measures aimed at promoting female participation and career advancement in the workplace/Support for life planning among older generations/Creation of stress-free work environments (child care and family care issues)/Promotion of health management |
| | Training and development of personnel | <ul style="list-style-type: none"> • Support in obtaining qualifications and training under each theme | <ul style="list-style-type: none"> • Implementation of management training and evaluator training for those in management positions/Implementation of training between departments and by age group/Implementation of compliance and risk management training/Implementation of anti-harassment training, defined contribution (DC) pension training, and health-related training/Implementation of TOEIC testing (held in-house) | <ul style="list-style-type: none"> • Ongoing implementation of management training and evaluator training for those in management positions/Implementation of reskilling training (e.g., DX application)/Ongoing implementation of various training programs/Ongoing implementation of TOEIC testing (held in-house) |
| | Supply chain management | <ul style="list-style-type: none"> • Establishment of a distribution system/Ensuring the responsible procurement of materials/Ongoing implementation of joint procurement of raw materials with associated companies/Implementation of procurement source diversification | <ul style="list-style-type: none"> • Purchase of certain raw materials from two or more companies as part of risk management/Ongoing consideration given to further procurement source diversification | <ul style="list-style-type: none"> • Ongoing investigation of procurement source diversification/Investigation of joint shipping for products/Preparation for the responsible procurement of raw materials |
| | Corporate governance | <ul style="list-style-type: none"> • Tightening of governance and internal controls/Securing management transparency by disclosing information/Promotion of stakeholder engagement | <ul style="list-style-type: none"> • Sustainability Report 2023 (published in March 2023)/Ongoing activities by the Sustainability Committee/CDP Survey Responses (scores released February 2024) following on 2022 survey | <ul style="list-style-type: none"> • Continuation of sustainability management/Tightening of governance and internal controls/Maintenance of management transparency by disclosing information/Aiming for a higher CDP score |
| Governance | Risk management | <ul style="list-style-type: none"> • IT controls • Strengthening the security of core systems | <ul style="list-style-type: none"> • Completion of server replacement/Completion of core system version updates/Formation of business improvement project teams/Promotion of the customization of certain core systems and improvements to business efficiency | <ul style="list-style-type: none"> • Establishment of a Group-wide risk management system/Analysis of the effectiveness of AI introduction and consideration toward introduction/Promotion of further DX as led by the project team |
| | Compliance | <ul style="list-style-type: none"> • Promotion of compliance | <ul style="list-style-type: none"> • Adherence to compliance • Implementation of anti-harassment training and compliance and risk management training | <ul style="list-style-type: none"> • Adherence to compliance/Elimination of harassment/Ongoing implementation of compliance training |

About the New Medium-Term Business Plan

Taking on challenges in a period of change (Innovation)

Our Group has been announcing its medium-term management plans since 2021. Guided by our 2021 New Medium-Term Management Plan (2021–2023), 2022 New Medium-Term Management Plan “Further Challenges” (2022–2024), and 2023 New Medium-Term Management Plan “Toward the New Challenges” (2023–2025), we have been steadily progressing through each phase. In February 2024, we formulated our New Medium-Term Management Plan “Active Investment for Further Growth” (2024–2026). To contribute to sustainable agriculture that is friendly to people and the environment, we focus on highly safe new plant protection materials and Green Products—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—and on the research and development of biostimulant products, which enhance the natural immunity of plants and promote their resistance to cold, heat, diseases, and pests, as well as

potential crop growth. At the same time, we will continue to work on the demonstration testing of probioponics (hydroponic cultivation for which organic fertilizer is used) aimed at realizing a recycling-oriented society, labor savings and improving efficiency in the field of greenhouse horticulture, providing total cultivation services toward the implementation of big data-based smart agriculture, and the upgrading and spreading of our Agrio Ichigo Master solutions service. Currently, we are facing many issues, including frequent abnormal weather events, the depletion of water resources, and repeated occurrences of damage from pests and diseases, as global agricultural challenges. Overcoming these challenges necessitates the acquisition of cutting-edge agricultural technologies, such as AI, robot/sensing technologies, and genome editing, and the bringing about of innovation. Seeing this as a period of change (innovation), our Group will accelerate its investments in R&D to realize its ideal vision for 2030 by facing the world’s agricultural challenges head on and devoting all our efforts to solving them.

Vision for 2030

“A company involved not only in increasing food production and eco-friendly agriculture but also in health.”

“A company that delivers the joy of cultivating, the emotion of watching, and the contentment of eating”

To realize its vision for 2030, OAT Agrio will concentrate its investment in R&D toward innovation over the next three years. We plan to invest more than 10% of sales on an ongoing basis. We will also invest 10% of our R&D costs in cutting-edge agricultural technologies.

Investing 10% of R&D costs in cutting-edge agricultural technologies

- Acquiring the latest technologies and creating new businesses
- Proposing profitable agriculture

To possess cutting-edge agricultural technologies

- AI data analysis
- Automatic harvesting robot
- Sensing technology
- Genome editing technology
- Clone seedlings
- New cultivation methods
- Prediction technologies to prevent pest outbreaks
- Retail platform app development

R&D Investment

Contributing to human- and eco-friendly, sustainable agriculture

Green Products that lead to zero CO₂ emissions
Biostimulant products
Creation of total solution services

Proposals for smart agriculture in greenhouse horticulture

Phenotyping Disease prevention/prediction
Real-time sensing Labor savings/Improving efficiency
Image analysis

Reduction of food loss

Freshness-preservative technology
Big data analysis technology
Platform system development in the value chain

OAT Agrio's Vision for 2030

Corporate Philosophy and Innovation

Corporate Philosophy

We contribute to the people in the world with our agritechology and sincerity.

Innovation

Intensive investment in R&D to innovate for sustainable agriculture.

Realization of corporate philosophy



Business Indicators

| | FY2022 Results | FY2023 Results | FY2024 Plan | FY2025 Plan | FY2026 Plan |
|---|----------------|----------------|-------------|-------------|-------------|
| Net sales (Billions of yen) | 26.96 | 28.99 | 29.30 | 30.20 | 31.70 |
| Operating profit (Billions of yen) | 3.35 | 3.77 | 3.15 | 3.40 | 3.80 |
| Ordinary profit (Billions of yen) | 3.39 | 3.80 | 3.00 | 3.30 | 3.65 |
| Profit attributable to owners of parent (Billions of yen) | 2.26 | 2.49 | 1.92 | 2.15 | 2.41 |
| Operating profit margin | 12.4% | 13.0% | 10.8% | 11.3% | 12.0% |
| Consolidated ROE | 23.4% | 20.0% | 13.2% | 13.6% | 13.8% |

Summary of Fiscal 2023

In fiscal 2023, the Japanese economy continued to experience a decline in personal consumption due to the significant depreciation of the yen caused by the strong U.S. economy and price hikes, despite signs of a recovery in inbound tourism demand amid a gradual return to normal in social activities with the legal reclassification of the novel coronavirus disease (COVID-19). When viewing the world as a whole, the future remains uncertain due to the prolonged situation in Ukraine, as well as the outbreak of armed conflict involving Israel, supply chains that have been disrupted due to armed attacks on commercial shipping in the Red Sea, the sluggish European economy, and other factors. It was under such business conditions that in February 2023 the OAT Agrio Group announced its New Medium-Term Management Plan (2023–2025) under the

title “Toward the New Challenges.” To achieve our long-term vision, which we have clarified, and in turn to realize our management philosophy—“We contribute to the people in the world with our agritechology and sincerity”—we have been working together to lay the groundwork for taking on new challenges. Through the realization of our Group’s management philosophy, we see it as our mission to deliver “the joy of cultivating,” “the emotion of watching,” and “the contentment of eating” to people around the world. Furthermore, we believe that the Group’s activities will contribute to achieving the Sustainable Development Goals (SDGs), such as “environmental conservation,” “improvement of resource efficiency,” and “eradication of hunger,” and we will continue to take on challenges in the next fiscal year and beyond.

Environment

Greenhouse Gas (GHG) Emissions Calculation and Reduction Initiatives

(1) Background

Having engaged in sustainability management since its founding, the OAT Agrio Group has calculated its GHG emissions since fiscal 2020. Collaborative calculation efforts among Group companies serve to assist internal education on environmental issues and in instilling sustainability management. In addition to helping achieve carbon neutrality by 2050, we will analyze and consider how the Group's agritechology can contribute to the resolution of the environmental problems adopted in the SDGs and actively communicate this to our stakeholders.

(2) Method of calculation

We have calculated Scope 1 and 2 at our major business sites since fiscal 2020. With regard to Scope 3, the fiscal 2020 calculations were limited to OAT Agrio's headquarters, but having ascertained the overall GHG emission trends we identified Categories 1, 4, and 5 as being of particular importance. Since fiscal 2021, we have undertaken Scope 3 calculations at major business sites within the Group, and for Category 1 "Purchased Goods and Services" have accurately determined and refined the quantities and amounts from purchasing information. For Category 4 "Upstream Transportation and Distribution," we use raw material quantities and distances that are in line with actual conditions. For other categories, we calculate GHG emissions that are as close to reality as possible using physical quantity data.

(3) Analysis of results and improvement measures

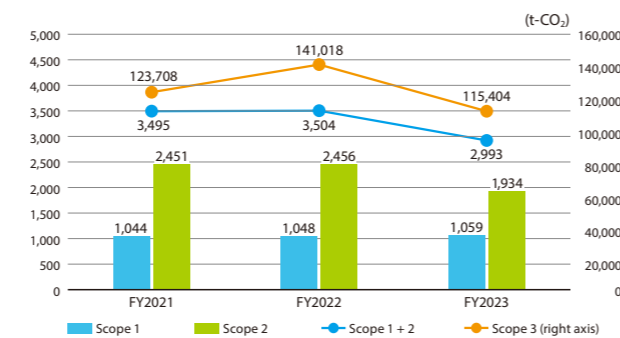
In fiscal 2023, Scope 1 did not change significantly year on year. However, the increases at OAT & IIL India Laboratories Private Limited (OAT & IIL) and other Group companies were largely offset by the decrease at Chrysal International (Chrysal), which was due to the installation of new equipment that increased thermal efficiency and reduced LNG consumption. There was no significant year-on-year change in fuel consumption for transport, but we believe there remains a need to continue promoting the conversion to EVs and low-carbon vehicles. Scope 2 GHG emissions decreased 21% year on year. A major factor was the reduction in steam usage at OAT Agrio's Naruto Factory, but the increase in power consumption at OAT & IIL offset some of the effect. As regards electricity, however, Chrysal continues to use zero carbon electricity, other Group companies are converting to renewable energy, and we are gradually starting to see results. Scope 3 GHG emissions decreased 18% year on year. A major factor was that Category 1, which accounts for 80% of total emissions, decreased 18% year on year. Although the proportion of total emissions

remained unchanged from the previous year at 98%, the decrease in Category 1 led to decreases in Categories 4 and 12.

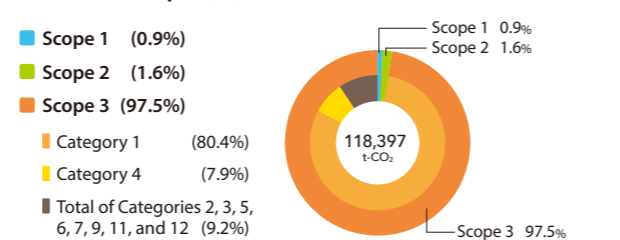
Results of Scope 1, 2, and 3 Emissions (t-CO₂)

| | FY2021 | FY2022 | FY2023 | Composition Ratio |
|--|---------|---------|---------|-------------------|
| Scope 1 | 1,044 | 1,048 | 1,059 | 0.9% |
| Scope 2 | 2,451 | 2,456 | 1,934 | 1.6% |
| Scope 1 + 2 | 3,495 | 3,504 | 2,993 | 2.5% |
| Scope 3 | 123,708 | 141,018 | 115,404 | 97.5% |
| Category 1 | 102,106 | 116,008 | 95,135 | 80.4% |
| Category 4 | 10,755 | 12,219 | 9,335 | 7.9% |
| Total of Categories 2, 3, 5, 6, 7, 9, 11, and 12 | 10,847 | 12,791 | 10,934 | 9.2% |
| Scope 1 + 2 + 3 | 127,203 | 144,522 | 118,397 | 100.0% |

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



Ratio of Scope 1, 2, and 3 Emissions



Notes:
 1. Of the 15 categories in Scope 3, Categories 8, 10, 13, 14, and 15 are not subject to calculation.
 2. Figures in parentheses above are percentages using the total value of 118,397 t-CO₂ of Scope 1 through 3 as the denominator.

Response to the Task Force on Climate-related Financial Disclosures (TCFD)

The Group is moving forward with efforts in response to the TCFD recommendations. Based on the TCFD framework, we will analyze the impact of climate change on the Group's business as well as the risks and opportunities it presents, reflect 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.

(1) Governance

The Board of Directors determines materiality relating to Company-wide management. To promote sustainability initiatives to help solve social issues through agribusiness and to improve corporate value over the medium to long term, we have established the Sustainability Committee, chaired by the president, which reports to the Board of Directors. The Sustainability Committee receives instructions from its chairperson and formulates policies and necessary strategies related to sustainability, including climate change, as well as confirms the status of each initiative. By reporting risks and business opportunities related to climate change to the Board of Directors, we have put in place a system to ensure appropriate oversight of progress.

(2) Strategy

In promoting sustainability management, we believe it is important to analyze the impact of climate change in terms of risks and opportunities on business and to reflect appropriate analysis-based responses in corporate management. Based on this idea, climate-related scenarios assume two worlds: a scenario in which climate change countermeasures are promoted (below 2 degrees Celsius, including 1.5 degrees Celsius) and a scenario in which no countermeasures are taken (4 degrees Celsius). Proceeding with the quantification of both the

extracted risks (transition risks, physical risks) and newly anticipated business opportunities, we are considering countermeasures based on scenario analyses.

(3) Risk Management and business opportunity recognition

To build a Company-wide risk management system, the Sustainability Committee regularly identifies and evaluates risks that the Group faces or that might arise, prioritizes and develops risk response plans, and checks on their progress. We have a system in place to regularly report and make recommendations to the Board of Directors on the impacts and countermeasures for newly anticipated business opportunities as well as identified climate-related risks, and to integrate them into Company-wide management.

(4) Metrics and Targets

Having set the goal of reducing GHG emissions to zero by 2050, the Group is aiming to achieve carbon neutrality. To achieve that goal, we are actively working to install solar panels and switch manufacturing and air-conditioning equipment to energy-saving models. We are also working to improve the accuracy of Scope 3 data, which is currently in its fourth year of calculation, considering multiple specific reduction measures for large-volume Category 1 emissions, and are endeavoring to set specific numerical targets.

Responding to CDP and Evaluation

Targeting companies, organizations, cities, and others, CDP is a nonprofit organization that asks them questions about their environmental impact, encompassing climate change, and evaluates and scores their responses for disclosure to investors around the world. In 2023, the Group responded to a CDP questionnaire, as it had in 2022. In 2023, in addition to the previous "Climate Change" field, a "Water Security" field was added, but the Group's score was B- for Climate Change, the

same as last year, and C for Water Security. The Group will continue to promote sustainability activities, including the reduction of GHG emissions, using the CDP score as a benchmark while striving to expand its information disclosure. The Group's responses to and scores from the CDP Climate Change Questionnaire are available on the CDP website.

▶ <https://www.cdp.net/>



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

A major Netherlands-based OAT Agrio Group company, Chrysal, has been developing products to improve the quality of cut flowers and potted plants for more than 95 years. Through its worldwide distribution network, the company offers products in major markets for cut flowers and potted plants, from South America and the United States to Africa, Western Europe and Asia, including Japan. Having been implementing its Chrysal Cares sustainability program since 2009, sustainability lies at the very heart of Chrysal's business activities. As a market leader in flower food, the company aims to work towards a

zero-impact flower industry, in which flowers can be enjoyed without causing harm to the environment or people. Creating a caring workplace for its employees and working to share its values with them, Chrysal would also like to use its knowledge and experience to help all its partners within the flower chain reach their sustainability ambitions. Together, we can build an innovative flower industry. With zero impact on the planet, the best care for flowers, happy customers and, in the end, a more beautiful world.

Excerpt from Chrysal's sustainability report

There are three ways in which we can influence the movement towards a more sustainable flower industry:



1 Our presence in the entire chain:
our customer base consists of growers, bouquet makers, supermarkets, florists, wholesalers & e-commerce business, all around the globe, so we are present everywhere. We are spreading this message with our partners and are continuously looking for collaborations.




2 Our products and services,
to increase vase life of flowers, to prevent waste, with as little resources as possible. The main focus of our innovations is to improve the sustainability aspects of our products and to increase sustainable practices throughout the chain. For example, with our sea freight service we are making sea shipment of flowers possible and thereby significantly lowering the CO₂ impact.




3 Our sustainability program
Chrysal Cares, where we are improving the way we do business, are integrating sustainability in the organization and the processes and are making sure that everyone in the company is on board. This way, we want to realize a flower industry with zero impact on the planet.


Our 4 ways towards a zero impact flower industry




1. Fighting climate change
Climate neutral by 2030, striving for a positive impact afterwards.



2. Contributing to a sustainable economy
50% circular by 2030, 100% in 2040.



3. Caring for people
Enhancing lives and work experience.



4. Striving for a positive environmental impact
Positively contributing to the environment we depend upon.

1 Fighting climate change
This pillar is about reducing our CO₂ emissions, increasing energy efficiency and the use of sustainable energy sources, like solar panels and wind energy. This pillar also focuses on reducing our impact in transport, by contributing to innovative transport, like our sea freight service, and by enabling smart mobility, which is employee travel. Our aim is to be climate neutral by 2030 and striving for a positive environmental impact afterwards.

2 Contributing to a sustainable economy
This pillar is about contributing to a sustainable economy, for us that means a circular economy, in which we minimize waste, maintain water quality, develop circular packaging and improve the sustainability of our ingredients. Next to that, we focus on a responsible supply and value chain and on operating as transparently as possible. We want to be 50% circular by 2030 and 100% circular in 2040.

3 Caring for people
Our third pillar is about caring for people. This means a caring workplace, so improving employee health and safety, but also ensuring equality and diversity. Next to that, we support the development of the communities we are active in.

4 Striving for a positive environmental impact
Our fourth pillar is about striving for a positive environmental impact. With the first two pillars we are reducing our negative impact on the environment, but within this pillar we are also contributing positively, by for example supporting biodiversity.

Society

Message from a Director

Aiming to enhance well-being in a way that enables diverse human resources to fully demonstrate their abilities

Director, Board Member, Executive Officer, Personnel Division

Itoko Watanabe

Attracting diverse human resources centered on the management philosophy

With businesses deployed across the globe, more than 60% of all Group employees hail from countries beyond Japan, and excel regardless of their nationality and gender given their diverse range of skills. The core element that links this diverse range of human resources together is the Group's management philosophy of contributing to people around the world with our agritechology and sincerity. As part of personnel recruitment, we employ a detailed approach to ensure that candidates sympathize with the Group's corporate culture and appeal, including offering explanations on career development on an individual basis. Similarly, we have current employees meet with candidates who fully understand and agree with our management philosophy, and provide them with workplace tours before entering the Company. A recent powerful undercurrent among candidates is their particular focus on the degree to which companies contribute to society when determining future employers, which has allowed us to recruit many human resources who empathize with the Group's management philosophy, as our goal is to contribute to society. Having attracted a diverse range of extremely talented personnel, my mission as part of the Group is to ensure that all employees demonstrate their abilities and value to the greatest extent possible. And I am committed to fulfilling my role in a way that seeks to deepen communication between employees, that focuses on improving work environments and enhancing employee benefits, and that improves the well-being of employees.

Focusing on personnel training and normalizing flexible work styles

The Group's employees are the source of its growth potential, which is why we are particularly focused on personnel training. In 2023, we conducted training for all management positions aimed at facilitating a proper understanding of basic and applied management practices, as well as of important internal systems and evaluation systems. Likewise, ensuring those in management positions rediscover the importance of goal setting, progress management, and feedback will help energize employee career development, employee training, and communication between employees. We are also conducting ongoing training to fully ensure that employees do not engage in, allow for, or become subject to different types of harassment with a sense of ownership in order to eliminate this issue. Along with personnel

training, we are also focused on normalizing more flexible work styles. In Japan, we have newly established no overtime days, in addition to staggered commuting and remote work systems, with the intention of constraining and reducing the chronic issue of working extra hours. In particular, staggered commuting has helped employees pursue their duties in a more balanced manner than before and is steadily reducing overtime work. Along with promoting work-style reforms, in 2023 we launched a business improvement project. In working together with individual employees, we are now promoting reforms that seek to maximize business performance, including revising and improving upon duplicate work, as well as investigating the use of data conversion, systemization, and other forms of DX.

Supporting employee life planning efforts

I also believe it is important for companies to support the life planning efforts of their employees. From October 2022 to February 2023, we therefore held information exchange meetings once every three months for employees in child-rearing generations. Female participation and career advancement in the workplace and participation in child-rearing by men, however, cannot be considered as separate issues. We therefore also shared child-rearing information at these meetings attended by everyone in child-rearing generations, which served to expand the breadth of communication between employees who had no previous interaction in terms of work. This also helped us achieve a male employee childcare leave acquisition rate of 33% in fiscal 2023, far above the initial target of 20%. Moreover, these information exchange meetings allowed us to discover that many of the participants were worried about future asset formation, in response to which we held an asset formation seminar for child-rearing generations. Asset formation is a common concern among all generations, however. We will therefore go beyond providing regular training regarding corporate pensions that cover defined contribution pension systems on an ongoing basis. Specifically, we will seek to expand educational opportunities for employees and stimulate their desire to engage in asset formation by incorporating products employees desire, as well as by providing information regarding public pension systems, as part of this training.

Aiming to enhance employee well-being

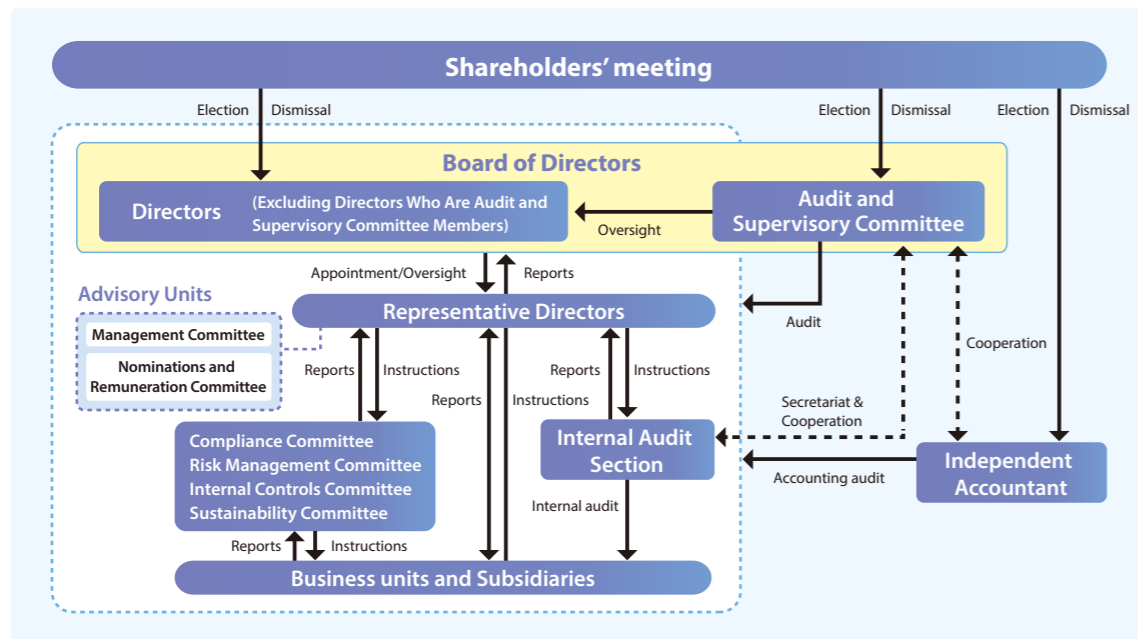
We are also fully engaged in health management intended to enhance the well-being of our employees. In 2023, we acquired silver certification as an Excellent Health Company from our health insurance association and held training regarding mental health issues following the implementation of stress checks. We intend to regularly implement health-related training and help improve the health of our employees with the goal of becoming a certified Health & Productivity Management Outstanding Organization.

Corporate Governance

Corporate Governance Structure

Guided by our management philosophy of contributing to the people in the world with our agritechology and sincerity, the OAT Agrio Group aspires to an approach that is capable of contributing 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. The Sustainability Committee with the president as its chair is responsible for promoting sustainability management across the entire Group with the aim of enhancing sustainable corporate value and developing a sustainable society through corporate activities. Under the direction of the president, this committee deliberates on basic management policies regarding sustainability, including the issue of climate

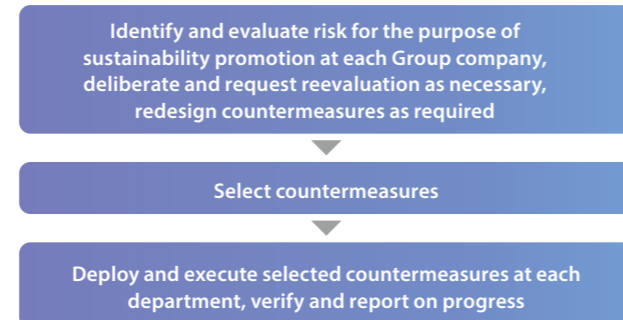
change, and planning regarding business activity policies and strategies. It also discusses the results of these deliberations with the Board of Directors. In addition, the Risk Management Committee deliberates on matters involving the issue of climate change that could have a material impact on the 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 with which the OAT Agrio Group is currently faced, 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 risks 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

Opening up the future of agriculture by means of “close to nature” perspectives and R&D capabilities

Outside Director
(Audit and Supervisory Committee Member)

Jun Ogawa

Role as an outside director

The OAT Agrio Group has focused on research and development since its establishment and remains a company that aims to allocate 10% of its net sales to R&D expenses. In addition to supervising management from an objective perspective, since joining the Company as an outside director in 2015, I have always regarded contributing to the sustainable growth of the Group by expressing my opinions and recommendations from a professional standpoint as an agricultural researcher as one of the roles expected of me by all stakeholders. The microorganisms that I am researching on a daily basis play a key role in resource recycling on our planet, and in the Group I am also thinking from the perspective of how human, financial, and other corporate resources can be more effectively utilized and sustainable growth achieved. When engaged in discussions, so that my way of thinking is not limited by time or space, I remain aware of the depth and breadth of the discussion from a long-term timeline and global perspective.

OAT Agrio Group governance

From the beginning of my involvement, the Group has maintained a firm vision and philosophy of what OAT Agrio should ideally be aiming for as a company, and that has not changed to this day. This means that the long-term management direction has remained unchanged, which from a governance perspective also represents an important factor. Discussions at Board of Directors' meetings are lively, with each outside director actively making statements and recommendations from their professional standpoint. Board of Directors members and their number are flexibly reviewed in response to changes in the business environment, and my feeling is that this enables discussions to always remain fresh and lively.

The OAT Agrio Group's appeal

The most appealing thing about the Group is that while it is a company dealing with pesticides and chemical fertilizers, the amounts of agricultural chemicals used are carefully considered with an eye toward eco-friendly agriculture of the future. The point is that the Company is sincerely tackling issues that have contradictory directions. This is an extremely important perspective when considering the future of agriculture, and one of the main reasons why I accepted the position of outside director was

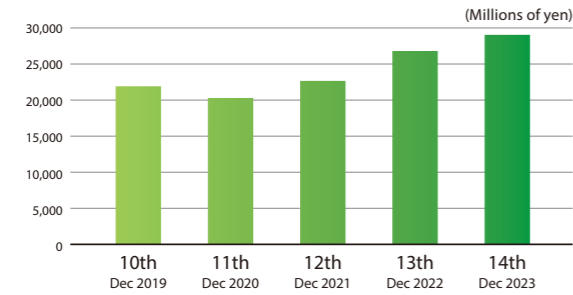
because I can empathize with this stance. Nowadays, amid the worldwide trend to get back to the workings of nature, artificial technologies are required to remain close to and accompany nature. One of the Group's major appeals is that this perspective of being “close to nature” is never lost. For example, biostimulants that improve plant immunity are not only a promising technology for the future but also stand out as a unique technology of the Group among the many agrochemical-related companies. Thus, the OAT Agrio name has also attracted wide attention both domestically and internationally. A hydroponic technology utilizing organic fertilizers, Probioponics, is a recirculating hydroponic technology in which the biomass-derived nitrogen sources are used and natural nitrification reproduced in water. A demonstration experiment has begun in Shintomi Town, Miyazaki Prefecture. Representing a new approach to agriculture that does not cause the destruction of ecosystem communities, high hopes are being held for this technology. The Group's research and sales staff visit the cultivation site to experience for themselves the product and technical capabilities together with producers. Over the past few years, the Company has encouraged all employees to gain experience in cultivation, creating a corporate culture that naturally fosters a feeling of being close to nature. The Company has an earnest corporate culture, and thus there are many aspects of the Group's initiatives and appeals that are not being sufficiently communicated. I think that in that sense the Company could strengthen its public relations efforts a little more.

Toward sustainable growth

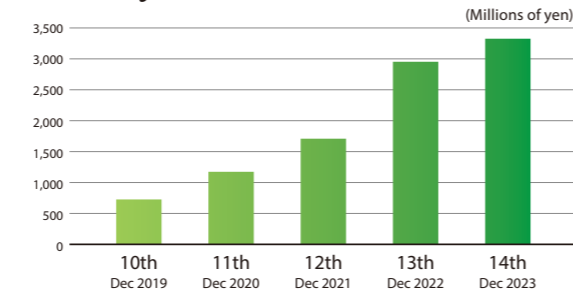
To achieve sustainable growth, it is important to create a foundation that circulates management resources, such as people, goods, money, and information. If the manufacturing industry is concerned with the circulation of goods, we have to think about what to make from which raw material and where to send it. For example, by adding organic fertilizer to chemical fertilizer, microorganisms create a “loop” that causes organic matter to circulate. When it comes to the rotation of people, it is essential to properly develop the next generation of human resources and create environments in which knowledge and techniques can be passed down. Currently, our company has a business scale that allows it to maintain a high level of mobility and a culture that allows people to work on future technologies with a high degree of freedom, which will be attractive to ambitious young people. However, if an organization becomes rigid as business grows, corporate value might decline. Therefore, I hope that the Company will continue to actively incorporate new technologies and move forward over a long period of time toward realizing its vision. To that end, I would like to fulfill my duties to the best of my ability.

Performance Highlights

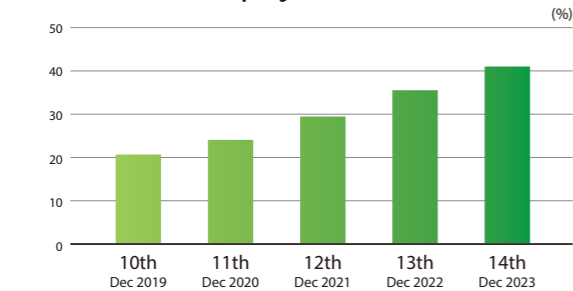
Net Sales



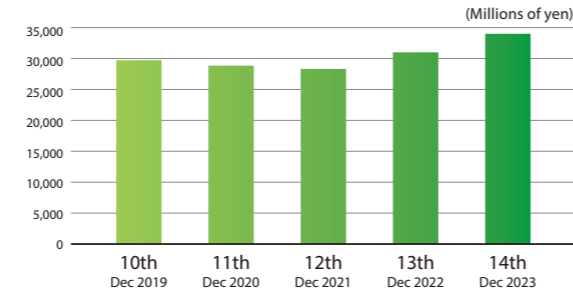
Ordinary Profit



Shareholders' Equity Ratio



Total Assets

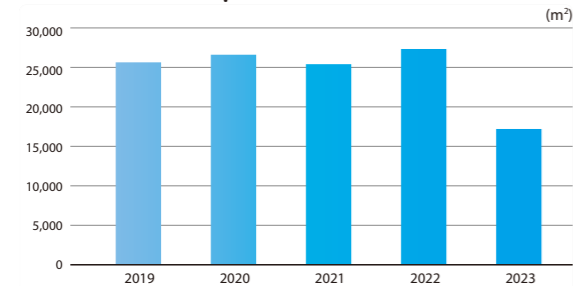


<Formula> Shareholders' equity ratio = Equity capital / Total assets × 100; Equity capital = Net assets - Subscription rights - Share options - Noncontrolling interests

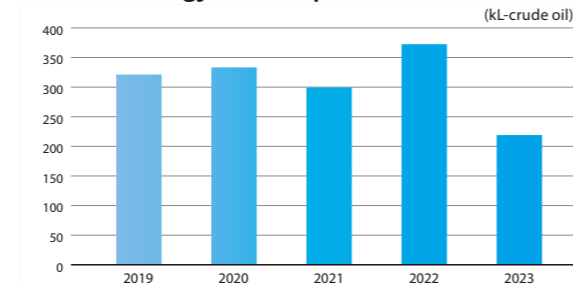
Note: OAT Agrio has applied the Accounting Standard for Revenue Recognition effective from the fiscal year ended December 31, 2022. Data for the fiscal year ended December 31, 2021, are presented after retrospectively applying the said Standard.

Environmental Conservation Reports (Naruto Factory)

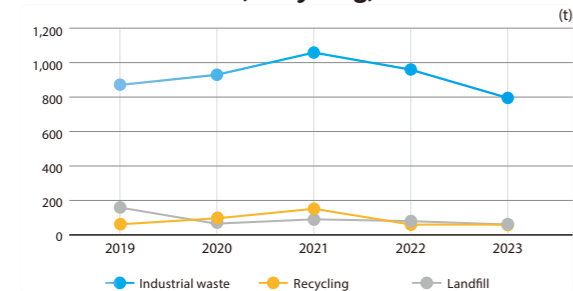
Water Consumption



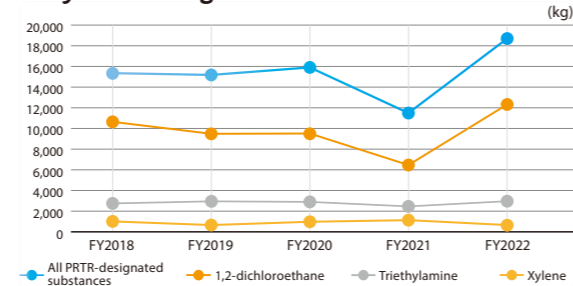
Steam Energy Consumption



Industrial Waste, Recycling, and Landfill



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



Communication with Stakeholders

“Vegetable Cultivation Hands-on Experience” sessions carried out

OAT Agrio held “Vegetable Cultivation Hands-on Experience (Okra)” sessions on three occasions from May to July at the OAT Agrio Cultivation Research Center in Naruto, Tokushima Prefecture. The first session included tours of the information house and the greenhouse cultivation of tomatoes, as well as a lecture on how to grow okra. In June, we carried out work that included removing the lower leaves and side buds from the okra, feeding them fertilizer and heaping up the earth around them. In July, we gave a lecture that summarized the cultivation management that had been carried out and then the harvesting work took place. We were able to harvest a lot of okra, and happy smiling faces abounded. We will continue

to implement projects to bring enjoyment to all in the local community.



Event held jointly with DO!NUTS TOKYO

On July 22, 2023, we held a joint event with DO!NUTS TOKYO, which aims to create a consumer behavior reform movement toward the realization of a “zero emission Tokyo,” to share ideas on fun ways people can easily grow crops, even in a city, while thinking about sustainable eating habits. While enjoying a barbecue made with sustainable ingredients, we gave presentations on the experience of the “Home Garden Set” provided by our group to DO!NUTS TOKYO youth ambassadors, a talk session that showcased OAT Agrio’s efforts in technology to increase food production and the joy of growing plants, as well as a nature quiz competition. We plan to continue holding events at which people can learn about safe and eco-friendly agriculture and ways to achieve sustainable eating habits.

Event Report

Part 1 Nature study session

We were blessed with fine weather!

Part 2 SORAMIDO BBQ in Kasai Rinkai Park

There were about 50 participants, with whom we were able to have meaningful interactions. Thanks to all who took part.



Editorial Policy

The OAT Agrio Group has published the Sustainability Report since 2022, showcasing its initiatives for the environment (E), Social (S), and Governance (G) 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 referring to your input and advice.

Reported Organization

The Group (our company and its associated companies) consists of OAT Agrio Co., Ltd., 26 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.), 1 non-consolidated company, and 2 associated companies.

Reported period

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<https://www.oat-agrio.co.jp/en/top-page-english/>