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August 7, 2015

Consolidated Financial Results for the First Six Months of the Fiscal Year Ending December 31, 2015 <under Japanese GAAP>

Company name: **OAT Agrio Co., Ltd.**
 Listing: Tokyo Stock Exchange
 Securities code: 4979
 URL: <http://www.oat-agrio.co.jp>
 Representative: Akihei Mori, President CEO
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Scheduled date to file Quarterly Securities Report: August 10, 2015
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors and securities analysts)

(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, 2015 (from January 1, 2015 to June 30, 2015)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

Six months ended	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
June 30, 2015	7,833	1.3	1,603	15.3	1,602	19.3	978	12.5
June 30, 2014	7,736	–	1,390	–	1,343	–	870	–

Note: Comprehensive income Six months ended June 30, 2015: ¥1,000 million [16.5%]
 Six months ended June 30, 2014: ¥859 million [–%]

Six months ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
June 30, 2015	181.95	173.76
June 30, 2014	161.61	150.32

- Notes:
- As OAT Agrio Co., Ltd. (the “Company”) did not prepare quarterly consolidated financial statements for the six months ended June 30, 2013, year-on-year changes for the six months ended June 30, 2014 are omitted.
 - The Company was listed on the Second Section of the Tokyo Stock Exchange on June 25, 2014. Consequently, the amounts of diluted earnings per share for the six months ended June 30, 2014, were calculated with the average share price from the date of this new listing to the final date of the six months ended June 30, 2014, deemed as the average share price during the period.
 - The Company conducted a 2-for-1 share split on July 1, 2015. Basic earnings per share and diluted earnings per share were calculated as though the said share split was conducted at the beginning of the fiscal year ended December 31, 2014.

*** Notes**

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

Note: For the details, please refer to “2. Matters regarding summary information (Notes), (3) Changes in accounting policies, changes in accounting estimates, and restatement” on page 4 of the attached materials.

(4) Number of shares issued (common shares)

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

As of June 30, 2015	5,536,000 shares
As of December 31, 2014	5,536,000 shares

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

As of June 30, 2015	156,000 shares
As of December 31, 2014	156,000 shares

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

Six months ended June 30, 2015	5,380,000 shares
Six months ended June 30, 2014	5,385,525 shares

Note: The Company conducted a 2-for-1 share split on July 1, 2015. The number of shares issued (common shares) was calculated as though the said share split was conducted at the beginning of the fiscal year ended December 31, 2014.

*** Indication regarding execution of quarterly review procedures**

The completion of quarterly review procedures in accordance with the Financial Instruments and Exchange Act is not required for preparing this quarterly financial results report. At the time of disclosure of this quarterly financial results report, the review procedures for quarterly consolidated financial statements in accordance with the Financial Instruments and Exchange Act are not complete.

*** 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 Japanese economy in the first six months of the fiscal year ending December 31, 2015, there were further improvements in corporate earnings and the employment environment and capital investment was firm reflecting the weakening yen and rising stock prices on the back of economic and financial measures by the Japanese government. As a result, the economy followed a trend of moderate recovery overall. Nevertheless, the outlook continued to be uncertain, partly reflecting factors for concern including the impact of higher prices due to the weaker yen and the impact on the world economy from a change in monetary easing policy in the U.S.

In the operating results of the OAT Agrio Group (the "Group") in the first six months, there is a trend of considerably higher net sales, operating income and others in comparison with the second half of the fiscal year. This reflects the fact that this is the peak demand season particularly with respect to the domestic agrichemicals business.

Amid this situation, the Group actively engaged in sales initiatives to expand sales of all products both in Japan and overseas.

As a result, in the first six months under review, net sales was ¥7,833 million, up ¥97 million or 1.3% year on year, operating income was ¥1,603 million, up ¥212 million or 15.3% year on year, ordinary income was ¥1,602 million, up ¥258 million or 19.3% year on year and net income was ¥978 million, up ¥108 million or 12.5% year on year.

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, results in the domestic market were down year on year mainly reflecting the impact of changes in the agricultural chemical registration details for some products. However, there was growth in sales of agricultural chemical intermediates to overseas markets, particularly of the acaricide *Cyflumetofen*, while the depreciation of the yen against other currencies also had a beneficial effect. As a result, overall net sales in the agrichemicals field increased ¥136 million or 2.1% year on year to ¥6,496 million.

In the fertilizer and biostimulant field, shipments declined, particularly in Japan, due to factors including the recoil following a rush in demand before a consumption tax hike in April 2014. As a result, overall net sales in the fertilizer and biostimulant field decreased ¥38 million or 2.8% year on year to ¥1,337 million.

(2) Information regarding financial position

a. Assets, liabilities and net assets

Total assets as of June 30, 2015, was ¥11,811 million, an increase of ¥2,135 million compared to December 31, 2014. This was mainly the result of an increase of ¥2,310 million in notes and accounts receivable - trade.

Total liabilities was ¥7,082 million, an increase of ¥1,259 million compared to December 31, 2014. This was mainly the result of increases of ¥783 million in short-term loans payable and ¥522 million in income taxes payable.

Net assets was ¥4,729 million, an increase of ¥876 million compared to December 31, 2014. This was mainly the result of an increase of ¥854 million in retained earnings.

b. Cash flows

Cash and cash equivalents as of June 30, 2015, was ¥1,094 million, a decrease of ¥142 million compared to December 31, 2014.

Net cash used in operating activities was ¥477 million (¥245 million was used in the same period of the previous fiscal year). The main sources of cash were income before income taxes and minority interests of ¥1,536 million and an increase of ¥216 million in notes and accounts payable - trade. The main uses of cash were an increase of ¥2,304 million in notes and accounts receivable - trade and ¥75 million in income taxes paid.

Net cash used in investing activities was ¥173 million (¥231 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 ¥110 million and purchase of shares of subsidiaries and associates of ¥150 million.

Net cash provided by financing activities was ¥518 million (¥773 million was provided in the same period of the previous fiscal year). The main source of cash was an increase of ¥815 million in short-term loans payable. The main uses of cash were repayments of long-term loans payable of ¥143 million and cash dividends paid of ¥147 million.

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

In the consolidated earnings forecasts for the fiscal year ending December 31, 2015, net sales are expected to be roughly the same amount as in the previously announced forecast. Nevertheless, there has been growth in sales of agricultural chemical intermediates, particularly of the acaricide *Cyflumetofen* in overseas markets, and the impact of continued yen depreciation from the beginning of the period has contributed growth in the amount of net sales in overseas markets, resulting in an improvement in profitability. Consequently, operating income, ordinary income and net income are expected to exceed the previous forecasts, and the full-year consolidated earnings forecasts have been revised.

For the details, please refer to “Notice Regarding Revisions to Consolidated Earnings Forecasts” released today (August 7, 2015).

2. Matters regarding summary information (Notes)

(1) Changes in significant subsidiaries during the period

No items to report.

Although this matter does not constitute a change in a specified subsidiary, OAT Stevia Co., Ltd., which was a non-consolidated subsidiary, is included in the scope of consolidation effective from the second quarter under review, due to an increase in its materiality.

(2) Application of special accounting for preparing quarterly consolidated financial statements

No items to report.

(3) Changes in accounting policies, changes in accounting estimates, and restatement

Application of the accounting standard for retirement benefits, etc.

Regarding the “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015), effective from the first quarter ended March 31, 2015, the Company has applied the provisions of the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits, and reviewed its calculation method for retirement benefit obligations and current service costs. Accordingly, the Company changed the method of attributing expected retirement benefits to accounting periods from the straight-line basis to the benefit formula basis, and changed the method of determining the discount rate from one that uses a rate based on a maturity period of bonds that forms the basis for determining the discount rate, decided in accordance with a period of years approximate to the average remaining working lives of employees, to one that uses a single weighted average discount rate reflecting the estimated timing of retirement benefit payments and the amount of retirement benefit payment for each estimated payment timing.

Application of the Accounting Standard for Retirement Benefits and Guidance on Accounting Standard for Retirement Benefits is in line with the transitional measures provided in Paragraph 37 of the Accounting Standard for Retirement Benefits, and the effect of the change to the calculation method for retirement benefit obligations and current service costs has been added to or deducted from retained earnings as of the beginning of the first six months under review.

As a result of this change, as of the beginning of the first six months under review, net defined benefit liability decreased ¥39 million and retained earnings increased ¥25 million. The effect of this change on operating income, ordinary income and income before income taxes and minority interests for the first six months under review is immaterial.

3. Quarterly consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of December 31, 2014	As of June 30, 2015
Assets		
Current assets		
Cash and deposits	1,442	1,272
Notes and accounts receivable - trade	2,401	4,712
Merchandise and finished goods	2,024	2,080
Work in process	386	339
Raw materials	364	365
Other	377	489
Allowance for doubtful accounts	(15)	(29)
Total current assets	6,983	9,230
Non-current assets		
Property, plant and equipment	1,559	1,521
Intangible assets		
Goodwill	334	247
Other	128	113
Total intangible assets	462	360
Investments and other assets		
Other	713	742
Allowance for doubtful accounts	(44)	(44)
Total investments and other assets	669	698
Total non-current assets	2,691	2,580
Total assets	9,675	11,811
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,705	1,928
Short-term loans payable	1,404	2,187
Income taxes payable	84	606
Provision for sales returns	71	38
Provision for sales rebates	51	156
Provision for loss on abandonment of returned product	33	-
Provision for bonuses	28	28
Other	654	519
Total current liabilities	4,033	5,466
Non-current liabilities		
Long-term loans payable	1,130	1,017
Provision for directors' retirement benefits	11	12
Net defined benefit liability	374	314
Other	272	270
Total non-current liabilities	1,789	1,615
Total liabilities	5,822	7,082

(Millions of yen)

	As of December 31, 2014	As of June 30, 2015
Net assets		
Shareholders' equity		
Capital stock	461	461
Capital surplus	2,717	2,717
Retained earnings	707	1,561
Treasury shares	(78)	(78)
Total shareholders' equity	3,808	4,662
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2)	13
Foreign currency translation adjustment	(29)	(20)
Remeasurements of defined benefit plans	(65)	(61)
Total accumulated other comprehensive income	(97)	(69)
Subscription rights to shares	3	3
Minority interests	138	131
Total net assets	3,852	4,729
Total liabilities and net assets	9,675	11,811

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

Consolidated statement of income (cumulative)

(Millions of yen)

	Six months ended June 30, 2014	Six months ended June 30, 2015
Net sales	7,736	7,833
Cost of sales	4,448	4,367
Gross profit	3,288	3,466
Selling, general and administrative expenses	1,897	1,862
Operating income	1,390	1,603
Non-operating income		
Interest income	10	9
Dividend income	2	2
Foreign exchange gains	–	0
Other	2	0
Total non-operating income	16	13
Non-operating expenses		
Interest expenses	18	14
Foreign exchange losses	19	–
Going public expenses	19	–
Share issuance cost	5	–
Total non-operating expenses	63	14
Ordinary income	1,343	1,602
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Impairment loss	–	66
Office transfer expenses	8	–
Company name change expenses	1	–
Total extraordinary losses	10	66
Income before income taxes and minority interests	1,333	1,536
Income taxes - current	538	591
Income taxes - deferred	(68)	(25)
Total income taxes	470	566
Income before minority interests	863	970
Minority interests in loss	(6)	(8)
Net income	870	978

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2014	Six months ended June 30, 2015
Income before minority interests	863	970
Other comprehensive income		
Valuation difference on available-for-sale securities	3	16
Foreign currency translation adjustment	(7)	10
Remeasurements of defined benefit plans, net of tax	–	4
Total other comprehensive income	(3)	30
Comprehensive income	859	1,000
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	868	1,007
Comprehensive income attributable to minority interests	(8)	(6)

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended June 30, 2014	Six months ended June 30, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	1,333	1,536
Depreciation	63	129
Amortization of goodwill	87	94
Impairment loss	–	66
Increase (decrease) in provision for directors' retirement benefits	(14)	0
Increase (decrease) in provision for retirement benefits	(15)	–
Increase (decrease) in net defined benefit liability	–	(9)
Increase (decrease) in allowance for doubtful accounts	59	13
Increase (decrease) in provision for sales returns	2	(33)
Increase (decrease) in provision for sales rebates	124	104
Increase (decrease) in provision for loss on abandonment of returned product	–	(33)
Increase (decrease) in provision for bonuses	1	0
Interest and dividend income	(13)	(11)
Interest expenses	18	14
Going public expenses	19	–
Share issuance cost	5	–
Foreign exchange losses (gains)	4	(3)
Loss on retirement of non-current assets	0	0
Office transfer expenses	8	–
Decrease (increase) in notes and accounts receivable - trade	(2,028)	(2,304)
Decrease (increase) in inventories	42	(7)
Increase (decrease) in notes and accounts payable - trade	225	216
Other, net	41	(176)
Subtotal	(34)	(401)
Interest and dividend income received	23	14
Interest expenses paid	(18)	(14)
Payments of office transfer expenses	(8)	–
Income taxes paid	(207)	(75)
Net cash provided by (used in) operating activities	(245)	(477)
Cash flows from investing activities		
Net decrease (increase) in time deposits	(33)	97
Purchase of property, plant and equipment	(140)	(110)
Purchase of intangible assets	(17)	(6)
Proceeds from sales of investment securities	3	–
Purchase of shares of subsidiaries and associates	–	(150)
Collection of loans receivable	0	–
Payments for lease deposits	(39)	(2)
Other, net	(3)	(1)
Net cash provided by (used in) investing activities	(231)	(173)

(Millions of yen)

	Six months ended June 30, 2014	Six months ended June 30, 2015
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(200)	815
Proceeds from long-term loans payable	1,000	–
Repayments of long-term loans payable	(159)	(143)
Repayments of lease obligations	(3)	(4)
Purchase of treasury shares	(250)	–
Proceeds from sales of treasury shares	392	–
Cash dividends paid	–	(147)
Going public expenses	(6)	–
Net cash provided by (used in) financing activities	773	518
Effect of exchange rate change on cash and cash equivalents	(5)	(10)
Net increase (decrease) in cash and cash equivalents	289	(142)
Cash and cash equivalents at beginning of period	1,619	1,183
Increase in cash and cash equivalents from newly consolidated subsidiary	–	52
Cash and cash equivalents at end of period	1,909	1,094

(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

Share split

Based on a resolution by the Board of Directors on May 11, 2015, the Company conducted a share split on July 1, 2015.

1. Purpose of share split

To enhance liquidity of the Company's shares and further expand its investor base by lowering the amount of each investment unit by conducting a share split.

2. Method of share split

A 2-for-1 share split of the Company's common shares owned by the shareholders stated or recorded in the final shareholder register of June 30, 2015, was conducted.

3. Increase in number of shares due to share split

Number of shares issued before share split:	2,768,000 shares
Increase in number of shares due to this share split:	2,768,000 shares
Number of shares issued after share split:	5,536,000 shares
Total number of shares authorized after share split:	10,000,000 shares

4. Schedule of share split

Public notice of record date:	June 12, 2015
Record date:	June 30, 2015
Effective date:	July 1, 2015

5. Impact on per share information

Per share information calculated as though the said share split was conducted at the beginning of the previous fiscal year is presented in "Per share information."

Conclusion of basic agreement on establishment of joint venture company

The Company decided to conclude a basic agreement on July 13, 2015, for the establishment of a joint venture company to manufacture and sell fertilizers and fertilization and irrigation systems in China, and concluded the agreement on the same date.

1. Purpose of establishment of joint venture company

The Company, positioning the China business as a business for a market to be expanded more strategically, decided to establish a joint venture company with the purpose of operating a “solution business” incorporating fertigation fertilizers, fertilization and irrigation systems and crop cultivation technologies, in order to meet growing demand for safe, reliable and premium-quality crops in China.

The joint venture company will be established through investments by three companies: the Company, Zhoushan Xiushan Global CO., LTD. and HighChem Company Limited. The aims of the joint venture company are to achieve further business expansion and diversification in commercial rights in China.

2. Details of joint venture company (planned)

a. Name	Green Abundant (Zhoushan) Plant Science Co., Ltd.
b. Location	Ruotiao Village, Xiushan Island, Daishan County, Zhoushan City, Zhejiang Province, P.R. of China
c. Representative	Junji Oka, Chairman
d. Business activities	Development, manufacture and sale of fertilizers and fertilization and irrigation systems, consulting on crop cultivation technologies, etc.
e. Capital stock	¥350 million (approximately RMB17.5 million) (Note)
f. Planned month and year of establishment	September 2015
g. Ownership ratios	OAT Agrio Co., Ltd. 60% Zhoushan Xiushan Global CO., LTD. 20% HighChem Company Limited 20%

Note: Calculated at the rate of RMB1 to ¥20.

3. Schedule

Board of Directors resolution on establishment of joint venture company:

Late August, 2015 (planned)

Conclusion of agreement on establishment of joint venture company: Late August, 2015 (planned)

Establishment of joint venture company:

September 1, 2015 (planned)