

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) Application of special accounting for preparing quarterly consolidated financial statements: None

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

a. Changes in accounting policies in accordance with changes in accounting standards, etc.: None

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

c. Changes in accounting estimates: None

d. Restatement: None

(4) Number of shares issued (common shares)

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

As of March 31, 2020	5,536,000 shares
As of December 31, 2019	5,536,000 shares

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

As of March 31, 2020	123,954 shares
As of December 31, 2019	123,954 shares

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

Three months ended March 31, 2020	5,412,046 shares
Three months ended March 31, 2019	5,412,152 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

Index

- 1. Qualitative information regarding financial results for the first three months..... 2
 - (1) Information regarding operating results 2
 - (2) Information regarding financial position 2
 - (3) Information regarding consolidated earnings forecasts and other forward-looking statements 2
- 2. Quarterly consolidated financial statements and significant notes thereto 4
 - (1) Consolidated balance sheet..... 4
 - (2) Consolidated statement of income and consolidated statement of comprehensive income..... 6
 - Consolidated statement of income (cumulative) 6
 - Consolidated statement of comprehensive income (cumulative) 7
 - (3) Notes to quarterly consolidated financial statements 8
 - Notes on premise of going concern 8
 - Notes on substantial changes in the amount of shareholders’ equity..... 8
 - Segment information, etc..... 8

1. Qualitative information regarding financial results for the first three months

The Company finalized the provisional accounting treatment for business combinations in the fiscal year ended December 31, 2019. Indicators related to the three months ended March 31, 2019 are presented based on amounts after reflecting important revisions of the initial allocated amounts of acquisition cost due to the finalization of the provision accounting treatment.

(1) Information regarding operating results

In the first three months of the fiscal year ending December 31, 2020, the Japanese economy showed improvements in the employment situation and a trend of recovery in consumer spending, yet negative impacts on the economy have emerged since the government declared a state of emergency in relation to the novel coronavirus disease (COVID-19) in late February 2020. Meanwhile, turning attention to the global economy, the Chinese economy suddenly slowed due to COVID-19 from January 2020 and the impact has spread across the world.

Under such business condition, although sales volumes fell in both domestic and overseas markets year on year, OAT Agrio Group (the “Group”) achieved improved profitability due to factors including lower cost of manufacturing, cost reduction and a decline in interest paid.

As a result, in the first three months under review, net sales was ¥6,250 million, down ¥1,114 million or 15.1% year on year, operating profit was ¥952 million, up ¥197 million or 26.2% year on year, ordinary profit was ¥888 million, up ¥158 million or 21.8% year on year and profit attributable to owners of parent was ¥553 million, up ¥71 million or 14.8% 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, net sales decreased as a result of a year-on-year decrease in sales of *Hachi-Hachi*, *Cyflumetofen*, *Orion*, etc. due to the impact of new insecticides, etc. from competing agrichemical manufacturers in the domestic agrichemical market. Furthermore, in the overseas agrichemical market, net sales decreased as a result of a year-on-year decrease in sales of the insecticide *Oncol* overseas due to the impact of increased sales prices from the revision of the sales strategy. As a result, net sales in the agrichemicals field decreased by ¥705 million, or 16.7% year on year, to ¥3,527 million.

Even in the fertilizer and biostimulant field, net sales decreased due to the year on year decline in sales of products such as *ATONIK*. As a result, overall net sales in the fertilizer and biostimulant field decreased by ¥408 million, or 13.0% year on year, to ¥2,722 million.

Net sales and operating profit of the Group tend to be higher in the first quarter of the consolidated fiscal year compared with the other three quarters because it is the period for deliveries in preparation for peak demand seasons, particularly with respect to the domestic agrichemicals business.

(2) Information regarding financial position

Total assets as of March 31, 2020, was ¥31,238 million, an increase of ¥1,513 million compared to December 31, 2019. This was mainly the result of increases of ¥1,536 million in notes and accounts receivable - trade.

Total liabilities was ¥24,586 million, an increase of ¥1,669 million compared to December 31, 2019. This was mainly the result of an increase of ¥1,207 million in notes and accounts payable - trade and a decrease of ¥318 million in long-term loans payable.

Net assets was ¥6,652 million, a decrease of ¥155 million compared to December 31, 2019. This was mainly the result of an increase of ¥340 million in retained earnings and a decrease of ¥460 million in foreign currency translation adjustment.

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

COVID-19 is spreading worldwide and there are many uncertainties concerning the future impact on earnings such as the government’s future response and customer purchasing trends, which makes it extremely difficult to calculate appropriate and meaningful earnings forecasts at the current point in time. Therefore, regarding the earnings forecast for the fiscal year ending December 31, 2020, we have decided

to leave the earnings forecast for the fiscal year ending December 31, 2020 that we announced on February 14, 2020 unchanged. We will make a prompt disclosure when a meaningful forecast can be calculated, and we determine that disclosure is required.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of December 31, 2019	As of March 31, 2020
Assets		
Current assets		
Cash and deposits	3,414	3,764
Notes and accounts receivable - trade	5,084	6,621
Merchandise and finished goods	3,041	3,049
Work in process	490	779
Raw materials and supplies	1,647	1,505
Other	784	899
Allowance for doubtful accounts	(26)	(28)
Total current assets	14,436	16,590
Non-current assets		
Property, plant and equipment	4,047	3,871
Intangible assets		
Goodwill	6,848	6,538
Customer relation Assets	2,878	2,760
Other	417	402
Total intangible assets	10,144	9,701
Investments and other assets	1,095	1,075
Total non-current assets	15,288	14,648
Total assets	29,724	31,238
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,418	3,625
Short-term borrowings	6,991	8,091
Income taxes payable	297	375
Provision for bonuses	30	122
Provision for sales rebates	38	104
Provision for sales returns	17	16
Provision for loss on compensation for damages	137	80
Other	1,966	1,501
Total current liabilities	11,899	13,918
Non-current liabilities		
Long-term borrowings	9,150	8,832
Retirement benefit liability	244	208
Deferred tax liabilities	942	902
Other	681	725
Total non-current liabilities	11,017	10,668
Total liabilities	22,917	24,586

(Millions of yen)

	As of December 31, 2019	As of March 31, 2020
Net assets		
Shareholders' equity		
Share capital	461	461
Capital surplus	2,410	2,410
Retained earnings	4,059	4,399
Treasury shares	(162)	(162)
Total shareholders' equity	6,769	7,109
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6	(33)
Foreign currency translation adjustment	(671)	(1,132)
Remeasurements of defined benefit plans	(19)	8
Total accumulated other comprehensive income	(685)	(1,157)
Non-controlling interests	724	699
Total net assets	6,807	6,652
Total liabilities and net assets	29,724	31,238

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

Consolidated statement of income (cumulative)

(Millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Net sales	7,364	6,250
Cost of sales	4,514	3,345
Gross profit	2,849	2,904
Selling, general and administrative expenses	2,095	1,952
Operating profit	754	952
Non-operating income		
Interest income	5	4
Dividend income	2	2
Subsidy income	8	-
Technical support fee income	44	-
Other	11	7
Total non-operating income	72	15
Non-operating expenses		
Interest expenses	82	50
Foreign exchange losses	12	25
Other	2	2
Total non-operating expenses	97	78
Ordinary profit	729	888
Extraordinary income		
Gain on sales of non-current assets	-	0
Total extraordinary income	-	0
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	729	889
Income taxes - current	451	366
Income taxes - deferred	(211)	(44)
Total income taxes	240	321
Profit	489	567
Profit attributable to non-controlling interests	7	14
Profit attributable to owners of parent	482	553

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended March 31, 2019	Three months ended March 31, 2020
Profit	489	567
Other comprehensive income		
Valuation difference on available-for-sale securities	46	(40)
Foreign currency translation adjustment	(286)	(497)
Remeasurements of defined benefit plans, net of tax	(2)	28
Total other comprehensive income	(241)	(509)
Comprehensive income	247	58
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	243	81
Comprehensive income attributable to non-controlling interests	4	(23)

(3) Notes to quarterly consolidated financial statements

Notes on premise of going concern

No items to report.

Notes on substantial changes in the amount of shareholders' equity

No items to report.

Segment information, etc.

[Segment information]

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