

*** Notes**

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

(4) Number of shares issued (common shares)

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

As of June 30, 2017	5,536,000 shares
As of December 31, 2016	5,536,000 shares

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

As of June 30, 2017	603,624 shares
As of December 31, 2016	603,624 shares

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

Six months ended June 30, 2017	4,932,376 shares
Six months ended June 30, 2016	5,354,322 shares

*** Quarterly financial results reports are not required to be subjected to quarterly reviews.**

*** Proper use of earnings forecasts, and other special matters**

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, the statements herein do not constitute assurances regarding the Company's actual results. Actual financial and other results may differ substantially from the statements herein due to various factors.

Attached Materials

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

(1) Information regarding operating results

In the first six months of the fiscal year ending December 31, 2017, the Japanese economy continued to follow a trend of moderate recovery owing to such factors as improvements in employment and income environments supported by improved corporate earnings. However, due to issues arising from the political management of the Trump administration in the U.S. and the economic trends of emerging countries in Asia, the outlook for the global economy remains uncertain.

The business environment surrounding the OAT Agrio Group (the “Group”) in regard to the agricultural industry in Japan is expected to undergo significant changes due in part to the National Diet approving on May 12, 2017 the “Agricultural Competitiveness Enhancement Support Act,” which promotes the industrial reorganization of the fields of agricultural materials such as fertilizers and agrichemicals and the fields of distribution and processing.

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 ¥8,773 million, up ¥599 million or 7.3% year on year, operating income was ¥2,112 million, up ¥189 million or 9.8% year on year, ordinary income was ¥2,076 million, up ¥325 million or 18.6% year on year and profit attributable to owners of parent was ¥1,407 million, up ¥186 million or 15.3% year on year.

In the operating results of 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.

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 up year on year due to the sales growth contributed by new products of rice herbicides. On the other hand, despite a growth in sales of agricultural chemical intermediaries of rice herbicides to overseas markets, results in the overseas markets were slightly down year on year due to factors such as the year-on-year decline in shipment volume of the acaricide *Cyflumetofen* to overseas markets. As a result, overall net sales in the agrichemicals field decreased by ¥14 million, or 0.2% year on year, to ¥6,765 million.

In the fertilizer and biostimulant field, the Group achieved increases in shipments both in the domestic market primarily involving greenhouse fertilizers and drip fertigation fertilizers, and with *Atonik* to overseas markets. As a result, overall net sales in the fertilizer and biostimulant field increased by ¥613 million, or 44.0% year on year, to ¥2,007 million.

(2) Information regarding financial position

a. Position of assets, liabilities, and net assets

Total assets as of June 30, 2017, was ¥13,592 million, an increase of ¥2,045 million compared to December 31, 2016. This was mainly the result of an increase of ¥2,569 million in notes and accounts receivable - trade.

Total liabilities was ¥7,552 million, an increase of ¥790 million compared to December 31, 2016. This was mainly the result of increases of ¥772 million in short-term loans payable and ¥387 million in income taxes payable.

Net assets was ¥6,040 million, an increase of ¥1,254 million compared to December 31, 2016. This was mainly the result of an increase of ¥1,259 million in retained earnings.

b. Cash flows

Cash and cash equivalents as of June 30, 2017, was ¥2,430 million, a decrease of ¥61 million compared to December 31, 2016.

Net cash used in operating activities was ¥566 million (¥277 million was provided in the same period of the previous fiscal year). The main sources of cash were profit before income taxes of ¥2,053

million and a decrease of ¥374 million in inventories. The main uses of cash were an increase of ¥2,553 million in notes and accounts receivable - trade and ¥270 million in income taxes paid.

Net cash used in investing activities was ¥66 million (¥394 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 ¥107 million.

Net cash provided by financing activities was ¥581 million (¥448 million was provided in the same period of the previous fiscal year). The main source of cash was an increase of ¥767 million in short-term loans payable. The main uses of cash were cash dividends paid of ¥147 million.

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

The consolidated earnings forecasts for the fiscal year ending December 31, 2017, announced in “Consolidated Financial Results for the Fiscal Year Ended December 31, 2016” on February 10, 2017, have not been changed.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of December 31, 2016	As of June 30, 2017
Assets		
Current assets		
Cash and deposits	2,774	2,670
Notes and accounts receivable - trade	3,064	5,633
Merchandise and finished goods	2,019	1,809
Work in process	199	204
Raw materials	632	461
Other	429	443
Allowance for doubtful accounts	(18)	(30)
Total current assets	9,100	11,192
Non-current assets		
Property, plant and equipment	1,766	1,742
Intangible assets		
Goodwill	119	99
Other	119	110
Total intangible assets	239	210
Investments and other assets	440	447
Total non-current assets	2,446	2,399
Total assets	11,547	13,592
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,169	1,854
Short-term loans payable	1,979	2,751
Income taxes payable	272	659
Provision for sales returns	24	19
Provision for sales rebates	50	173
Provision for bonuses	89	41
Other	594	520
Total current liabilities	5,179	6,021
Non-current liabilities		
Long-term loans payable	1,032	1,006
Provision for directors' retirement benefits	12	1
Net defined benefit liability	216	211
Deferred tax liabilities	48	53
Other	273	258
Total non-current liabilities	1,581	1,531
Total liabilities	6,761	7,552

(Millions of yen)

	As of December 31, 2016	As of June 30, 2017
Net assets		
Shareholders' equity		
Capital stock	461	461
Capital surplus	2,721	2,721
Retained earnings	2,078	3,338
Treasury shares	(788)	(788)
Total shareholders' equity	4,474	5,733
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(23)	(17)
Foreign currency translation adjustment	(73)	(65)
Remeasurements of defined benefit plans	(19)	(18)
Total accumulated other comprehensive income	(116)	(101)
Subscription rights to shares	3	3
Non-controlling interests	425	405
Total net assets	4,785	6,040
Total liabilities and net assets	11,547	13,592

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

Consolidated statement of income (cumulative)

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Net sales	8,173	8,773
Cost of sales	4,402	4,615
Gross profit	3,771	4,158
Selling, general and administrative expenses	1,848	2,046
Operating income	1,922	2,112
Non-operating income		
Interest income	8	10
Dividend income	3	3
Subsidy income	–	6
Other	4	10
Total non-operating income	16	30
Non-operating expenses		
Interest expenses	13	18
Foreign exchange losses	166	45
Other	8	1
Total non-operating expenses	188	65
Ordinary income	1,751	2,076
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
Loss on valuation of shares of subsidiaries and associates	–	22
Total extraordinary losses	0	23
Profit before income taxes	1,751	2,053
Income taxes - current	482	637
Income taxes - deferred	40	14
Total income taxes	523	652
Profit	1,227	1,400
Profit (loss) attributable to non-controlling interests	6	(7)
Profit attributable to owners of parent	1,221	1,407

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Profit	1,227	1,400
Other comprehensive income		
Valuation difference on available-for-sale securities	(39)	6
Foreign currency translation adjustment	(119)	2
Remeasurements of defined benefit plans, net of tax	40	1
Total other comprehensive income	(118)	9
Comprehensive income	1,109	1,410
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,139	1,422
Comprehensive income attributable to non-controlling interests	(29)	(12)

(3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Cash flows from operating activities		
Profit before income taxes	1,751	2,053
Depreciation	85	101
Amortization of goodwill	91	17
Increase (decrease) in provision for directors' retirement benefits	(2)	(10)
Increase (decrease) in net defined benefit liability	(16)	(3)
Increase (decrease) in allowance for doubtful accounts	18	12
Increase (decrease) in provision for sales returns	(6)	(4)
Increase (decrease) in provision for sales rebates	128	123
Increase (decrease) in provision for bonuses	1	(47)
Interest and dividend income	(11)	(13)
Interest expenses	13	18
Foreign exchange losses (gains)	47	6
Loss on retirement of non-current assets	0	0
Loss on valuation of shares of subsidiaries and associates	–	22
Decrease (increase) in notes and accounts receivable - trade	(1,893)	(2,553)
Decrease (increase) in inventories	452	374
Increase (decrease) in notes and accounts payable - trade	302	(312)
Other, net	(475)	(78)
Subtotal	488	(293)
Interest and dividend income received	10	12
Interest expenses paid	(13)	(14)
Income taxes paid	(207)	(270)
Net cash provided by (used in) operating activities	277	(566)
Cash flows from investing activities		
Net decrease (increase) in time deposits	50	46
Purchase of property, plant and equipment	(72)	(107)
Purchase of intangible assets	(16)	(6)
Purchase of investment securities	(77)	(0)
Payments for transfer of business	(277)	–
Payments for lease deposits	(1)	(1)
Other, net	0	2
Net cash provided by (used in) investing activities	(394)	(66)

(Millions of yen)

	Six months ended June 30, 2016	Six months ended June 30, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	1,317	767
Repayments of long-term loans payable	(135)	(25)
Repayments of lease obligations	(4)	(6)
Proceeds from share issuance to non-controlling shareholders	137	–
Purchase of treasury shares	(724)	–
Proceeds from disposal of treasury shares	19	–
Cash dividends paid	(161)	(147)
Dividends paid to non-controlling interests	–	(6)
Net cash provided by (used in) financing activities	448	581
Effect of exchange rate change on cash and cash equivalents	(78)	(8)
Net increase (decrease) in cash and cash equivalents	253	(61)
Cash and cash equivalents at beginning of period	1,612	2,491
Increase in cash and cash equivalents from newly consolidated subsidiary	1	–
Cash and cash equivalents at end of period	1,868	2,430

(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.