



## (2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
June 30, 2020	30,752	7,130	20.8	1,180.28
December 31, 2019	29,724	6,807	20.5	1,124.13

Reference: Equity      As of June 30, 2020:      ¥6,387 million  
As of December 31, 2019:      ¥6,083 million

## 2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2019	–	0.00	–	40.00	40.00
Fiscal year ending December 31, 2020	–	0.00			
Fiscal year ending December 31, 2020 (Forecast)			–	40.00	40.00

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

## 3. Consolidated earnings forecasts for the fiscal year ending December 31, 2020 (from January 1, 2020 to December 31, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2020	21,779	(0.6)	1,405	30.5	1,259	50.3	613	–	113.37

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

The novel coronavirus disease (COVID-19) is spreading worldwide and there are many uncertainties concerning the future impact on earnings at the current point in time, so we have left the full-year earnings forecast and forecast year-end dividend for the fiscal year ending December 31, 2020 unchanged.

**\* 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, 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 June 30, 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)

Six months ended June 30, 2020	5,412,046 shares
Six months ended June 30, 2019	5,412,145 shares

\* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

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

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

**Attached Materials**

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

The Company finalized the provisional accounting treatment for business combinations in the fiscal year ended December 31, 2019. Indicators related to the six months ended June 30, 2019 are presented based on amounts after reflecting important revisions of the initial allocated amounts of acquisition cost due to the finalization of the provisional accounting treatment.

### (1) Information regarding operating results

In the first six 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 economies of countries around the world have been significantly slowing down due to the rapid spread of COVID-19, making it difficult to forecast the future.

Under these circumstances, the Company is working to build a sales system that focuses on producers through our business alliance with Maruzen Chemicals Co., Ltd. In Japan, we are working on renewal of our foliar spray fertilizers and launch of new liquid fertilizers, while overseas we are focusing on our three main products (*Cyflumetofen*, *Kaligreen* and *Atonik*). In research and development, we aim to expand the market by launching new products and improving existing products.

In such a business environment, net sales of OAT Agrio Group (the “Group”) in the first six months under review decreased year on year due to a decrease in domestic and overseas sales, a decline in sales at Blue Wave Holding B.V. caused by lower demand for flowers and ornamental plants as a result of the spread of COVID-19, and a reduction in sales activities due to the liquidation of a consolidated subsidiary. On the other hand, cost of sales decreased year on year due to the elimination of the temporary cost of inventory valuation associated with the finalization of the provisional accounting treatment for business combinations, and R&D expenses in selling, general and administrative expenses increased year on year, while operating profit increased year on year.

As a result, in the first six months under review, net sales was ¥11,522 million, down ¥1,379 million or 10.7% year on year, operating profit was ¥1,408 million, up ¥40 million or 3.0% year on year, ordinary profit was ¥1,298 million, up ¥91 million or 7.6% year on year and profit attributable to owners of parent was ¥796 million, up ¥54 million or 7.4% year on year.

Net sales and operating profit of the Group tend to be higher in the first and second quarters of the consolidated fiscal year compared with the other two quarters because they are the periods for deliveries in preparation for peak demand seasons, particularly with respect to the domestic agrichemicals business.

The Group has a single business segment, the AgriTechno Business. The operating results by business fields in this segment are as follows.

In the agrichemicals field, net sales decreased as a result of a decrease in sales of insecticides *Hachi-Hachi EC*, *Orion*, and acaricide *Cyflumetofen*, 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 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 ¥794 million, or 11.4% year on year, to ¥6,182 million.

Even in the fertilizer and biostimulant field, sales of products such as *Atonik* decreased year on year. Furthermore, net sales decreased as a result of a decrease in sales of Blue Wave Holding B.V. of the Netherlands due to the impact of the COVID-19. As a result, overall net sales in the fertilizer and biostimulant field decreased by ¥584 million, or 9.9% year on year, to ¥5,339 million.

## **(2) Information regarding financial position**

### **a. Position of assets, liabilities, and net assets**

Total assets as of June 30, 2020, was ¥30,752 million, an increase of ¥1,027 million compared to December 31, 2019. This was mainly the result of increases of ¥570 million in cash and deposits and ¥1,899 million in notes and accounts receivable - trade, and decreases of ¥419 million in merchandise and finished goods and ¥366 million in goodwill.

Total liabilities was ¥23,621 million, an increase of ¥704 million compared to December 31, 2019. This was mainly the result of an increase of ¥1,638 million in short-term borrowings and decreases of ¥286 million in notes and accounts payable - trade and ¥503 million in long-term borrowings.

Net assets was ¥7,130 million, an increase of ¥322 million compared to December 31, 2019. This was mainly the result of an increase of ¥579 million in retained earnings and a decrease of ¥291 million in foreign currency translation adjustment.

### **b. Cash flows**

Cash and cash equivalents as of June 30, 2020, was ¥3,875 million, an increase of ¥546 million compared to December 31, 2019.

Net cash used in operating activities was ¥59 million (¥334 million was provided in the same period of the previous fiscal year). The main sources of cash were profit before income taxes of ¥1,288 million, depreciation of ¥422 million, and a decrease in inventories of ¥578 million. The main use of cash was an increase in trade receivables of ¥1,945 million.

Net cash used in investing activities was ¥114 million (¥280 million was used in the same period of the previous fiscal year). The main use of cash was purchase of property, plant and equipment of ¥86 million.

Net cash provided by financing activities was ¥855 million (¥329 million was provided in the same period of the previous fiscal year). The main sources of cash were an increase in short-term borrowings of ¥1,480 million and proceeds from long-term borrowings of ¥79 million. The main uses of cash were repayments of long-term borrowings of ¥401 million and cash dividends paid of ¥216 million.

## **(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 taking into account changes in the external environment and progress of our business operations in the future, 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 June 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	3,414	3,984
Notes and accounts receivable - trade	5,084	6,983
Merchandise and finished goods	3,041	2,622
Work in process	490	498
Raw materials and supplies	1,647	1,442
Other	784	806
Allowance for doubtful accounts	(26)	(38)
Total current assets	14,436	16,299
Non-current assets		
Property, plant and equipment	4,047	3,777
Intangible assets		
Goodwill	6,848	6,482
Customer relation Assets	2,878	2,748
Other	417	389
Total intangible assets	10,144	9,620
Investments and other assets	1,095	1,055
Total non-current assets	15,288	14,452
Total assets	29,724	30,752
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,418	2,131
Short-term borrowings	6,991	8,629
Income taxes payable	297	420
Provision for bonuses	30	30
Provision for sales rebates	38	138
Provision for sales returns	17	17
Provision for loss on compensation for damages	137	48
Other	1,966	1,792
Total current liabilities	11,899	13,208
Non-current liabilities		
Long-term borrowings	9,150	8,647
Retirement benefit liability	244	204
Deferred tax liabilities	942	900
Other	681	660
Total non-current liabilities	11,017	10,412
Total liabilities	22,917	23,621

(Millions of yen)

	As of December 31, 2019	As of June 30, 2020
Net assets		
Shareholders' equity		
Share capital	461	461
Capital surplus	2,410	2,410
Retained earnings	4,059	4,639
Treasury shares	(162)	(162)
Total shareholders' equity	6,769	7,349
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6	(5)
Foreign currency translation adjustment	(671)	(963)
Remeasurements of defined benefit plans	(19)	7
Total accumulated other comprehensive income	(685)	(961)
Non-controlling interests	724	743
Total net assets	6,807	7,130
Total liabilities and net assets	29,724	30,752

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

### Consolidated statement of income (cumulative)

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Net sales	12,901	11,522
Cost of sales	7,469	6,064
Gross profit	5,432	5,457
Selling, general and administrative expenses	4,064	4,049
Operating profit	1,367	1,408
Non-operating income		
Interest income	8	8
Dividend income	4	5
Technical support fee income	41	–
Other	27	22
Total non-operating income	82	36
Non-operating expenses		
Interest expenses	140	102
Commission expenses	76	–
Foreign exchange losses	23	34
Other	3	9
Total non-operating expenses	243	146
Ordinary profit	1,206	1,298
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	0	1
Loss on valuation of shares of subsidiaries and associates	15	–
Impairment loss	–	4
Loss on liquidation of subsidiaries	–	4
Total extraordinary losses	15	10
Profit before income taxes	1,191	1,288
Income taxes - current	644	454
Income taxes - deferred	(206)	(9)
Total income taxes	437	444
Profit	753	844
Profit attributable to non-controlling interests	12	48
Profit attributable to owners of parent	741	796

**Consolidated statement of comprehensive income (cumulative)**

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Profit	753	844
Other comprehensive income		
Valuation difference on available-for-sale securities	26	(12)
Foreign currency translation adjustment	(518)	(311)
Remeasurements of defined benefit plans, net of tax	(1)	9
Total other comprehensive income	(493)	(314)
Comprehensive income	260	529
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	266	502
Comprehensive income attributable to non-controlling interests	(6)	27

### (3) Consolidated statement of cash flows

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Cash flows from operating activities		
Profit before income taxes	1,191	1,288
Depreciation	442	422
Amortization of goodwill	291	279
Impairment loss	–	4
Increase (decrease) in retirement benefit liability	19	(11)
Increase (decrease) in allowance for doubtful accounts	(28)	11
Increase (decrease) in provision for sales returns	1	0
Increase (decrease) in provision for sales rebates	104	99
Increase (decrease) in provision for bonuses	5	0
Interest and dividend income	(13)	(14)
Interest expenses	140	102
Commission expenses	76	–
Foreign exchange losses (gains)	(13)	(1)
Loss (gain) on sales and retirement of non-current assets	(0)	0
Loss on valuation of shares of subsidiaries and associates	15	–
Loss (gain) on liquidation of subsidiaries	–	4
Decrease (increase) in trade receivables	(2,311)	(1,945)
Decrease (increase) in inventories	1,006	578
Increase (decrease) in trade payables	62	(253)
Other, net	(280)	(51)
Subtotal	708	515
Interest and dividends received	13	11
Interest paid	(140)	(102)
Income taxes paid	(247)	(397)
Compensation for damage paid	–	(86)
Net cash provided by (used in) operating activities	334	(59)
Cash flows from investing activities		
Net decrease (increase) in time deposits	2	(26)
Proceeds from sales of property, plant and equipment and intangible assets	–	43
Purchase of property, plant and equipment	(208)	(86)
Purchase of intangible assets	(63)	(41)
Payments of leasehold deposits	(0)	–
Other, net	(10)	(2)
Net cash provided by (used in) investing activities	(280)	(114)

(Millions of yen)

	Six months ended June 30, 2019	Six months ended June 30, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(5,115)	1,480
Repayments of long-term borrowings	(1,202)	(401)
Proceeds from long-term borrowings	6,944	79
Repayments of lease obligations	(69)	(78)
Purchase of treasury shares	(0)	–
Dividends paid	(216)	(216)
Dividends paid to non-controlling interests	(11)	(6)
Net cash provided by (used in) financing activities	329	855
Effect of exchange rate change on cash and cash equivalents	(1)	(135)
Net increase (decrease) in cash and cash equivalents	381	546
Cash and cash equivalents at beginning of period	2,294	3,328
Cash and cash equivalents at end of period	2,676	3,875

#### **(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.

##### **Additional information**

(Impact of COVID-19)

Regarding the impact of COVID-19, while there are many uncertainties about its future spread and the timing of its convergence, the Group has made accounting estimates, such as the valuation of non-current assets, based on available information and assuming that the impact will continue for a certain period of time.

##### **Segment information, etc.**

[Segment information]

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