February 10, 2016

Consolidated Financial Results for the Fiscal Year Ended 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
Contact: Shuji Kato, Director (Board Member) (responsible for Business Development Division and Accounting Division)
TEL: +81-3-5283-0262

Scheduled date of ordinary general meeting of shareholders: March 23, 2016
Scheduled date to commence dividend payments: March 24, 2016
Scheduled date to file Annual Securities Report: March 24, 2016
Preparation of supplementary material on financial results: None
Holding of financial results presentation meeting: Yes (For institutional investors and analysts)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the fiscal year ended December 31, 2015 (from January 1, 2015 to December 31, 2015)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2015	12,129	6.3	1,112	67.6	1,105	69.4	678	94.8
December 31, 2014	11,405	5.1	663	(6.5)	652	(12.1)	348	(25.3)

Note: Comprehensive income Fiscal year ended December 31, 2015: ¥654 million [46.7%]
Fiscal year ended December 31, 2014: ¥445 million [27.4%]

	Basic earnings per share	Diluted earnings per share	Net income/ equity	Ordinary income/ total assets	Operating income/ net sales
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2015	126.13	119.81	17.1	11.1	9.2
December 31, 2014	64.72	61.11	10.1	6.6	5.8

Reference: Equity in earnings (losses) of affiliates Fiscal year ended December 31, 2015: ¥– million
Fiscal year ended December 31, 2014: ¥– million

Notes: 1. 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.

2. 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 fiscal year ended December 31, 2014, were calculated with the average share price from the date of this new listing to the final date of the fiscal year ended December 31, 2014, deemed as the average share price during the period.

(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
December 31, 2015	10,212	4,382	41.6	788.88
December 31, 2014	9,675	3,852	38.3	689.66

Reference: Equity As of December 31, 2015: ¥4,244 million
As of December 31, 2014: ¥3,710 million

Note: The Company conducted a 2-for-1 share split on July 1, 2015. Net assets per share were calculated as though the said share split was conducted at the beginning of the fiscal year ended December 31, 2014.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2015	819	(391)	(35)	1,612
December 31, 2014	665	(453)	(684)	1,183

2. Dividends

	Dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended December 31, 2014	–	0.00	–	55.00	55.00	147	42.5	4.4
Fiscal year ended December 31, 2015	–	0.00	–	30.00	30.00	161	23.8	4.1
Fiscal year ending December 31, 2016 (Forecast)	–	0.00	–	30.00	30.00		21.0	

Note: The Company conducted a 2-for-1 share split on July 1, 2015. For the fiscal year ended December 31, 2014, the actual amount of dividends before the said share split was conducted is presented.

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2016 (from January 1, 2016 to December 31, 2016)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		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, 2016	12,500	3.1	1,250	12.4	1,245	12.6	770	13.5	143.12

Note: As the Company manages its operations on an annual basis, consolidated earnings forecasts for the first six months are omitted.

*** Notes**

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

(2) 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 "4. Consolidated financial statements, (5) Notes to consolidated financial statements, Changes in accounting policies" on page 22 of the attached materials.

(3) Number of shares issued (common shares)

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

As of December 31, 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 December 31, 2015	156,024 shares
As of December 31, 2014	156,000 shares

c. Average number of shares outstanding during the period

Fiscal year ended December 31, 2015	5,379,992 shares
Fiscal year ended December 31, 2014	5,382,740 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.

Reference: Summary of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended December 31, 2015 (from January 1, 2015 to December 31, 2015)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2015	11,645	8.8	1,015	54.0	940	47.2	607	70.8
December 31, 2014	10,704	5.0	659	(12.8)	639	(16.4)	355	(27.1)

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
December 31, 2015	112.94	107.28
December 31, 2014	66.1	62.41

Note: 1. 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.

2. 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 fiscal year ended December 31, 2014, were calculated with the average share price from the date of this new listing to the final date of the fiscal year ended December 31, 2014, deemed as the average share price during the period.

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
December 31, 2015	9,934	4,337	43.6	805.56
December 31, 2014	9,245	3,857	41.7	716.42

Reference: Equity As of December 31, 2015: ¥4,333 million
As of December 31, 2014: ¥3,854 million

Note: The Company conducted a 2-for-1 share split on July 1, 2015. For the fiscal year ended December 31, 2014, the actual amount of dividends before the said share split was conducted is presented

*** Indication regarding execution of audit procedures**

The completion of audit procedures in accordance with the Financial Instruments and Exchange Act is not required for preparing this financial results report. At the time of disclosure of this financial results report, the audit procedures for 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. Analyses of operating results and financial position

(1) Analysis of operating results

(Operating results for the fiscal year ended December 31, 2015)

In the fiscal year ended December 31, 2015, the Japanese economy showed signs of recovery, such as strong corporate earnings and the Nikkei Stock Average temporarily reaching the ¥20,000 level, supported by economic and monetary policies implemented by the government and the Bank of Japan and by the weak yen and low crude oil prices. However, the economic outlook remained uncertain due to plans announced at the end of 2015 by the U.S. Federal Reserve to intermittently raise interest rates as part of monetary tightening, and fresh signs of a slowdown in economy in China and other emerging countries.

In the environment surrounding agriculture, demand for agricultural produce is forecast to expand globally as the world's population increases and income levels rise in emerging countries. Japan faces a difficult environment due to challenges such as the aging of agricultural workers and a lack of successors, as well as an increase in abandoned cultivated land. However, there are also new developments in the agricultural sector, including more producers with better business acumen and a rise in the number of companies planning to move into the sector.

Agreement has largely been reached in negotiations on the Trans-Pacific Partnership (TPP), a source of concern in the sector, and the government has finalized a comprehensive TPP-related policy framework. The framework includes a large number of measures aimed at strengthening the global competitiveness of the agricultural sector in order to go ahead with "a competitive agriculture, forestry and fisheries industry," and, looking forward, agriculture is expected to receive further renewed attention.

Against this backdrop, the OAT Agrio Group (the "Group") worked on strengthening its sales system and enhancing business efficiency. Also, anticipating a drop in sales of domestic agricultural chemicals due to the introduction of a revised registration system for agrichemical chemicals in Japan in 2014, the Group focused on expanding its overseas business and its fertilizer and biostimulant (Note) businesses.

As a result of the above business activities, in the fiscal year under review, net sales totaled ¥12,129 million, up 6.3% or ¥723 million year on year, operating income was ¥1,112 million, up 67.6% or ¥448 million year on year, ordinary income was ¥1,105 million, up 69.4% or ¥452 million year on year, and net income was ¥678 million, up 94.8% or ¥330 million year on year.

Note: Biostimulant: General name for the materials and technologies that enhance the capacities and functions inherent in plants, and promote cold resistance, heat resistance, pest tolerance and growth stimulation.

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, the Group worked to boost sales of new insecticides launched in Japan in the second half of 2015 and other products. Overseas, sales of acaricide *Cyflumetofen* increased in the U.S. and Brazil, and an increase in the number of countries where the products are registered also supported sales growth. The business also saw strong sales for insecticide *Oncol* and fungicide *Kaligreen*. As a result, although sales of domestic agrichemicals declined year on year, partly due to the revised registration system for agricultural chemicals, overall net sales in the agrichemicals field increased ¥481 million or 5.4% year on year to ¥9,363 million, supported by growth in overseas business and the weak yen.

In the fertilizer and biostimulant field, sales were strong for drip fertigation cultivation fertilizer and hydroponic cultivation fertilizer, partly reflecting an increase in the number of installations of the Group's drip fertigation cultivation systems – a technology that allows the effective use of idle greenhouses in Japan – as well as growth in the number of plant factories. The Group also actively worked to increase sales of fertilizer overseas. *Atonik*, a plant growth agent to overseas markets, registered higher sales after the Group reinforced the sales network and actively worked to boost sales. As a result, overall net sales in the fertilizer and biostimulant field increased ¥243 million or 9.6% year on year to ¥2,766 million.

(Forecasts for the fiscal year ending December 31, 2016)

The Group aims to contribute to society through the provision of technology that boosts food production (agritechnology). Also, guided by the basic policy of increasing corporate profits and enhancing enterprise value, the Group will implement measures to grow earnings and strengthen its financial standing as part of its business activities.

Our forecasts for each business field are as follows.

In the agrichemicals field, the domestic agrichemical market is likely to remain highly competitive. However, we plan to conduct marketing activities that protect and expand market share of products, while also ensuring that sales are sustainable. Overseas, the Group will work to grow sales of mainstay products such as acaricide *Cyflumetofen*, insecticide *Oncol* and fungicide *Kaligreen* by continuing to increase the number of countries where they are registered and by adding more product applications.

In the fertilizer and biostimulant field, we will work to put operations on track at Runhe (Zhoushan) Plant Science Co., Ltd. – a new joint venture company in China that will manufacture and sell fertilizers and fertilization and irrigation systems and is scheduled to start operations during the fiscal year ending December 31, 2016. Steps will be taken to develop domestic and overseas markets and supply products that satisfy user needs in order to build an earnings base for the future. We will also focus on expanding sales of *Atonik* by cooperating with subsidiaries.

By responding rapidly to changes in market trends and the sales environment, the Group aims improve costs and increase earnings through cooperation between sales and production divisions.

Under those business conditions, for the fiscal year ending December 31, 2016, we forecast net sales of ¥12,500 million, up 3.1% year on year, operating income of ¥1,250 million, up 12.4% year on year, ordinary income of ¥1,245 million, up 12.6% year on year, and profit attributable to owners of parent of ¥770 million, up 13.5%.

(2) Analysis of financial position

a. Position of assets, liabilities, and net assets

(i) Assets

Total assets as of December 31, 2015, was ¥10,212 million, an increase of ¥537 million compared to December 31, 2014. This was the result of an increase of ¥898 million in current assets, more than offsetting a decrease of ¥361 million in non-current assets.

(Current assets)

Total current assets as of December 31, 2015, was ¥7,882 million, an increase of ¥898 million compared to December 31, 2014. This was mainly the result of increases of ¥458 million in cash and deposits and ¥319 million in notes and accounts receivable - trade.

(Non-current assets)

Total non-current assets as of December 31, 2015, was ¥2,330 million, a decrease of ¥361 million compared to December 31, 2014. This was mainly the result of decreases of ¥174 million in goodwill due to amortization and ¥222 million in deferred tax assets.

(ii) Liabilities

(Current liabilities)

Total current liabilities as of December 31, 2015, was ¥4,202 million, an increase of ¥168 million compared to December 31, 2014. This was mainly the result of an increase of ¥193 million in short-term loans payable.

(Non-current liabilities)

Total non-current liabilities as of December 31, 2015, was ¥1,628 million, a decrease of ¥161 million compared to December 31, 2014. This was mainly the result of decreases of ¥72 million in long-term loans payable and ¥87 million in net defined benefit liability.

(iii) Net assets

Total net assets as of December 31, 2015, was ¥4,382 million, an increase of ¥529 million compared to December 31, 2014. This was mainly the result of an increase of ¥554 million in retained earnings due mainly to the recording of net income.

b. Cash flows

Cash and cash equivalents (hereinafter "cash") as of December 31, 2015 was ¥1,612 million, an increase of ¥376 million compared to December 31, 2014.

Cash flows during the fiscal year under review and their causes are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥819 million (¥665 million was provided in the previous fiscal year). The main sources of cash were income before income taxes and minority interests of ¥1,037 million and depreciation of ¥246 million. The main uses of cash were increase in notes and accounts receivable - trade of ¥312 million, increase in inventories of ¥114 million, and income taxes paid of ¥164 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥391 million (¥453 million was used in the previous fiscal year). The main uses of cash were purchase of property, plant and equipment of ¥181 million and purchase of shares of subsidiaries and associates of ¥150 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥35 million (¥684 million was used in the previous fiscal year). The main sources of cash were increase in short-term loans payable of ¥305 million and proceeds from long-term loans payable of ¥100 million. The main uses of cash were repayments of long-term loans payable of ¥284 million and cash dividends paid of ¥147 million.

Reference: Trends in cash flow indicators

	Fiscal year ended December 31, 2013	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Equity ratio (%)	31.8	38.3	41.6
Market value equity ratio (%)	–	60.1	84.8
Ratio of cash flow to interest-bearing debt (%)	494.2	381.1	323.9
Interest coverage ratio (times)	17.7	19.8	29.1

Notes: 1. Equity ratio: Equity / Total assets
Market value equity ratio (%): Market capitalization / Total assets
Ratio of cash flow to interest-bearing debt (%): Interest-bearing debt / Cash flow
Interest coverage ratio (times): Cash flow / Interest payments
2. All items are calculated using consolidated financial data.
3. Market capitalization is based on number of shares issued excluding treasury shares.
4. Operating cash flow is used for cash flow.
5. Market value equity ratio is not shown for the fiscal year ended December 31, 2013, as the Company was listed on the Second Section of the Tokyo Stock Exchange on June 25, 2014.

(3) Basic policy on profit distribution and dividends for the fiscal years ended December 31, 2015 and ending December 31, 2016

The Company considers the distribution of profit to shareholders as one of the most important issues for management. Accordingly, the Company's basic policy on profit distribution is to carry out the stable payment of dividends while considering the provision of the necessary internal reserves to strengthen the financial base and proactively develop business. Looking ahead, the Company shall strive for sustainable growth by investing business resources in business fields where growth is expected in the medium- to long-term in order to boost corporate value and increase value for shareholders.

The Company plans to pay dividends from surplus for the fiscal year under review of ¥30 per share as per the dividend forecast announced on February 10, 2016.

Concerning the dividends from surplus for the fiscal year ending December 31, 2016, the Company plans to pay an annual dividend of ¥30 per share.

(4) Risks associated with business

The following risks inherent in circumstances with respect to the business, accounting and other practices of OAT Agrio Group (the "Group"), may have a material impact on investor decision-making. In addition, under our policy of proactive information disclosure, these descriptions of risks include issues not necessarily subject to such risk disclosure, but that the Group deems as material to investors in making investment decisions. Nevertheless, the descriptions provided herein do not encompass all conceivable forms of risk associated with investment in the Company's shares.

The Group is fully aware of the potential risks, and as such we are committed to preventing such risks from materializing, and will do our utmost to respond swiftly should any such risk develop; however, it is our view that investors need to make investment decisions concerning the Company's shares upon careful consideration of the issues detailed herein as well as issues outlined elsewhere.

Also, note that the forward-looking statements herein are based on judgments of the Group as of this document's submission date.

1. Risks associated with agriculture market trends

Farmers are the end-consumer of agricultural chemicals and fertilizers, the Group's main product categories. Therefore, trends in the agriculture market may affect the Group's operating results.

In recent years, Japan's agriculture market has experienced falling retail prices for farmed goods, combined with an ongoing trend of gradually decreasing domestic production as the nation's farming population ages with successors to take their place in short supply. The environment surrounding domestic market trends in the years ahead is also likely to remain uncertain in terms of possible developments such as Japan's participation in the Trans-Pacific Partnership (TPP) free trade agreement and the potential direction of associated reforms made to government policy on agriculture. If this external environment or other such factors result in a smaller domestic agriculture market down the road, the operating results of the Group may be adversely affected.

2. Laws and regulations

The Group's main business activities involve production and sales of agricultural chemicals and fertilizers domestically and abroad. As such, the Group is subject to a range of legal regulations which include the Agricultural Chemicals Control Act, Fertilizer Regulation Act, and Product Liability Act. Although the Group engages in initiatives to comply with such laws and regulations by means that include establishing internal control systems and carrying out activities to promote compliance, the Group's operating results could be significantly affected in the event of a future incident involving violation of such laws or regulations, or in the event of a scenario where the government revises laws or regulations, or otherwise establishes new laws or regulations.

3. Registration systems

(i) Registration of agricultural chemicals

The Group's main products, agricultural chemicals, are heavily regulated on the basis of Japan's Agricultural Chemicals Control Act, which covers everything from production processes and imports to sales and product use. A registration system which is central to those regulations acts as a mechanism which generally allows for production, import or sale in Japan exclusively of those agricultural chemicals registered under the Japanese system.

In registering agricultural chemicals, manufacturers and importers of such products must prepare and submit documentation that includes various forms of test results evidencing that quality and safety of such chemicals has been verified, such as with respect to their effect on insect pests, as well as their propensity for causing damage to crops, acting as toxic hazards to humans, and leaving residues on crops. Therefore, any changes or additions to such registration systems, including those involving registration standards, could result in prohibitions against the Company's production, sale or use of its existing chemical agents, or its chemical agents under development, or otherwise could result in additional costs for testing.

(ii) Registration of agricultural chemical production and storage sites

Because registration is also required with respect agricultural chemical production and storage sites, numbers of suppliers, contract manufacturers, production sites and storage locations are limited. Whereas the Group works to line up alternative business counterparties to ensure stable production and sales, if functions of suppliers, outside vendors, production sites or storage locations become disrupted, the Group's capacity for supplying product may be adversely affected.

4. Competing products and companies

The Agricultural Chemicals Control Act, Fertilizer Regulation Act and other such laws and regulations place restrictions on new market entry with respect to the agricultural chemicals and fertilizers that constitute the Group's main product category. Unlike pharmaceutical products, business involving generic agricultural chemicals also faces relatively high barriers to entry given R&D and registration costs equivalent to those incurred with respect to new products. Nevertheless, retail sales prices could fall due to intensifying price competition which may materialize if generic agricultural chemicals appear on the market amid entry of large overseas companies or system reforms. Also, a competitor could develop a new product with overwhelming performance, price or safety advantages. Any such developments could adversely affect the Group's operating results.

5. Major customers

During the fiscal year under review, the Group's sales to the National Federation of Agricultural Cooperative Associations (ZEN-NOH) amounted to ¥1,414 million, which accounts for 11.7% of our total net sales on a consolidated basis. The Group intends to maintain favorable relations with existing business counterparties into the future, particularly with ZEN-NOH. However, if there is a change in our relationship with ZEN-NOH for any reason, the operating results of the Group may be adversely affected.

6. Production sites

(i) Lease agreements for property associated with production sites

The Company was established by means of a corporate divestiture from Otsuka Chemical Co., Ltd. ("Otsuka Chemical") as of September 28, 2010, on the basis of which a majority of the Company's real estate assets, including its factories and R&D facilities, were transferred to the Company from Otsuka Chemical. A real estate lease agreement was concluded for the Naruto Factory site with Otsuka Chemical in connection with that transfer. The agreement is in the form of a long-term contract effective until September 27, 2040. Furthermore, we do not anticipate contractual revision or cancellation due the amicable relations we maintain with Otsuka Chemical. However, if circumstances were to make it difficult to continue the contractual relationship for any reason, the research, production and operating results of the Group could be adversely affected.

(ii) Impact of a natural disaster on production sites

The Group's operating results and financial position could be adversely affected if a delay or suspension in product production or sales emerges due to any form of damage such as to manufacturing equipment, as a result of an earthquake, storm or other type of natural disaster, or unanticipated incident, involving a production site of the Group, a contract manufacturer or otherwise. Meanwhile, the Group's operating results could be adversely affected if plant operations become restricted or otherwise restrained due to a lull in economic activity or a power shortage caused by natural disaster or other form of disaster afflicting either a supplier of raw materials, a buyer of our products or other such entity, even if no damage is caused to manufacturing equipment of the Group itself or a contract manufacturer.

7. Country risk associated with overseas business

The Group has been expanding its overseas business. We have established an R&D center in India, and also have a wide range of business counterparties overseas, including suppliers, contract manufacturers and customers. The Group's operating results and financial position could be adversely affected if an unforeseeable situation associated with our overseas business expansion emerges in the future, such that is attributable to issues on a local level with respect to, for instance, geopolitical matters, regulations, taxation, the labor environment or customary practices, or if a situation arises involving social or political turmoil, or other such developments.

8. Agreement for establishing a joint R&D center in India

The Company has established a joint R&D center in India with Insecticides (India) Limited ("IIL").

The R&D center was established in part with the objective of ramping up screening of compounds that make up intermediates, with the aim of developing intermediates that act as active ingredients in agricultural chemicals. IIL and the Company have drawn up contractual provisions with clauses designed to prevent conflicts of interest by designating separate sales territories when placing an agricultural chemical on the market after the R&D phase. We envision scenarios where product sales territories do not generate earnings in line with Group expectations, depending on market trends. In such cases, the Group's operating results may be adversely affected.

9. Foreign exchange volatility

Some import-export transactions of the Group are denominated in the U.S. dollar, euro and Indian rupee. Currently, around 88.5% of our transactions are denominated in Japanese yen. Moreover, we conduct import-export transactions in yen, to the extent possible, and therefore deem that foreign exchange rate fluctuations will not significantly affect our financial results. Going forward, if we accelerate our pace of expansion in business overseas in line with the Group's policy or engage in more transactions denominated in foreign currencies, the operating results of the Group may be adversely affected by currency market volatility when these items denominated in foreign currencies are translated into yen.

10. Seasonality and weather variability

Periods of agricultural chemical use are contingent on periods of crop cultivation. In Japan this means such chemicals are mainly used from early spring until summer. As such, the Group's sales also tend to be weighted toward the first half of the fiscal year which runs January to June. There is a high probability that the Group will post an operating loss given the tendency for relatively low profitability in the latter half of the fiscal year (particularly in the fourth quarter from October to December).

Moreover, crop growth along with the prevalence of pests and weeds varies greatly depending on weather conditions during a given year, which accordingly has an influence with respect to product demand. Therefore, variation in weather conditions may have an effect the Group's operating results.

Consolidated net sales (Fiscal year ended December 31, 2015)

	Q1 (Jan.-Mar.)	Q2 (Apr.-Jun.)	Q3 (Jul.-Sep.)	Q4 (Oct.-Dec.)	Full year (Jan.-Dec.)
Net sales (Millions of yen)	4,959	2,874	2,214	2,080	12,129
Composition ratio	40.9%	23.7%	18.3%	17.2%	100.0%

11. Damage caused by agricultural chemicals

The Group sells products that have been approved for registration on the basis of adequate assessment regarding product safety. However, incidents involving unforeseen crop damage could arise from incorrect use of the Group's products, abnormal weather conditions or other eventualities, or accidents involving harm to humans and other organisms, or damage to the environment could potentially occur. If the Company incurs legal claims for damages arising from such a contingency, the Group's operating results and financial position could be adversely affected.

12. Resistance to agricultural chemicals

The term "pesticide resistance" refers to the phenomenon whereby an organism accumulates genes resistant to a chemical agent as a result of its use on populations of the organism. This sort of phenomenon could occur, thereby giving rise to a population of weeds or pests that are resistant to a product of the Group. If one of products containing such a chemical agent of the Group becomes ineffective, there is a possibility of impairment to the value of the chemical agent and decreased sales volume of the product.

13. Uncertainties involving R&D

Whereas development of new chemical agents requires substantial R&D investment and longstanding commitments, such development efforts may take longer than expected or could face discontinuation, which might be the case in the event that R&D efforts do not go as planned if, for instance, efficacy and phytotoxicity testing fails to show that a chemical agent delivers beneficial effects. In addition, with respect to the Japanese domestic market and entry into overseas markets, we are subject to legal restrictions stipulated in agricultural chemical control laws of respective countries. As such, there may be cases where market introduction of a new chemical agent must be delayed or abandoned, given the need to obtain approvals on the basis of stringent screening in respective countries for the production of new chemical agents and their sale. Such R&D uncertainties could have a material effect on the Group's operating results and financial position.

Moreover, development costs for new chemical agents could increase if a situation develops where there are growing demands such as with respect to safety evaluations or environmental impact assessments as a result of legal or regulatory revisions or shifting concerns among consumers.

14. Expenses incurred in relation to joint R&D

The Group engages in joint research initiatives with entities that include universities and other such public research institutions as well as other companies, with the aim of finding new agrichemicals. In so doing, the Group incurs some of the expenses in that regard. At times, the Group bears additional costs in response to progress made with joint research initiatives.

The Group intends to continue with its active engagement in joint research with entities that include universities and other such public research institutions as well as other companies, and in so doing plans to help cover reasonable expenses. However, if the Group incurs unplanned expenses stemming from circumstances involving research themes related to joint research or otherwise, the Group's operating results could be adversely affected.

15. Interest rate volatility

The Group procures some of its working capital through loans from financial institutions. Going forward, the Group intends to procure funds through loans from financial institutions to cover part of its need for fresh capital for use toward overseas business expansion and R&D. Accordingly, significant volatility with respect to interest rates on such loans could adversely affect the Group's operating results and financial position.

16. Infringement of intellectual property rights

The Group could face diminishing market share for its products if there is a breach of its intellectual property, resulting in a third party's unapproved use of the Group's technology, coupled with manufacture and sale of similar products.

Conversely, if a product of the Group is found to be in violation of a third party's intellectual property rights, the Group could become subject to lawsuit for damages which could have an adverse effect on the Group's operating results.

17. Human resource development and recruitment

The Group recognizes that one of the critical factors in enabling it to achieve ongoing growth is adequately securing high-caliber human resources and developing their capabilities. To that end, we are endeavoring to gain, develop and make effective use of outstanding personnel, through efforts that include building systems for active employee recruitment and in-house training. However, if we are unable to secure top-notch employees needed by the Company according to plan, the Group's operating results and financial position could be adversely affected.

18. Matters involving high share of fund ownership

As of this document's submission date, the total number of shares issued by the Company combined with its dilutive shares amount to 6,096,000 shares. Of that number, an investment enterprise partnership composed of venture capital (hereinafter "Fund") holds 1,339,400 shares, equivalent to 21.97% ownership.

Generally, the objective of funds that pursue share ownership is that of obtaining capital gains on sale of those shares. Given that the Fund invests in the Company upon considering factors that include the market environment, market trends, and the balance between supply and demand in trading of our shares, it is likely that the Fund will incrementally sell some or all of its holdings. A sale of the Company's shares by the Fund could cause a short-term imbalance between supply and demand in trading of the Company's shares, which in turn could have an adverse effect on the market value of those shares.

19. Dilution of shares upon exercising subscription rights to shares

The Company grants its officers, employees and others subscription rights to shares with the aim of aligning company interests with those of individuals and fueling motivation with respect to performance of job duties. The number of dilutive shares underlying these stock subscription rights amounts to 560,000 shares as of this document's submission date, thereby comprising 9.19% of the combined total number of shares issued by the Company and its dilutive shares. If these subscription rights to shares are exercised, the per-share value of the Company's stock may become diluted.

2. Status of corporate group

The Group engages in its main businesses that involve conducting leading-edge agricultural chemical and fertilizer R&D, seeking better crop cultivation technologies, manufacturing and domestic and overseas sales under its management philosophy of "contributing to the people of the world with our agritechnology and honesty."

The Group consists of the Company (OAT Agrio Co., Ltd.), three consolidated subsidiaries (Asahi Chemical Mfg. Co., Ltd., OAT Stevia Co., Ltd., and OAT & IIL India Laboratories Private Limited), and three non-consolidated subsidiaries (Drip Fertigation Research Co., Ltd., Asahi Chemical Europe s.r.o., and OAT Pakistan Private Limited).

The Group has distinctive agricultural chemical and fertilizer products, as well as its own crop cultivation technologies, and provides various forms of support to producers and general consumers. These activities enable us access to feedback with respect to real-world needs of such producers and consumers, which we are able to draw on in pursuing R&D initiatives.

The Group currently offers services that are centered on three technologies, as described below:

(1) Plant protection technologies

The term "plant protection technology" refers collectively to technologies for protecting crops from insect pests that harm crops, as well as to technologies for eliminating unwanted vegetation (weeds, etc.). The Group positions its agricultural chemicals as pharmaceuticals for plants.

(2) Fertilization and irrigation technologies

The term "fertilization and irrigation technology" refers collectively to technologies used to provide nutrients that facilitate crop growth, as well as to technologies that reduce farming workloads and streamline agricultural operations. The Group positions its fertilizers as nourishment for plants, and supplies its Drip Fertigation Cultivation System as a solution for delivering this nourishment to crops.

(3) Biostimulants

The term "biostimulant" refers collectively to substances and technologies that boost the inherent biological capacity and functioning of plants, thereby making them more resistant to cold, heat, disease and pests, and promoting their growth. The Group offers plant growth agents categorized as biostimulants.

The Group is distinguished by its ability to deliver multifaceted solutions geared toward increasing food production, by providing services involving each of the three technologies described above. In that regard, we are working to uncover real-world needs and concerns of farmers who face challenges in terms of protecting the environment and increasing food production, and thereby applying what we learn from them in all areas of our R&D involving agricultural chemicals, fertilizers and biostimulants. Moreover, these efforts will enable us to offer a wider variety of products, and thereby increase our ratio of direct sales made to the general consumer.

In order to provide agricultural chemicals, the Group's main product, we rely on a research and development framework that is geared toward in-house development of active ingredients referred to as intermediates.

The Group has R&D centers in two locations, one in Japan and the other overseas in the Republic of India.

With respect to the R&D center in Japan, we hold the Naruto Laboratory located in Naruto City, Tokushima Prefecture, and it engages in compound synthesis and screening to enable our in-house development of intermediates. The Naruto site contains not only a laboratory but also manufacturing facilities that produce intermediates developed by the Group, and is home to the Fertilizer & Cultivation Research Center, which conducts field studies into the efficacy of agricultural chemical and fertilizer products manufactured there.

With respect to our overseas R&D center, in 2013 we established the joint research center OAT & IIL India Laboratories Private Limited with Insecticides (India) Limited in the Republic of India. As with our R&D center in Japan, that facility also engages in compound synthesis and screening.

3. Management policies

(1) Fundamental management policies

Our fundamental management policy is to work toward maximizing our enterprise value in order to gain greater confidence and recognition from our shareholders and customers. To that end, we develop, produce and sell products that include agricultural chemicals, fertilizers, and a proprietary crop cultivation system, on the basis of the Group's corporate philosophy of "contributing to the people of the world with our agritechnology and honesty." In the process, we develop integrated and comprehensive technologies, and create systems in that regard that contribute to higher crop yields, while drawing on these technologies and our accumulated know-how as the basis for developing "new technologies that bring about increases in food production" and thereby help resolve food-related challenges to support an ever-increasing world population.

(2) Target management benchmarks

The Group is committed to increasing enterprise value, and as such sets target management benchmarks particularly with the aim of securing consistent earnings and enhancing profitability. To those ends, we aim to achieve operating income growth while increasing the ratio of operating income to net sales and setting our sights on ROE (ratio of net income to equity) with efforts geared toward making effective use of shareholders' equity.

(3) Medium- and long-term management strategies

The Group's mainstay agricultural chemicals business operates amid a trend of global expansion backed by effective measures for achieving increased food production and consistent supply. On the other hand, focus is being put on crops and cultivation technologies centered on recycling of resources, while technologies required for crop production and consumer preferences are becoming more diverse.

In order for the Group to achieve sustainable business growth while addressing these diversifying markets and consumer demands, we will work to secure consistent revenue streams and expand our operating infrastructure over the mid- to long-term. This will involve meeting customer needs in our three business fields of plant protection technologies (agricultural chemicals), fertilization and irrigation technologies (fertilization and crop cultivation systems), and biostimulants, while also engaging in ongoing product rollout, providing comprehensive technologies, and concentrating our business resources on growth markets or sizeable markets.

In our efforts to achieve such aims, we will take on the following challenges:

a. Increase the pace of development of our overseas business, which is a field of growth for the Group;

b. Develop organic products that make use of unused resources;

c. Streamline our agricultural chemicals business in Japan so that it will act as a stable operating infrastructure.

(4) Issues to be addressed

The Group will develop its operations in the global agricultural field with a focus on plant protection technologies, fertilization and irrigation technologies, and biostimulants.

In the Group's operating environment, the market for agricultural chemicals is expanding worldwide amid rising demand for foodstuffs driven by economic development in emerging countries. We also see prospects for growth in crop cultivation as a business amid rising interest in safe, premium-quality crops and increased awareness of food safety, particularly in Southeast Asia.

Concerning the domestic agriculture, outline of the broad agreement on the Trans-Pacific Partnership (TPP) and government policies designed to go ahead with a competitive agriculture, forestry and fisheries industry are spurring a high level of interest in agriculture.

However, the industry faces a range of challenges, including the risk of poor crop producing conditions worldwide due to global warming and the deteriorating quality and quantity of agricultural land, while in Japan, the industry needs to address issues such as large-scale crop intensification among producers and the development of future generations of farmers.

Amid these circumstances, we will work to continuously increase our enterprise value by proposing multifaceted solutions with respect to the Group's technologies and product functions, and actively deploying such solutions.

Specific initiatives in that regard include the following:

a. Generate sustained growth in domestic business

In Japan, we are targeting sustained growth in the agrichemicals business and the fertilizer and biostimulant business as the Group's earnings base. We intend to expand sales and profits by generating demand from retailers and customers through marketing-based sales activities and the launch of fertilizer and biostimulant products with proposals for new applications.

b. Accelerate business development and boost earnings overseas

In the overseas business, where the market continues to expand, we plan to accelerate business development by increasing the number of countries where our agrichemicals are registered and by adding more product applications. Also, we will step up efforts to increase profitability, working closely with overseas subsidiaries to identify market trends in order to develop sales strategies and boost manufacturing efficiency.

c. Expand our business through closer cooperation with Group companies

Two new companies established as part of our global business expansion plans are scheduled to start operations in the fiscal year ending December 31, 2016: Runhe (Zhoushan) Plant Science Co., Ltd., a joint venture company in China that will manufacture and sell fertilizers and fertilization and irrigation systems, and PT. OAT MITOKU AGRIO, a joint venture company in Indonesia that will manufacture and sell agricultural chemicals. We will ensure operations at both new companies start smoothly and expand our business through closer cooperation with Group companies, including Asahi Chemical Mfg. Co., Ltd. and Asahi Chemical Europe s.r.o.

d. Work on wide range of research and development themes

Through cooperation with our Group company in India, OAT & IIL India Laboratories Private Limited, we aim to rapidly commercialize new agrichemical agents currently under development. We will also conduct research and development across a wide range of fields, such as the development of new biostimulant applications and support for the overseas deployment of fertilizers and systems related to fertilization and irrigation technologies.

e. Reduce costs and reinforce the Group's financial standing

The Production and Administrative Division aims to boost the Group's sales competitiveness and increase profits by reducing production costs. This will involve enhancing manufacturing efficiency and promoting global materials procurement. The division will also work to reinforce the Group's financial standing to lay the groundwork for investment in new businesses, research and development, and capital expenditure.

The Group will engage in company-wide initiatives to realize these goals, while continuing to reinforce programs geared toward developing a global workforce focused on growing markets worldwide. Meanwhile, we will further seek to identify additional potential in our products and technologies and aim to become a corporate group that makes wide-ranging contributions to society, while also complying with laws and regulations and fulfilling our corporate social responsibility.

4. Basic stance on selection of accounting standards

The Group uses Japanese accounting standards to facilitate comparison with sector peer companies in Japan.

5. Consolidated financial statements

(1) Consolidated balance sheet

(Millions of yen)

	As of December 31, 2014	As of December 31, 2015
Assets		
Current assets		
Cash and deposits	1,442	1,901
Notes and accounts receivable - trade	2,401	2,720
Merchandise and finished goods	2,024	2,185
Work in process	386	332
Raw materials	364	374
Deferred tax assets	24	156
Short-term loans receivable from subsidiaries and associates	115	–
Other	238	227
Allowance for doubtful accounts	(15)	(17)
Total current assets	6,983	7,882
Non-current assets		
Property, plant and equipment		
Buildings and structures	735	715
Machinery, equipment and vehicles	121	158
Land	423	423
Construction in progress	35	–
Other	186	139
Total property, plant and equipment	1,502	1,436
Intangible assets		
Goodwill	334	159
Software	93	64
Other	92	79
Total intangible assets	519	303
Investments and other assets		
Investment securities	212	236
Shares of subsidiaries and associates	59	189
Deferred tax assets	297	75
Other	143	133
Allowance for doubtful accounts	(44)	(44)
Total investments and other assets	669	590
Total non-current assets	2,691	2,330
Total assets	9,675	10,212

(Millions of yen)

	As of December 31, 2014	As of December 31, 2015
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,705	1,706
Short-term loans payable	1,404	1,597
Accounts payable - other	458	353
Income taxes payable	84	204
Provision for sales returns	71	35
Provision for sales rebates	51	46
Provision for bonuses	28	29
Provision for loss on abandonment of returned product	33	–
Other	196	229
Total current liabilities	4,033	4,202
Non-current liabilities		
Long-term loans payable	1,130	1,057
Long-term deposits received	248	252
Provision for directors' retirement benefits	11	13
Net defined benefit liability	374	286
Other	23	17
Total non-current liabilities	1,789	1,628
Total liabilities	5,822	5,830
Net assets		
Shareholders' equity		
Capital stock	461	461
Capital surplus	2,717	2,717
Retained earnings	707	1,261
Treasury shares	(78)	(78)
Total shareholders' equity	3,808	4,362
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(2)	(8)
Foreign currency translation adjustment	(29)	(57)
Remeasurements of defined benefit plans	(65)	(52)
Total accumulated other comprehensive income	(97)	(118)
Subscription rights to shares	3	3
Minority interests	138	134
Total net assets	3,852	4,382
Total liabilities and net assets	9,675	10,212

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

Consolidated statement of income

(Millions of yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Net sales	11,405	12,129
Cost of sales	6,751	6,904
Gross profit	4,654	5,225
Selling, general and administrative expenses	3,990	4,112
Operating income	663	1,112
Non-operating income		
Interest income	18	16
Dividend income	4	4
Foreign exchange gains	18	−
Other	4	2
Total non-operating income	45	23
Non-operating expenses		
Interest expenses	33	28
Going public expenses	19	−
Share issuance cost	4	−
Foreign exchange losses	−	2
Other	0	0
Total non-operating expenses	56	30
Ordinary income	652	1,105
Extraordinary losses		
Office transfer expenses	8	−
Company name change expenses	16	−
Loss on valuation of inventories	43	−
Provision for loss on abandonment of returned product	33	−
Impairment loss	−	66
Other	4	2
Total extraordinary losses	106	68
Income before income taxes and minority interests	546	1,037
Income taxes - current	207	285
Income taxes - deferred	(4)	69
Total income taxes	203	355
Income before minority interests	343	681
Minority interests in income (loss)	(5)	3
Net income	348	678

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Income before minority interests	343	681
Other comprehensive income		
Valuation difference on available-for-sale securities	31	(5)
Foreign currency translation adjustment	71	(35)
Remeasurements of defined benefit plans, net of tax	−	13
Total other comprehensive income	102	(27)
Comprehensive income	445	654
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	436	658
Comprehensive income attributable to minority interests	8	(4)

(3) Consolidated statement of changes in equity

Fiscal year ended December 31, 2014

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	461	2,496	358	－	3,317
Cumulative effects of changes in accounting policies					
Restated balance	461	2,496	358	－	3,317
Changes of items during period					
Net income			348		348
Purchase of treasury shares				(250)	(250)
Retirement of treasury shares		(72)		72	
Disposal of treasury shares		292		100	392
Dividends of surplus					
Change of scope of consolidation					
Net changes of items other than shareholders' equity					
Total changes of items during period		220	348	(78)	491
Balance at end of current period	461	2,717	707	(78)	3,808

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	(34)	(86)	－	(120)	4	129	3,330
Cumulative effects of changes in accounting policies							
Restated balance	(34)	(86)	－	(120)	4	129	3,330
Changes of items during period							
Net income							348
Purchase of treasury shares							(250)
Retirement of treasury shares							
Disposal of treasury shares							392
Dividends of surplus							
Change of scope of consolidation							
Net changes of items other than shareholders' equity	31	57	(65)	22	(0)	8	31
Total changes of items during period	31	57	(65)	22	(0)	8	522
Balance at end of current period	(2)	(29)	(65)	(97)	3	138	3,852

Fiscal year ended December 31, 2015

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	461	2,717	707	(78)	3,808
Cumulative effects of changes in accounting policies			25		25
Restated balance	461	2,717	732	(78)	3,833
Changes of items during period					
Net income			678		678
Purchase of treasury shares				(0)	(0)
Retirement of treasury shares					
Disposal of treasury shares					
Dividends of surplus			(147)		(147)
Change of scope of consolidation			(1)		(1)
Net changes of items other than shareholders' equity					
Total changes of items during period			528	(0)	528
Balance at end of current period	461	2,717	1,261	(78)	4,362

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	(2)	(29)	(65)	(97)	3	138	3,852
Cumulative effects of changes in accounting policies							25
Restated balance	(2)	(29)	(65)	(97)	3	138	3,877
Changes of items during period							
Net income							678
Purchase of treasury shares							(0)
Retirement of treasury shares							
Disposal of treasury shares							
Dividends of surplus							(147)
Change of scope of consolidation							(1)
Net changes of items other than shareholders' equity	(5)	(28)	13	(20)		(4)	(24)
Total changes of items during period	(5)	(28)	13	(20)		(4)	504
Balance at end of current period	(8)	(57)	(52)	(118)	3	134	4,382

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Cash flows from operating activities		
Income before income taxes and minority interests	546	1,037
Impairment loss	−	66
Depreciation	137	246
Amortization of goodwill	174	181
Increase (decrease) in provision for directors' retirement benefits	(15)	1
Increase (decrease) in provision for retirement benefits	(307)	−
Increase (decrease) in net defined benefit liability	272	(23)
Increase (decrease) in allowance for doubtful accounts	58	2
Increase (decrease) in provision for sales returns	27	(36)
Increase (decrease) in provision for sales rebates	(10)	(5)
Increase (decrease) in provision for loss on abandonment of returned product	33	(33)
Increase (decrease) in provision for bonuses	1	0
Interest and dividend income	(23)	(21)
Interest expenses	33	28
Foreign exchange losses (gains)	(14)	0
Going public expenses	19	−
Share issuance cost	4	−
Office transfer expenses	8	−
Decrease (increase) in notes and accounts receivable - trade	288	(312)
Decrease (increase) in inventories	(161)	(114)
Decrease (increase) in advance payments	72	(85)
Increase (decrease) in notes and accounts payable - trade	(167)	(5)
Increase (decrease) in accounts payable - other	94	(74)
Other, net	(58)	139
Subtotal	1,012	990
Interest and dividend income received	29	21
Interest expenses paid	(32)	(28)
Payments of office transfer expenses	(8)	−
Income taxes paid	(336)	(164)
Net cash provided by (used in) operating activities	665	819
Cash flows from investing activities		
Net decrease (increase) in time deposits	10	(26)
Purchase of property, plant and equipment	(251)	(181)
Purchase of intangible assets	(44)	(7)
Purchase of investment securities	−	(36)
Purchase of shares of subsidiaries and associates	−	(150)
Purchase of investments in unconsolidated subsidiaries	(20)	−
Proceeds from sales of investment securities	3	−
Payments of loans receivable from subsidiaries and associates	(115)	−
Collection of loans receivable	0	−
Payments for lease deposits	(39)	(2)
Other, net	1	12
Net cash provided by (used in) investing activities	(453)	(391)

(Millions of yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,500)	305
Proceeds from long-term loans payable	1,000	100
Repayments of long-term loans payable	(295)	(284)
Repayments of lease obligations	(7)	(8)
Purchase of treasury shares	(250)	(0)
Proceeds from sales of treasury shares	388	−
Cash dividends paid	−	(147)
Going public expenses	(19)	−
Other, net	(0)	−
Net cash provided by (used in) financing activities	(684)	(35)
Effect of exchange rate change on cash and cash equivalents	36	(15)
Net increase (decrease) in cash and cash equivalents	(436)	376
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	1,183	1,612

(5) Notes to consolidated financial statements

Notes on premise of going concern

No items to report.

Changes in accounting policies

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 fiscal year ended December 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 fiscal year under review.

As a result of this change, as of the beginning of the fiscal year 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 fiscal year under review is immaterial.

Net assets per share have increased by ¥4.69.

Segment information, etc.

a. Segment information

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

Per share information

(Yen)

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Net assets per share	689.66	788.88
Net income per share	64.72	126.13
Diluted earnings per share	61.11	119.81

Notes: 1. The Company conducted a 2-for-1 share split on July 1, 2015. Net assets per share, net income 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.
2. The basis of calculation of net income per share is as follows.

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015
Net income per share		
Net income (millions of yen)	348	678
Amounts not attributable to common shareholders (millions of yen)	–	
Net income attributable to common shares (millions of yen)	348	678
Average number of shares outstanding during the period (shares)	5,382,740	5,379,992
Diluted earnings per share		
Adjustments in net income (millions of yen)	–	
Increase in number of common shares (shares)	318,556	283,823
[Subscription rights to shares included in the above (shares)]	[318,556]	[283,823]
Descriptions of potential shares that were not included in the computation of diluted earnings per share because they do not have dilutive effect.	–	–

Significant subsequent events

No items to report.