February 10, 2017

Consolidated Financial Results for the Fiscal Year Ended December 31, 2016 <under Japanese GAAP>

Company name: **OAT Agrio Co., Ltd.**
Listing: Tokyo Stock Exchange
Securities code: 4979
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Scheduled date of ordinary general meeting of shareholders:	March 22, 2017
Scheduled date to commence dividend payments:	March 23, 2017
Scheduled date to file Annual Securities Report:	March 23, 2017
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, 2016 (from January 1, 2016 to December 31, 2016)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2016	12,938	6.7	1,603	44.1	1,572	42.2	942	38.9
December 31, 2015	12,129	6.3	1,112	67.6	1,105	69.4	678	94.8

Note: Comprehensive income Fiscal year ended December 31, 2016: ¥957 million [46.3%]
Fiscal year ended December 31, 2015: ¥654 million [46.7%]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income/ total assets	Operating income/ net sales
Fiscal year ended	Yen	Yen	%	%	%
December 31, 2016	183.24	174.51	21.9	14.4	12.4
December 31, 2015	126.13	119.81	17.1	11.1	9.2

Reference: Equity in earnings (losses) of affiliates Fiscal year ended December 31, 2016: ¥– million
Fiscal year ended December 31, 2015: ¥– million

Note: 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, 2015.

(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, 2016	11,547	4,785	37.7	883.44
December 31, 2015	10,212	4,382	41.6	788.88

Reference: Equity As of December 31, 2016: ¥4,357 million
As of December 31, 2015: ¥4,244 million

(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, 2016	1,894	(770)	(248)	2,491
December 31, 2015	819	(391)	(35)	1,612

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, 2015	–	0.00	–	30.00	30.00	161	23.8	4.1
Fiscal year ended December 31, 2016	–	0.00	–	30.00	30.00	147	16.4	3.6
Fiscal year ending December 31, 2017 (Forecast)	–	0.00	–	30.00	30.00		15.4	

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2017 (from January 1, 2017 to December 31, 2017)

(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, 2017	13,496	4.3	1,430	(10.8)	1,409	(10.3)	958	1.7	194.24

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): Yes
New: 2 Companies PT.OAT MITOKU AGRIO, Runhe (Zhoushan) Plant Science Co., Ltd.

(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 "5. 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, 2016	5,536,000 shares
As of December 31, 2015	5,536,000 shares

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

As of December 31, 2016	603,624 shares
As of December 31, 2015	156,024 shares

c. Average number of shares outstanding during the period

Fiscal year ended December 31, 2016	5,142,196 shares
Fiscal year ended December 31, 2015	5,379,992 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, 2015.

Reference: Summary of non-consolidated financial results

1. Non-consolidated financial results for the fiscal year ended December 31, 2016 (from January 1, 2016 to December 31, 2016)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Profit	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2016	12,715	9.2	1,645	62.0	1,632	73.6	1,030	69.5
December 31, 2015	11,645	8.8	1,015	54.0	940	47.2	607	70.8

	Basic earnings per share	Diluted earnings per share
Fiscal year ended	Yen	Yen
December 31, 2016	200.31	190.77
December 31, 2015	112.94	107.28

Note: 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, 2015.

(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, 2016	11,017	4,484	40.7	908.62
December 31, 2015	9,934	4,337	43.6	805.56

Reference: Equity As of December 31, 2016: ¥4,481 million
As of December 31, 2015: ¥4,333 million

*** 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, 2016)

In the fiscal year ended December 31, 2016, the Japanese economy faced mounting uncertainties in global business conditions amid factors that included a progressively strengthening yen from the start of the year combined with a slowing Chinese economy, declining prices of crude oil, and issues stemming from the United Kingdom's decision to leave the EU. Nevertheless, heading toward year-end the Japanese economy staged a modest recovery overall centered on more upbeat corporate performance amid developments that included a progressively weakening yen and the Nikkei Stock Average reaching the 19,000-point level largely due to expectations regarding potential economic policies of the Trump administration in the U.S. and modest recovery of the European economy.

In the environment surrounding agriculture, despite long-term forecasts projecting worldwide growth in demand for agricultural produce against a backdrop of rising populations in developing countries and economic expansion going forward, there have been growing uncertainties as to the outlook ahead amid factors that include the emergence of foreboding signs with respect to prospects for economic growth in some developing economies, stagnating grain prices, and announcements of large M&A deals involving global agricultural chemical manufacturers.

In Japan, the environment surrounding materials used in agricultural production is likely to undergo substantial changes going forward, particularly given that in November the government's Headquarters on Creation of Regional Vitality in Agriculture, Forestry, and Fisheries released outlines of its "Competitiveness Enhancement Program for Agriculture" and its "Infrastructure Improvement Program for Agriculture, Forestry, and Fishery Products," the former of which details initiatives geared to lowering production material prices prominently in the first section of the document.

Against this backdrop, the OAT Agrio Group (the "Group") has been engaging in initiatives that include enhancing its sales framework and streamlining production systems so that it can better supply safe products that provide peace of mind as demanded by the market, and it has also been actively investing in research and development in order to upgrade operations so that it will be able to keep providing premium quality products into the future.

As a result of the above business activities, in the fiscal year under review, net sales totaled ¥12,938 million, up 6.7% or ¥809 million year on year, operating income was ¥1,603 million, up 44.1% or ¥490 million year on year, ordinary income was ¥1,572 million, up 42.2% or ¥466 million year on year, and profit attributable to owners of parent was ¥942 million, up 38.9% or ¥263 million year on year.

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

With respect to the domestic market, the fiscal year under review was one marked by substantially decreasing production of agricultural products. This was largely a result of factors such as the Kumamoto Earthquake that struck in April, and also due to abnormal weather conditions that caused considerable damage to crops particularly in Hokkaido as a result of Typhoon No. 10 and a succession of other powerful typhoons making landfall. Given this situation, in the agrichemicals field, we achieved favorable year-on-year results in Japan with insecticides such as *Oncol*, *Orion*, rice herbicides and green agrochemicals, but shipments of our mainstay acaricide *Cyflumetofen* decreased in comparison with the previous year. Meanwhile overseas, sales of the acaricide *Cyflumetofen* repeated the previous year's strong performance, and we managed to expand sales to the Middle East and other new markets. In addition, products such as insecticide *Oncol* and fungicide *Kaligreen* also performed well. As a result, net sales in the agrichemicals field amounted to ¥9,847 million, up ¥484 million or 5.2% year on year, amid a scenario of somewhat lower year-on-year results in the domestic market offset by growth in shipment volume to overseas markets.

In the fertilizer and biostimulant field, we achieved firm results in Japan with our existing products such as our mainstay greenhouse fertilizers and the *OK Series fertilizers*, and fertilizers related to drip fertigation. Net sales of *Atonik*, our plant growth agent for overseas markets, increased amid upbeat sales achieved by Czech subsidiary Asahi Chemical Europe, and the launch of full-fledged marketing of the product by Indonesian subsidiary PT. OAT MITOKU AGRIO beginning in March. As a result, overall net sales in the fertilizer and biostimulant field increased ¥324 million or 11.7% year on year to ¥3,091 million.

(Forecasts for the fiscal year ending December 31, 2017)

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. 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, business operations of three subsidiaries established in fiscal 2016, OAT Agri Frontier Co., Ltd., PT. OAT MITOKU AGRIO, and Runhe (Zhoushan) Plant Science Co., Ltd., have been swiftly getting on track, and we have also been taking steps that involve developing domestic and overseas markets while also building a future-oriented base for earnings generated through sales of products tailored to user needs.

The Group will target cost improvements and earnings gains through initiatives that involve cooperation between sales and production divisions with respect to swiftly addressing market trends and changes in the sales environment. Nevertheless, we expect to incur higher selling, general and administrative expenses as a result of efforts to provide active support to our new subsidiaries.

Under those business conditions, for the fiscal year ending December 31, 2017, we forecast net sales of ¥13,496 million, up 4.3% year on year, operating income of ¥1,430 million, down 10.8% year on year, ordinary income of ¥1,409 million, down 10.3% year on year, and profit attributable to owners of parent of ¥958 million, up 1.7%.

(2) Analysis of financial position

a. Position of assets, liabilities, and net assets

(i) Assets

Total assets as of December 31, 2016, was ¥11,547 million, an increase of ¥1,334 million compared to December 31, 2015. This was the result of an increase of ¥1,218 million in current assets, more than offsetting an increase of ¥115 million in non-current assets.

(Current assets)

Total current assets as of December 31, 2016, was ¥9,100 million, an increase of ¥1,218 million compared to December 31, 2015. This was mainly the result of increases of ¥872 million in cash and deposits and ¥343 million in notes and accounts receivable - trade.

(Non-current assets)

Total non-current assets as of December 31, 2016, was ¥2,446 million, an increase of ¥115 million compared to December 31, 2015. This was mainly the result of increases of ¥113 million in buildings and structures and ¥131 million in land.

(ii) Liabilities

(Current liabilities)

Total current liabilities as of December 31, 2016, was ¥5,179 million, an increase of ¥977 million compared to December 31, 2015. This was mainly the result of an increase of ¥381 million in short-term loans payable.

(Non-current liabilities)

Total non-current liabilities as of December 31, 2016, was ¥1,581 million, a decrease of ¥46 million compared to December 31, 2015. This was mainly the result of decreases of ¥25 million in long-term loans payable and ¥70 million in net defined benefit liability.

(iii) Net assets

Total net assets as of December 31, 2016, was ¥4,793 million, an increase of ¥411 million compared to December 31, 2015. This was mainly the result of an increase of ¥824 million in retained earnings due mainly to the recording of profit.

b. Cash flows

Cash and cash equivalents (hereinafter "cash") as of December 31, 2016 was ¥2,491 million, an increase of ¥876 million compared to December 31, 2015. 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 ¥1,894 million (¥819 million was provided in the previous fiscal year). The main sources of cash were profit before income taxes of ¥1,442 million and depreciation of ¥181 million. The main uses of cash were increase in notes and accounts receivable - trade of ¥119 million, increase in inventories of ¥171 million, and income taxes paid of ¥355 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥770 million (¥391 million was used in the previous fiscal year). The main uses of cash were purchase of property, plant and equipment of ¥390 million and payments for transfer of business of ¥271 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥248 million (¥35 million was used in the previous fiscal year). The main source of cash was increase in short-term loans payable of ¥500 million. The main uses of cash were repayments of long-term loans payable of ¥143 million and cash dividends paid of ¥161 million.

Reference: Trends in cash flow indicators

	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Equity ratio (%)	38.3	41.6	37.7
Market value equity ratio (%)	60.1	84.8	57.0
Ratio of cash flow to interest-bearing debt (%)	381.1	323.9	157.8
Interest coverage ratio (times)	19.8	29.1	63.4

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.

(3) Basic policy on profit distribution and dividends for the fiscal years ended December 31, 2016 and ending December 31, 2017

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, 2017, 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, most likely hinging on the government's course of action with respect to its agricultural policy. 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. Credit risks related to customers

The operating results of the Group's customers are affected by the business environment in terms of factors that include economic trends and seasonality, anticipated demand with respect to new product introductions, new specifications and new standards, and technological innovations. As such, the Group's operating results and financial position could be adversely affected under a scenario where a Group customer faces a deteriorating business environment and financial difficulties, thereby resulting in the likelihood that a portion of the Group's notes and accounts receivable - trade would be deemed uncollectible.

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. Moreover, it has established an R&D center in India, manufacturing and sales subsidiaries in Indonesia and China, and sales subsidiaries in the Czech Republic and Pakistan, and otherwise also has 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 81.8% 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, 2016)

	Q1 (Jan.-Mar.)	Q2 (Apr.-Jun.)	Q3 (Jul.-Sep.)	Q4 (Oct.-Dec.)	Full year (Jan.-Dec.)
Net sales (Millions of yen)	5,478	2,694	1,952	2,812	12,938
Composition ratio	42.4%	20.8%	15.1%	21.7%	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. 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 480,000 shares as of this document's submission date, thereby comprising 7.98% 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.), seven consolidated subsidiaries (Asahi Chemical Mfg. Co., Ltd., OAT Stevia Co., Ltd., OAT Agri Frontier Co., Ltd., OAT & IIL India Laboratories Private Limited, Asahi Chemical Europe s.r.o., and PT.OAT MITOKU AGRIO and Runhe (Zhoushan) Plant Science Co., Ltd.), and two non-consolidated subsidiaries (Drip Fertigation Research Co., Ltd. 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 profit attributable to owners of parent 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 is developing 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 over the long term amid rising demand for foodstuffs driven by economic development in emerging countries. We also see prospects for growth in crop cultivation as a new business opportunity amid rising interest in safe, premium-quality crops and increased awareness of food safety.

In Japan, the business of agriculture has attracted a high level of interest amid developments that include releases of the "Competitiveness Enhancement Program for Agriculture" and the "Infrastructure Improvement Program for Agriculture, Forestry, and Fishery Products" outlines, by the government's Headquarters on Creation of Regional Vitality in Agriculture, Forestry, and Fisheries.

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.

At this point in time the Group is aware of the following issues that need to be addressed.

a. Generate sustained growth in domestic business

In Japan, we are targeting stable and sustained growth in the agrichemicals field and the fertilizer and biostimulant fields as the Group's earnings base. Moreover, we intend to expand sales and profits by generating demand from retailers and customers through marketing-based sales activities and the launch of products that involve offering proposals to customers regarding product 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

In Japan, we will take steps with respect to manufacturing and selling new organic fertilizers through OAT Agri Frontier Co., Ltd., which was established in September.

Overseas, we will swiftly get business operations of two new companies on track, those of PT. OAT MITOKU AGRIO, a joint venture company that manufactures and sells biostimulants in Indonesia and commenced business in March, and those of Runhe (Zhoushan) Plant Science Co., Ltd., a joint venture company that manufactures and sells fertilizers as well as fertilization and irrigation systems established in May, and we will take steps to expand overseas business.

Among all our Group companies, including these new companies, we work to strengthen closer cooperation so that synergy with existing businesses can help drive our business expansion efforts.

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 achieve rapid product development to commercialize new agrichemical agents currently under development. We will also conduct research and development across a wide range of fields, through efforts such as those that involve pursuing possibilities with generic agricultural chemicals, developing new biostimulant applications, and supporting 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 lay the groundwork for investment in new businesses, research and development, and capital expenditure by taking steps to reinforce the Group's financial standing through efforts that involve curbing effects of foreign exchange volatility and reining in unnecessary costs.

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 comply with laws and regulations, while also acting as a corporate group that fulfills its social responsibilities and contributes to society at large.

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, 2015	As of December 31, 2016
Assets		
Current assets		
Cash and deposits	1,901	2,774
Notes and accounts receivable - trade	2,720	3,064
Merchandise and finished goods	2,185	2,019
Work in process	332	199
Raw materials	374	632
Deferred tax assets	156	190
Other	227	238
Allowance for doubtful accounts	(17)	(18)
Total current assets	7,882	9,100
Non-current assets		
Property, plant and equipment		
Buildings and structures	715	828
Machinery, equipment and vehicles	158	172
Land	423	555
Construction in progress	–	70
Other	139	138
Total property, plant and equipment	1,436	1,766
Intangible assets		
Goodwill	159	119
Software	64	43
Other	79	76
Total intangible assets	303	239
Investments and other assets		
Investment securities	236	290
Shares of subsidiaries and associates	189	60
Deferred tax assets	75	–
Other	133	89
Allowance for doubtful accounts	(44)	–
Total investments and other assets	590	440
Total non-current assets	2,330	2,446
Total assets	10,212	11,547

(Millions of yen)

	As of December 31, 2015	As of December 31, 2016
Liabilities		
Current liabilities		
Notes and accounts payable - trade	1,706	2,169
Short-term loans payable	1,597	1,979
Accounts payable - other	353	390
Income taxes payable	204	272
Provision for bonuses	29	89
Provision for sales rebates	46	50
Provision for sales returns	35	24
Other	229	204
Total current liabilities	4,202	5,179
Non-current liabilities		
Long-term loans payable	1,057	1,032
Long-term deposits received	252	234
Provision for directors' retirement benefits	13	12
Net defined benefit liability	286	216
Deferred tax liabilities	–	48
Other	17	38
Total non-current liabilities	1,628	1,581
Total liabilities	5,830	6,761
Net assets		
Shareholders' equity		
Capital stock	461	461
Capital surplus	2,717	2,721
Retained earnings	1,261	2,078
Treasury shares	(78)	(788)
Total shareholders' equity	4,362	4,474
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(8)	(23)
Foreign currency translation adjustment	(57)	(73)
Remeasurements of defined benefit plans	(52)	(19)
Total accumulated other comprehensive income	(118)	(116)
Subscription rights to shares	3	3
Non-controlling interests	134	425
Total net assets	4,382	4,785
Total liabilities and net assets	10,212	11,547

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

Consolidated statement of income

(Millions of yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Net sales	12,129	12,938
Cost of sales	6,904	7,222
Gross profit	5,225	5,716
Selling, general and administrative expenses	4,112	4,113
Operating income	1,112	1,603
Non-operating income		
Interest income	16	15
Dividend income	4	7
Other	2	1
Total non-operating income	23	24
Non-operating expenses		
Interest expenses	28	30
Foreign exchange losses	2	14
Commission for purchase of treasury shares	–	10
Other	0	0
Total non-operating expenses	30	56
Ordinary income	1,105	1,572
Extraordinary income		
Gain on sales of non-current assets	–	0
Total extraordinary income	–	0
Extraordinary losses		
Impairment loss	66	–
Loss on valuation of shares of subsidiaries and associates	–	129
Other	2	0
Total extraordinary losses	68	129
Profit before income taxes	1,037	1,442
Income taxes - current	285	411
Income taxes - deferred	69	79
Total income taxes	355	491
Profit	681	951
Profit (loss) attributable to non-controlling interests	3	9
Profit attributable to owners of parent	678	942

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Profit	681	951
Other comprehensive income		
Valuation difference on available-for-sale securities	(5)	(15)
Foreign currency translation adjustment	(35)	(11)
Remeasurements of defined benefit plans, net of tax	13	32
Total other comprehensive income	(27)	5
Comprehensive income	654	957
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	658	943
Comprehensive income attributable to non-controlling interests	(4)	13

(3) Consolidated statement of changes in equity

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					
Profit attributable to owners of parent			678		678
Purchase of treasury shares				(0)	(0)
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	Non-controlling 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							
Profit attributable to owners of parent							678
Purchase of treasury shares							(0)
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

Fiscal year ended December 31, 2016

(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	1,261	(78)	4,362
Cumulative effects of changes in accounting policies					
Restated balance	461	2,717	1,261	(78)	4,362
Changes of items during period					
Profit attributable to owners of parent			942		942
Purchase of treasury shares				(724)	(724)
Disposal of treasury shares		4		15	19
Dividends of surplus			(161)		(161)
Change of scope of consolidation			36		36
Net changes of items other than shareholders' equity					
Total changes of items during period		4	816	(709)	111
Balance at end of current period	461	2,721	2,078	(788)	4,474

	Accumulated other comprehensive income				Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current period	(8)	(57)	(52)	(118)	3	134	4,382
Cumulative effects of changes in accounting policies							
Restated balance	(8)	(57)	(52)	(118)	3	134	4,382
Changes of items during period							
Profit attributable to owners of parent							942
Purchase of treasury shares							(724)
Disposal of treasury shares							19
Dividends of surplus							(161)
Change of scope of consolidation							36
Net changes of items other than shareholders' equity	(15)	(15)	32	1	(0)	290	291
Total changes of items during period	(15)	(15)	32	1	(0)	290	403
Balance at end of current period	(23)	(73)	(19)	(116)	3	425	4,785

(4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Cash flows from operating activities		
Profit before income taxes	1,037	1,442
Impairment loss	66	–
Depreciation	246	181
Amortization of goodwill	181	177
Increase (decrease) in provision for directors' retirement benefits	1	(1)
Increase (decrease) in net defined benefit liability	(23)	(21)
Increase (decrease) in allowance for doubtful accounts	2	1
Increase (decrease) in provision for sales returns	(36)	(11)
Increase (decrease) in provision for sales rebates	(5)	3
Increase (decrease) in provision for loss on abandonment of returned product	(33)	–
Increase (decrease) in provision for bonuses	0	60
Interest and dividend income	(21)	(23)
Interest expenses	28	30
Commission for purchase of treasury shares	–	10
Foreign exchange losses (gains)	0	6
Loss (gain) on sales of non-current assets	–	(0)
Loss on valuation of shares of subsidiaries and associates	–	129
Decrease (increase) in notes and accounts receivable - trade	(312)	(119)
Decrease (increase) in inventories	(114)	171
Increase (decrease) in notes and accounts payable - trade	(5)	437
Increase (decrease) in accounts payable - other	(74)	(213)
Other, net	52	(4)
Subtotal	990	2,255
Interest and dividend income received	21	23
Interest expenses paid	(28)	(28)
Income taxes paid	(164)	(355)
Net cash provided by (used in) operating activities	819	1,894
Cash flows from investing activities		
Net decrease (increase) in time deposits	(26)	(7)
Purchase of property, plant and equipment	(181)	(390)
Purchase of intangible assets	(7)	(20)
Purchase of investment securities	(36)	(77)
Purchase of shares of subsidiaries and associates	(150)	–
Payments for transfer of business	–	(271)
Payments for lease deposits	(2)	(1)
Other, net	12	(1)
Net cash provided by (used in) investing activities	(391)	(770)

(Millions of yen)

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	305	500
Proceeds from long-term loans payable	100	–
Repayments of long-term loans payable	(284)	(143)
Repayments of lease obligations	(8)	(5)
Purchase of treasury shares	(0)	(735)
Proceeds from disposal of treasury shares	–	19
Proceeds from share issuance to non-controlling shareholders	–	277
Cash dividends paid	(147)	(161)
Net cash provided by (used in) financing activities	(35)	(248)
Effect of exchange rate change on cash and cash equivalents	(15)	1
Net increase (decrease) in cash and cash equivalents	376	876
Cash and cash equivalents at beginning of period	1,183	1,612
Increase in cash and cash equivalents from newly consolidated subsidiary	52	1
Cash and cash equivalents at end of period	1,612	2,491

(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 business combination, etc.

Effective from the fiscal year ended December 31, 2016, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013), the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the method of accounting for transactions causing changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company was changed to one in which the amount of difference is recorded as capital surplus, and acquisition-related costs are recognized as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the fiscal year ended December 31, 2016, the accounting method was changed to one in which the reviewed acquisition cost allocation resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the fiscal year to which the date of business combination belongs. In addition, the presentation method for former “net income” and other related items was changed, and the presentation of “minority interests” was changed to “non-controlling interests.” To reflect these changes, the Company has reclassified its consolidated financial statements for the fiscal year ended December 31, 2015.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of the fiscal year ended December 31, 2016.

These changes in accounting policies have no impact on profit and loss.

Application of practical solution on a change in depreciation method due to tax reform 2016

Following the revision to the Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ PITF No. 32, June 17, 2016) from the fiscal year ended December 31, 2016, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining balance method to the straight line method.

The effect of this change on profit and loss for the fiscal year under review is immaterial.

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, 2015	Fiscal year ended December 31, 2016
Net assets per share	788.88	883.44
Basic earnings per share	126.13	183.24
Diluted earnings per share	119.81	174.51

Notes: 1. The Company conducted a 2-for-1 share split on July 1, 2015. Net assets per share, 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, 2015.

2. The basis of calculation of basic earnings per share is as follows.

	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Basic earnings per share		
Profit attributable to owners of parent (millions of yen)	678	942
Amounts not attributable to common shareholders (millions of yen)	–	–
Profit attributable to owners of parent available to common shares (millions of yen)	678	942
Average number of shares outstanding during the period (shares)	5,379,992	5,142,196
Diluted earnings per share		
Adjustments in profit attributable to owners of parent (millions of yen)	–	–
Increase in number of common shares (shares)	283,823	257,189
[Subscription rights to shares included in the above (shares)]	[283,823]	[257,189]
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.