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November 14, 2019

Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending December 31, 2019 <under Japanese GAAP>

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 Securities code: 4979
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Scheduled date to file Quarterly Securities Report: November 14, 2019
 Scheduled date to commence dividend payments: —
 Preparation of supplementary material on quarterly financial results: None
 Holding of quarterly financial results presentation meeting: None

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

1. Consolidated financial results for the first nine months of the fiscal year ending December 31, 2019 (from January 1, 2019 to September 30, 2019)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
September 30, 2019	16,999	40.4	1,739	(20.0)	1,491	(32.3)	894	(42.1)
September 30, 2018	12,111	5.2	2,174	(9.4)	2,201	(7.6)	1,543	(4.0)

Note: Comprehensive income Nine months ended September 30, 2019: ¥17 million [(98.8)%]
 Nine months ended September 30, 2018: ¥1,473 million [(10.1)%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
September 30, 2019	165.21	—
September 30, 2018	285.10	—

Notes: 1. Diluted earnings per share is not presented because there are no potential shares.

2. During the first six months of the fiscal year ending December 31, 2019, finalization of provisional accounting treatment relating to business combination was carried out, and each of the figures for the first nine months of the fiscal year ended December 31, 2018, reflects the result of the finalization of provisional accounting treatment.

(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
September 30, 2019	28,770	7,279	22.7	1,209.33
December 31, 2018	29,980	7,518	22.5	1,244.79

Reference: Equity
As of September 30, 2019: ¥6,545 million
As of December 31, 2018: ¥6,737 million

Note: During the first six months of the fiscal year ending December 31, 2019, finalization of provisional accounting treatment relating to business combination was carried out, and each of the figures for the fiscal year ended December 31, 2018, reflects the result of the finalization of provisional accounting treatment.

2. Dividends

	Dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2018	–	0.00	–	40.00	40.00
Fiscal year ending December 31, 2019	–	0.00	–	–	–
Fiscal year ending December 31, 2019 (Forecast)	–	–	–	40.00	40.00

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

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2019 (from January 1, 2019 to December 31, 2019)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2019	22,995	50.5	1,869	6.0	1,676	(4.6)	1,007	(19.9)	186.06

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

*** Notes**

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

Note: For more details, please refer to the section of “2. Quarterly consolidated financial statements and significant notes thereto, (3) Notes to quarterly consolidated financial statements, Change in accounting policy” on page 8 of the attached materials.

(4) Number of shares issued (common shares)

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

As of September 30, 2019	5,536,000 shares
As of December 31, 2018	5,536,000 shares

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

As of September 30, 2019	123,912 shares
As of December 31, 2018	123,817 shares

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

Nine months ended September 30, 2019	5,412,135 shares
Nine months ended September 30, 2018	5,412,235 shares

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

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

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

Attached Materials

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

(1) Information regarding operating results

In the first nine months of the fiscal year ending December 31, 2019, the Japanese economy continued to follow a trend of moderate recovery owing to such factors as the continuation of improvements in the employment and income environments and strengthening corporate earnings due to the government's economic policy. On the other hand, the outlook for the global economy remains uncertain, particularly due to intensifying trade friction between the U.S. and China, United Kingdom's decision to leave the EU, and increased tension in the Middle East.

Amid this situation, the OAT Agrio Group (the "Group") actively engaged in sales initiatives to expand sales of all products both in Japan and overseas. As a result, in the first nine months under review, net sales was ¥16,999 million, up ¥4,888 million or 40.4% year on year, selling, general and administrative expenses was ¥6,116 million, up ¥2,607 million or 74.3% year on year, operating profit was ¥1,739 million, down ¥434 million or 20.0% year on year, ordinary profit was ¥1,491 million, down ¥710 million or 32.3% year on year and profit attributable to owners of parent was ¥894 million, down ¥648 million or 42.1% year on year.

As described above, net sales of the Group in the first nine months under review were also affected by a decrease in sales of agricultural chemicals in the domestic market and biostimulants in the overseas markets. However, net sales increased year on year due to the consolidation of LIDA Plant Research, S.L. (including CAPA Ecosystems, S.L.) of Spain, and Chrysal International B.V. (Blue Wave Holding B.V.) of the Netherlands, acquired in 2018.

On the other hand, operating profit decreased year on year due to expenses related to the acquisition of the above two companies and an increase in non-consolidated R&D expenses of OAT Agrio Co., Ltd.

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

In the agrichemicals field, net sales decreased as the progress of the full switchover from the fungicide *Gatten* to the new fungicide *Shochinosuke* for Japan saw delays and certain products were discontinued, in addition to trade inventory adjustments in the U.S. of the fungicide *Kaligreen* for overseas. As a result, overall net sales in the agrichemicals field decreased by ¥292 million, or 3.3% year on year, to ¥8,520 million.

In the fertilizer and biostimulant field, net sales increased due to the consolidation of the above two overseas subsidiaries despite a year-on-year decrease in *ATONIK*-related net sales due to a drought in Indonesia and registration delays in India, both of which are the main sales territories in Asia. As a result, overall net sales in the fertilizer and biostimulant field increased by ¥5,181 million, or 157.1% year on year, to ¥8,478 million.

(2) Information regarding financial position

Total assets as of September 30, 2019, was ¥28,770 million, a decrease of ¥1,209 million compared to December 31, 2018. This was mainly the result of a decrease of ¥1,361 million in goodwill, an increase of ¥604 million in cash and deposits and a decrease of ¥359 million in notes and accounts receivable - trade.

Total liabilities was ¥21,491 million, a decrease of ¥970 million compared to December 31, 2018. This was mainly the result of a decrease of ¥7,342 million in short-term loans payable and an increase of ¥6,545 million in long-term loans payable.

Net assets was ¥7,279 million, a decrease of ¥239 million compared to December 31, 2018. This was mainly the result of an increase of ¥677 million in retained earnings from the recording of profit attributable to owners of parent and a decrease of ¥869 million in accumulated other comprehensive income due to a decrease in foreign currency translation adjustment and other factors.

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

The consolidated earnings forecasts for the fiscal year ending December 31, 2019, announced in “Consolidated Financial Results for the Fiscal Year Ended December 31, 2018” on February 14, 2019, have not been changed.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Consolidated balance sheet

(Millions of yen)

	As of December 31, 2018	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	2,474	3,078
Notes and accounts receivable - trade	5,135	4,775
Merchandise and finished goods	3,629	3,038
Work in process	552	642
Raw materials and supplies	1,469	1,735
Other	663	753
Allowance for doubtful accounts	(65)	(20)
Total current assets	13,859	14,004
Non-current assets		
Property, plant and equipment	3,219	3,371
Intangible assets		
Goodwill	9,965	8,603
Other	1,961	1,732
Total intangible assets	11,927	10,336
Investments and other assets	974	1,058
Total non-current assets	16,120	14,766
Total assets	29,980	28,770
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,489	2,051
Short-term loans payable	13,782	6,440
Income taxes payable	216	370
Provision for sales returns	15	17
Provision for sales rebates	38	169
Provision for bonuses	33	123
Other	1,884	1,633
Total current liabilities	18,461	10,808
Non-current liabilities		
Long-term loans payable	2,860	9,405
Net defined benefit liability	219	239
Deferred tax liabilities	518	414
Other	402	623
Total non-current liabilities	3,999	10,683
Total liabilities	22,461	21,491

(Millions of yen)

	As of December 31, 2018	As of September 30, 2019
Net assets		
Shareholders' equity		
Capital stock	461	461
Capital surplus	2,410	2,410
Retained earnings	4,281	4,959
Treasury shares	(161)	(162)
Total shareholders' equity	6,991	7,669
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(56)	(26)
Foreign currency translation adjustment	(179)	(1,077)
Remeasurements of defined benefit plans	(18)	(20)
Total accumulated other comprehensive income	(254)	(1,124)
Non-controlling interests	781	734
Total net assets	7,518	7,279
Total liabilities and net assets	29,980	28,770

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

Consolidated statement of income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Net sales	12,111	16,999
Cost of sales	6,427	9,144
Gross profit	5,683	7,855
Selling, general and administrative expenses	3,508	6,116
Operating profit	2,174	1,739
Non-operating income		
Interest income	14	14
Dividend income	4	6
Technical support fee	–	42
Foreign exchange gains	22	–
Other	11	30
Total non-operating income	53	94
Non-operating expenses		
Interest expenses	25	194
Commission fee	–	76
Foreign exchange losses	–	41
Other	0	30
Total non-operating expenses	26	342
Ordinary profit	2,201	1,491
Extraordinary income		
Gain on sales of non-current assets	0	0
Total extraordinary income	0	0
Extraordinary losses		
Loss on retirement of non-current assets	0	1
Loss on valuation of shares of subsidiaries and associates	1	15
Total extraordinary losses	2	16
Profit before income taxes	2,199	1,474
Income taxes - current	710	654
Income taxes - deferred	(50)	(107)
Total income taxes	659	547
Profit	1,540	927
Profit (loss) attributable to non-controlling interests	(2)	33
Profit attributable to owners of parent	1,543	894

Consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended September 30, 2018	Nine months ended September 30, 2019
Profit	1,540	927
Other comprehensive income		
Valuation difference on available-for-sale securities	(29)	29
Foreign currency translation adjustment	(39)	(938)
Remeasurements of defined benefit plans, net of tax	1	(1)
Total other comprehensive income	(66)	(909)
Comprehensive income	1,473	17
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,502	24
Comprehensive income attributable to non-controlling interests	(28)	(7)

(3) Notes to quarterly consolidated financial statements

Notes on premise of going concern

No items to report.

Notes on substantial changes in the amount of shareholders' equity

No items to report.

Change in accounting policy

The Group's subsidiaries that apply IFRS have adopted IFRS 16 "Leases" (released January 2016) effective from the first quarter of the fiscal year ending December 31, 2019. With the adoption of IFRS 16, the said subsidiaries have adopted the method where the cumulative effect of applying this standard is recognized at the date of initial application, which is the approved approach for the transitional adoption period.

As the effect of the adoption of this standard, property, plant and equipment increased by ¥339 million, other under current liabilities increased by ¥108 million and other under non-current liabilities increased by ¥233 million in the quarterly consolidated balance sheet.

The impact of this change on profit and loss for the first nine months of the fiscal year ending December 31, 2019 was immaterial.

Segment information, etc.

[Segment information]

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