

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.



February 14, 2020

## Consolidated Financial Results for the Fiscal Year Ended December 31, 2019 <under Japanese GAAP>

Company name: **OAT Agrio Co., Ltd.**  
 Listing: Tokyo Stock Exchange  
 Securities code: 4979  
 URL: <https://www.oat-agrio.co.jp>  
 Representative: Shuji Kato, President CEO  
 Contact: Hisashi Oka, Director (Board Member)  
 TEL: +81-3-5283-0262

Scheduled date of ordinary general meeting of shareholders: March 27, 2020  
 Scheduled date to commence dividend payments: March 13, 2020  
 Scheduled date to file Annual Securities Report: March 30, 2020  
 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, 2019 (from January 1, 2019 to December 31, 2019)

#### (1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2019	21,909	43.4	1,077	(38.2)	837	(51.8)	4	(99.6)
December 31, 2018	15,278	8.2	1,743	(7.3)	1,738	(8.0)	1,261	(2.8)

Note: Comprehensive income Fiscal year ended December 31, 2019: ¥(446) million [-%]  
 Fiscal year ended December 31, 2018: ¥1,007 million [(27.5)%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
December 31, 2019	0.87	–	0.1	2.8	4.9
December 31, 2018	233.13	–	19.9	8.1	11.4

Reference: Equity in earnings (losses) of affiliates Fiscal year ended December 31, 2019: ¥13 million  
 Fiscal year ended December 31, 2018: ¥– million

Notes: 1. Diluted earnings per share is not presented because there are no potential shares.  
 2. During the fiscal year ended 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) 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, 2019	29,724	6,807	20.5	1,124.13
December 31, 2018	30,684	7,532	22.0	1,247.26

Reference: Equity As of December 31, 2019: ¥6,083 million  
As of December 31, 2018: ¥6,750 million

Notes: During the fiscal year ended 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.

## (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, 2019	2,392	(464)	(893)	3,328
December 31, 2018	(487)	(9,933)	11,093	2,294

## 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, 2018	–	0.00	–	40.00	40.00	216	17.2	3.4
Fiscal year ended December 31, 2019	–	0.00	–	40.00	40.00	216	4,597.7	3.4
Fiscal year ending December 31, 2020 (Forecast)	–	0.00	–	40.00	40.00		35.3	

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

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Fiscal year ending December 31, 2020	21,779	(0.6)	1,405	30.5	1,259	50.3	613	13,074.3	113.37

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
- Changes in accounting policies in accordance with changes in accounting standards, etc.: Yes
  - Changes in accounting policies due to other reasons: None
  - Changes in accounting estimates: None
  - Restatement: None

Note: For more details, please refer to the section of “3. Consolidated financial statements and significant notes thereto, (5) Notes to consolidated financial statements, Change in accounting policy” on page 14 of the attached materials.

- (3) Number of shares issued (common shares)
- Number of shares issued at the end of the period (including treasury shares)

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

- Number of treasury shares at the end of the period

As of December 31, 2019	123,954 shares
As of December 31, 2018	123,817 shares

- Average number of shares outstanding during the period

Fiscal year ended December 31, 2019	5,412,114 shares
Fiscal year ended December 31, 2018	5,412,222 shares

**Reference: Summary of non-consolidated financial results**

**1. Non-consolidated financial results for the fiscal year ended December 31, 2019 (from January 1, 2019 to December 31, 2019)**

**(1) Non-consolidated operating results**

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2019	13,501	(2.2)	1,169	(29.5)	1,256	(27.2)	565	(40.8)
December 31, 2018	13,806	1.2	1,659	(10.7)	1,724	(7.3)	955	(30.3)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2019	104.48	–
December 31, 2018	176.47	–

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



**Attached Materials**

**Index**

- 1. Overview of operating results and others ..... 2
  - (1) Overview of operating results for the fiscal year ended December 31, 2019 ..... 2
  - (2) Overview of financial position for the fiscal year ended December 31, 2019..... 3
  - (3) Overview of cash flows for the fiscal year ended December 31, 2019 ..... 3
  - (4) Future outlook ..... 4
- 2. Basic stance on selection of accounting standards..... 5
- 3. Consolidated financial statements and significant notes thereto..... 6
  - (1) Consolidated balance sheet..... 6
  - (2) Consolidated statement of income and consolidated statement of comprehensive income..... 8
    - Consolidated statement of income ..... 8
    - Consolidated statement of comprehensive income..... 9
  - (3) Consolidated statement of changes in equity..... 10
  - (4) Consolidated statement of cash flows..... 12
  - (5) Notes to consolidated financial statements..... 14
    - Notes on premise of going concern ..... 14
    - Change in accounting policy ..... 14
    - Segment information, etc..... 14
    - Per share information..... 14
    - Significant subsequent events..... 14

## 1. Overview of operating results and others

### (1) Overview of operating results for the fiscal year ended December 31, 2019

In the fiscal year ended December 31, 2019, the Japanese economy continued to follow a trend of moderate recovery in business conditions amid improvements in the employment and income environments and ongoing favorable corporate earnings, despite a weak tone in exports primarily to Asia. Despite concerns about the impact of the consumption tax hike on personal consumption, the economy has been heading toward moderate recovery amid a favorable employment environment and growth in income.

On the other hand, the outlook for the global economy remains uncertain, particularly due to the impact of trade friction between the U.S. and China, and United Kingdom's decision to leave the EU.

In the domestic agriculture environment, major damage occurred to agricultural crops due to successive meteorological disasters such as typhoons and record torrential rain, particularly in eastern Japan. Furthermore, this was a year in which the severity of the natural environment was felt due to global occurrences of swine fever, avian influenza, etc.

Against this backdrop, the OAT Agrio Group (the "Group") has been taking steps to better supply safe products that provide peace of mind as demanded by the market such that include engaging in initiatives which involve enhancing its sales framework and streamlining production systems, and also actively investing in sustainable research and development. Moreover, the Group believes it is necessary to carry out initiatives as part of its social responsibility with respect to the Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 with the aim of finding solutions regarding the natural environment, social issues and other such concerns, and has been carrying them out, with a focus on each related department.

As a result of the above business activities, in the fiscal year under review, net sales totaled ¥21,909 million, up 43.4% or ¥6,631 million year on year, operating profit was ¥1,077 million, down 38.2% or ¥666 million year on year, ordinary profit was ¥837 million, down 51.8% or ¥901 million year on year, and profit attributable to owners of parent was ¥4 million, down 99.6% or ¥1,257 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.

In the agrichemicals field in Japan, we achieved favorable year-on-year results with acaricides such as *Acaritouch* and *Saffoil* as a result of active sales initiatives, but shipments of insecticides *Oncol* and *Hachi-Hachi EC*, and acaricide *Cyflumetofen* decreased in comparison with the previous year. Meanwhile overseas, sales of fungicide *Flutianil*, insecticide *Oncol* and herbicide *Benzofenap* increased, but shipments of fungicide *Kaligreen* decreased in comparison with the previous year. As a result, net sales in the agrichemicals field amounted to ¥10,351 million, up ¥7 million or 0.1% year on year.

In the fertilizer and biostimulant <sup>(Note)</sup> field in Japan, in addition to the continued increase in shipments of fertilizers for the Drip Fertigation Cultivation System, which were favorable last year, we achieved firm results with our existing products such as our mainstay *greenhouse fertilizers* and *OK-F Series fertilizers*. Moreover, as a result of the contribution to overall net sales by LIDA Plant Research, S.L. and CAPA Ecosystems S.L.U. of Spain, and Chrysal International B.V. (Blue Wave Holding B.V.) of the Netherlands, which were acquired in 2018, overall net sales in the fertilizer and biostimulant field increased by ¥6,623 million or 134.2% year on year to ¥11,558 million.

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.

On the one hand, as a result of purchase price allocation associated with the acquisition of Chrysal International B.V. (Blue Wave Holding B.V.), merchandise and finished goods exceeded the book value by ¥493 million in the previous fiscal year, and the same amount was recorded as cost of sales. As a result, operating profit was ¥1,077 million, down ¥666 million, or 38.2%, year on year.

Profit attributable to owners of parent was ¥4 million, down ¥1,257 million, or 99.6%, year on year. This was mainly due to the recording of extraordinary losses of ¥156 million on impairment loss on non-current assets and loss on valuation of inventories associated with the dissolution of OAT Agri Frontier Co., Ltd., as well as the recording of extraordinary losses of ¥134 million on provision for loss on compensation for damage due to crop injury caused by LIDA Plant Research, S.L.'s products.

We have already identified the causes of crop injury, and we will make sure to prevent the recurrence of such crop injury in the future.

## **(2) Overview of financial position for the fiscal year ended December 31, 2019**

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

#### **(i) Assets**

Total assets as of December 31, 2019, was ¥29,724 million, a decrease of ¥959 million compared to December 31, 2018. This was the result of an increase of ¥54 million in current assets and a decrease of ¥1,014 million in non-current assets.

##### **(Current assets)**

Total current assets as of December 31, 2019, was ¥14,436 million, an increase of ¥54 million compared to December 31, 2018. This was mainly the result of an increase of ¥939 million in cash and deposits, a decrease of ¥1,081 million in merchandise and finished goods, and an increase of ¥178 million in raw materials and supplies.

##### **(Non-current assets)**

Total non-current assets as of December 31, 2019, was ¥15,288 million, a decrease of ¥1,014 million compared to December 31, 2018. This was mainly the result of a decrease of ¥216 million in buildings and structures, an increase of ¥61 million in land, and a decrease of ¥970 million in goodwill.

#### **(ii) Liabilities**

##### **(Current liabilities)**

Total current liabilities as of December 31, 2019, was ¥11,899 million, a decrease of ¥6,562 million compared to December 31, 2018. This was mainly the result of a decrease of ¥6,791 million in short-term loans payable.

##### **(Non-current liabilities)**

Total non-current liabilities as of December 31, 2019, was ¥11,017 million, an increase of ¥6,326 million compared to December 31, 2018. This was mainly the result of increases of ¥6,290 million in long-term loans payable and ¥12 million in retirement benefit liability.

#### **(iii) Net assets**

Total net assets as of December 31, 2019, was ¥6,807 million, a decrease of ¥724 million compared to December 31, 2018. This was mainly the result of the recording of ¥4 million in profit attributable to owners of parent, ¥216 million in payment of dividends of surplus, and a decrease of ¥505 million in foreign currency translation adjustment.

## **(3) Overview of cash flows for the fiscal year ended December 31, 2019**

Cash and cash equivalents (hereinafter "cash") as of December 31, 2019 was ¥3,328 million, an increase of ¥1,033 million compared to December 31, 2018. 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 ¥2,392 million (¥487 million was used in the previous fiscal year). The main sources of cash were profit before income taxes of ¥475 million, depreciation of

¥912 million, amortization of goodwill of ¥572 million, and a decrease in inventories of ¥906 million. The main uses of cash were an increase in notes and accounts receivable - trade of ¥11 million and income taxes paid of ¥725 million.

(Cash flows from investing activities)

Net cash used in investing activities was ¥464 million (¥9,933 million was used in the previous fiscal year). The main use of cash was purchase of property, plant and equipment of ¥426 million.

(Cash flows from financing activities)

Net cash used in financing activities was ¥893 million (¥11,093 million was provided in the previous fiscal year). The main source of cash was proceeds from long-term loans payable of ¥7,937 million. The main uses of cash were a decrease in short-term loans payable of ¥6,625 million, repayments of long-term loans payable of ¥1,800 million and cash dividends paid of ¥216 million.

Reference: Trends in cash flow indicators

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Equity ratio (%)	48.9	22.2	20.5
Market value equity ratio (%)	124.7	33.7	30.0
Ratio of cash flow to interest-bearing debt (%)	388.5	(3,414.9)	674.7
Interest coverage ratio (times)	16.9	(11.7)	10.2

- 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.

#### (4) Future outlook

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 involve protecting market share of products and attempting to provide products and services to customers using new approaches. We will also pick up the pace in developing new products geared achieving low costs and labor savings. Overseas, the Group will work to grow sales of products such as fungicide *Flutianil*, acaricide *Cyflumetofen* 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 further strengthen our partnership with subsidiaries in domestic and overseas, ASAHI KAGAKU KOGYO CO., LTD., Asahi Chemical Europes.r.o., PT. OAT MITOKU AGRIO, Runhe (Zhoushan) Plant Science Co., Ltd., LIDA Plant Research S.L., and Chrysal International B.V. (Blue Wave Holding B.V.) We will also take steps to build a future-oriented base for earnings through initiatives that involve developing new products, tapping domestic and overseas markets and providing 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, in the current fiscal year, we expect to incur higher selling, general



and administrative expenses such that comprise an increase in experiment and research expenses amounting to approximately ¥674 million in comparison with the previous fiscal year, which contains additional experiment expenses for undertaking new product development and renewing the registration of existing products.

Under those business conditions, for the fiscal year ending December 31, 2020, we forecast net sales of ¥21,779 million, down 0.6% year on year, operating profit of ¥1,405 million, up 30.5% year on year, ordinary profit of ¥1,259 million, up 50.3% year on year, and profit attributable to owners of parent of ¥613 million, up 13,074.3%.

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 ¥40 per share as per the dividend forecast announced on February 14, 2019.

Concerning the dividends from surplus for the fiscal year ending December 31, 2020, the Company plans to pay an annual dividend of ¥40 per share.

## **2. Basic stance on selection of accounting standards**

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

With respect to adoption of international financial reporting standards (IFRS), the Group follows a policy of responding in a suitable manner after giving consideration to various circumstances in Japan and overseas.

### 3. Consolidated financial statements and significant notes thereto

#### (1) Consolidated balance sheet

(Millions of yen)

	As of December 31, 2018	As of December 31, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	2,474	3,414
Notes and accounts receivable - trade	5,135	5,084
Merchandise and finished goods	4,122	3,041
Work in process	552	490
Raw materials and supplies	1,469	1,647
Other	663	784
Allowance for doubtful accounts	(35)	(26)
Total current assets	14,381	14,436
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,597	1,380
Machinery, equipment and vehicles	847	773
Land	1,067	1,128
Construction in progress	10	11
Other	377	753
Total property, plant and equipment	3,900	4,047
Intangible assets		
Goodwill	7,818	6,848
Software	121	101
Customer relation Assets	3,184	2,878
Other	303	316
Total intangible assets	11,428	10,144
Investments and other assets		
Investment securities	447	586
Shares of subsidiaries and associates	112	30
Deferred tax assets	119	157
Other	294	321
Total investments and other assets	974	1,095
Total non-current assets	16,303	15,288
Total assets	30,684	29,724

(Millions of yen)

	As of December 31, 2018	As of December 31, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	2,489	2,418
Short-term loans payable	13,782	6,991
Accounts payable - other	754	645
Income taxes payable	216	297
Provision for bonuses	33	30
Provision for sales rebates	38	38
Provision for sales returns	15	17
Provision for loss on compensation for damages	-	137
Other	1,130	1,321
Total current liabilities	18,461	11,899
Non-current liabilities		
Long-term loans payable	2,860	9,150
Long-term deposits received	209	210
Retirement benefit liability	231	244
Deferred tax liabilities	1,197	942
Other	192	470
Total non-current liabilities	4,690	11,017
Total liabilities	23,152	22,917
<b>Net assets</b>		
Shareholders' equity		
Capital stock	461	461
Capital surplus	2,410	2,410
Retained earnings	4,281	4,059
Treasury shares	(161)	(162)
Total shareholders' equity	6,991	6,769
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(56)	6
Foreign currency translation adjustment	(166)	(671)
Remeasurements of defined benefit plans	(18)	(19)
Total accumulated other comprehensive income	(241)	(685)
Non-controlling interests	781	724
Total net assets	7,532	6,807
<b>Total liabilities and net assets</b>	<b>30,684</b>	<b>29,724</b>

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

### Consolidated statement of income

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Net sales	15,278	21,909
Cost of sales	8,310	12,520
Gross profit	6,968	9,389
Selling, general and administrative expenses	5,224	8,312
Operating profit	1,743	1,077
Non-operating income		
Interest income	20	17
Dividend income	8	10
Technical support fee	0	42
Subsidy income	1	–
Insurance premiums refunded cancellation	–	16
Other	11	27
Total non-operating income	42	114
Non-operating expenses		
Interest expenses	41	234
Foreign exchange losses	4	22
Commission expenses	–	76
Share of loss of entities accounted for using equity method	–	13
Other	1	6
Total non-operating expenses	47	353
Ordinary profit	1,738	837
Extraordinary income		
Gain on sales of non-current assets	3	4
Total extraordinary income	3	4
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	1	–
Loss on valuation of inventories	–	77
Impairment loss	–	114
Provision for loss on compensation for damage	–	137
Other	0	38
Total extraordinary losses	2	367
Profit before income taxes	1,739	475
Income taxes - current	431	666
Income taxes for prior periods	–	65
Income taxes - deferred	45	(273)
Total income taxes	476	459
Profit	1,263	16
Profit attributable to non-controlling interests	1	11
Profit attributable to owners of parent	1,261	4

## Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Profit	1,263	16
Other comprehensive income		
Valuation difference on available-for-sale securities	(69)	62
Foreign currency translation adjustment	(169)	(523)
Remeasurements of defined benefit plans, net of tax	(16)	(1)
Total other comprehensive income	(255)	(462)
Comprehensive income	1,007	(446)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,045	(439)
Comprehensive income attributable to non-controlling interests	(37)	(6)

### (3) Consolidated statement of changes in equity

Fiscal year ended December 31, 2018

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	461	2,410	3,229	(161)	5,939
Changes of items during period					
Profit attributable to owners of parent			1,261		1,261
Purchase of treasury shares				(0)	(0)
Dividends of surplus			(194)		(194)
Change of scope of consolidation			(14)		(14)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	1,052	(0)	1,052
Balance at end of current period	461	2,410	4,281	(161)	6,991

	Accumulated other comprehensive income				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	13	(36)	(2)	(25)	419	6,333
Changes of items during period						
Profit attributable to owners of parent						1,261
Purchase of treasury shares						(0)
Dividends of surplus						(194)
Change of scope of consolidation						(14)
Net changes of items other than shareholders' equity	(69)	(130)	(16)	(215)	362	146
Total changes of items during period	(69)	(130)	(16)	(215)	362	1,198
Balance at end of current period	(56)	(166)	(18)	(241)	781	7,532

Fiscal year ended December 31, 2019

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	461	2,410	4,281	(161)	6,991
Changes of items during period					
Profit attributable to owners of parent			4		4
Purchase of treasury shares				(0)	(0)
Dividends of surplus			(216)		(216)
Change of scope of consolidation			(10)		(10)
Net changes of items other than shareholders' equity					—
Total changes of items during period	—	—	(222)	(0)	(222)
Balance at end of current period	461	2,410	4,059	(162)	6,769

	Accumulated other comprehensive income				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	(56)	(166)	(18)	(241)	781	7,532
Changes of items during period						
Profit attributable to owners of parent						4
Purchase of treasury shares						(0)
Dividends of surplus						(216)
Change of scope of consolidation						(10)
Net changes of items other than shareholders' equity	62	(505)	(1)	(444)	(57)	(501)
Total changes of items during period	62	(505)	(1)	(444)	(57)	(724)
Balance at end of current period	6	(671)	(19)	(685)	724	6,807

#### (4) Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	1,739	475
Depreciation	306	912
Amortization of goodwill	105	572
Impairment loss	—	114
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(2)	—
Increase (decrease) in retirement benefit liability	1	13
Retirement benefit expenses	—	16
Increase (decrease) in allowance for doubtful accounts	(7)	(8)
Increase (decrease) in provision for sales returns	(3)	1
Increase (decrease) in provision for sales rebates	(6)	0
Increase (decrease) in provision for bonuses	(2)	(3)
Interest and dividend income	(28)	(27)
Interest expenses	41	234
Commission expenses	—	76
Foreign exchange losses (gains)	(15)	19
Share of loss (profit) of entities accounted for using equity method	—	13
Technical fee received	(0)	(42)
Loss (gain) on sales of non-current assets	(3)	(4)
Loss on valuation of shares of subsidiaries and associates	1	—
Compensation for damage	—	156
Decrease (increase) in notes and accounts receivable - trade	(110)	(11)
Decrease (increase) in inventories	(1,106)	906
Increase (decrease) in notes and accounts payable - trade	(347)	(41)
Increase (decrease) in accounts payable - other	136	(80)
Other, net	(522)	24
<b>Subtotal</b>	<b>174</b>	<b>3,318</b>
Interest and dividend income received	24	27
Interest expenses paid	(42)	(234)
Compensation for damage paid	—	(19)
Payments for retirement expenses	—	(16)
Income taxes paid	(644)	(725)
Received technical fee	0	42
<b>Net cash provided by (used in) operating activities</b>	<b>(487)</b>	<b>2,392</b>
<b>Cash flows from investing activities</b>		
Net decrease (increase) in time deposits	116	24
Purchase of property, plant and equipment	(243)	(426)
Purchase of intangible assets	(9)	(74)
Purchase of investment securities	(203)	(0)
Purchase of shares of subsidiaries and associates	(35)	—
Payments of loans receivable from subsidiaries and associates	(50)	—
Payments for leasehold deposits	(2)	—
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(9,542)	—
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	29	—
Other, net	8	12
<b>Net cash provided by (used in) investing activities</b>	<b>(9,933)</b>	<b>(464)</b>



(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	11,319	(6,625)
Proceeds from long-term loans payable	28	7,937
Repayments of long-term loans payable	(42)	(1,800)
Repayments of lease obligations	(4)	(145)
Purchase of treasury shares	(0)	(0)
Cash dividends paid	(194)	(216)
Dividends paid to non-controlling interests	(12)	(48)
Other, net	—	4
Net cash provided by (used in) financing activities	11,093	(893)
Effect of exchange rate change on cash and cash equivalents	(10)	(17)
Net increase (decrease) in cash and cash equivalents	662	1,016
Cash and cash equivalents at beginning of period	1,632	2,294
Increase in cash and cash equivalents from newly consolidated subsidiary	—	17
Cash and cash equivalents at end of period	2,294	3,328

## (5) Notes to consolidated financial statements

### Notes on premise of going concern

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 fiscal year ended 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 ¥445 million, other under current liabilities increased by ¥144 million and other under non-current liabilities increased by ¥307 million in the quarterly consolidated balance sheet.

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

### Segment information, etc.

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, 2018	Fiscal year ended December 31, 2019
Net assets per share	1,247.26	1,124.13
Basic earnings per share	233.13	0.87

- Notes: 1. Diluted earnings per share for the fiscal year ended December 31, 2019 is not presented because loss per share was recorded and the Group has not issued potential shares. Diluted earnings per share for the fiscal year ended December 31, 2018 is not presented since no potential shares exist.
2. Net assets per share and basic earnings per share for the previous fiscal year are calculated using the amounts reflected after significant revision of the initially allocated amounts of acquisition costs upon finalization of the provisional accounting treatment for business combination.
3. The basis of calculation of basic earnings (loss) per share is as follows.

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
Profit attributable to owners of parent (millions of yen)	1,261	4
Amounts not attributable to common shareholders (millions of yen)	–	–
Profit attributable to owners of parent available to common shares (millions of yen)	1,261	4
Average number of shares outstanding of common shares during the period (shares)	5,412,222	5,412,114

### Significant subsequent events

No items to report.