

## Consolidated Financial Results for the Fiscal Year Ended February 28, 2019

[Japanese GAAP]

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Scheduled date of Annual General Meeting of Shareholders: May 30, 2019  
 Scheduled date of filing of Annual Securities Report: May 31, 2019  
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 Holding of financial results meeting: Yes (for institutional investors and securities analysts)  
 (All amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2019 (March 1, 2018 – February 28, 2019)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 28, 2019	18,408	(7.0)	1,223	(37.9)	1,326	(33.5)	843	(42.9)
Fiscal year ended Feb. 28, 2018	19,801	(6.4)	1,971	(3.4)	1,994	(4.9)	1,477	38.8

Note: Comprehensive income Fiscal year ended Feb. 28, 2019: 925 million yen (down 34.0%)  
 Fiscal year ended Feb. 28, 2018: 1,401 million yen (up 49.5%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
Fiscal year ended Feb. 28, 2019	50.15	-	6.4	7.2	6.6
Fiscal year ended Feb. 28, 2018	85.69	-	11.6	10.4	10.0

Reference: Equity in earnings of affiliates Fiscal year ended Feb. 28, 2019: - million yen  
 Fiscal year ended Feb. 28, 2018: - million yen

### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2019	17,465	13,250	75.9	791.34
As of Feb. 28, 2018	19,125	13,242	69.2	767.91

Reference: Equity capital As of Feb. 28, 2019: 13,250 million yen As of Feb. 28, 2018: 13,242 million yen

### (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 the period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Feb. 28, 2019	435	(566)	(921)	5,534
Fiscal year ended Feb. 28, 2018	594	(493)	(499)	6,568

### 2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Feb. 28, 2018	-	0.00	-	20.00	20.00	344	23.3	2.7
Fiscal year ended Feb. 28, 2019	-	0.00	-	20.00	20.00	334	39.9	2.6
Fiscal year ending Feb. 29, 2020 (forecast)	-	0.00	-	20.00	20.00		47.8	

### 3. Consolidated Forecast for the Fiscal Year Ending February 29, 2020 (March 1, 2019 – February 29, 2020)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	17,500	(4.9)	1,000	(18.2)	1,000	(24.6)	700	(17.0)	41.80

**\* Notes**

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

Newly added: - Excluded: -

(2) Changes in accounting policies and accounting-based estimates, and restatements

- 1) Changes in accounting policies due to revisions in accounting standards, others: None  
 2) Changes in accounting policies other than 1) above: None  
 3) Changes in accounting-based estimates: None  
 4) Restatements: None

(3) Number of outstanding shares (common stock)

- 1) Number of shares outstanding at the end of the period (including treasury shares)  
 As of Feb. 28, 2019: 18,400,000 shares As of Feb. 28, 2018: 18,400,000 shares
- 2) Number of treasury shares at the end of the period  
 As of Feb. 28, 2019: 1,655,480 shares As of Feb. 28, 2018: 1,155,478 shares
- 3) Average number of shares outstanding during the period  
 Fiscal year ended Feb. 28, 2019: 16,821,233 shares Fiscal year ended Feb. 28, 2018: 17,244,522 shares

**Reference: Summary of Non-consolidated Financial Results**

**Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2019**

**(March 1, 2018 – February 28, 2019)**

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 28, 2019	13,114	(8.2)	1,180	(31.7)	1,290	(33.7)	907	(39.6)
Fiscal year ended Feb. 28, 2018	14,282	(9.0)	1,729	12.5	1,945	11.0	1,501	76.0

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Feb. 28, 2019	53.94	-
Fiscal year ended Feb. 28, 2018	87.06	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2019	15,636	12,510	80.0	747.12
As of Feb. 28, 2018	17,407	12,535	72.0	726.92

Reference: Shareholders' equity As of Feb. 28, 2019: 12,510 million yen As of Feb. 28, 2018: 12,535 million yen

This financial report is not subject to audit by certified public accountants or auditing firms.

Cautionary statement with respect to forecasts of future performance and other special items

Forecasts regarding future performance in these materials are based on certain assumptions judged to be valid and information currently available to the Company. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to the section "1. Overview of Results of Operations (4) Outlook" on page 4 of the attachments regarding preconditions or other related matters for forecasts shown above.

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## 1. Overview of Results of Operations

### (1) Results of Operations

Japan's economy continued to recover slowly during the fiscal year ended on February 28, 2019 due to firm corporate earnings, employment and personal income. However, there is downward pressure on earnings in Japan's manufacturing sector because of declines in exports, mainly to China, and production.

In the pharmaceutical industry, which is the primary source of demand for Freund Group products, companies need to take many actions in response to measures by the Japanese government to hold down healthcare expenditures, such as national health insurance drug price revisions and an increase in the use of generic drugs, the rising cost of R&D and higher risks associated with the development of new drugs.

There is considerable uncertainty about the global economy due to continuing tension between the U.S. and China involving U.S. trade protectionism and concerns about Britain's departure from the EU.

During the fiscal year, the Freund Group continued to take actions to build a base for growth in accordance with the Seventh Medium-term Management Plan, which started in March 2017 and covers the five-year period ending in February 2022. The goal of these activities is to set the stage for rapid growth in the second half of this plan.

To build a base of operations for future growth, the Freund Group is focusing on the following goals during the current fiscal year.

1. Faster growth outside Japan by strengthening the machinery and chemicals businesses in the United States and Asia
2. The start of a contribution to sales and earnings from new products (continuous granulating system, tablet printer) that target significant market needs
3. The launch of industrial machinery business involving new materials, including lithium-ion batteries
4. More collaboration with academic institutions based on open innovation
5. More skills and knowledge for the Freund Group workforce by using technology exchanges and other activities

Net sales decreased 7.0% year-over-year to 18,408 million yen, operating profit decreased 37.9% to 1,223 million yen, ordinary profit was down 33.5% to 1,326 million yen, and profit attributable to owners of parent decreased 42.9% to 843 million yen.

Results by business segment were as follows.

#### Machinery Business Segment

In the machinery sector, where granulating and coating devices are the main products, sales and operating profit decreased despite aggressive sales activities. One reason is a delay to the following fiscal year in the recognition of sales of continuous granulating systems, which is a new product. In addition, tablet printers required more improvements and modifications.

At U.S. subsidiary Freund-Vector Corporation, sales and operating profit decreased because of a large order with low profitability and an increase in fixed expenses resulting in part from activities to establish an infrastructure for anticipated growth.

At Freund-Turbo Corporation, where milling devices are the core product, sales increased because of extensive sales activities. However, higher expenses associated with up-front expenditures to develop new products, goodwill amortization and other items caused operating profit to decrease. In addition, there was an asset impairment charge for the business operations of the former AKIRAKIKO co., Ltd., a company that was absorbed by Freund-Turbo in the fiscal year that ended in February 2018. The lack of growth in China and other countries in the markets for this business was the main reason for this impairment charge.

As a result, net sales decreased 14.1% year-over-year to 12,368 million yen and segment profit decreased 54.8% to 737 million yen.

## Chemicals Business Segment

Sales and operating profit increased for pharmaceutical excipients used in oral agents because of a big increase in demand in Japan and many activities for growth outside Japan. Internally produced pharmaceutical excipients were a major reason for this growth as profitability increased due to higher production capacity and higher overseas sales of value-added products.

Sales of food preservatives increased because of aggressive marketing activities that included measures to cultivate overseas markets, but operating profit was unchanged.

As a result, net sales increased 11.9% year-over-year to 6,040 million yen and segment profit increased 27.9% to 1,024 million yen.

## (2) Financial Position

Total assets decreased 1,660 million yen from the end of the previous fiscal year to 17,465 million yen at the end of the fiscal year under review. This mainly reflected decreases in cash and deposits of 1,033 million yen and work in process of 992 million yen, while there were increases in merchandise and finished goods of 151 million yen and raw materials and supplies of 131 million yen.

Total liabilities decreased 1,668 million yen from the end of the previous fiscal year to 4,214 million yen at the end of the fiscal year under review. This mainly reflected decreases in advances received of 831 million yen, notes and accounts payable-trade of 344 million yen, electronically recorded obligations-operating of 309 million yen, and income taxes payable of 204 million yen.

Net assets increased 8 million yen from the end of the previous fiscal year to 13,250 million yen at the end of the fiscal year under review. This mainly reflected a decrease of 572 million yen in the purchase of treasury shares, while there was an increase of 498 million yen in retained earnings.

## (3) Cash flows

The balance of cash and cash equivalents at the end of the fiscal year under review was 5,534 million yen, down 1,033 million yen over the end of the previous fiscal year (this compares with a decrease of 414 million yen in the previous fiscal year).

The cash flow components during the fiscal year and the main reasons for changes are as described below.

### Cash flows from operating activities

Net cash provided by operating activities was 435 million yen (compared with net cash provided of 594 million yen in the previous fiscal year). Although there were negative factors including income taxes paid of 610 million yen, a decrease in notes and accounts payable-trade of 700 million yen, and a decrease in advances received of 843 million yen, there were positive factors including profit before income taxes of 1,255 million yen, depreciation of 344 million yen, a decrease in notes and accounts receivable-trade of 138 million yen, and a decrease in inventories of 615 million yen.

### Cash flows from investing activities

Net cash used in investing activities was 566 million yen (compared with net cash used of 493 million yen in the previous fiscal year). There were negative factors including the payment for the purchase of property, plant and equipment of 569 million yen.

### Cash flows from financing activities

Net cash used in financing activities was 921 million yen (compared with net cash used of 499 million yen in the previous fiscal year). This was mainly the result of cash dividends paid of 343 million yen and purchase of treasury shares of 572 million yen.

#### **(4) Outlook**

In Japan, exports and some manufacturing sectors are sluggish and there are concerns about the negative impact on the economy of the planned consumption tax hike.

The outlook for the global economy is still unclear for a number of reasons. Major sources of concern include uncertainty about policies of the U.S. government, upcoming activities involving international trade problems, the unclear economic outlook in China and disruptions associated with Brexit.

In the pharmaceutical industry, which is the primary source of demand for Freund Group products, sales volumes are expected to climb as the populations of countries worldwide age. However, drug price revisions and the growing use of generic drugs are likely to bring down prices of drugs in Japan. The market for generic drugs is continuing to expand. But the benefits of measures by the Japanese government to increase the use of these drugs are declining, resulting in a slow downturn in the growth rate of the generic drug market.

The Freund Group will continue to implement the Seventh Medium-term Management Plan, which started in March 2017. Two priorities are further upgrading sales capabilities and increasing sales of new and core products in the machinery and chemicals businesses. Developing global strategic products is a major goal in the machinery business. In the chemicals business, the construction of a new factory for internally produced pharmaceutical excipients is planned. This will increase production capacity and make it possible to meet customers' needs with speed and accuracy. All of these initiatives will provide a sound base for even more aggressive product development and sales activities worldwide.

Based on these strategies, we expect sales to fall by 4.9% year-over-year to 17,500 million yen, and operating profit, ordinary profit, and profit attributable to owners of parent to decline by 18.2%, 24.6% and 17.0% to 1,000 million yen, 1,000 million yen, and 700 million yen, respectively. For the performance of foreign subsidiaries, we assume an average exchange rate of 105 yen to the U.S. dollar during the fiscal year.

#### **(5) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years**

Maximizing shareholder value is the highest priority of the Freund. The policy is to use the benefits of higher shareholder value for earnings distributions to shareholders while retaining earnings for making the company stronger in order to adapt swiftly and accurately to changes in the operating environment.

The basic policy for the distribution of earnings is to make distributions based on results of operations. The target for the annual consolidated dividend payout ratio is 30%. We seek to maintain a stable distribution while taking into account the need for retained earnings in order to build a stronger base of operations and take actions aimed at growth.

For the year-end dividend for the fiscal year that ended on February 28, 2019, we plan to pay an ordinary dividend of 20 yen per share.

For the fiscal year ending on February 29, 2020, we plan to pay an ordinary dividend of 20 yen per share.

We will use retained earnings for the fiscal year ended February 28, 2019 for making our operations stronger, entering new business domains and other activities that contribute to future growth.

#### **2. Basic Approach to the Selection of Accounting Standards**

The Group has a policy of preparing its consolidated financial statements using Japanese GAAP to permit comparisons with other fiscal years as well as comparisons with the performance of other Japanese companies.

### 3. Consolidated Financial Statements and Notes

#### (1) Consolidated Balance Sheet

	(Thousands of yen)	
	FY2/18 (As of Feb. 28, 2018)	FY2/19 (As of Feb. 28, 2019)
Assets		
Current assets		
Cash and deposits	6,568,050	5,534,431
Notes and accounts receivable-trade	4,337,779	4,172,348
Electronically recorded monetary claims-operating	113,748	160,222
Merchandise and finished goods	263,127	414,397
Work in process	2,046,615	1,053,685
Raw materials and supplies	876,175	1,007,294
Prepaid expenses	110,520	138,074
Deferred tax assets	175,959	170,734
Other	303,293	239,599
Allowance for doubtful accounts	(10,737)	(8,869)
Total current assets	14,784,533	12,881,919
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,906,829	2,982,319
Accumulated depreciation	(1,719,025)	(1,819,365)
Buildings and structures, net	1,187,803	1,162,954
Machinery, equipment and vehicles	1,502,860	1,759,916
Accumulated depreciation	(1,114,413)	(1,253,108)
Machinery, equipment and vehicles, net	388,447	506,807
Land	1,239,027	1,239,674
Construction in progress	232,897	431,499
Other	1,230,493	1,419,431
Accumulated depreciation	(908,237)	(991,297)
Other, net	322,255	428,134
Total property, plant and equipment	3,370,431	3,769,070
Intangible assets		
Goodwill	92,104	-
Software	9,914	15,912
Other	436	436
Total intangible assets	102,455	16,349
Investments and other assets		
Investment securities	368,922	351,259
Business insurance funds	276,296	279,209
Deferred tax assets	20,632	7,032
Net defined benefit asset	1,550	1,244
Other	206,126	164,620
Allowance for doubtful accounts	(5,400)	(5,400)
Total investments and other assets	868,127	797,967
Total non-current assets	4,341,015	4,583,387
Total assets	19,125,548	17,465,307

	(Thousands of yen)	
	FY2/18 (As of Feb. 28, 2018)	FY2/19 (As of Feb. 28, 2019)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	1,931,872	1,587,769
Electronically recorded obligations-operating	892,011	582,051
Lease obligations	6,261	3,954
Income taxes payable	356,267	151,746
Accrued consumption taxes	48,562	155,314
Accrued expenses	350,181	362,769
Advances received	1,498,799	666,802
Provision for bonuses	210,727	212,735
Provision for directors' bonuses	54,300	30,000
Other	215,927	185,615
<b>Total current liabilities</b>	<b>5,564,911</b>	<b>3,938,759</b>
<b>Non-current liabilities</b>		
Long-term accounts payable-other	42,906	44,064
Lease obligations	9,196	5,241
Net defined benefit liability	200,056	162,460
Asset retirement obligations	34,977	35,131
Other	31,284	28,996
<b>Total non-current liabilities</b>	<b>318,421</b>	<b>275,895</b>
<b>Total liabilities</b>	<b>5,883,333</b>	<b>4,214,655</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	1,035,600	1,035,600
Capital surplus	1,289,513	1,289,513
Retained earnings	11,419,492	11,918,177
Treasury shares	(201,361)	(773,363)
<b>Total shareholders' equity</b>	<b>13,543,245</b>	<b>13,469,928</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	51,132	35,459
Foreign currency translation adjustment	(332,254)	(265,653)
Remeasurements of defined benefit plans	(19,907)	10,917
<b>Total accumulated other comprehensive income</b>	<b>(301,029)</b>	<b>(219,276)</b>
<b>Total net assets</b>	<b>13,242,215</b>	<b>13,250,651</b>
<b>Total liabilities and net assets</b>	<b>19,125,548</b>	<b>17,465,307</b>



**(2) Consolidated Statements of Income and Comprehensive Income****Consolidated Statement of Income**

	(Thousands of yen)	
	FY2/18	FY2/19
	(Mar. 1, 2017 – Feb. 28, 2018)	(Mar. 1, 2018 – Feb. 28, 2019)
Net sales	19,801,447	18,408,237
Cost of sales	12,985,225	12,220,111
Gross profit	6,816,221	6,188,126
Selling, general and administrative expenses	4,845,025	4,964,993
Operating profit	1,971,195	1,223,132
Non-operating income		
Interest income	3,437	5,436
Dividend income	5,876	64,922
Technical support fee	12,035	6,474
Rent income	2,107	1,393
Foreign exchange gains	-	2,423
Other	12,236	24,880
Total non-operating income	35,692	105,530
Non-operating expenses		
Interest expenses	1,630	914
Foreign exchange losses	4,632	-
Other	6,604	1,408
Total non-operating expenses	12,866	2,322
Ordinary profit	1,994,022	1,326,340
Extraordinary income		
Gain on sales of non-current assets	-	662
Gain on redemption of investment securities	101,621	23,874
Total extraordinary income	101,621	24,537
Extraordinary losses		
Loss on retirement of non-current assets	336	2,297
Impairment loss	-	91,520
Loss on sales of non-current assets	2,125	1,422
Total extraordinary losses	2,461	95,239
Profit before income taxes	2,093,181	1,255,638
Income taxes-current	557,900	400,395
Income taxes-deferred	57,609	11,668
Total income taxes	615,510	412,063
Profit	1,477,671	843,575
Profit attributable to owners of parent	1,477,671	843,575

**Consolidated Statement of Comprehensive Income**

	(Thousands of yen)	
	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)	FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)
Profit	1,477,671	843,575
Other comprehensive income		
Valuation difference on available-for-sale securities	17,991	(15,673)
Foreign currency translation adjustment	(99,218)	66,601
Remeasurements of defined benefit plans, net of tax	5,303	30,824
Total other comprehensive income	(75,923)	81,752
Comprehensive income	1,401,747	925,328
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,401,747	925,328

**(3) Consolidated Statement of Changes in Equity**

FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,035,600	1,289,513	10,286,711	(201,361)	12,410,463
Changes of items during period					
Dividends of surplus			(344,890)		(344,890)
Profit attributable to owners of parent			1,477,671		1,477,671
Purchase of treasury shares					-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	1,132,781	-	1,132,781
Balance at end of current period	1,035,600	1,289,513	11,419,492	(201,361)	13,543,245

(Thousands of yen)

	Accumulated other comprehensive income				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	33,141	(233,036)	(25,210)	(225,105)	12,185,358
Changes of items during period					
Dividends of surplus					(344,890)
Profit attributable to owners of parent					1,477,671
Purchase of treasury shares					-
Net changes of items other than shareholders' equity	17,991	(99,218)	5,303	(75,923)	(75,923)
Total changes of items during period	17,991	(99,218)	5,303	(75,923)	1,056,857
Balance at end of current period	51,132	(332,254)	(19,907)	(301,029)	13,242,215

FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,035,600	1,289,513	11,419,492	(201,361)	13,543,245
Changes of items during period					
Dividends of surplus			(344,890)		(344,890)
Profit attributable to owners of parent			843,575		843,575
Purchase of treasury shares				(572,001)	(572,001)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	498,684	(572,001)	(73,316)
Balance at end of current period	1,035,600	1,289,513	11,918,177	(773,363)	13,469,928

(Thousands of yen)

	Accumulated other comprehensive income				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	51,132	(332,254)	(19,907)	(301,029)	13,242,215
Changes of items during period					
Dividends of surplus					(344,890)
Profit attributable to owners of parent					843,575
Purchase of treasury shares					(572,001)
Net changes of items other than shareholders' equity	(15,673)	66,601	30,824	81,752	81,752
Total changes of items during period	(15,673)	66,601	30,824	81,752	8,436
Balance at end of current period	35,459	(265,653)	10,917	(219,276)	13,250,651

**(4) Consolidated Statement of Cash Flows**

	(Thousands of yen)	
	FY2/18	FY2/19
	(Mar. 1, 2017 – Feb. 28, 2018)	(Mar. 1, 2018 – Feb. 28, 2019)
Cash flows from operating activities		
Profit before income taxes	2,093,181	1,255,638
Depreciation	344,965	344,822
Impairment loss	-	91,520
Amortization of goodwill	4,004	24,027
Increase (decrease) in provision for bonuses	(49,194)	1,593
Increase (decrease) in provision for directors' bonuses	(31,100)	(24,300)
Increase (decrease) in allowance for doubtful accounts	(2,229)	(2,209)
Interest and dividend income	(9,313)	(70,358)
Interest expenses	1,630	914
Foreign exchange losses (gains)	8,353	(3,767)
Loss (gain) on sales of property, plant and equipment	2,125	759
Loss (gain) on redemption of investment securities	(101,621)	(23,874)
Loss on retirement of property, plant and equipment	336	2,297
Decrease (increase) in notes and accounts receivable-trade	(66,897)	138,522
Decrease (increase) in inventories	(415,602)	615,597
Decrease (increase) in other assets	177,256	103,788
Increase (decrease) in notes and accounts payable-trade	(152,954)	(700,493)
Increase (decrease) in advances received	(315,141)	(843,139)
Increase (decrease) in other liabilities	(210,283)	65,368
Other, net	152	(8,157)
Subtotal	1,277,668	968,548
Interest and dividend income received	9,313	70,358
Interest expenses paid	(1,630)	(914)
Proceeds from insurance income	-	8,312
Income taxes refund	2,801	-
Income taxes paid	(694,105)	(610,406)
Net cash provided by (used in) operating activities	594,047	435,898
Cash flows from investing activities		
Purchase of property, plant and equipment	(592,523)	(569,687)
Proceeds from sales of property, plant and equipment	5,746	662
Payments for retirement of property, plant and equipment	(136)	(112)
Purchase of intangible assets	(1,370)	(14,497)
Purchase of investment securities	(2,229)	(4,271)
Proceeds from redemption of investment securities	101,621	23,874
Purchase of insurance funds	(2,913)	(2,913)
Payments for guarantee deposits	(1,678)	(580)
Proceeds from collection of guarantee deposits	10	1,185
Collection of investments in capital	75	10
Net cash provided by (used in) investing activities	(493,399)	(566,329)

	(Thousands of yen)	
	FY2/18	FY2/19
	(Mar. 1, 2017 – Feb. 28, 2018)	(Mar. 1, 2018 – Feb. 28, 2019)
Cash flows from financing activities		
Purchase of treasury shares	-	(572,001)
Repayments of lease obligations	(48,736)	(5,847)
Cash dividends paid	(343,815)	(343,872)
Decrease in short-term loans payable	(106,535)	-
Net cash provided by (used in) financing activities	(499,086)	(921,721)
Effect of exchange rate change on cash and cash equivalents	(33,077)	18,533
Net increase (decrease) in cash and cash equivalents	(431,516)	(1,033,619)
Cash and cash equivalents at beginning of period	6,982,822	6,568,050
Increase in cash and cash equivalents resulting from merger	16,744	-
Cash and cash equivalents at end of period	6,568,050	5,534,431

**(5) Notes to Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Segment and Other Information****Segment information**

## 1. Overview of reportable segment

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The primary business activities of the Group include manufacture and sale of machinery and chemical products. Consequently, the Group has two reportable business segments: the Machinery Business and the Chemicals Business.

## Main products and services of each reportable segment

Machinery Business: Granulating devices, construction of granulating machinery plants, measuring instruments and parts, and outsourced granulation of synthetic resins

Chemicals Business: Pharmaceutical excipients and dietary supplements; food preservatives; R&D, formulation studies and other projects for pharmaceuticals, food, chemicals and other products

## 2. Calculation method for net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting policies for reportable business segments are generally the same as those described in “Significant Accounting Policies in the Preparation of Consolidated Financial Statements.”

Segment profit (loss) for reportable business segments are based on operating profit (loss).

Inter-segment sales are based on prices used for third-party transactions.

## 3. Information related to net sales, profit or loss, assets, liabilities, and other items for each reportable segment

FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Machinery Business	Chemicals Business	Total		
Net sales					
External sales	14,403,065	5,398,381	19,801,447	-	19,801,447
Inter-segment sales and transfers	-	-	-	-	-
Total	14,403,065	5,398,381	19,801,447	-	19,801,447
Segment profit	1,631,390	801,265	2,432,655	(461,459)	1,971,195
Segment assets	8,769,347	3,626,006	12,395,354	6,730,194	19,125,548
Other items					
Depreciation	228,715	101,765	330,481	14,484	344,965
Increase in property, plant and equipment and intangible assets	305,835	215,862	521,697	2,409	524,107

Notes: 1. Contents of adjustments are as follows.

- (1) The negative adjustment of 461,459 thousand yen to segment profit is corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
- (2) The 6,730,194 thousand yen adjustment to segment assets is corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of the Company's surplus funds (cash and deposits), long-term investment funds (investment securities and insurance funds), and assets of the administrative operations of the Company.

- (3) The 14,484 thousand yen adjustment to depreciation is mainly depreciation of corporate assets that are not allocated to any of the reportable segments.
- (4) The 2,409 thousand yen adjustment to increase in property, plant and equipment and intangible assets is mainly the sum of corporate assets that are not allocated to the reportable segments.
2. Segment profit is adjusted to be consistent with operating profit recorded in the consolidated statement of income.

FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Machinery Business	Chemicals Business	Total		
Net sales					
External sales	12,368,175	6,040,062	18,408,237	-	18,408,237
Inter-segment sales and transfers	-	-	-	-	-
Total	12,368,175	6,040,062	18,408,237	-	18,408,237
Segment profit	737,344	1,024,775	1,762,119	(538,986)	1,223,132
Segment assets	7,687,008	4,131,509	11,818,518	5,646,788	17,465,307
Other items					
Depreciation	216,401	122,252	338,653	6,168	344,822
Increase in property, plant and equipment and intangible assets	431,179	194,543	625,723	1,872	627,595

Notes: 1. Contents of adjustments are as follows.

- (1) The negative adjustment of 538,986 thousand yen to segment profit is corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
- (2) The 5,646,788 thousand yen adjustment to segment assets is corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of the Company's surplus funds (cash and deposits), long-term investment funds (investment securities and insurance funds), and assets of the administrative operations of the Company.
- (3) The 6,168 thousand yen adjustment to depreciation is mainly depreciation of corporate assets that are not allocated to any of the reportable segments.
- (4) The 1,872 thousand yen adjustment to increase in property, plant and equipment and intangible assets is mainly the sum of corporate assets that are not allocated to the reportable segments.
2. Segment profit is adjusted to be consistent with operating profit recorded in the consolidated statement of income.

## Related information

FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)

### 1. Information by product or service

This information is omitted because the same information is presented in segment information.

### 2. Information by region

#### (1) Net sales

(Thousands of yen)

Japan	North America	Latin America	Europe	Other	Total
13,676,933	1,913,919	1,065,898	1,787,176	1,357,520	19,801,447

Note: 1. Classification of net sales is based on the location of the client and categorized by country or region.

#### (2) Property, plant and equipment

(Thousands of yen)

Japan	US	Italy	Total
2,469,489	787,920	113,022	3,370,431

### 3. Information by major client

Not applicable.



FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	North America	Latin America	Europe	Other	Total
12,999,738	1,526,322	1,826,445	410,294	1,645,437	18,408,237

Note: 1. Classification of net sales is based on the location of the client and categorized by country or region.

(2) Property, plant and equipment

(Thousands of yen)

Japan	US	Italy	Total
2,781,445	883,173	104,451	3,769,070

3. Information by major client

Not applicable.

**Information related to impairment losses on non-current assets for each reportable segment**

FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)

Not applicable.

FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)

In the Machinery Business segment, Freund-Turbo Corporation has recognized impairment losses related to non-current assets of 23,443 thousand yen as this company's earnings are no longer expected to reach the levels indicated in the initial plan.

**Information related to goodwill amortization and the unamortized balance for each reportable segment**

FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)

Freund-Turbo Corporation, a consolidated subsidiary of Freund Corporation, merged with AKIRAKIKO co., Ltd. on January 1, 2018. This resulted in 96,108 thousand yen of goodwill, goodwill amortization of 4,004 thousand yen and amortized balance of 92,104 thousand yen in the Machinery Business segment.

FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)

Goodwill amortization of 24,027 thousand yen was recorded in the Machinery Business segment. The Company recognized an impairment loss of 68,076 thousand yen and no unamortized balance.

**Information related to gain on bargain purchase for each reportable segment**

Not applicable.

**Per Share Information**

(Yen)

	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)	FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)
Net assets per share	767.91	791.34
Net income per share	85.69	50.15

Notes: 1. Diluted net income per share is not presented since the Company has no outstanding dilutive shares.

2. The basis of calculating the net income per share is as follows:

(Thousands of yen)

	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)	FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)
Profit attributable to owners of the parent	1,477,671	843,575
Amounts not attributable to common shareholders	-	-
Profit attributable to common shareholders of parent	1,477,671	843,575
Average number of common shares outstanding during the period (Thousand shares)	17,244	16,821

**Subsequent Events**

Not applicable.

#### 4. Others

##### Orders and Sales

###### (1) Orders received (Thousands of yen)

Operating segment	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)		FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
	Machinery Business	11,513,644	70.4	11,839,221
Chemicals Business	615,519	31.9	735,777	119.5
Total	12,129,163	66.3	12,574,998	103.7

Notes: 1. Orders received in the Chemicals Business do not include pharmaceutical excipients and food preservatives, which are manufactured based on sales plans rather than specific orders.

2. Orders received are based on selling prices; inter-segment transactions have been eliminated.

3. Orders received do not include consumption taxes.

###### (2) Order backlog (Thousands of yen)

Operating segment	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)		FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
	Machinery Business	5,822,787	68.0	5,428,628
Chemicals Business	84,145	36.7	126,632	150.5
Total	5,906,933	67.2	5,555,261	94.0

Notes: 1. Order backlog in the Chemicals Business do not include pharmaceutical excipients and food preservatives, which are manufactured based on sales plans rather than specific orders.

2. Order backlog is based on selling prices; inter-segment transactions have been eliminated.

3. Order backlog does not include consumption taxes.

###### (3) Sales (Thousands of yen)

Operating segment	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)		FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)	
	Amount	Composition (%)	Amount	Composition (%)
	Machinery Business	14,403,065	72.7	12,368,175
Chemicals Business	5,398,381	27.3	6,040,062	32.8
Total	19,801,447	100.0	18,408,237	100.0

Notes: 1. Sales are based on selling prices; inter-segment transactions have been eliminated.

2. Sales do not include consumption taxes.

*This summary report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*