

**Consolidated Financial Results**  
**for the Second Quarter of the Fiscal Year Ending February 28, 2017**  
**(Six Months Ended August 31, 2016)**

[Japanese GAAP]

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Scheduled date of filing of Quarterly Report: October 5, 2016  
 Scheduled date of payment of dividend: -  
 Preparation of supplementary materials for quarterly financial results: Yes  
 Holding of quarterly 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 Second Quarter (March 1, 2016 – August 31, 2016) of the Fiscal Year Ending February 28, 2017**

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Six months ended Aug. 31, 2016	8,762	13.8	687	245.6	708	181.1	306	147.8
Six months ended Aug. 31, 2015	7,697	4.4	198	96.8	252	78.8	123	242.4

Note: Comprehensive income  
 Six months ended Aug. 31, 2016: (0) million yen (- %)  
 Six months ended Aug. 31, 2015: 120 million yen (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Aug. 31, 2016	17.77	-
Six months ended Aug. 31, 2015	7.17	-

The Company conducted a 2-for-1 common stock split on March 1, 2016. The net income per share has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 31, 2016	18,369	11,246	61.2	652.19
As of Feb. 29, 2016	17,206	11,529	67.0	668.57

Reference: Equity capital As of Aug. 31, 2016: 11,246 million yen As of Feb. 29, 2016: 11,529 million yen

The Company conducted a 2-for-1 common stock split on March 1, 2016. The net assets per share have been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 29, 2016	-	0.00	-	25.00	25.00
Fiscal year ending Feb. 28, 2017	-	0.00	-	-	-
Fiscal year ending Feb. 28, 2017 (forecast)	-	-	-	15.00	15.00

Note: Revision to the most recently announced dividend forecast: None

The Company conducted a 2-for-1 common stock split on March 1, 2016. The dividend per share forecast for the fiscal year ending Feb. 28, 2017 has been adjusted to reflect the stock split. Prior to this adjustment, the dividend forecast was 30 yen per share.

**3. Consolidated Forecast for the Fiscal Year Ending February 28, 2017 (March 1, 2016 – February 28, 2017)**

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	20,000	5.1	1,900	41.1	1,900	36.2	1,180	22.8	68.43

Note: Revision to the most recently announced consolidated forecast: None

**\* 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) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

Note: Please refer to page 3 “2. Matters Related to Summary Information (Notes), (2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” for details.

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

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

Note: Please refer to page 4 “2. Matters Related to Summary Information (Notes), (3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements” for details.

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Aug. 31, 2016:	18,400,000 shares	As of Feb. 29, 2016:	18,400,000 shares
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2) Number of treasury shares at the end of the period

As of Aug. 31, 2016:	1,155,478 shares	As of Feb. 29, 2016:	1,155,444 shares
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3) Average number of shares outstanding during the period

Six months ended Aug. 31, 2016:	17,244,546 shares	Six months ended Aug. 31, 2015:	17,244,556 shares
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Note: The Company conducted a 2-for-1 common stock split on March 1, 2016. The number of outstanding shares (common stock) has been calculated as if this stock split had taken place at the beginning of the previous fiscal year.

Indication of quarterly review procedure implementation status

The current quarterly financial report is not subject to the quarterly review procedures based on the Financial Instruments and Exchange Act. At the time of disclosure, the review procedures for the quarterly financial statements have been completed.

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

- The Company conducted a 2-for-1 common stock split on March 1, 2016.
- 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. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 3 of the attachments regarding preconditions or other related matters for forecasts shown above.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

Japan's economy continued to recover steadily during the first half of the current fiscal year. However, it became increasingly apparent that growth in corporate earnings is peaking out due to the strengthening of the yen caused by uncertainties about overseas economies and other factors. In addition, uncertainty about the future are growing due to concerns about the risk of an economic downturn in Japan caused by weakness in the economies of China and other countries, volatility in financial markets and other factors.

The pharmaceutical industry, which is the primary source of demand for Freund Group products, has been growing more slowly, mainly in industrialized countries. Causes include more Japanese government actions to hold down healthcare expenditures, such as national health insurance drug price revisions and measures to increase the use of generic drugs, as well as the rising cost of R&D and higher risks associated with the development of new drugs. Consequently, the focus of attention in the pharmaceutical industry is shifting to emerging countries and to the expansion of the market for generic drugs.

The Freund Group has developed innovative new products and worked on precisely targeting customers' needs. Group companies also aggressively pursued opportunities in new business fields.

Net sales increased 13.8% year-over-year to 8,762 million yen, operating income increased 245.6% to 687 million yen, ordinary income was up 181.1% to 708 million yen, and profit attributable to owners of parent increased 147.8% to 306 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 income increased as orders remained strong because of the large volume of capital expenditures in the generic drug industry.

As a result, net sales rose 14.1% year-over-year to 5,697 million yen and operating income increased 272.6% to 567 million yen.

#### **Chemicals Business Segment**

Although sales and operating income of food preservative were down slightly because of heated competition, sales of functional excipients used in oral pharmaceuticals were strong primarily for use in generic drugs. Sales of dietary supplements that incorporate Freund's technologies were also strong.

As a result, net sales rose 13.3% year-over-year to 3,065 million yen and operating income increased 62.6% to 357 million yen.

Note: From the first quarter of the current fiscal year, the Company has modified the English term of the business segment formerly titled "Chemical and Food Business" to "Chemicals Business." The content and Japanese term of the business segment remain the same.

### (2) Explanation of Financial Position

#### **Assets, liabilities and net assets**

Total assets increased 1,162 million yen from the end of the previous fiscal year to 18,369 million yen at the end of the second quarter under review. This mainly reflected increases in work in process of 953 million yen and cash and deposits of 858 million yen, while there was a decrease in notes and accounts receivable-trade of 638 million yen.

Total liabilities increased 1,445 million yen from the end of the previous fiscal year to 7,122 million yen at the end of the second quarter under review. This mainly reflected an increase in advances received of 1,155 million yen.

Net assets decreased 282 million yen from the end of the previous fiscal year to 11,246 million yen at the end of the second quarter under review.

### **Cash flows**

The balance of cash and cash equivalents at the end of the second quarter under review was 4,900 million yen, up 858 million yen over the end of the previous fiscal year.

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

#### **a. Cash flows from operating activities**

Net cash provided by operating activities was 1,480 million yen (compared with net cash provided of 472 million yen in the same period of the previous fiscal year). Although there were negative factors including decreases in provision for bonuses of 72 million yen and provision for directors' bonuses of 20 million yen, and an increase in inventories of 1,326 million yen, there were positive factors including depreciation of 155 million yen, a decrease in notes and accounts receivable-trade of 626 million yen and increases in notes and accounts payable-trade of 774 million yen and advances received of 1,281 million yen.

#### **b. Cash flows from investing activities**

Net cash used in investing activities was 268 million yen (compared with net cash used of 278 million yen in the same period of the previous fiscal year). Although there were positive factors including proceeds from sales of investment securities of 19 million yen, proceeds from sales of property, plant and equipment of 18 million yen, and proceeds from cancellation of insurance funds of 38 million yen, there are negative factors including the payment for the purchase of property, plant and equipment of 342 million yen.

#### **c. Cash flows from financing activities**

Net cash used in financing activities was 247 million yen (compared with net cash used of 299 million yen in the same period of the previous fiscal year). This was mainly the result of cash dividends paid of 215 million yen.

### **(3) Explanation of Consolidated Forecast and Other Forward-looking Statements**

There are no revisions to the full year consolidated forecasts for the fiscal year ending February 28, 2017, which was disclosed in the Consolidated Financial Results for the Fiscal Year Ended February 29, 2016 dated April 5, 2016.

## **2. Matters Related to Summary Information (Notes)**

### **(1) Changes in Significant Subsidiaries during the Period**

Not applicable.

### **(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements**

The tax expenses are calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the fiscal year in which the period under review falls, and multiplying that rate by the profit before income taxes for the period under review. However, the Company uses the statutory effective tax rate to calculate tax expenses for cases in which using the estimated tax rate gives a noticeably irrational result.

**(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements****Application of the Accounting Standards for Business Combinations**

The Company has applied the “Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, issued on September 13, 2013), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, issued on September 13, 2013), “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, issued on September 13, 2013), etc. from the first quarter of the current fiscal year. Accordingly, difference arising from changes in the Company’s ownership interests in subsidiaries in cases where control is retained is recognized in capital surplus, and the acquisition costs in connection with business combinations are recognized as expenses in the fiscal year in which they arise. Regarding business combinations that take place on or after the beginning of the first quarter of the current fiscal year, the Company has revised the method to reflect reviewed allocation of the acquisition costs arising from determination of the provisional accounting treatment on the quarterly consolidated financial statements to which the date of the business combination belongs. In addition, the presentation of net income and other items has been revised, and the minority interests item has been renamed non-controlling interests. For consistency with these changes, the consolidated financial statements for the first half of the previous fiscal year and the previous fiscal year have been revised.

The Company has adopted these accounting standards, etc. from the beginning of the first quarter of the current fiscal year, in accordance with the transitional accounting treatments set forth in Article 58-2 (3) of the Accounting Standard for Business Combinations, Article 44-5 (3) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (3) of the Accounting Standard for Business Divestitures. The cumulative effect at the beginning of the first quarter upon the retrospective adoption of the above accounting policies for prior years is added to or deducted from capital surplus and retained earnings.

As a result, there were decreases of 77,159 thousand yen in goodwill, 11,067 thousand yen in negative goodwill and 77,678 thousand yen in retained earnings, and increases of 8,991 thousand yen in capital surplus and 2,594 thousand yen in foreign currency translation adjustment at the beginning of the first quarter of the current fiscal year. In addition, operating income increased 4,100 thousand yen and ordinary income and profit before income taxes increased 2,255 thousand yen each in the first half of the current fiscal year.

**Application of Practical Solution on a Change in Depreciation Method due to Tax Reform 2016**

Following the revised Corporation Tax Act, the Company has applied the “Practical Solution on a Change in Depreciation Method due to Tax Reform 2016” (ASBJ Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the first quarter of the current fiscal year, 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 the results of operations in the first half of the current fiscal year is insignificant.

**3. Important Information about Going Concern Assumption**

Not applicable.

**4. Quarterly Consolidated Financial Statements****(1) Quarterly Consolidated Balance Sheet**

(Thousands of yen)

	FY2/16 (As of Feb. 29, 2016)	Second quarter of FY2/17 (As of Aug. 31, 2016)
<b>Assets</b>		
Current assets		
Cash and deposits	4,042,296	4,900,401
Notes and accounts receivable-trade	5,542,999	4,904,391
Electronically recorded monetary claims-operating	151,350	89,713
Merchandise and finished goods	330,747	400,298
Work in process	1,511,095	2,464,151
Raw materials and supplies	590,674	714,083
Prepaid expenses	114,910	112,385
Deferred tax assets	369,466	341,007
Other	424,172	415,445
Allowance for doubtful accounts	(24,122)	(20,582)
Total current assets	13,053,591	14,321,295
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,153,744	1,159,099
Land	1,318,399	1,315,123
Other, net	662,978	736,742
Total property, plant and equipment	3,135,122	3,210,965
Intangible assets		
Goodwill	77,159	-
Other	105,600	80,242
Total intangible assets	182,760	80,242
Investments and other assets		
Deferred tax assets	29,420	27,277
Other	811,158	734,877
Allowance for doubtful accounts	(5,400)	(5,400)
Total investments and other assets	835,179	756,754
Total non-current assets	4,153,061	4,047,962
Total assets	17,206,653	18,369,257
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	1,680,871	2,453,279
Electronically recorded obligations-operating	899,494	888,042
Income taxes payable	65,043	165,575
Advances received	1,288,049	2,443,873
Provision for bonuses	259,898	182,874
Provision for directors' bonuses	61,000	40,500
Asset retirement obligations	19,199	-
Other	1,042,018	608,637
Total current liabilities	5,315,576	6,782,782
Non-current liabilities		
Net defined benefit liability	194,094	189,581
Negative goodwill	11,067	-
Asset retirement obligations	4,213	34,749
Other	152,518	115,413
Total non-current liabilities	361,893	339,744
Total liabilities	5,677,469	7,122,526

	(Thousands of yen)	
	FY2/16 (As of Feb. 29, 2016)	Second quarter of FY2/17 (As of Aug. 31, 2016)
Net assets		
Shareholders' equity		
Capital stock	1,035,600	1,035,600
Capital surplus	1,280,522	1,289,513
Retained earnings	9,515,679	9,528,809
Treasury shares	(201,313)	(201,361)
Total shareholders' equity	11,630,488	11,652,562
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	16,600	15,215
Foreign currency translation adjustment	(100,775)	(404,639)
Remeasurements of defined benefit plans	(17,129)	(16,406)
Total accumulated other comprehensive income	(101,304)	(405,830)
Total net assets	11,529,183	11,246,731
Total liabilities and net assets	17,206,653	18,369,257



**(2) Quarterly Consolidated Statements of Income and Comprehensive Income****Quarterly Consolidated Statement of Income****(For the Six-month Period)**

(Thousands of yen)

	First six months of FY2/16 (Mar. 1, 2015 – Aug. 31, 2015)	First six months of FY2/17 (Mar. 1, 2016 – Aug. 31, 2016)
Net sales	7,697,419	8,762,952
Cost of sales	5,266,419	5,900,673
Gross profit	2,431,000	2,862,279
Selling, general and administrative expenses	2,232,108	2,175,001
Operating income	198,892	687,277
Non-operating income		
Interest income	742	1,043
Technical support fee	9,916	4,570
Insurance premiums refunded cancellation	17,238	18,424
Foreign exchange gains	5,482	-
Amortization of negative goodwill	3,897	-
Other	18,116	15,751
Total non-operating income	55,394	39,790
Non-operating expenses		
Interest expenses	1,934	1,401
Foreign exchange losses	-	15,343
Other	122	1,375
Total non-operating expenses	2,056	18,120
Ordinary income	252,229	708,947
Extraordinary income		
Gain on sales of non-current assets	859	7,661
Gain on sales of investment securities	-	14,936
Total extraordinary income	859	22,597
Extraordinary losses		
Loss on retirement of non-current assets	3,236	1,045
Impairment loss	-	1,616
Directors' retirement benefits	-	250,000
Total extraordinary losses	3,236	252,661
Profit before income taxes	249,853	478,882
Income taxes	132,951	172,517
Profit	116,901	306,365
Loss attributable to non-controlling interests	(6,738)	-
Profit attributable to owners of parent	123,639	306,365

**Quarterly Consolidated Statement of Comprehensive Income**  
**(For the Six-month Period)**

	(Thousands of yen)	
	First six months of FY2/16 (Mar. 1, 2015 – Aug. 31, 2015)	First six months of FY2/17 (Mar. 1, 2016 – Aug. 31, 2016)
Profit	116,901	306,365
Other comprehensive income		
Valuation difference on available-for-sale securities	19,843	(1,385)
Foreign currency translation adjustment	(16,797)	(306,458)
Remeasurements of defined benefit plans, net of tax	107	723
Total other comprehensive income	3,153	(307,120)
Comprehensive income	120,055	(755)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	123,883	(755)
Comprehensive income attributable to non-controlling interests	(3,828)	-

**(3) Quarterly Consolidated Statement of Cash Flows**

(Thousands of yen)

	First six months of FY2/16 (Mar. 1, 2015 – Aug. 31, 2015)	First six months of FY2/17 (Mar. 1, 2016 – Aug. 31, 2016)
Cash flows from operating activities		
Profit before income taxes	249,853	478,882
Depreciation	163,759	155,646
Impairment loss	-	1,616
Increase (decrease) in provision for bonuses	(73,932)	(72,126)
Increase (decrease) in provision for directors' bonuses	(6,500)	(20,500)
Interest and dividend income	(4,532)	(4,826)
Interest expenses	1,934	1,401
Foreign exchange losses (gains)	(6,167)	14,028
Loss (gain) on sales of property, plant and equipment	(859)	(7,661)
Loss (gain) on sales of investment securities	-	(14,936)
Loss (gain) on cancellation of insurance contract	(17,238)	(18,424)
Decrease (increase) in notes and accounts receivable-trade	743,475	626,949
Decrease (increase) in inventories	(1,045,469)	(1,326,134)
Decrease (increase) in other assets	65,967	(48,053)
Increase (decrease) in notes and accounts payable-trade	165,756	774,762
Increase (decrease) in advances received	716,863	1,281,051
Increase (decrease) in other liabilities	(179,994)	(353,470)
Other, net	(506)	(4,348)
Subtotal	772,408	1,463,856
Interest and dividend income received	4,532	4,826
Interest expenses paid	(1,934)	(1,401)
Income taxes refund	10,245	107,906
Income taxes paid	(313,147)	(94,638)
Net cash provided by (used in) operating activities	472,104	1,480,549
Cash flows from investing activities		
Proceeds from withdrawal of time deposits	107,280	-
Purchase of property, plant and equipment	(160,877)	(342,315)
Proceeds from sales of property, plant and equipment	-	18,139
Purchase of intangible assets	(955)	-
Purchase of investment securities	(1,107)	(1,118)
Proceeds from sales of investment securities	-	19,256
Payment for purchase of shares of subsidiaries from non-controlling interests	(264,189)	-
Purchase of insurance funds	(1,242)	(1,242)
Proceeds from cancellation of insurance funds	42,940	38,281
Payments for guarantee deposits	-	(10)
Proceeds from collection of guarantee deposits	100	369
Net cash provided by (used in) investing activities	(278,051)	(268,639)

	(Thousands of yen)	
	First six months of FY2/16 (Mar. 1, 2015 – Aug. 31, 2015)	First six months of FY2/17 (Mar. 1, 2016 – Aug. 31, 2016)
Cash flows from financing activities		
Repayments of lease obligations	(31,279)	(31,706)
Cash dividends paid	(257,883)	(215,445)
Dividends paid to non-controlling interests	(10,615)	-
Purchase of treasury shares	-	(47)
Net cash provided by (used in) financing activities	(299,778)	(247,198)
Effect of exchange rate change on cash and cash equivalents	6,024	(106,605)
Net increase (decrease) in cash and cash equivalents	(99,700)	858,104
Cash and cash equivalents at beginning of period	4,548,178	4,042,296
Cash and cash equivalents at end of period	4,448,478	4,900,401

**(4) Notes to Quarterly Consolidated Financial Statements****Going Concern Assumption**

Not applicable.

**Significant Changes in Shareholders' Equity**

Not applicable.

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

I First six months of FY2/16 (Mar. 1, 2015 – Aug. 31, 2015)

**1. Information related to net sales and profit or loss for each reportable segment** (Thousands of yen)

	Machinery Business	Chemicals Business	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales					
(1) External sales	4,992,672	2,704,747	7,697,419	-	7,697,419
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	4,992,672	2,704,747	7,697,419	-	7,697,419
Segment profit	152,314	219,599	371,913	(173,021)	198,892

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 173,021 thousand yen to segment profit includes 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. Segment profit is adjusted to be consistent with operating income recorded in the quarterly consolidated statement of income.

**2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment**

Goodwill of 88,362 thousand yen was booked in the Machinery Business as the Company purchased shares of Freund-Vector Corporation from minority shareholders to make this company a wholly owned subsidiary in the second quarter of FY2/16.

**3. Information by region****Net sales**

In addition to the disclosure of information required by "Accounting Standard for Quarterly Financial Statements," the Company provides information by region (net sales) based on "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" for the purpose of providing investors with useful information.

(Thousands of yen)					
Japan	North America	Latin America	Europe	Other	Total
6,044,122	559,743	257,341	331,564	504,647	7,697,419

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

2. Groupings of countries and regions other than Japan are determined by geographic proximity and mutual operational relationships. Major countries and regions in each geographic segment are as follows.

- (1) North America: US and Canada
- (2) Latin America: Brazil, etc.
- (3) Europe: France, UK, etc.
- (4) Other: Asia, etc.

## II First six months of FY2/17 (Mar. 1, 2016 – Aug. 31, 2016)

## 1. Information related to net sales and profit or loss for each reportable segment (Thousands of yen)

	Machinery Business	Chemicals Business	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales					
(1) External sales	5,697,876	3,065,076	8,762,952	-	8,762,952
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	5,697,876	3,065,076	8,762,952	-	8,762,952
Segment profit	567,585	357,042	924,628	(237,350)	687,277

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 237,350 thousand yen to segment profit includes 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. Segment profit is adjusted to be consistent with operating income recorded in the quarterly consolidated statement of income.

## 2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

## Significant change in goodwill

In the Machinery Business segment, the cumulative effect at the beginning of the first quarter of FY2/17 upon the retrospective adoption of the Accounting Standard for Business Combinations, etc. for prior years is added to or deducted from capital surplus and retained earnings. As a result, goodwill decreased 77,159 thousand yen at the beginning of the first quarter of FY2/17.

## 3. Information related to revisions for reportable segments

As described in Changes in Accounting Policies, in line with revisions to the Corporation Tax Act, the Company has 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. Consequently, the depreciation method for business segments have been revised as well.

The effect of this change on segment profit is insignificant in the first six months of FY2/17.

## 4. Information by region

## Net sales

In addition to the disclosure of information required by “Accounting Standard for Quarterly Financial Statements,” the Company provides information by region (net sales) based on “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” for the purpose of providing investors with useful information.

(Thousands of yen)					
Japan	North America	Latin America	Europe	Other	Total
7,208,667	925,543	179,089	244,632	205,020	8,762,952

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

2. Groupings of countries and regions other than Japan are determined by geographic proximity and mutual operational relationships. Major countries and regions in each geographic segment are as follows.

- (1) North America: US and Canada
- (2) Latin America: Brazil, etc.
- (3) Europe: France, UK, etc.
- (4) Other: Asia, etc.

## 5. Supplementary Information

### Orders and Sales

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

Operating segment	First six months of FY2/16 (Mar. 1, 2015 – Aug. 31, 2015)		First six months of FY2/17 (Mar. 1, 2016 – Aug. 31, 2016)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	6,733,370	108.6	8,406,698	124.9
Chemicals Business	1,140,288	100.2	1,198,762	105.1
Total	7,873,659	107.3	9,605,460	122.0

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	First six months of FY2/16 (Mar. 1, 2015 – Aug. 31, 2015)		First six months of FY2/17 (Mar. 1, 2016 – Aug. 31, 2016)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	8,676,372	119.9	9,765,937	112.6
Chemicals Business	497,170	131.8	453,804	91.3
Total	9,173,542	120.5	10,219,742	111.4

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	First six months of FY2/16 (Mar. 1, 2015 – Aug. 31, 2015)		First six months of FY2/17 (Mar. 1, 2016 – Aug. 31, 2016)	
	Amount	Composition (%)	Amount	Composition (%)
Machinery Business	4,992,672	64.9	5,697,876	65.0
Chemicals Business	2,704,747	35.1	3,065,076	35.0
Total	7,697,419	100.0	8,762,952	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.*