April 8, 2015

Consolidated Financial Results for the Fiscal Year Ended February 28, 2015

[Japanese GAAP]

Company name: Freund Corporation
Listing: Tokyo (JASDAQ)
Securities code: 6312
URL: http://www.freund.co.jp
Representative: Iwao Fusejima, President & COO
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Scheduled date of Annual General Meeting of Shareholders: May 28, 2015
Scheduled date of filing of Annual Securities Report: May 29, 2015
Scheduled date of payment of dividend: May 29, 2015
Preparation of supplementary materials for financial results: Yes
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, 2015 (March 1, 2014 – February 28, 2015)

(1) Consolidated results of operations (Percentages shown for net sales and incomes represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 28, 2015	17,424	(1.1)	1,150	(10.6)	1,249	(6.9)	695	(11.7)
Fiscal year ended Feb. 28, 2014	17,616	7.4	1,286	(12.5)	1,341	(17.1)	787	2.9

Note: Comprehensive income Fiscal year ended Feb. 28, 2015: 1,020 million yen (down 18.9%)
Fiscal year ended Feb. 28, 2014: 1,258 million yen (up 29.4%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income on net sales
	Yen	Yen	%	%	%
Fiscal year ended Feb. 28, 2015	80.72	-	6.6	7.6	6.6
Fiscal year ended Feb. 28, 2014	91.37	-	8.1	8.8	7.3

Reference: Equity in earnings of affiliates Fiscal year ended Feb. 28, 2015: - million yen
Fiscal year ended Feb. 28, 2014: - 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, 2015	17,277	11,180	63.6	1,274.37
As of Feb. 28, 2014	15,550	10,392	65.8	1,187.51

Reference: Equity capital As of Feb. 28, 2015: 10,987 million yen As of Feb. 28, 2014: 10,239 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 period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Feb. 28, 2015	822	(240)	(284)	4,548
Fiscal year ended Feb. 28, 2014	1,227	(423)	(226)	4,107

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Feb. 28, 2014	-	0.00	-	25.00	25.00	215	27.4	2.2
Fiscal year ended Feb. 28, 2015	-	0.00	-	30.00	30.00	258	37.2	2.4
Fiscal year ending Feb. 29, 2016 (forecast)	-	0.00	-	25.00	25.00		26.9	

Note: Breakdown of the year-end dividend for the fiscal year ended Feb. 28, 2015:
Ordinary dividends: 25.00 yen; Commemorative dividends: 5.00 yen

3. Consolidated Forecast for the Fiscal Year Ending February 29, 2016 (March 1, 2015 – February 29, 2016)

(Percentages represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	7,000	(5.0)	250	147.3	260	84.3	135	273.9	15.66
Full year	18,500	6.2	1,350	17.4	1,370	9.6	800	14.9	92.78

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): Yes

Newly added: - Excluded: 1 (Freund Kasei K.K.)

(2) 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 20 "4. Consolidated Financial Statements (5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)" for details.

(3) Number of outstanding shares (common stock)

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

As of Feb.28, 2015: 9,200,000 shares As of Feb. 28, 2014: 9,200,000 shares

2) Number of treasury shares at end of period

As of Feb.28, 2015: 577,722 shares As of Feb. 28, 2014: 577,685 shares

3) Average number of shares outstanding during the period

Fiscal year ended Feb. 28, 2015: 8,622,283 shares Fiscal year ended Feb. 28, 2014: 8,622,358 shares

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2015 (March 1, 2014 – February 28, 2015)

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

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 28, 2015	13,364	(2.4)	1,126	(9.2)	1,338	(1.6)	615	(26.4)
Fiscal year ended Feb. 28, 2014	13,694	1.4	1,241	(8.1)	1,360	(10.0)	836	(3.2)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Feb. 28, 2015	71.38	-
Fiscal year ended Feb. 28, 2014	97.03	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2015	15,218	10,285	67.6	1,192.88
As of Feb. 28, 2014	13,846	9,866	71.3	1,144.27

Reference: Equity capital As of Feb. 28, 2015: 10,285 million yen As of Feb. 28, 2014: 9,866 million yen

Indication of audit procedure implementation status

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

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

Forecasts regarding future performance in these materials are based on assumptions judged to be valid and information available to the Company as of the announcement date of the summary. These statements are not promises by the Company regarding future performance. As such, actual performance may differ significantly from these forecasts for a number of reasons. Please refer to "1. Analysis of Results of Operations and Financial Position, (1) Analysis of Results of Operations" on page 2 of the attachments for further information concerning forecasts.

Contents of Attachments

1. Analysis of Results of Operations and Financial Position

(1) Analysis of Results of Operations

The Japanese economy rebounded during the fiscal year ended on February 28, 2015. Economic and monetary measures by the Japanese government and Bank of Japan held down the yen, which raised corporate earnings. Consumer spending benefited from growth in the number of jobs, higher stock prices and the lower cost of crude oil. The weaker yen had a negative effect on the economy as well by raising the cost of imports. Although the economy recovered, the pace of the recovery was slow and the outlook is uncertain.

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 patent expirations for major products, measures to hold down healthcare expenditures, the higher cost of R&D and higher risks associated with the development of new drugs. Pharmaceutical companies are shifting their attention to emerging countries and to the growing market for generic drugs.

By developing innovative new products, the Freund Group worked on precisely targeting customers' needs. Group companies also aggressively pursued opportunities in new business fields.

Net sales decreased 1.1% year-over-year to 17,424 million yen, operating income dropped 10.6% to 1,150 million yen, ordinary income was down 6.9% to 1,249 million yen, and net income decreased 11.7% to 695 million yen.

Results by business segment were as follows.

Machinery Business Segment

In the machinery segment, where granulating and coating device are the main products, sales and operating income decreased as record-high orders from pharmaceutical companies in Japan were offset by weakness in the industrial machinery category.

At U.S. subsidiary Freund-Vector Corporation, sales were down but operating income increased because of the higher profit margin resulting from sales growth within the United States. At Freund-Turbo Corporation, sales increased as an office was opened in Shinagawa in Tokyo to strengthen sales operations but operating income decreased as operating expenses increased.

As a result of these developments, net sales declined 0.6% year-over-year to 10,941 million yen and segment profit decreased 10.8% year-over-year to 1,108 million yen.

Chemical and Food Business Segment

In the chemical and food sector, there was an increase in sales and operating income because of aggressive sales activities for functional excipients used in oral drugs at generic drug manufacturers. Sales and operating income for food preservatives were higher. One reason was aggressive marketing efforts to overcome heated competition. This performance also reflected the merger with subsidiary Freund Kasei K.K. Sales and operating income decreased for dietary supplements that use Freund's technologies. A reduction in output by a major customer was the main reason.

As a result, net sales dropped 2.0% year-over-year to 6,482 million yen, while segment profit rose 24.9% year-over-year to 474 million yen.

In the fiscal year ending on February 29, 2016, the outlook is for the Japan's economy to recover at a moderate pace as corporate earnings and household income increase. For the global economy, there are concerns about the effects of the end of U.S. quantitative easing, deflation in Europe and the negative effects of lower resource prices on emerging country economies. Overall, the operating environment is expected to remain uncertain.

This is the second year of the Freund Group's sixth medium-term management plan called Change & Challenge, which covers the three-year period ending on February 28, 2017. The central goals of this plan is "realization of growth through creativity and the achievement of a lean business structure in order to advance to the next stage of progress." We will further strengthen sales activities in the machinery and chemical and food sectors, quickly launch new products, and aim for higher sales of our main products. In addition, we will increase measures for the overseas growth of product development activities and sales.

Based on these strategies, we expect sales and operating, ordinary and net income to rise by 6.2%, 17.4%, 9.6% and 14.9% year-over-year to 18,500 million yen, 1,350 million yen, 1,370 million yen and 800 million yen respectively. For the performance of foreign subsidiaries, we assume average foreign exchange rates of 120 yen for the U.S. dollar and 130 yen for the euro during the fiscal year.

(2) Analysis of Financial Position

a. Assets, liabilities and net assets

Assets increased 1,726 million yen over the end of the previous fiscal year to 17,277 million yen at the end of the fiscal year under review. This mainly reflected increases in cash and deposits of 269 million yen, notes and accounts receivable-trade of 857 million yen and construction in progress of 283 million yen.

Liabilities increased 939 million yen over the end of the previous fiscal year to 6,097 million yen at the end of the fiscal year under review. This mainly reflected increases in electronically recorded obligations-operating of 636 million yen and advances received of 315 million yen.

Net assets increased 787 million yen over the end of the previous fiscal year to 11,180 million yen at the end of the fiscal year under review. This mainly reflected increases in retained earnings of 480 million yen and foreign currency translation adjustment of 260 million yen.

b. Cash flows

The balance of cash and cash equivalents at the end of the fiscal year under review was 4,548 million yen, up 440 million yen over the end of the previous fiscal year (this compares with an increase of 719 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 822 million yen (down 33.0% year-over-year). Although there were negative factors including income taxes paid of 417 million yen and an increase in notes and accounts receivable-trade of 781 million yen, there were positive factors including depreciation of 308 million yen, an increase in notes and accounts payable-trade of 345 million yen, an increase in advances received of 252 million yen, and income before income taxes and minority interests of 1,253 million yen.

Cash flows from investing activities

Net cash used in investing activities was 240 million yen (this compares with net cash used of 423 million yen in the previous fiscal year). This was mainly due to the proceeds from withdrawal of time deposits of 689 million yen, while there were payments into time deposits of 521 million yen, and purchase of property, plant and equipment of 453 million yen.

Cash flows from financing activities

Net cash used in financing activities was 284 million yen (this compares with net cash used of 226 million yen in the previous fiscal year). This was mainly the result of cash dividends paid of 215 million yen, and repayments of lease obligations of 63 million yen.

Reference: Trends in cash flow indicators

	FY2/12	FY2/13	FY2/14	FY2/15
Shareholders’ equity ratio (%)	58.3	61.4	65.8	63.6
Shareholders’ equity ratio based on market value (%)	30.1	85.2	65.6	61.9
Interest-bearing debt to cash flow ratio (%)	6.2	10.8	20.0	21.7
Interest coverage ratio (times)	947.4	344.7	252.5	179.7

Notes: Shareholders' equity ratio = Shareholders' equity / Total assets
Shareholders' equity ratio based on market value = Market capitalization / Total assets
Interest-bearing debt to cash flow ratio = Interest-bearing debt / Cash flows
Interest coverage ratio = Cash flows / Interest payments

* All indices are calculated based on consolidated figures.
* Market capitalization is calculated based on the number of shares outstanding (excluding treasury shares).
* Interest-bearing debt includes all debt on the consolidated balance sheet that incur interest.
* Cash flows and interest payments are taken from "Net cash provided by (used in) operating activities" and "Interest expenses paid" on the consolidated statement of cash flows, respectively.

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

Maximizing shareholder value is the highest priority of the Company. 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 properly 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 fiscal year that ended on February 28, 2015, we plan to pay a dividend of 30 yen per share. This is the sum of an ordinary dividend of 25 yen and an additional 5 yen dividend to commemorate our 50th anniversary. For the fiscal year ending on February 29, 2016, we plan to pay a dividend of 25 yen per share.

We will use retained earnings for the fiscal year ended February 28, 2015 for investments to make our operations stronger, enter new business domains and other activities that contribute to future growth.

(4) Business and Other Risks

The business operations of the Freund Group are vulnerable to many types of risks as explained below. If any of these events occur, there may be an unexpected impact on results of operations. We are aware of these risk factors and do everything possible to prevent the occurrence of these risks. In addition, we are prepared to take speedy and proper measures at the occurrence of these risks. Note that this section does not cover all risk factors at the Freund Group.

Forward-looking statements in this section are based on information available as of February 28, 2015.

a. Risks involving changes in the pharmaceutical industry

Products sold to the pharmaceutical industry accounted for the majority of sales in the current fiscal year.

Many activities are taking place in Japan and overseas for the reorganization of the pharmaceutical industry. In addition, countries are taking actions aimed at holding down healthcare expenditures. These changes in the pharmaceutical industry may have an effect on results of operations.

b. Risks involving price competition

In the machinery business segment, there is an increasing risk of fierce competition based on prices. There may be heated competition as other companies cut prices, engineering companies enter this market, or manufacturers in China and Southeast Asia sell machinery with low prices. We are responding to this competition with cost reductions and other measures to prevent a decline in profit margins. However, unexpected price competition may have an effect on results of operations.

c. Risks involving supplier and customer relationships

In the machinery business segment in Japan, manufacturing operations are highly dependent on a particular alliance partner. In the chemical and food business segment, major suppliers account for an increasing percentage of sales of dietary supplements. If there is a significant change in the manufacturing, technological capabilities or the business operations of an alliance partner or in demand at major buyers of Freund Group products, there may be an effect on results of operations.

d. Risks involving alliances with strategic partners

The Freund Group has established many strategic alliances with companies involving the development of technologies and products, improvements and modifications of current products, and other activities. If an alliance partner revises its strategic goals or experiences a financial or other problem associated with its operations, the alliance may no longer be sustainable. Ending an alliance may have an effect on results of operations.

e. Risks involving intellectual property

Research and development is a vital component of the Freund Group and there is a department that is responsible solely for the management of intellectual property. We have a rigorous framework for the management of patents and other intellectual property. However, competitors and other companies may infringe on our intellectual property right in association with our business operations in Japan or overseas. If there is an infringement of our intellectual property right by a third-party, we may lose the earnings that were expected from a particular business activity. Furthermore, if a product of the Freund Group violates the intellectual property right of a third party, the resulting dispute may have an effect on results of operations.

f. Risks involving product liability

The Freund Group has a commitment to supplying customers with highly reliable products and services. However, a defect or other problem involving a product or service may occur. Although we have liability insurance for the products we manufacture, exposure to a problem not covered by insurance or the damage to the group's reputation caused by a problem involving a product or service may have an effect on results of operations.

g. Risks involving regulations

The worldwide operations of the Freund Group are subject to a variety of laws and regulations concerning business licenses, export and import restrictions, and many other aspects of business activities. In addition, we must comply with laws and regulations for commerce, fair trade, patents, consumer protection, taxes, foreign exchange, the environment and other areas. Furthermore, these laws and regulations may be revised at any time. Although we monitor events involving these laws and regulations, restrictions may be imposed on our business activities or we may have to pay fines or be penalized in other ways if we violate a law or regulation. Any of these events may have an effect on results of operations.

h. Risks involving human resources

The Freund Group must recruit and retain skilled employees for the development of new products, product sales and other activities. Group companies conduct periodic recruiting activities, mainly by hiring graduates of technical universities. We also have training programs to upgrade the skills of employees. In the event that we are unable to recruit skilled engineers or salespeople or that we are unable to retain these employees, there may be an effect on results of operations due to the inability to achieve the group's business objectives.

i. Risks involving foreign exchange rate volatility

The Freund Group uses numerous measures to reduce or avoid risks involving foreign exchange rates. However, as overseas sales increase with the increasingly global nature of business operations, sharp exchange rate movements may have an effect on results of operations.

Income statement, balance sheet and other financial data of overseas consolidated subsidiaries are denominated in the currencies where these subsidiaries are located. Since these figures are converted into yen to prepare the consolidated financial statements, the exchange rates used for these conversions may have an effect on the yen-denominated values.

j. Risks involving natural disasters

An earthquake or other natural disaster may severely damage a factory, equipment or other facilities of the Freund Group. Although we have fire, earthquake and other insurance, the coverage of these policies is limited. If sales decline because operations are suspended or there are delays in manufacturing or shipments, or if there are substantial expenses for repairs to a factory or other facility, there may be an effect on results of operations.

k. Risks involving asset impairment

The Freund Group may be required to recognize an impairment loss on non-current assets if a significant deterioration in the operating environment lowers the profitability of a business unit, if there is a large decline in the market price of a product, or in certain other events. These charges may have an effect on results of operations.

l. Risks involving overseas business activities

The Freund Group has business operations in the United States, Europe and other areas outside Japan. These operations are vulnerable to a number of risk factors that include, but are not limited to, the following items: (a) the unexpected enactment of laws and regulations or tax revisions that have a negative effect on the group; (b) unfavorable political or economic developments; (c) difficulty recruiting new employees; (d) social turmoil caused by terrorism, wars, infectious diseases or other problems; and (e) a change in the operating environment or competitive circumstances. If any of these problems unexpectedly prevents the group from doing business, there may be an effect on results of operations.

2. Corporate Group

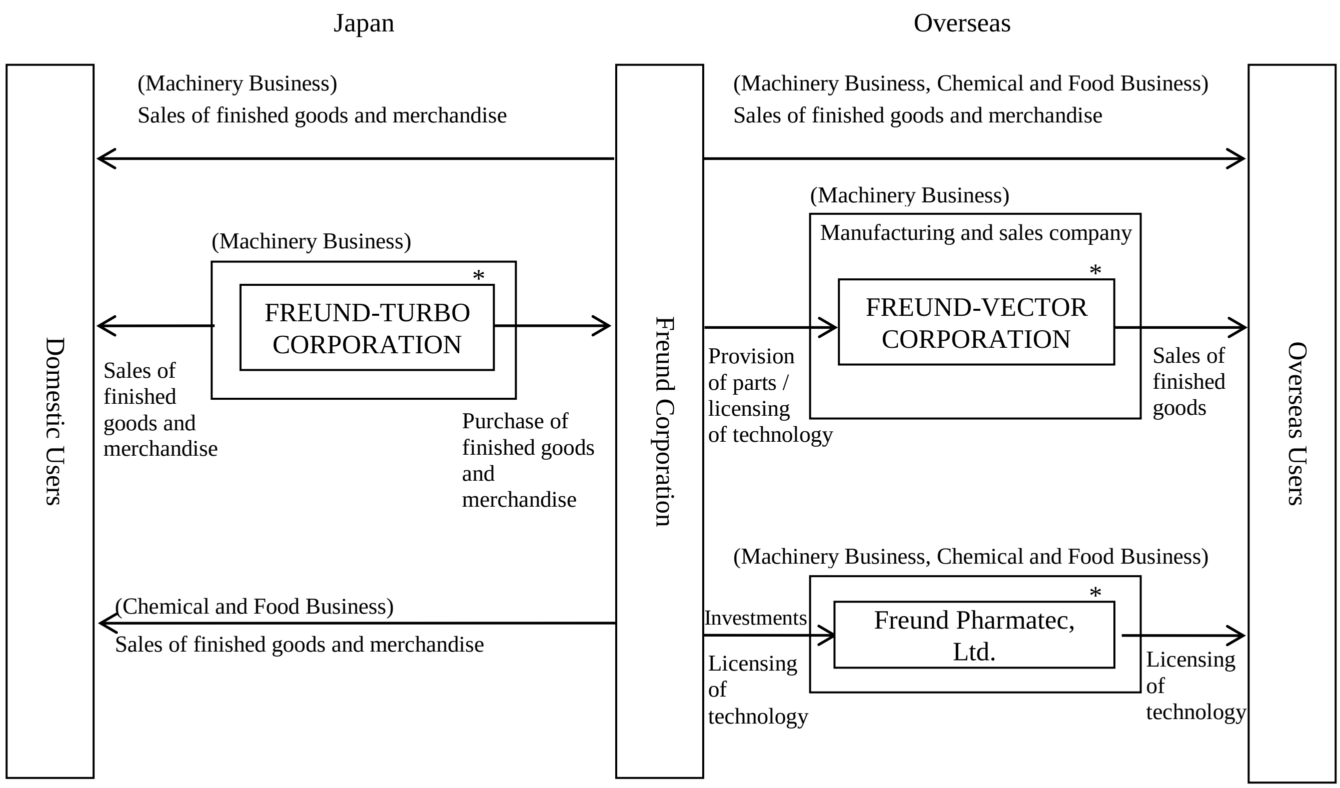
The Freund Group consists of Freund Corporation and three consolidated subsidiaries. Group companies manufacture and sell machinery and chemical and food products and produce trial drugs for other companies.

The table below lists these business activities and the positioning of each group company with respect to these activities.

There is no difference between the business categories and business segments of the Freund Group.

Category	Major product	Major company	
Machinery Business	Granulating devices Construction of granulating machinery plants Measuring instruments and parts Outsourced granulation of synthetic resins	Manufacturing and sales	Freund Corporation FREUND-VECTOR CORPORATION FREUND-TURBO CORPORATION
Chemical and Food Business	Pharmaceutical excipients and nutritional supplements	Manufacturing and sales	Freund Corporation
	Food preservatives	Manufacturing and sales	Freund Corporation
	R&D, formulation studies and other projects for pharmaceuticals, food, chemicals and other products	Outsourcing	Freund Corporation
	Development and technology licensing of new dosage forms of pharmaceutical products	Development and technology licensing of new dosage forms of pharmaceutical products	Freund Pharmatec, Ltd.

The diagram below is a flow chart of the activities of the Freund Group.



Note: * Consolidated subsidiaries

3. Management Policies

(1) Basic Management Policy

Since our founding in 1964, we have used our core granulation and coating technologies to concentrate on research and development that utilizes our technology creation skills for both innovative machinery (hardware) and pharmaceutical formulation technologies (software).

Based on our philosophy of “Develop the Future through Creativity,” we use these strengths for creation in the following five areas.

1) Create innovative products

2) Create new market needs by using foresight

3) Create a management structure that can invigorate our organization

4) Create the spirit of taking on difficult challenges

5) Create enriching and fulfilling relationships with other people

As a research and development driven organization, the Freund Group’s business activities are underpinned by creativity and the determination to overcome challenges. Our goals are to achieve sound growth and build an even more powerful foundation for our operations. We are also dedicated to maintaining strong relationships with shareholders, customers, employees and all other shareholders and to make a meaningful contribution to society.

(2) Performance Targets

To become more profitable, we place the highest priority on operating income growth. For improving profitability while increasing sales, our medium to long-term targets are an operating margin of 10% and return on equity of at least 8%. We want to grow while maintaining the proper balance between sales and our profit margin.

From the standpoint of efficiency, we want to raise operating income as a percentage of total assets as a means of checking the utilization of our assets and our earnings power. We will also reexamine our personnel systems in order to alter the mindset of every employee. Another goal is raising operating income per employee by creating value through stronger ties between development/technology and sales sections.

(3) Medium- and Long-term Management Strategy

The goal of the Sixth Medium-term Management Plan, which covers the three-year period ending on February 28, 2017, is to achieve more growth. We reviewed the targets of the previous management plan that we did not reach and established the following priority theme for the current plan: Change & Challenge for a second founding to become a 100-year company. The central strategic objective of the plan is “realization of growth through creativity and the achievement of a lean business structure in order to advance to the next stage of progress.” By concentrating all of the group’s energy on this objective, we aim to increase net sales to 23 billion yen and operating income to 2.3 billion yen by the fiscal year ending on February 28, 2017. To streamline operations, in the fiscal year that ended on February 28, 2015, the Company merged with a subsidiary that manufactures food preservatives, U.S. subsidiary Freund-Vector Corporation opened a testing facility in Milan, Italy, and made capital investments that included the expansion of a factory. In the current fiscal year, net sales were 17,424 million yen, 75.8% of the target for the February 2017 fiscal year, and operating income was 1,150 million yen, which was 50.0% of the target.

(4) Challenges

In the pharmaceutical industry, there are growing expectations and needs involving pharmaceuticals because of economic growth in emerging countries and the aging of populations worldwide. At the same time, the operating environment is changing drastically. There are challenges due to the increasing difficulty of R&D for treatments for difficult diseases and measures by countries to hold down healthcare expenditures because of their tight budgets. In addition, there are many sources of concern about the global economy. For example, there are worries about the effects of the end of U.S. quantitative easing, deflation in Europe and the negative impact of falling natural resource prices on the economies of emerging countries. Consequently, the operating environment is expected to remain uncertain.

The Freund Group's goal is to increase synergies from the machinery business and chemical and food business. We plan to use these synergies to differentiate ourselves from competitors as we achieve more growth in our current operations and actively enter into new businesses. One priority is dealing with issues at Freund Pharmatec Ltd., which was established in 2010 in Ireland to develop new drug formulations. Unfortunately, this company is taking longer than expected to contribute to our consolidated performance. For overseas growth, we plan to enlarge global sales channels and increase corporate value of our entire group, including the U.S. and European subsidiaries.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY2/14 (As of Feb. 28, 2014)	FY2/15 (As of Feb. 28, 2015)
Assets		
Current assets		
Cash and deposits	4,600,568	4,870,566
Notes and accounts receivable-trade	*1 4,409,286	*1, *2 5,266,889
Electronically recorded monetary claims-operating	-	5,578
Merchandise and finished goods	*1 202,036	*1 296,478
Work in process	*1 937,572	*1 931,971
Raw materials and supplies	*1 535,596	*1 543,437
Prepaid expenses	123,403	120,830
Deferred tax assets	210,076	256,424
Other	345,239	527,353
Allowance for doubtful accounts	(32,670)	(37,370)
Total current assets	11,331,109	12,782,160
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,606,158	2,650,606
Accumulated depreciation	(1,614,554)	(1,565,998)
Buildings and structures, net	*1 991,603	*1 1,084,608
Machinery, equipment and vehicles	1,294,157	1,269,842
Accumulated depreciation	(883,920)	(911,476)
Machinery, equipment and vehicles, net	410,237	358,366
Land	*1 1,327,906	*1 1,330,712
Construction in progress	20,662	304,404
Other	986,001	1,118,794
Accumulated depreciation	(684,285)	(793,149)
Other, net	301,715	325,644
Total property, plant and equipment	3,052,125	3,403,736
Intangible assets		
Software	175,042	144,494
Other	3,258	2,417
Total intangible assets	178,301	146,911
Investments and other assets		
Investment securities	315,502	348,501
Business insurance funds	340,161	314,785
Deferred tax assets	157,619	137,768
Other	187,005	148,984
Allowance for doubtful accounts	(11,296)	(5,400)
Total investments and other assets	988,992	944,640
Total non-current assets	4,219,419	4,495,288
Total assets	15,550,529	17,277,448

(Thousands of yen)

	FY2/14 (As of Feb. 28, 2014)	FY2/15 (As of Feb. 28, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,068,855	*2 1,833,333
Electronically recorded obligations-operating	317,482	*2 953,608
Lease obligations	65,017	64,753
Income taxes payable	170,561	332,544
Accrued consumption taxes	64,701	87,921
Accrued expenses	376,966	386,453
Advances received	926,851	1,242,586
Provision for bonuses	197,204	233,683
Provision for directors' bonuses	65,000	59,000
Asset retirement obligations	22,000	-
Other	128,084	233,351
Total current liabilities	4,402,725	5,427,236
Non-current liabilities		
Long-term accounts payable-other	330,859	309,143
Lease obligations	179,849	113,498
Provision for retirement benefits	176,520	-
Net defined benefit liability	-	187,425
Negative goodwill	26,656	18,862
Asset retirement obligations	15,253	15,555
Other	25,773	25,488
Total non-current liabilities	754,912	669,973
Total liabilities	5,157,637	6,097,209
Net assets		
Shareholders' equity		
Capital stock	1,035,600	1,035,600
Capital surplus	1,280,522	1,280,522
Retained earnings	8,335,593	8,816,001
Treasury shares	(201,269)	(201,313)
Total shareholders' equity	10,450,446	10,930,810
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,934	34,183
Foreign currency translation adjustment	(226,280)	34,187
Remeasurements of defined benefit plans	-	(11,208)
Total accumulated other comprehensive income	(211,346)	57,162
Minority interests	153,791	192,266
Total net assets	10,392,891	11,180,239
Total liabilities and net assets	15,550,529	17,277,448

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Net sales	17,616,284	17,424,279
Cost of sales	12,377,597	11,978,398
Gross profit	5,238,686	5,445,881
Selling, general and administrative expenses	*1, *2 3,952,140	*1, *2 4,295,538
Operating income	1,286,546	1,150,342
Non-operating income		
Interest income	1,695	2,202
Dividend income	4,716	4,853
Technical support fee	15,068	15,285
Rent income	3,824	2,472
Insurance premiums refunded cancellation	-	13,570
Foreign exchange gains	12,679	44,839
Amortization of negative goodwill	7,794	7,794
Other	15,069	15,677
Total non-operating income	60,847	106,696
Non-operating expenses		
Interest expenses	4,860	4,578
Provision of allowance for doubtful accounts	-	1,750
Other	604	1,168
Total non-operating expenses	5,464	7,496
Ordinary income	1,341,929	1,249,542
Extraordinary income		
Gain on sales of non-current assets	*3 4,665	*3 10,030
Total extraordinary income	4,665	10,030
Extraordinary losses		
Loss on sales of non-current assets	-	*4 375
Loss on retirement of non-current assets	*5 616	*5 2,407
Impairment loss	22,533	-
Loss on valuation of investment securities	-	1,800
Loss on valuation of golf club membership	-	525
Loss on cancellation of leases	-	1,400
Total extraordinary losses	23,149	6,507
Income before income taxes and minority interests	1,323,445	1,253,065
Income taxes-current	441,615	561,983
Income taxes-deferred	78,792	(25,214)
Total income taxes	520,408	536,768
Income before minority interests	803,036	716,297
Minority interests in income	15,194	20,330
Net income	787,841	695,966

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Income before minority interests	803,036	716,297
Other comprehensive income		
Valuation difference on available-for-sale securities	568	19,248
Foreign currency translation adjustment	454,520	284,602
Total other comprehensive income	455,088	303,851
Comprehensive income	*1 1,258,125	*1 1,020,148
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,216,281	975,683
Comprehensive income attributable to minority interests	41,844	44,465

(3) Consolidated Statement of Changes in Equity

FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)

(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	1,282,890	7,720,198	(201,146)	9,837,542
Changes of items during period					
Dividends of surplus			(172,447)		(172,447)
Net income			787,841		787,841
Purchase of treasury shares				(122)	(122)
Changes due to purchase of shares in a foreign subsidiary from minority shareholders		(2,367)			(2,367)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(2,367)	615,394	(122)	612,904
Balance at end of current period	1,035,600	1,280,522	8,335,593	(201,269)	10,450,446

(Thousands of yen)

	Accumulated other comprehensive income			Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of current period	14,365	(654,152)	(639,786)	117,506	9,315,262
Changes of items during period					
Dividends of surplus					(172,447)
Net income					787,841
Purchase of treasury shares					(122)
Changes due to purchase of shares in a foreign subsidiary from minority shareholders					(2,367)
Net changes of items other than shareholders' equity	568	427,871	428,439	36,285	464,725
Total changes of items during period	568	427,871	428,439	36,285	1,077,629
Balance at end of current period	14,934	(226,280)	(211,346)	153,791	10,392,891

FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)

(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	1,280,522	8,335,593	(201,269)	10,450,446
Changes of items during period					
Dividends of surplus			(215,557)		(215,557)
Net income			695,966		695,966
Purchase of treasury shares				(44)	(44)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	480,408	(44)	480,363
Balance at end of current period	1,035,600	1,280,522	8,816,001	(201,313)	10,930,810

(Thousands of yen)

	Accumulated other comprehensive income				Minority 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	14,934	(226,280)	-	(211,346)	153,791	10,392,891
Changes of items during period						
Dividends of surplus						(215,557)
Net income						695,966
Purchase of treasury shares						(44)
Net changes of items other than shareholders' equity	19,248	260,468	(11,208)	268,509	38,474	306,983
Total changes of items during period	19,248	260,468	(11,208)	268,509	38,474	787,347
Balance at end of current period	34,183	34,187	(11,208)	57,162	192,266	11,180,239

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	1,323,445	1,253,065
Depreciation	303,794	308,370
Impairment loss	22,533	-
Loss (gain) on valuation of investment securities	-	1,800
Loss on valuation of golf club memberships	-	525
Increase (decrease) in provision for bonuses	(39,709)	28,511
Increase (decrease) in provision for directors' bonuses	(21,000)	(6,000)
Increase (decrease) in allowance for doubtful accounts	(1,022)	(5,896)
Interest and dividend income	(6,411)	(7,056)
Interest expenses	4,860	4,578
Foreign exchange losses (gains)	(23,248)	(44,585)
Loss (gain) on sales of property, plant and equipment	(4,665)	(9,655)
Loss (gain) on cancellation of insurance contract	220	(13,570)
Decrease (increase) in notes and accounts receivable-trade	453,171	(781,365)
Decrease (increase) in inventories	552,870	12,959
Decrease (increase) in other assets	(125,574)	(193,148)
Increase (decrease) in notes and accounts payable-trade	(113,810)	345,984
Increase (decrease) in advances received	(447,750)	252,409
Increase (decrease) in other liabilities	103,404	36,843
Other, net	(6,715)	(5,084)
Subtotal	1,974,390	1,178,685
Interest and dividend income received	6,411	7,056
Interest expenses paid	(4,860)	(4,578)
Income taxes refund	56,846	59,393
Income taxes paid	(805,487)	(417,810)
Net cash provided by (used in) operating activities	1,227,300	822,746
Cash flows from investing activities		
Payments into time deposits	(441,252)	(521,050)
Proceeds from withdrawal of time deposits	259,560	689,470
Purchase of property, plant and equipment	(264,478)	(453,659)
Payments for retirement of property, plant and equipment	(457)	(43)
Proceeds from sales of property, plant and equipment	22,212	28,636
Purchase of intangible assets	(5,704)	(14,497)
Purchase of investment securities	(2,037)	(2,068)
Purchase of insurance funds	(4,557)	(4,171)
Proceeds from cancellation of insurance funds	12,655	43,118
Payments for guarantee deposits	(396)	(3,564)
Proceeds from collection of guarantee deposits	656	19,853
Repayments of guarantee deposits received	(255)	(285)
Proceeds from guarantee deposits received	255	-
Payments for asset retirement obligations	-	(22,000)
Net cash provided by (used in) investing activities	(423,797)	(240,261)

(Thousands of yen)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Cash flows from financing activities		
Purchase of treasury shares	(122)	(44)
Proceeds from sales and leasebacks	13,104	-
Repayments of lease obligations	(59,494)	(63,312)
Cash dividends paid	(172,238)	(215,217)
Cash dividends paid to minority shareholders	-	(5,990)
Purchase of treasury shares of subsidiaries	(7,857)	-
Net cash provided by (used in) financing activities	(226,608)	(284,565)
Effect of exchange rate change on cash and cash equivalents	142,555	142,859
Net increase (decrease) in cash and cash equivalents	719,450	440,779
Cash and cash equivalents at beginning of period	3,387,948	4,107,398
Cash and cash equivalents at end of period	*1 4,107,398	*1 4,548,178

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 4

Domestic subsidiaries: 1

Freund-Turbo Corporation

Foreign subsidiaries: 3

Freund International, Ltd.
Freund-Vector Corporation
Freund Pharmatec, Ltd.

Freund Kasei K.K., which was a consolidated subsidiary of the Company at the end of February 2014, was excluded from the scope of consolidation as the Company absorbed this subsidiary on March 1, 2014.
An absorption-type merger was conducted on January 1, 2015 between Freund-Vector Corporation and Freund International, Ltd., with Freund-Vector Corporation to act as the surviving company.

2. Fiscal year of consolidated subsidiaries

The fiscal year end of the domestic and foreign consolidated subsidiaries is December 31.

The consolidated financial statements include the financial statements of consolidated subsidiaries as of December 31, and necessary adjustments have been made for the consolidation concerning material transactions arising between this date and the consolidated balance sheet date.

3. Accounting policies

(1) Valuation standards and methods for principal assets

1) Marketable securities

Available-for-sale securities

Available-for-sale securities with market quotations

Stated at fair value at the end of the fiscal year. (Unrealized gain or loss is included in net assets. Cost of securities sold is determined by the moving-average method.)

Available-for-sale securities without market quotations

Stated at cost determined by the moving-average method.

2) Derivatives

Stated at fair value.

3) Inventories

The Company and its domestic consolidated subsidiary

i. Merchandise and raw materials

Mainly stated at cost determined by the gross average method. (The carrying value on the balance sheet is written down to reflect the effect of lower profit margins.)

ii. Finished goods and work in process

Machinery Business Segment
Stated at cost determined by the specific identification method. (The carrying value on the balance sheet is written down to reflect the effect of lower profit margins.)

Chemical & Food Business Segment

Stated at cost determined by the gross average method. (The carrying value on the balance sheet is written down to reflect the effect of lower profit margins.)

Foreign consolidated subsidiaries

Stated at the lower of the cost or market, cost being determined by the first-in first-out method.

(2) Depreciation and amortization of significant depreciable assets

1) Property, plant and equipment (excluding leased assets)

The Company and its domestic consolidated subsidiary

Declining-balance method, except for buildings acquired on or after April 1, 1998 (excluding attached structures) on which depreciation is calculated by the straight-line method.

Useful life of principle assets is as follows:

Buildings and structures:	3 - 47 years
Machinery, equipment and vehicles:	2 - 15 years

Foreign consolidated subsidiaries

Straight-line method.

2) Intangible assets (excluding leased assets)

The Company and its domestic consolidated subsidiary

Straight-line method.

Software for internal use is amortized over an expected internal useful life of five years by the straight-line method.

Foreign consolidated subsidiaries

Straight-line method.

3) Leased assets

Lease assets associated with finance lease transactions where there is no transfer of ownership

The straight-line method with no residual value is applied over the lease period used as the useful life of the assets. Those finance lease transactions that do not transfer ownership and also commenced before the application of "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan (ASBJ) Statement No. 13) is accounted for as ordinary rental transactions.

(3) Recognition of significant allowances

1) Allowance for doubtful accounts

The Company and its domestic consolidated subsidiaries

To prepare for credit losses on accounts receivable, allowances equal to the estimated amount of uncollectible receivables are provided for general receivables based on the historical write-off ratio, and bad receivables based on case-by-case determination of collectibility.

Foreign consolidated subsidiaries

To prepare for credit losses on accounts receivable, allowances are provided based on case-by-case determination of collectibility.

2) Provision for bonuses

To provide for accrued bonuses for employees, an allowance is provided at the amount based on the estimated bonus obligations.

3) Provision for directors' bonuses

To provide for directors' bonuses, an allowance is provided in the amount based on the estimated bonus obligations.

(4) Accounting method for retirement benefits

1) Method of attributing estimated retirement benefit obligations to periods

In calculation of retirement benefit obligations, the Company uses the periodic straight line method for attributing estimated retirement benefit obligations to periods.

2) Amortization of actuarial differences and past service costs

Past service cost is amortized by the straight-line method over a certain period (10 years) within estimated average remaining years of service of the eligible employees.

Actuarial differences are amortized and charged to expense in the year following the fiscal year in which such gain or loss is recognized by the straight-line method over a certain period (10 years) which is within the estimated average remaining years of service of the eligible employees.

(5) Recognition of significant revenues and expenses

Accounting standards for recording amounts of completed work and cost of completed work

a. Contracted work of which the outcome can be reliably estimated

The percentage-of-completion standard (with the percentage of completion estimated on the cost-to-cost basis).

b. Other contracted works

The completed-contract standard.

(6) Translation of significant foreign currency-denominated assets and liabilities

Monetary claims and debts denominated in foreign currencies are translated into yen at the spot exchange rates on the fiscal year-end date, with the differences resulting from such translations recorded as losses or profits. The assets and liabilities of overseas subsidiaries, etc. are translated into yen at the spot exchange rates prevailing on the fiscal year-end date, and their income and expenses are translated into yen at the average exchange rate prevailing over the period, with the differences arising from any translation included in the foreign currency translation adjustment and the minority interests in net assets.

(7) Method and period of goodwill amortization

Goodwill and negative goodwill recognized on and before March 31, 2010 are amortized over 10 years by the straight-line method.

(8) Scope of cash and cash equivalents on consolidated statement of cash flows

Cash and cash equivalents consist of cash on hand and bank deposits which can be withdrawn at any time and short-term investments with the duration of three months or less which can be easily converted to cash and are exposed to little risk of change in value.

(9) Accounting for consumption taxes

All amounts stated are exclusive of consumption taxes.

Changes in Accounting Policies

Following the application of the "Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012; excluding the provisions set forth in Clause 35) and "Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012; excluding the provisions set forth in Clause 67)," the Company has changed its accounting treatment to record the retirement benefit obligations as a net defined benefit liability after deducting plan assets, and recorded the unrecognized actuarial differences and unrecognized past service costs as a net defined benefit liability from the current fiscal year.

For the application of this accounting standard, in accordance with the transitional accounting treatments set forth in Clause 37 of the Accounting Standard for Retirement Benefits, the monetary effect of this change has been included in the remeasurements of defined benefit plans of accumulated other comprehensive income at the end of the current fiscal year.

The result was a net defined benefit liability of 187,425 thousand yen, and a decrease of 11,208 thousand yen in accumulated other comprehensive income at the end of the current fiscal year.

Net assets per share decreased 1.30 yen.

Notes to Consolidated Balance Sheet

*1. Assets pledged as collateral and liabilities with collateral

Assets pledged as collateral (Thousands of yen)

	FY2/14 (As of Feb. 28, 2014)	FY2/15 (As of Feb. 28, 2015)
Notes and accounts receivable-trade	786,649	642,254
Merchandise and finished goods	98,468	98,473
Work in process	317,699	476,685
Raw materials and supplies	303,988	297,993
Buildings	437,237	404,587
Land	1,051,787	1,003,028
Total	2,995,831	2,923,024

Liabilities with collateral

There are no corresponding liabilities.

*2. Notes receivable/payable maturing on the balance sheet date

Notes receivable/payable maturing on the balance sheet date is treated as if they were settled at the clearing date of notes. Consequently, as the balance sheet date was a bank holiday, the following notes receivable/payable maturing on the balance sheet date were included in the ending balance of notes receivable/payable of the fiscal year.

(Thousands of yen)

	FY2/14 (As of Feb. 28, 2014)	FY2/15 (As of Feb. 28, 2015)
Notes receivable-trade	-	30,359
Notes payable-trade	-	56,640
Electronically recorded obligations-operating	-	147,516

Notes to Consolidated Statement of Income

*1. Major items of selling, general and administrative expenses (Thousands of yen)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Salaries and allowances	1,066,532	1,039,381
Provision for bonuses	137,871	157,578
Provision for directors' bonuses	65,000	59,000
Retirement benefit expenses	46,902	48,562
Depreciation	169,002	156,423
Research and development expenses	464,097	592,613

*2. Total amount of research and development expenses included in general and administrative expenses (Thousands of yen)

FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
464,097	592,613

*3. Gain on sales of non-current assets (Thousands of yen)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Vehicles	2,305	-
Machinery and equipment	503	9,471
Tools, furniture and fixtures	1,856	559
Total	4,665	10,030

*4. Loss on sales of non-current assets (Thousands of yen)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Facilities attached to buildings	-	0
Machinery and equipment	-	341
Tools, furniture and fixtures	-	34
Total	-	375

*5. Loss on retirement of non-current assets (Thousands of yen)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Buildings	391	-
Facilities attached to buildings	-	2,046
Structures	-	0
Machinery and equipment	17	193
Vehicles	-	0
Tools, furniture and fixtures	206	167
Total	616	2,407

Notes to Consolidated Statement of Comprehensive Income

*1. Re-classification adjustments and tax effect with respect to other comprehensive income

(Thousands of yen)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Valuation difference on available-for-sale securities:		
Amount incurred during the year	882	29,889
Re-classification adjustments	-	-
Before tax effect adjustments	882	29,889
Tax effect	(314)	(10,640)
Valuation difference on available-for-sale securities	568	19,248
Foreign currency translation adjustment:		
Amount incurred during the year	454,520	284,602
Total other comprehensive income	455,088	303,851

Notes to Consolidated Statement of Changes in Equity

FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)

1. Type of share and the number of outstanding shares and treasury shares (Shares)

	Number of shares as of Mar. 1, 2013	Increase	Decrease	Number of shares as of Feb. 28, 2014
Outstanding shares				
Common stock	9,200,000	-	-	9,200,000
Total	9,200,000	-	-	9,200,000
Treasury shares				
Common stock	577,620	65	-	577,685
Total	577,620	65	-	577,685

Note: The increase in the number of treasury shares of common stock is due to the purchase of odd-lot shares.

2. Dividends

(1) Dividend payment

Resolution	Type of share	Total dividends (Thousands of yen)	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders on May 29, 2013	Common stock	172,447	20	February 28, 2013	May 30, 2013

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Total dividends (Thousands of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders on May 29, 2014	Common stock	215,557	Retained earnings	25	February 28, 2014	May 30, 2014

FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)

1. Type of share and the number of outstanding shares and treasury shares (Shares)

	Number of shares as of Mar. 1, 2014	Increase	Decrease	Number of shares as of Feb. 28, 2015
Outstanding shares				
Common stock	9,200,000	-	-	9,200,000
Total	9,200,000	-	-	9,200,000
Treasury shares				
Common stock (Note)	577,685	37	-	577,722
Total	577,685	37	-	577,722

Note: The increase in the number of treasury shares of common stock is due to the purchase of odd-lot shares.

2. Dividends

(1) Dividend payment

Resolution	Type of share	Total dividends (Thousands of yen)	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders on May 29, 2014	Common stock	215,557	25	February 28, 2014	May 30, 2014

(2) Dividends with a record date in the current fiscal year but an effective date in the following fiscal year

Resolution	Type of share	Total dividends (Thousands of yen)	Source of dividends	Dividend per share (yen)	Record date	Effective date
Annual General Meeting of Shareholders on May 28, 2015	Common stock	258,668	Retained earnings	30	February 28, 2015	May 29, 2015

Notes to Consolidated Statement of Cash Flows

*1. Reconciliation between cash and cash equivalents at the end of the fiscal year and amounts on the consolidated balance sheet is made as follows.

(Thousands of yen)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Cash and deposits	4,600,568	4,870,566
Time deposit with maturities over 3 months	(493,170)	(322,388)
Cash and cash equivalents	4,107,398	4,548,178

Segment and Other Information

a. 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 and foods. Consequently, the Group has two reportable business segments: the Machinery Business and the Chemical and Food 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

Chemical and Food Business: Pharmaceutical excipients and nutritional supplements; food preservatives; R&D, formulation studies and other projects for pharmaceuticals, food, chemicals and other products; and development and technology licensing of new dosage forms of pharmaceutical 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 is generally the same as those described in “Significant Accounting Policies in the Preparation of Consolidated Financial Statements.”

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

FY2/14 (Mar. 1, 2013 – Feb. 28, 2014) (Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amounts recorded in consolidated financial statements (Note 2)
	Machinery Business	Chemical and Food Business	Total		
Net sales					
External sales	11,004,633	6,611,650	17,616,284	-	17,616,284
Inter-segment sales and transfers	-	-	-	-	-
Total	11,004,633	6,611,650	17,616,284	-	17,616,284
Segment profit	1,242,320	379,495	1,621,815	(335,268)	1,286,546
Segment assets	6,803,274	4,942,935	11,746,209	3,804,319	15,550,529
Other items					
Depreciation	159,858	133,112	292,971	10,823	303,794
Increase in property, plant and equipment and intangible assets	277,120	155,049	432,169	45,270	477,440

Notes: 1. Contents of adjustments are as follows.

(1) The negative adjustment of 335,268 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) The 3,804,319 thousand yen adjustment to segment assets includes corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of the Company’s surplus funds (cash in hand and in banks), long-term investment funds (investment securities and insurance funds), and assets of the administrative operations of the Company.

(3) The 10,823 thousand yen adjustment to depreciation includes depreciation of corporate assets that are not allocated to reportable segments.

(4) The 45,270 thousand yen adjustment to increase in property, plant and equipment and intangible assets is the sum of corporate assets that are not allocated to reportable segments.

2. Segment profit is adjusted to be consistent with operating income recorded in the consolidated statement of income.

FY2/15 (Mar. 1, 2014 – Feb. 28, 2015) (Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amounts recorded in consolidated financial statements (Note 2)
	Machinery Business	Chemical and Food Business	Total		
Net sales					
External sales	10,941,689	6,482,590	17,424,279	-	17,424,279
Inter-segment sales and transfers	-	-	-	-	-
Total	10,941,689	6,482,590	17,424,279	-	17,424,279
Segment profit	1,108,509	474,125	1,582,635	(432,293)	1,150,342
Segment assets	8,447,544	4,347,316	12,794,861	4,482,587	17,277,448
Other items					
Depreciation	171,017	126,658	297,675	10,695	308,370
Increase in property, plant and equipment and intangible assets	484,001	56,745	540,746	5,185	545,931

Notes: 1. Contents of adjustments are as follows.

(1) The negative adjustment of 432,293 thousand yen to segment profit includes corporate expenses that are not allocated to any of the reportable segments. Corporate costs mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.

(2) The 4,482,587 thousand yen adjustment to segment assets includes corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of the Company’s surplus funds (cash in hand and in banks), long-term investment funds (investment securities and insurance funds), and assets of the administrative operations of the Company.

(3) The 10,695 thousand yen adjustment to depreciation includes depreciation of corporate assets that are not allocated to reportable segments.

(4) The 5,185 thousand yen adjustment to increase in property, plant and equipment and intangible assets is the sum of corporate assets that are not allocated to reportable segments.

2. Segment profit is adjusted to be consistent with operating income recorded in the consolidated statement of income.

b. Related information

FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)

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	Europe	Other	Total
13,233,955	1,503,632	701,481	2,177,214	17,616,284

Note: 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	North America	Europe	Total
2,286,529	577,543	188,052	3,052,125

3. Information by major client (Thousands of yen)

Name	Net sales	Related segments
Lion Corporation	2,434,572	Machinery Business and Chemical and Food Business

FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)

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
13,056,357	1,599,752	1,071,019	450,257	1,246,891	17,424,279

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

2. In FY2/15, net sales included in "Other" in prior periods, were reclassified into "Latin America" and "Other" in association with revisions to administrative segments.

(2) Property, plant and equipment (Thousands of yen)

Japan	North America	Europe	Total
2,282,163	834,073	287,498	3,403,736

3. Information by major client (Thousands of yen)

Name	Net sales	Related segments
Lion Corporation	2,131,565	Machinery Business and Chemical and Food Business

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

FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)

In the Chemical and Food Business segment, impairment loss of 22,533 thousand yen was recognized for non-current assets that are not expected to be used due to the decision of office relocation.

FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)

Not applicable.

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

Omitted due to immateriality.

e. Information related to negative goodwill profits for each reportable segment

Not applicable.

Per Share Information

(Yen)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Net assets per share	1,187.51	1,274.37
Net income per share	91.37	80.72

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)

	FY2/14 (Mar. 1, 2013 – Feb. 28, 2014)	FY2/15 (Mar. 1, 2014 – Feb. 28, 2015)
Net income	787,841	695,966
Amounts not attributable to common shareholders	-	-
Net income available to common shares	787,841	695,966
Average number of shares outstanding during the period (Thousand shares)	8,622	8,622

Subsequent Events

Not applicable.

5. Other Information

(1) Change in Directors

1) Change of representative director

Name	New position	Current position
Yasutoyo Fusejima	Director and Founder	Chairman and CEO

* The appointments are to become official if this approval is received at the 51st Annual General Meeting of Shareholders scheduled for May 28, 2015 and the Board of Directors' meeting following this shareholders meeting.

2) Change of other board members

The Board of Directors of the Company approved a resolution on March 20, 2015 concerning the following proposed changes in directors.

If approval for these changes is received at the 51st Annual General Meeting of Shareholders scheduled for May 28, 2015, the appointments are to become official.

1. Candidates for director appointment

Tomohiko Manabe, External Director

Brief career history

1991: Joined Showa Ota & Co. (currently Ernst & Young ShinNihon LLC)
2007: Firm member of Ernst & Young ShinNihon LLC
2010: Resigned from Ernst & Young ShinNihon LLC
2010: Partner of Takano Sogo Accounting Firm
2013: Senior partner of Takano Sogo Accounting Firm

Ryuji Nakatake, External Director

Brief career history

2001: Joined Mitsubishi Research Institute, Inc.
2006: Joined Sankyo Frontier Co., Ltd.
2006: Coach of Waseda University Rugby Football Club
2010: Coaching director of Japan Rugby Football Union

2. Retiring directors (effective May 28, 2015)

Osamoto Nishimura, Managing Director (current position)

Ryujiro Fusejima, Director (current position)

3. Candidate for auditor appointment

Tadashi Kobayashi, Audit & Supervisory Board Member (full-time)

Brief career history

1976: Joined The Tokai Bank, Ltd.
1988: Seconded to Tokai Research & Consulting, Inc.
2002: Seconded to UFJ Institute, Ltd. (currently Mitsubishi UFJ Research and Consulting Co., Ltd.)
2005: Joined The Okinawa Kaiho Bank, Ltd.
2005: Seconded to Kaiho Research Institute, Ltd. (Director and Manager of Business Support Division)
2014: Visiting researcher of Kaiho Research Institute, Ltd.

4. Retiring auditor (effective May 28, 2015)

Tsunehiko Yokota, Audit & Supervisory Board Member (full-time) (current position)

(2) Others

Not applicable.