

Consolidated Financial Results for the Fiscal Year Ended February 28, 2018

[Japanese GAAP]

Company name: Freund Corporation

Listing: Tokyo (JASDAQ)

Securities code: 6312

URL: <http://www.freund.co.jp>

Representative: Iwao Fusejima, President & CEO

Contact: Yuji Takanami, General Manager, Corporate Administration Division

Tel: +81-3-6890-0750

Scheduled date of Annual General Meeting of Shareholders: May 30, 2018

Scheduled date of filing of Annual Securities Report: May 31, 2018

Scheduled date of payment of dividend: May 31, 2018

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, 2018 (March 1, 2017 – February 28, 2018)

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 28, 2018	19,801	(6.4)	1,971	(3.4)	1,994	(4.9)	1,477	38.8
Fiscal year ended Feb. 28, 2017	21,164	11.2	2,041	51.6	2,097	50.4	1,064	10.7

Note: Comprehensive income

Fiscal year ended Feb. 28, 2018: 1,401 million yen (up 49.5%)

Fiscal year ended Feb. 28, 2017: 937 million yen (up 17.4%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
Fiscal year ended Feb. 28, 2018	85.69	-	11.6	10.4	10.0
Fiscal year ended Feb. 28, 2017	61.72	-	9.0	11.6	9.6

Reference: Equity in earnings of affiliates

Fiscal year ended Feb. 28, 2018: - million yen

Fiscal year ended Feb. 28, 2017: - 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, 2018	19,125	13,242	69.2	767.91
As of Feb. 28, 2017	19,101	12,185	63.8	706.62

Reference: Equity capital

As of Feb. 28, 2018: 13,242 million yen

As of Feb. 28, 2017: 12,185 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Feb. 28, 2018	594	(493)	(499)	6,568
Fiscal year ended Feb. 28, 2017	3,605	(351)	(277)	6,982

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, 2017	-	0.00	-	20.00	20.00	344	32.4	2.9
Fiscal year ended Feb. 28, 2018	-	0.00	-	20.00	20.00	344	23.3	2.7
Fiscal year ending Feb. 28, 2019 (forecast)	-	0.00	-	20.00	20.00		25.5	

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2019 (March 1, 2018 – February 28, 2019)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	20,000	1.0	1,900	(3.6)	1,900	(4.7)	1,350	(8.6)	78.29

*** Notes**

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

Newly added: - Excluded: -

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

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

(3) Number of outstanding shares (common stock)

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

As of Feb. 28, 2018: 18,400,000 shares As of Feb. 28, 2017: 18,400,000 shares

2) Number of treasury shares at the end of the period

As of Feb. 28, 2018: 1,155,478 shares As of Feb. 28, 2017: 1,155,478 shares

3) Average number of shares outstanding during the period

Fiscal year ended Feb. 28, 2018: 17,244,522 shares Fiscal year ended Feb. 28, 2017: 17,244,534 shares

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2018 (March 1, 2017 – February 28, 2018)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 28, 2018	14,282	(9.0)	1,729	12.5	1,945	11.0	1,501	76.0
Fiscal year ended Feb. 28, 2017	15,696	14.2	1,537	40.2	1,752	35.9	852	21.7

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Feb. 28, 2018	87.06	-
Fiscal year ended Feb. 28, 2017	49.46	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2018	17,407	12,535	72.0	726.92
As of Feb. 28, 2017	16,948	11,361	67.0	658.82

Reference: Shareholders' equity As of Feb. 28, 2018: 12,535 million yen As of Feb. 28, 2017: 11,361 million yen

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

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

Forecasts regarding future performance in these materials are based on certain assumptions judged to be valid and information currently available to the Company. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to the section "1. Overview of Results of Operations (4) Outlook" on page 3 of the attachments regarding preconditions or other related matters for forecasts shown above.

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1. Overview of Results of Operations

(1) Results of Operations

Japan's economy continued to recover slowly during the fiscal year ended on February 28, 2018 due to an improvement in corporate earnings and firm employment and personal income.

However, there were concerns about the economy during the fiscal year because of a number of risk factors that could negatively affect Japan's economy. In particular, Japan may be affected by financial market instability caused by the uncertainty about policies of the U.S. government and rising global tension concerning North Korea.

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's performance has benefited from substantial capital expenditures by generic drug manufacturers due to the growth in demand for these drugs.

However, generic drug companies have recently been holding down their capital expenditures in response to drug price reductions.

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 decreased 6.4% year-over-year to 19,801 million yen, operating profit decreased 3.4% to 1,971 million yen, ordinary profit was down 4.9% to 1,994 million yen, and profit attributable to owners of parent increased 38.8% to 1,477 million yen.

Results by business segment were as follows.

Machinery Business Segment

In the machinery sector, where granulating and coating devices are the main products, sales and operating profit decreased. The main reasons were sluggish orders in Japan due to the measures to hold down capital expenditures by generic drug companies.

At U.S. subsidiary Freund-Vector Corporation, sales and operating profit decreased because of a large order with low profitability and an increase in fixed expenses.

At Freund-Turbo Corporation, where milling devices are the core product, sales and operating profit increased because of sales growth resulting from a recovery in demand in Japan for industrial machinery.

As a result, net sales decreased 3.4% year-over-year to 14,403 million yen and segment profit decreased 6.8% to 1,631 million yen.

Chemicals Business Segment

Sales and operating profit of functional excipients used in oral pharmaceuticals increased mainly because of higher sales in Japan and overseas.

Sales and operating profit of food preservative increased because of aggressive marketing efforts.

Sales and operating profit of dietary supplements that incorporate Freund's technologies decreased because a major customer started producing supplements internally.

As a result, net sales decreased 13.6% year-over-year to 5,398 million yen and segment profit increased 7.1% to 801 million yen.

(2) Financial Position

Assets increased 24 million yen over the end of the previous fiscal year to 19,125 million yen at the end of the fiscal year under review. This mainly reflected increases in work in process of 334 million yen and raw materials and supplies of 227 million yen while there was a decrease in cash and deposits of 414 million yen.

Liabilities decreased 1,032 million yen from the end of the previous fiscal year to 5,883 million yen at the end of the fiscal year under review. This mainly reflected decreases in advances received of 333 million yen, electronically recorded monetary claims-operating of 146 million yen, and accrued expenses of 140 million yen.

Net assets increased 1,056 million yen over the end of the previous fiscal year to 13,242 million yen at the end of the fiscal year under review. This mainly reflected an increase in retained earnings of 1,132 million yen.

(3) Cash flows

The balance of cash and cash equivalents at the end of the fiscal year under review was 6,568 million yen, down 414 million yen over the end of the previous fiscal year (this compares with an increase of 2,940 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 594 million yen (down 83.5% year-over-year). Although there were negative factors including income taxes paid of 694 million yen, an increase in inventories of 415 million yen and a decrease in advances received of 315 million yen, there were positive factors including profit before income taxes of 2,093 million yen and depreciation of 344 million yen.

Cash flows from investing activities

Net cash used in investing activities was 493 million yen (up 40.3% year-over-year). There were negative factors including the payment for the purchase of property, plant and equipment of 592 million yen.

Cash flows from financing activities

Net cash used in financing activities was 499 million yen (up 79.7% year-over-year). This was mainly the result of cash dividends paid of 343 million yen and a decrease in short-term loans payable of 106 million yen that was taken over through merger at a subsidiary.

(4) Outlook

In the fiscal year ending on February 28, 2019, the outlook is for Japan's economy to recover slowly as corporate earnings, jobs and household income improve.

The global economy may be affected by developments involving trade protectionism.

Slower growth, including for generic drugs, is expected in the pharmaceutical industry, which is the primary source of demand for Freund Group products. The main reason is more measures to hold down healthcare expenditures, such as national health insurance drug price revisions. Due to slowing growth, pharmaceutical companies will probably continue to limit their capital expenditures for the time being.

In March 2017, the Freund Group started the Seventh Medium-term Management Plan, which covers the five-year period ending in February 2022. Group companies are taking many actions to accomplish the goals of this plan. Two priorities are further upgrading operations in the machinery and chemicals businesses and increasing sales of both new products and core products. Expanding product and technology development activities and sales on a global scale is another goal of the plan.

Based on these strategies, we expect sales to rise by 1.0% year-over-year to 20,000 million yen, and operating profit, ordinary profit, and profit attributable to owners of parent to decline by 3.6%, 4.7% and 8.6% to 1,900 million yen, 1,900 million yen, and 1,350 million yen, respectively. For the performance of foreign subsidiaries, we assume an average exchange rate of 110 yen to the U.S. dollar during the fiscal year.

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

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

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

For the year-end dividend for the fiscal year that ended on February 28, 2018, we plan to pay an ordinary dividend of 20 yen per share. This includes the conversion of the previous fiscal year's 5 yen commemorative dividend into an ordinary dividend.

For the fiscal year ending on February 28, 2019, we plan to pay an ordinary dividend of 20 yen per share.

We will use retained earnings for the fiscal year ended February 28, 2018 for making our operations stronger, entering new business domains and other activities that contribute to future growth.

2. Corporate Group

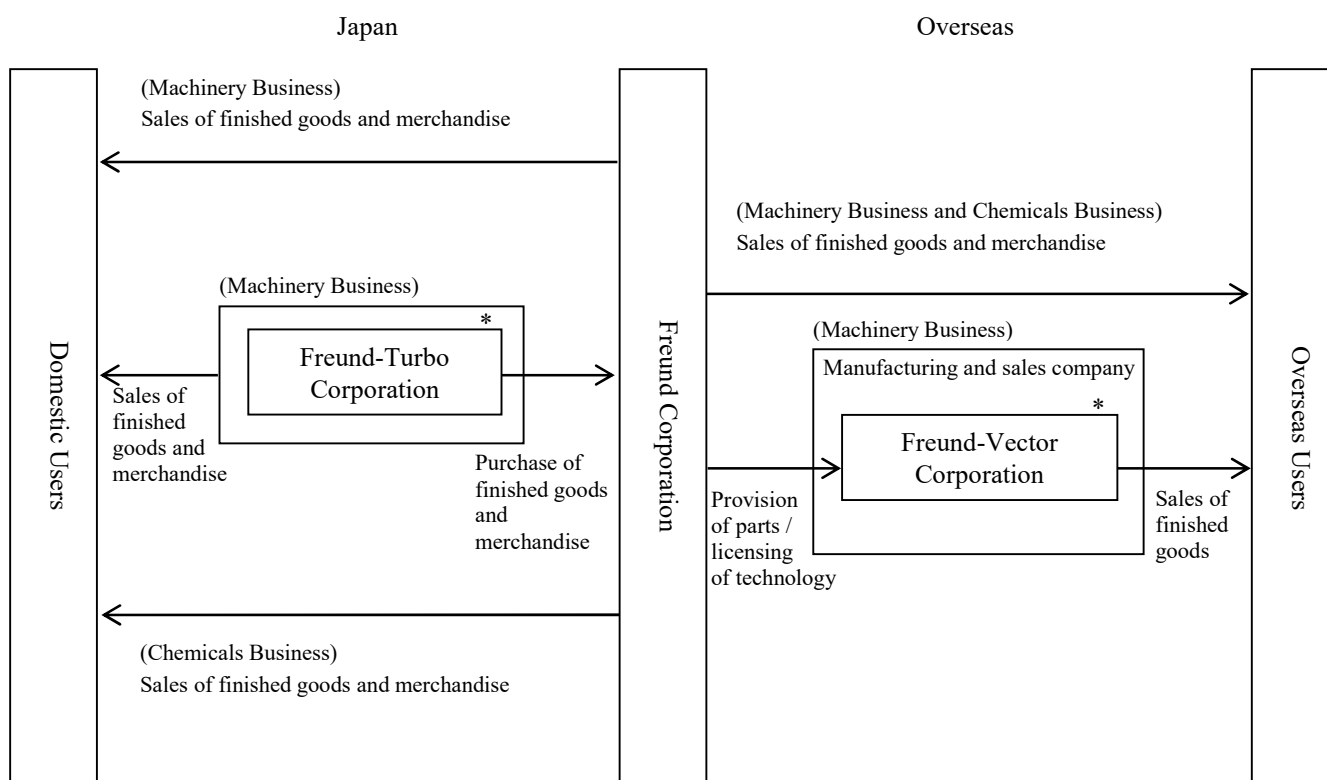
The Freund Group consists of Freund Corporation and two consolidated subsidiaries. Group companies manufacture and sell machinery and chemical products.

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	Manufacturing and sales	Freund Corporation Freund-Vector Corporation Freund-Turbo Corporation
	Construction of granulating machinery plants		
	Measuring instruments and parts		
	Outsourced granulation of synthetic resins		
Chemicals Business	Pharmaceutical excipients and dietary 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

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



Note: * Consolidated subsidiaries

3. Basic Approach to the Selection of Accounting Standards

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

4. Consolidated Financial Statements and Notes**(1) Consolidated Balance Sheet**

	(Thousands of yen)	
	FY2/17 (As of Feb. 28, 2017)	FY2/18 (As of Feb. 28, 2018)
Assets		
Current assets		
Cash and deposits	6,982,822	6,568,050
Notes and accounts receivable-trade	4,282,766	4,337,779
Electronically recorded monetary claims-operating	120,616	113,748
Merchandise and finished goods	404,081	263,127
Work in process	1,712,294	2,046,615
Raw materials and supplies	649,160	876,175
Prepaid expenses	148,338	110,520
Deferred tax assets	251,999	175,959
Other	400,079	303,293
Allowance for doubtful accounts	(13,507)	(10,737)
Total current assets	14,938,653	14,784,533
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,824,554	2,906,829
Accumulated depreciation	(1,664,222)	(1,719,025)
Buildings and structures, net	1,160,332	1,187,803
Machinery, equipment and vehicles	1,391,088	1,502,860
Accumulated depreciation	(995,910)	(1,114,413)
Machinery, equipment and vehicles, net	395,178	388,447
Land	1,239,987	1,239,027
Construction in progress	132,956	232,897
Other	1,204,421	1,230,493
Accumulated depreciation	(897,942)	(908,237)
Other, net	306,479	322,255
Total property, plant and equipment	3,234,934	3,370,431
Intangible assets		
Goodwill	-	92,104
Software	55,399	9,914
Other	436	436
Total intangible assets	55,836	102,455
Investments and other assets		
Investment securities	341,733	368,922
Business insurance funds	273,383	276,296
Deferred tax assets	15,073	20,632
Net defined benefit asset	2,257	1,550
Other	245,068	206,126
Allowance for doubtful accounts	(5,400)	(5,400)
Total investments and other assets	872,116	868,127
Total non-current assets	4,162,887	4,341,015
Total assets	19,101,540	19,125,548

	(Thousands of yen)	
	FY2/17	FY2/18
	(As of Feb. 28, 2017)	(As of Feb. 28, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,019,656	1,931,872
Electronically recorded obligations-operating	1,038,971	892,011
Lease obligations	50,213	6,261
Income taxes payable	477,303	356,267
Accrued consumption taxes	92,968	48,562
Accrued expenses	490,502	350,181
Advances received	1,831,994	1,498,799
Provision for bonuses	260,416	210,727
Provision for directors' bonuses	85,400	54,300
Other	245,045	215,927
Total current liabilities	6,592,473	5,564,911
Non-current liabilities		
Long-term accounts payable-other	47,165	42,906
Lease obligations	9,011	9,196
Net defined benefit liability	201,812	200,056
Asset retirement obligations	34,824	34,977
Other	30,895	31,284
Total non-current liabilities	323,709	318,421
Total liabilities	6,916,182	5,883,333
Net assets		
Shareholders' equity		
Capital stock	1,035,600	1,035,600
Capital surplus	1,289,513	1,289,513
Retained earnings	10,286,711	11,419,492
Treasury shares	(201,361)	(201,361)
Total shareholders' equity	12,410,463	13,543,245
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33,141	51,132
Foreign currency translation adjustment	(233,036)	(332,254)
Remeasurements of defined benefit plans	(25,210)	(19,907)
Total accumulated other comprehensive income	(225,105)	(301,029)
Total net assets	12,185,358	13,242,215
Total liabilities and net assets	19,101,540	19,125,548

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

	(Thousands of yen)	
	FY2/17	FY2/18
	(Mar. 1, 2016 – Feb. 28, 2017)	(Mar. 1, 2017 – Feb. 28, 2018)
Net sales	21,164,542	19,801,447
Cost of sales	14,343,391	12,985,225
Gross profit	6,821,151	6,816,221
Selling, general and administrative expenses	4,779,616	4,845,025
Operating profit	2,041,534	1,971,195
Non-operating income		
Interest income	2,910	3,437
Dividend income	5,085	5,876
Technical support fee	13,914	12,035
Rent income	2,224	2,107
Insurance premiums refunded cancellation	18,424	-
Foreign exchange gains	1,337	-
Other	21,601	12,236
Total non-operating income	65,498	35,692
Non-operating expenses		
Interest expenses	2,650	1,630
Foreign exchange losses	-	4,632
Other	6,582	6,604
Total non-operating expenses	9,233	12,866
Ordinary profit	2,097,799	1,994,022
Extraordinary income		
Gain on sales of non-current assets	13,745	-
Gain on sales of investment securities	14,936	-
Gain on redemption of investment securities	-	101,621
Total extraordinary income	28,681	101,621
Extraordinary losses		
Loss on retirement of non-current assets	1,204	336
Impairment loss	91,315	-
Loss on sales of non-current assets	-	2,125
Directors' retirement benefits	250,000	-
Total extraordinary losses	342,519	2,461
Profit before income taxes	1,783,960	2,093,181
Income taxes-current	616,679	557,900
Income taxes-deferred	103,014	57,609
Total income taxes	719,693	615,510
Profit	1,064,266	1,477,671
Profit attributable to owners of parent	1,064,266	1,477,671

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)
Profit	1,064,266	1,477,671
Other comprehensive income		
Valuation difference on available-for-sale securities	16,540	17,991
Foreign currency translation adjustment	(134,855)	(99,218)
Remeasurements of defined benefit plans, net of tax	(8,080)	5,303
Total other comprehensive income	(126,395)	(75,923)
Comprehensive income	937,871	1,401,747
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	937,871	1,401,747

(3) Consolidated Statement of Changes in Equity

FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)

(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	9,515,679	(201,313)	11,630,488
Cumulative effects of changes in accounting policies		8,991	(77,678)		(68,686)
Restated balance	1,035,600	1,289,513	9,438,001	(201,313)	11,561,801
Changes of items during period					
Dividends of surplus			(215,556)		(215,556)
Profit attributable to owners of parent			1,064,266		1,064,266
Purchase of treasury shares				(47)	(47)
Net changes of items other than shareholders' equity					
Total changes of items during period	-	-	848,709	(47)	848,662
Balance at end of current period	1,035,600	1,289,513	10,286,711	(201,361)	12,410,463

(Thousands of yen)

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	16,600	(100,775)	(17,129)	(101,304)	11,529,183
Cumulative effects of changes in accounting policies		2,594		2,594	(66,092)
Restated balance	16,600	(98,180)	(17,129)	(98,710)	11,463,091
Changes of items during period					
Dividends of surplus					(215,556)
Profit attributable to owners of parent					1,064,266
Purchase of treasury shares					(47)
Net changes of items other than shareholders' equity	16,540	(134,855)	(8,080)	(126,395)	(126,395)
Total changes of items during period	16,540	(134,855)	(8,080)	(126,395)	722,266
Balance at end of current period	33,141	(233,036)	(25,210)	(225,105)	12,185,358

FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)

(Thousands of yen)

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

(Thousands of yen)

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	33,141	(233,036)	(25,210)	(225,105)	12,185,358
Changes of items during period					
Dividends of surplus					(344,890)
Profit attributable to owners of parent					1,477,671
Purchase of treasury shares					-
Net changes of items other than shareholders' equity	17,991	(99,218)	5,303	(75,923)	(75,923)
Total changes of items during period	17,991	(99,218)	5,303	(75,923)	1,056,857
Balance at end of current period	51,132	(332,254)	(19,907)	(301,029)	13,242,215

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)
Cash flows from operating activities		
Profit before income taxes	1,783,960	2,093,181
Depreciation	338,407	344,965
Impairment loss	91,315	-
Amortization of goodwill	-	4,004
Increase (decrease) in provision for bonuses	4,525	(49,194)
Increase (decrease) in provision for directors' bonuses	24,400	(31,100)
Increase (decrease) in allowance for doubtful accounts	(8,758)	(2,229)
Interest and dividend income	(7,996)	(9,313)
Interest expenses	2,650	1,630
Foreign exchange losses (gains)	5,628	8,353
Loss (gain) on sales of property, plant and equipment	(13,745)	2,125
Loss (gain) on sales of investment securities	(14,936)	-
Loss (gain) on redemption of investment securities	-	(101,621)
Loss (gain) on cancellation of insurance contract	(18,424)	-
Decrease (increase) in notes and accounts receivable-trade	1,243,975	(66,897)
Decrease (increase) in inventories	(382,518)	(415,602)
Decrease (increase) in other assets	(207,339)	177,256
Increase (decrease) in notes and accounts payable-trade	409,295	(152,954)
Increase (decrease) in advances received	571,295	(315,141)
Increase (decrease) in other liabilities	(89,317)	(210,283)
Other, net	(4,114)	488
Subtotal	3,728,303	1,277,668
Interest and dividend income received	7,996	9,313
Interest expenses paid	(2,650)	(1,630)
Income taxes refund	117,862	2,801
Income taxes paid	(245,977)	(694,105)
Net cash provided by (used in) operating activities	3,605,533	594,047
Cash flows from investing activities		
Purchase of property, plant and equipment	(474,089)	(592,523)
Proceeds from sales of property, plant and equipment	37,753	5,746
Payments for retirement of property, plant and equipment	-	(136)
Purchase of intangible assets	-	(1,370)
Proceeds from sales of investment securities	19,256	-
Purchase of investment securities	(2,196)	(2,229)
Proceeds from redemption of investment securities	-	101,621
Purchase of insurance funds	(2,913)	(2,913)
Proceeds from cancellation of insurance funds	38,281	-
Payments for guarantee deposits	(10)	(1,678)
Proceeds from collection of guarantee deposits	32,235	10
Collection of investments in capital	-	75
Net cash provided by (used in) investing activities	(351,682)	(493,399)

	(Thousands of yen)	
	FY2/17	FY2/18
	(Mar. 1, 2016 – Feb. 28, 2017)	(Mar. 1, 2017 – Feb. 28, 2018)
Cash flows from financing activities		
Purchase of treasury shares	(47)	-
Repayments of lease obligations	(61,798)	(48,736)
Cash dividends paid	(215,832)	(343,815)
Decrease in short-term loans payable	-	(106,535)
Net cash provided by (used in) financing activities	(277,678)	(499,086)
Effect of exchange rate change on cash and cash equivalents	(35,648)	(33,077)
Net increase (decrease) in cash and cash equivalents	2,940,525	(431,516)
Cash and cash equivalents at beginning of period	4,042,296	6,982,822
Increase in cash and cash equivalents resulting from merger	-	16,744
Cash and cash equivalents at end of period	6,982,822	6,568,050

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Additional Information

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the current fiscal year, the Company has applied the “Implementation Guidance on Recoverability of Deferred Tax Assets” (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016).

Segment and Other Information

Segment information

1. Overview of reportable segment

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

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

Main products and services of each reportable segment

Machinery Business:	Granulating devices, construction of granulating machinery plants, measuring instruments and parts, and outsourced granulation of synthetic resins
Chemicals Business:	Pharmaceutical excipients and dietary supplements; food preservatives; R&D, formulation studies and other projects for pharmaceuticals, food, chemicals and other products

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

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

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

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

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

FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Machinery Business	Chemicals Business	Total		
Net sales					
External sales	14,914,713	6,249,829	21,164,542	-	21,164,542
Inter-segment sales and transfers	-	-	-	-	-
Total	14,914,713	6,249,829	21,164,542	-	21,164,542
Segment profit	1,750,118	748,360	2,498,478	(456,944)	2,041,534
Segment assets	8,838,366	3,457,501	12,295,867	6,805,673	19,101,540
Other items					
Depreciation	233,486	90,627	324,113	14,293	338,407
Increase in property, plant and equipment and intangible assets	372,899	155,451	528,350	36,064	564,415

Notes: 1. Contents of adjustments are as follows.

- (1) The negative adjustment of 456,944 thousand yen to segment profit is corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
 - (2) The 6,805,673 thousand yen adjustment to segment assets is corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of the Company's surplus funds (cash and deposits), long-term investment funds (investment securities and insurance funds), and assets of the administrative operations of the Company.
 - (3) The 14,293 thousand yen adjustment to depreciation is mainly depreciation of corporate assets that are not allocated to any of the reportable segments.
 - (4) The 36,064 thousand yen adjustment to increase in property, plant and equipment and intangible assets is mainly the sum of corporate assets that are not allocated to the reportable segments.
2. Segment profit is adjusted to be consistent with operating profit recorded in the consolidated statement of income.

FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)

(Thousands of yen)

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

Notes: 1. Contents of adjustments are as follows.

- (1) The negative adjustment of 461,459 thousand yen to segment profit is corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.
 - (2) The 6,730,194 thousand yen adjustment to segment assets is corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of the Company's surplus funds (cash and deposits), long-term investment funds (investment securities and insurance funds), and assets of the administrative operations of the Company.
 - (3) The 14,484 thousand yen adjustment to depreciation is mainly depreciation of corporate assets that are not allocated to any of the reportable segments.
 - (4) The 2,409 thousand yen adjustment to increase in property, plant and equipment and intangible assets is mainly the sum of corporate assets that are not allocated to the reportable segments.
2. Segment profit is adjusted to be consistent with operating profit recorded in the consolidated statement of income.

Related information

FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)

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
15,601,350	3,331,562	553,012	830,931	847,686	21,164,542

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

(2) Property, plant and equipment

(Thousands of yen)

Japan	North America	Europe	Total
2,413,125	717,448	104,361	3,234,934

3. Information by major client

Not applicable.

FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)

1. Information by product or service

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

2. Information by region

(1) Net sales (Thousands of yen)

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

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

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

Japan	North America	Europe	Total
2,469,489	787,920	113,022	3,370,431

3. Information by major client

Not applicable.

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

FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)

The amount of impairment losses that were not allocated to reportable segments was 91,315 thousand yen.

FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)

Not applicable.

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

FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)

In the Machinery Business segment, the cumulative effect at the beginning 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 FY2/17.

FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)

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

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per Share Information

(Yen)

	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)
Net assets per share	706.62	767.91
Net income per share	61.72	85.69

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)

	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)	FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)
Profit attributable to owners of the parent	1,064,266	1,477,671
Amounts not attributable to common shareholders	-	-
Profit attributable to common shareholders of parent	1,064,266	1,477,671
Average number of common shares outstanding during the period (Thousand shares)	17,244	17,244

Subsequent Events

Not applicable.

5. Others

Orders and Sales

(1) Orders received

(Thousands of yen)

Operating segment	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)		FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
	Machinery Business	16,358,854	124.8	11,513,644
Chemicals Business	1,927,926	96.5	615,519	31.9
Total	18,286,781	121.0	12,129,163	66.3

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

2. Orders received are based on selling prices; inter-segment transactions have been eliminated.
3. Orders received do not include consumption taxes.

(2) Order backlog

(Thousands of yen)

Operating segment	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)		FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
	Machinery Business	8,561,519	120.8	5,822,787
Chemicals Business	229,472	94.6	84,145	36.7
Total	8,790,991	120.0	5,906,933	67.2

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

2. Order backlog is based on selling prices; inter-segment transactions have been eliminated.
3. Order backlog does not include consumption taxes.

(3) Sales

(Thousands of yen)

Operating segment	FY2/17 (Mar. 1, 2016 – Feb. 28, 2017)		FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)	
	Amount	Composition (%)	Amount	Composition (%)
	Machinery Business	14,914,713	70.5	14,403,065
Chemicals Business	6,249,829	29.5	5,398,381	27.3
Total	21,164,542	100.0	19,801,447	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.