

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

[Japanese GAAP]

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Scheduled date of Annual General Meeting of Shareholders: May 30, 2019
 Scheduled date of filing of Annual Securities Report: May 31, 2019
 Scheduled date of payment of dividend: May 31, 2019
 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, 2019

(March 1, 2018 – February 28, 2019)

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

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

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

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

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

(2) Consolidated financial position

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

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

(3) Consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of the period |
|---------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Million yen | Million yen | Million yen | Million yen |
| Fiscal year ended Feb. 28, 2019 | 435 | (566) | (921) | 5,534 |
| Fiscal year ended Feb. 28, 2018 | 594 | (493) | (499) | 6,568 |

2. Dividends

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

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

(Percentages represent year-on-year changes)

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

*** Notes**

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

Newly added: - Excluded: -

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

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

(3) Number of outstanding shares (common stock)

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

As of Feb. 28, 2019: 18,400,000 shares As of Feb. 28, 2018: 18,400,000 shares

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

As of Feb. 28, 2019: 1,655,480 shares As of Feb. 28, 2018: 1,155,478 shares

3) Average number of shares outstanding during the period

Fiscal year ended Feb. 28, 2019: 16,821,233 shares Fiscal year ended Feb. 28, 2018: 17,244,522 shares

Reference: Summary of Non-consolidated Financial Results

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

(March 1, 2018 – February 28, 2019)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

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

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

(2) Non-consolidated financial position

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

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

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

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

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

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1. Overview of Results of Operations

(1) Results of Operations

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

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

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

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

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

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

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

Results by business segment were as follows.

Machinery Business Segment

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

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

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

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

Chemicals Business Segment

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

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

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

(2) Financial Position

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

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

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

(3) Cash flows

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

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

(4) Outlook

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

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

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

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

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

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

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

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

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

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

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

2. Basic Approach to the Selection of Accounting Standards

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

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

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

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

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

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

Consolidated Statement of Comprehensive Income

(Thousands of yen)

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

(3) Consolidated Statement of Changes in Equity

FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)

(Thousands of yen)

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

(Thousands of yen)

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

FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)

(Thousands of yen)

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

(Thousands of yen)

| | Accumulated other comprehensive income | | | | Total net assets |
|--|---|---|---|--|------------------|
| | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | |
| Balance at beginning of current period | 51,132 | (332,254) | (19,907) | (301,029) | 13,242,215 |
| Changes of items during period | | | | | |
| Dividends of surplus | | | | | (344,890) |
| Profit attributable to owners of parent | | | | | 843,575 |
| Purchase of treasury shares | | | | | (572,001) |
| Net changes of items other than shareholders' equity | (15,673) | 66,601 | 30,824 | 81,752 | 81,752 |
| Total changes of items during period | (15,673) | 66,601 | 30,824 | 81,752 | 8,436 |
| Balance at end of current period | 35,459 | (265,653) | 10,917 | (219,276) | 13,250,651 |

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

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

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

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

Not applicable.

Segment and Other Information**Segment information**

1. Overview of reportable segment

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

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

Main products and services of each reportable segment

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

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

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

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

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

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

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

FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)

(Thousands of yen)

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

Notes: 1. Contents of adjustments are as follows.

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

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

FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)

(Thousands of yen)

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

Notes: 1. Contents of adjustments are as follows.

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

Related information

FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)

1. Information by product or service

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

2. Information by region

(1) Net sales

(Thousands of yen)

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

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

(2) Property, plant and equipment

(Thousands of yen)

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

3. Information by major client

Not applicable.

FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)

1. Information by product or service

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

2. Information by region

(1) Net sales

(Thousands of yen)

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

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

(2) Property, plant and equipment

(Thousands of yen)

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

3. Information by major client

Not applicable.

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

FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)

Not applicable.

FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)

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

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

FY2/18 (Mar. 1, 2017 – Feb. 28, 2018)

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

FY2/19 (Mar. 1, 2018 – Feb. 28, 2019)

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

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per Share Information

(Yen)

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

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

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

(Thousands of yen)

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

Subsequent Events

Not applicable.

4. Others

Orders and Sales

(1) Orders received

(Thousands of yen)

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

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

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

3. Orders received do not include consumption taxes.

(2) Order backlog

(Thousands of yen)

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

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

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

3. Order backlog does not include consumption taxes.

(3) Sales

(Thousands of yen)

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

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

2. Sales do not include consumption taxes.

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