

FREUND CORPORATION

Selected by the Japanese Ministry of Economy, Trade
and Industry as a Global Niche Top 100 Company

JASDAQ

(Securities code: 6312)

Results of Operations for the Third Quarter of the Fiscal Year Ending February 28, 2019

January 18, 2019

 **FREUND**

2017 Award for Excellence in
Corporate Disclosure
-Emerging Markets-



SAI The Securities Analysts
Association of Japan

Consolidated Financial Summary for 3Q of FY2/19

Consolidated Financial Summary

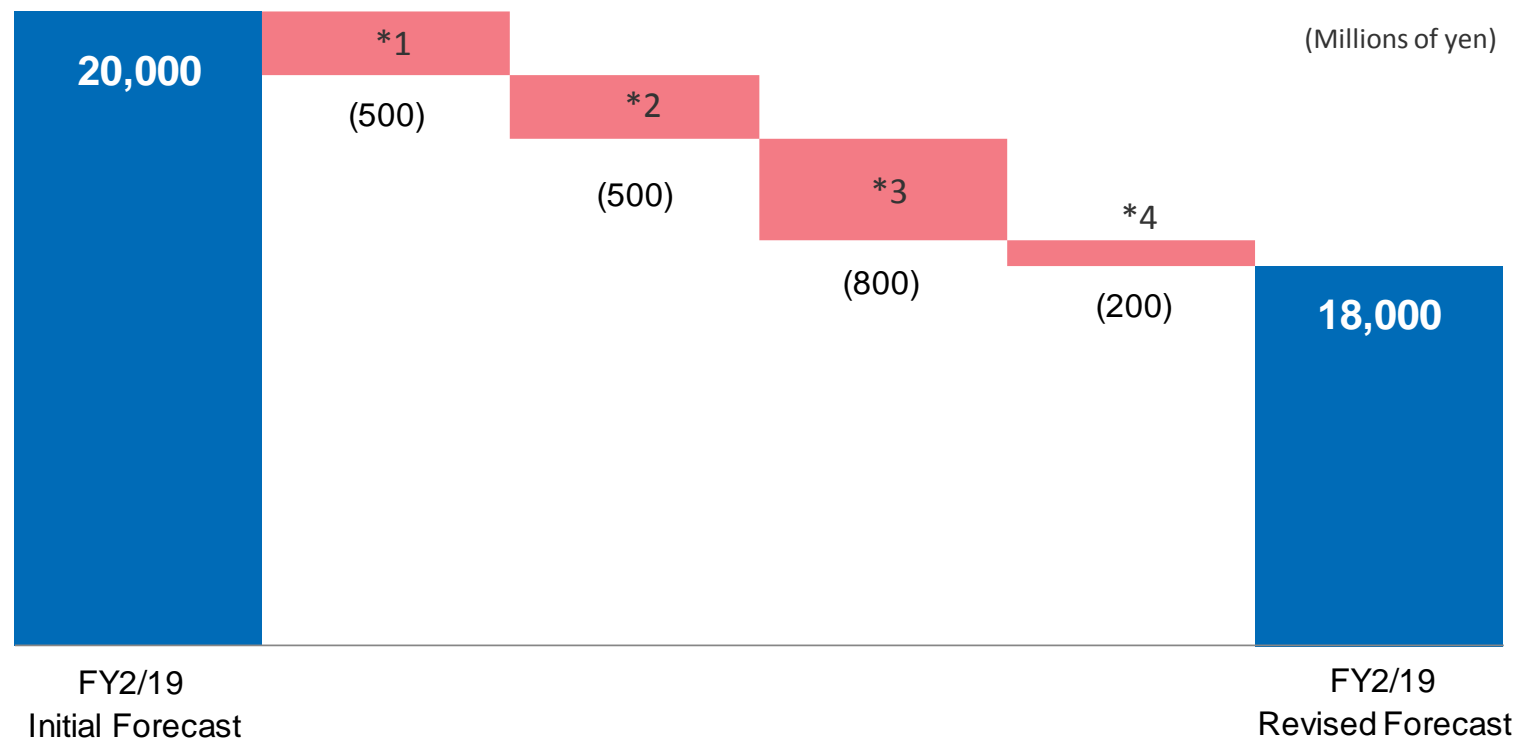
- The volume of new orders was low because pharmaceutical capital expenditures in Japan were down
- The U.S. subsidiary will contribute to FY2/19 performance mainly in the 4Q as activities are still under way for the full-scale expansion of sales channels for new products and products other than pharmaceuticals
- In the chemicals business, sales and earnings of pharmaceutical excipients increased and the performance of food preservatives was strong

(Millions of yen)

	FY2/18 Q3 Actual	FY2/19 Q3 Actual	YoY Change		FY2/19 Forecasts (as of 4/13/18)	FY2/19 Forecasts (as of 1/8/19)
			Amount	%		
Net sales	13,745	13,243	(502)	(3.7)	20,000	18,000
Operating profit	1,152	670	(482)	(41.9)	1,900	1,000
Ordinary profit	1,174	770	(403)	(34.4)	1,900	1,100
Profit	849	523	(325)	(38.4)	1,350	800
Earnings per share (yen)	49.26	31.08	(18.18)	(36.9)	78.29	47.49
Capital investment	356	418	+62	+17.5	500	500
Depreciation	265	257	(7)	(2.9)	300	300
R&D expenses	615	620	+5	+0.9	750	750
Dividend	—	—	—	—	20.00	20.00

Revisions to Consolidated Forecasts for FY2/19

- Slow pace of new product sales growth (500) million yen ... *1
- Lower than anticipated sales outside the pharmaceuticals sector (500) million yen ... *2
- Sluggish capital expenditures at client companies (800) million yen ... *3
- Estimate of possible delay in recognition of some sales to FY2/20 (200) million yen ... *4



Machinery Business: Overview

- Sales By Product Field
 - ▣ Pharmaceutical products: Difficult to receive new orders due to weak demand in Japan for pharmaceutical equipment and delays involving new product
 - ▣ Industrial products: Sales increased YoY
- Segment Profit
 - ▣ Decreased in part because of losses at two subsidiaries

(Millions of yen)

	FY2/18 Q3 Actual	FY2/19 Q3 Actual	YoY change		FY2/19 Forecasts (as of 4/13/18)	FY2/19 Forecasts (as of 1/8/19)
			Amount	%		
Net sales	9,747	8,723	(1,023)	(10.5)	14,000	12,000
Pharmaceutical Products	8,338	7,068	(1,270)	(15.2)	—	—
Industrial Products	1,408	1,655	+ 246	+ 17.5	—	—
Operating profit	910	295	(615)	(67.5)	—	—
Orders received	8,747	8,620	(126)	(1.4)	—	—
Pharmaceutical Products	7,395	7,343	(51)	(0.7)	—	—
Industrial Products	1,352	1,277	(75)	(5.6)	—	—
Order backlog	7,681	5,818	(1,863)	(24.3)	—	—
Pharmaceutical Products	6,827	5,288	(1,538)	(22.5)	—	—
Industrial Products	854	529	(324)	(38.0)	—	—
Yen/dollar rate (+ is yen depreciation)	111.70	110.44	-1.26 yen/dollar	(1.1)	110.00	110.00

Machinery Business: Group Company Performance

- Freund Corporation: Performance down from one year earlier, when there was a highly profitable project in Europe; new products have not yet contributed to sales and earnings
- Freund-Vector: A loss in the first three quarters because most sales and earnings are in the 4Q of every fiscal year
- Freund-Turbo: A loss in the first three quarters because of higher expenses for a new business site and the development of new products

(Millions of yen)

	FY2/18	FY2/19	YoY change		FY2/19	FY2/19
	Q3 Amount	Q3 Amount	Amount	%	Forecasts (as of 4/13/18)	Forecasts (as of 1/8/19)
Net sales	9,747	8,723	(1,023)	(10.5)	14,000	12,000
FREUND CORPORATION	6,085	5,589	(496)	(8.2)	—	—
FREUND-VECTOR	2,895	2,213	(681)	(23.5)	—	—
FREUND-TURBO	1,143	1,485	+342	+29.9	—	—
Operating profit	910	295	(615)	(67.5)	—	—
FREUND CORPORATION	928	537	(391)	(42.1)	—	—
FREUND-VECTOR	(71)	(227)	(156)	-	—	—
FREUND-TURBO	53	(14)	(68)	(127.5)	—	—
Orders received	8,747	8,620	(126)	(1.4)	—	—
FREUND CORPORATION	5,079	4,729	(349)	(6.9)	—	—
FREUND-VECTOR	2,656	2,919	+263	+9.9	—	—
FREUND-TURBO	1,011	971	(39)	(3.9)	—	—
Order backlog	7,681	5,818	(1,863)	(24.3)	—	—
FREUND CORPORATION	5,666	3,506	(2,159)	(38.1)	—	—
FREUND-VECTOR	1,404	2,000	+595	+42.4	—	—
FREUND-TURBO	610	310	(299)	(49.1)	—	—

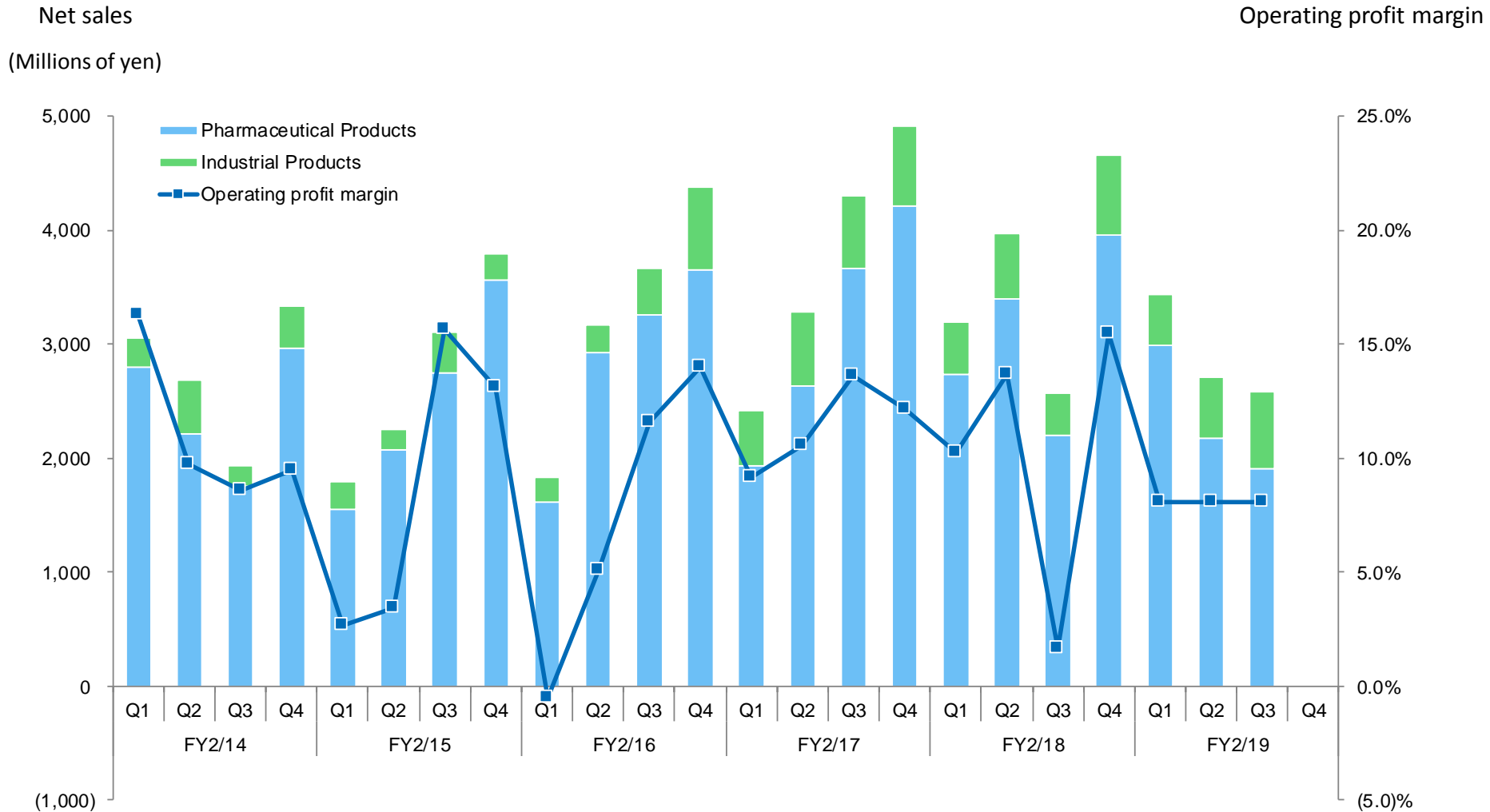
Machinery Business: Sales by Region

- Japan: Decrease in the number of projects and slower than expected pace of contributions to earnings from new products (tablet printers)
- North and South Americas: Sales in North America remained largely unchanged YoY
- Europe: Sales down because large projects raised sales in FY2/18
- Other (Asia): Sales increased in India and China

(Millions of yen)

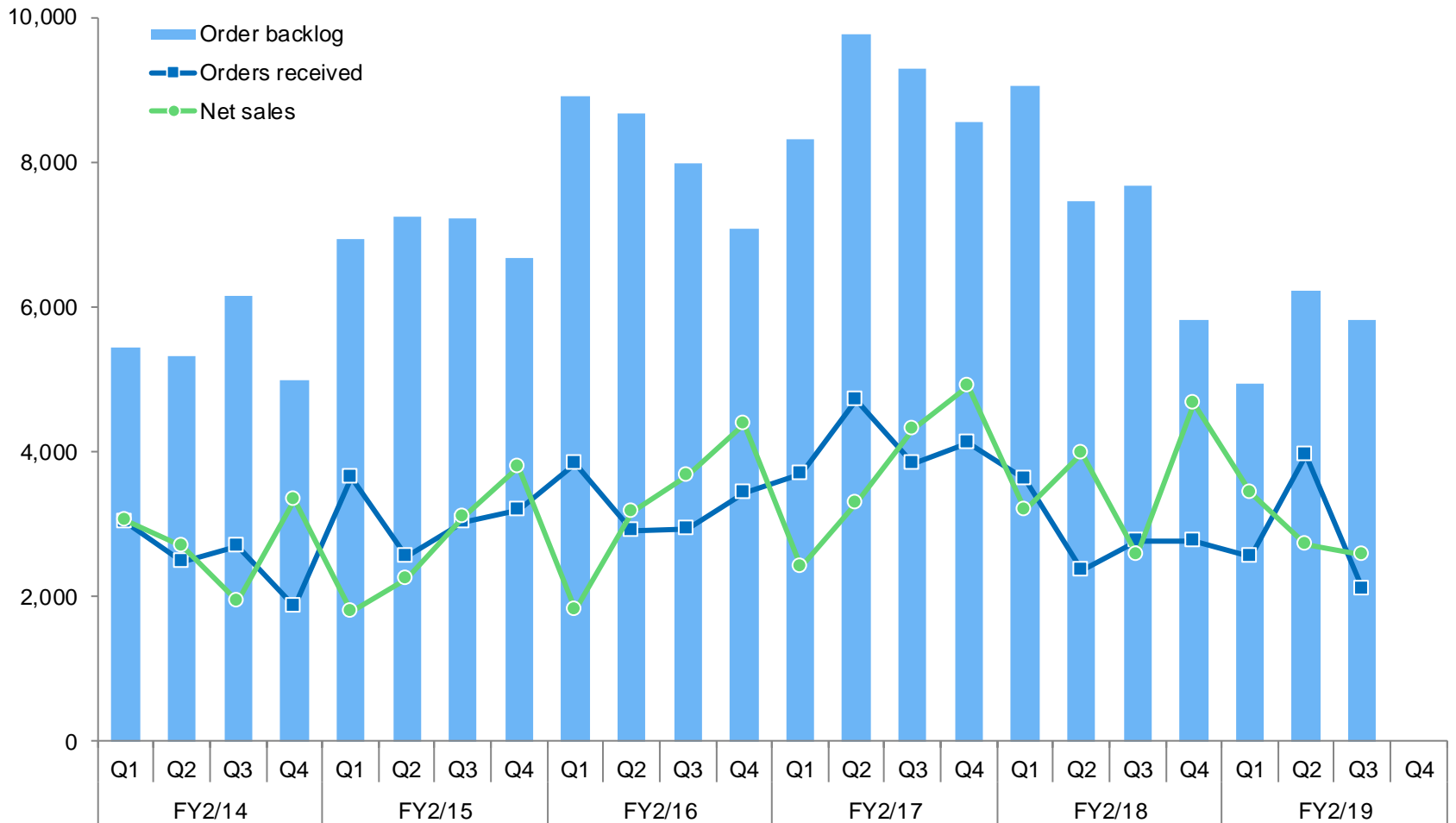
	FY2/18	FY2/19	YoY change		FY2/19	FY2/19
	Q3	Q3	Amount	%	Forecasts	Forecasts
	Amount	Amount			(as of 4/13/18)	(as of 1/8/19)
Net sales	9,747	8,723	(1,023)	(10.5)	14,000	12,000
Japan	5,883	5,846	(36)	(0.6)	—	—
Overseas	3,864	2,876	(987)	(25.6)	—	—
North and South Americas	1,795	1,726	(68)	(3.8)	—	—
Europe and Africa	1,287	270	(1,016)	(79.0)	—	—
Middle East, Asia and Pacific	781	879	+97	+12.5	—	—

Machinery Business: Quarterly Results (by Product Field)



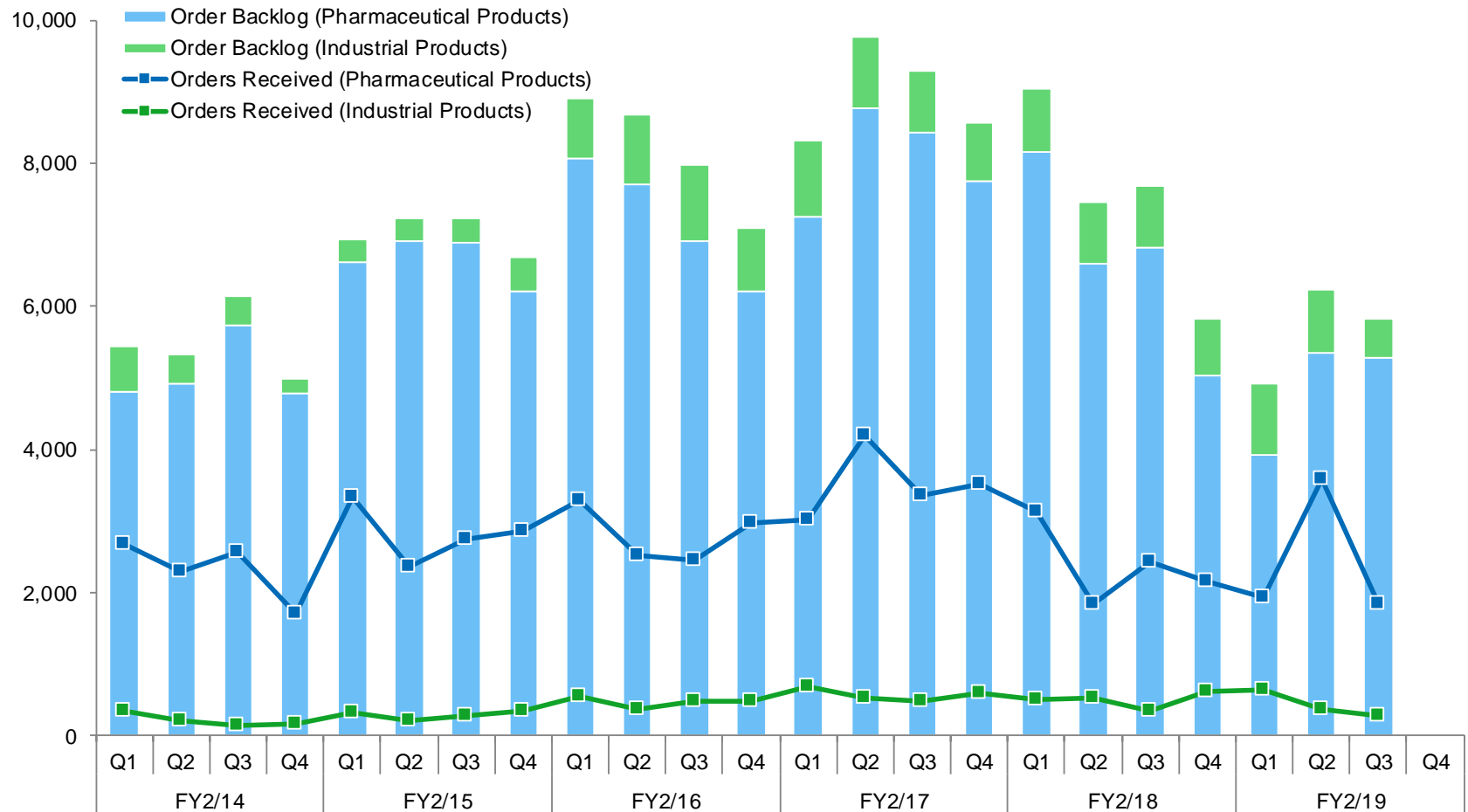
Machinery Business: Quarterly Results (Net sales/Orders received/Order backlog)

(Millions of yen)



Machinery Business: Quarterly Results (Orders received and Order backlog by Product Field)

(Millions of yen)



Chemicals Business: Overview

- Net Sales
 - ▣ Pharmaceutical excipients: Higher sales in Japan and overseas
 - ▣ Food preservatives: Performing as planned, including activities to start selling food preservatives in other countries
 - ▣ Export: Expanded sales channels in India by enlarging the manufacturing infrastructure
- Segment Profit: Higher because of an improvement in the sales mix

(Millions of yen)

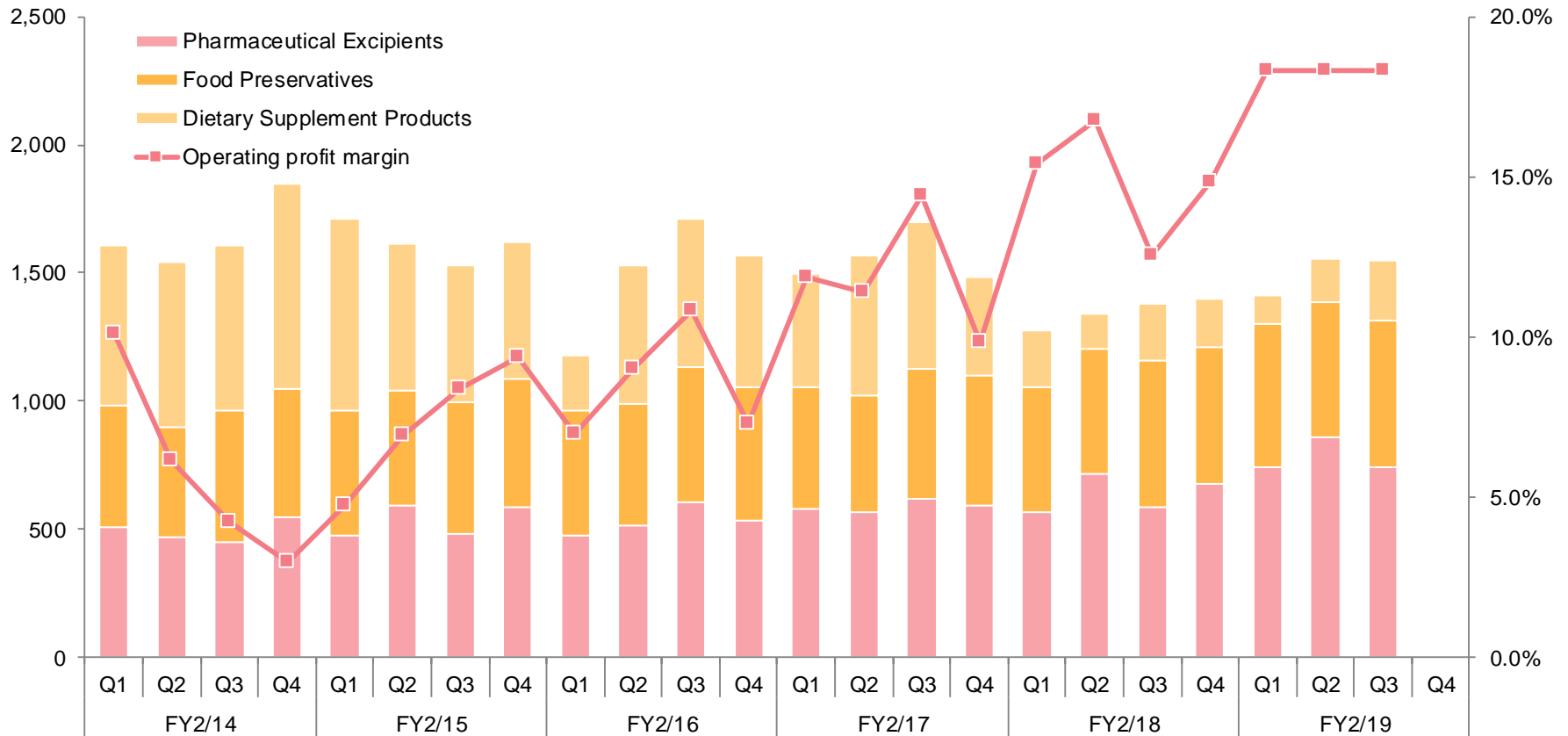
	FY2/18	FY2/19	YoY change		FY2/19	FY2/19
	Q3	Q3	Amount	%	Forecasts	Forecasts
	Amount	Amount			(as of 4/13/18)	(as of 1/8/19)
Net sales	3,998	4,519	+ 521	+ 13.0	6,000	6,000
Pharmaceutical Excipients	1,867	2,346	+ 478	+ 25.6	—	—
Food Preservatives	1555	1650	+ 95	+ 6.2	—	—
Dietary Supplement Products	576	522	(53)	(9.2)	—	—
(Export sales)*1	110	301	+ 191	+ 173.1	—	—
Operating profit	593	781	+ 187	+ 31.5	—	—

Note 1: Sales to India, South Korea and Taiwan

Chemicals Business: Quarterly Results (by Product Field)

Net sales
(Millions of yen)

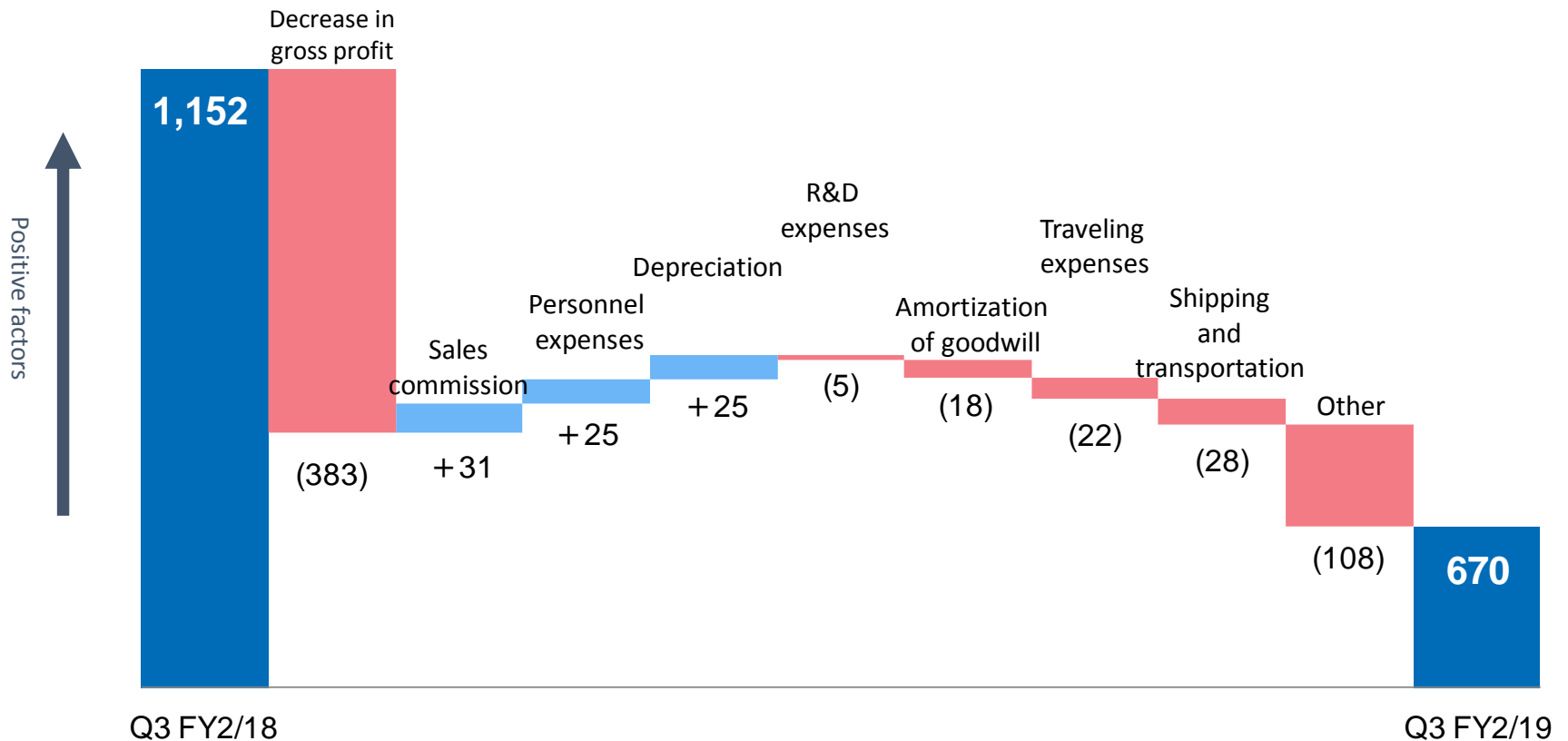
Operating profit margin



Change in Consolidated Operating Profit

- The decrease in the gross profit is the largest component of the change in operating profit
- The change in SG&A expenses was a normal movement linked to the volume of business activities

(Millions of yen)



Inquiries:
Freund Corporation
Corporate Communication Dept.

Tel: +81-3-6890-0767

Fax: +81-3-6890-0870

Email: ir@freund.co.jp

IR website: <http://www.freund.co.jp>

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