

Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending February 29, 2016
(Nine Months Ended November 30, 2015)

[Japanese GAAP]

Company name: Freund Corporation
Securities code: 6312
Representative: Iwao Fusejima, President & CEO
Contact: Yuji Takanami, General Manager, Corporate Administration Division
Tel: +81-3-5292-0240

Listing: Tokyo (JASDAQ)
URL: <http://www.freund.co.jp>

Scheduled date of filing of Quarterly Report: January 6, 2016
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: None
Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Third Quarter of the Fiscal Year Ending February 29, 2016
(March 1, 2015 – November 30, 2015)

(1) 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	%
Nine months ended Nov. 30, 2015	13,081	8.9	727	24.3	784	17.6	422	25.5
Nine months ended Nov. 30, 2014	12,011	(3.3)	585	(41.5)	667	(36.2)	336	(37.6)

Note: Comprehensive income
Nine months ended Nov. 30, 2015: 357 million yen (down 9.1%)
Nine months ended Nov. 30, 2014: 392 million yen (down 50.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Nov. 30, 2015	48.98	-
Nine months ended Nov. 30, 2014	39.04	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Nov. 30, 2015	17,313	11,087	64.0	1,285.90
As of Feb. 28, 2015	17,277	11,180	63.6	1,274.37

Reference: Equity capital As of Nov. 30, 2015: 11,087 million yen As of Feb. 28, 2015: 10,987 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 28, 2015	-	0.00	-	30.00	30.00
Fiscal year ending Feb. 29, 2016	-	0.00	-		
Fiscal year ending Feb. 29, 2016 (forecast)				25.00	25.00

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

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
Full year	18,500	6.2	1,350	17.4	1,370	9.6	800	14.9	92.78

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

*** Notes**

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

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

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

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

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

(4) Number of outstanding shares (common stock)

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

As of Nov. 30, 2015:	9,200,000 shares	As of Feb. 28, 2015:	9,200,000 shares
----------------------	------------------	----------------------	------------------

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

As of Nov. 30, 2015:	577,722 shares	As of Feb. 28, 2015:	577,722 shares
----------------------	----------------	----------------------	----------------

3) Average number of shares outstanding during the period

Nine months ended Nov. 30, 2015:	8,622,278 shares	Nine months ended Nov. 30, 2014:	8,622,285 shares
----------------------------------	------------------	----------------------------------	------------------

Indication of quarterly review procedure implementation status

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

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

Forecasts regarding future performance in these materials are based on certain assumptions judged to be valid and information currently available to the Company. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to the section “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 3 of the attachments regarding preconditions or other related matters for forecasts shown above.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance	2
(1) Explanation of Results of Operations	2
(2) Explanation of Financial Position	2
(3) Explanation of Consolidated Forecast and Other Forward-looking Statements	3
2. Matters Related to Summary Information (Notes)	3
(1) Changes in Significant Subsidiaries during the Period	3
(2) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements	3
(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements	3
3. Important Information about Going Concern Assumption	3
4. Quarterly Consolidated Financial Statements	4
(1) Quarterly Consolidated Balance Sheet	4
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	6
Quarterly Consolidated Statement of Income	
For the Nine-month Period	6
Quarterly Consolidated Statement of Comprehensive Income	
For the Nine-month Period	7
(3) Notes to Quarterly Consolidated Financial Statements	8
Going Concern Assumption	8
Significant Changes in Shareholders' Equity	8
Segment and Other Information	8
5. Supplementary Information	10
Orders and Sales	10

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first nine months of the current fiscal year, the Japanese economy continued to recover slowly as corporate earnings improved along with the yen's weakness. However, the outlook remained unclear because of concerns about an economic downturn in Japan caused by an economic decline in China and other emerging countries in Asia.

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, the higher cost of R&D and higher risks associated with the development of new drugs. The focus of attention is shifting to emerging countries and to the expansion of the market for generic drugs.

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

Net sales increased 8.9% year-over-year to 13,081 million yen, operating income increased 24.3% to 727 million yen, ordinary income was up 17.6% to 784 million yen, and net income increased 25.5% to 422 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 increased as orders remained strong because of the large volume of capital expenditures in the generic drug industry. Operating income decreased mainly because of higher depreciation and R&D expenses at U.S. subsidiary Freund-Vector Corporation, the result of investments aimed at growth, and higher personnel expenses in Japan.

As a result, net sales rose 21.2% year-over-year to 8,663 million yen and operating income dropped 5.5% to 578 million yen.

Chemical and Food Business Segment

In the chemical and food sector, sales of nutritional supplements decreased because of lower production of products for other companies. But sales of pharmaceutical excipients and food preservatives were firm. Operating income increased due to actions to expand high-value added Freund products and to lower the cost of sales.

As a result, net sales dropped 9.1% year-over-year to 4,417 million yen, while operating income rose 25.7% to 404 million yen.

(2) Explanation of Financial Position

Total assets increased 35 million yen from the end of the previous fiscal year to 17,313 million yen at the end of the third quarter under review. This mainly reflected an increase in work in process of 973 million yen, while there were decreases in cash and deposits of 829 million yen and property, plant and equipment of 104 million yen.

Liabilities increased 128 million yen from the end of the previous fiscal year to 6,225 million yen at the end of the third quarter under review. This mainly reflected an increase in advances received of 435 million yen.

Net assets decreased 92 million yen from the end of the previous fiscal year to 11,087 million yen at the end of the third quarter under review.

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

There are no revisions to the consolidated forecast for the fiscal year ending February 29, 2016, which was disclosed in the Consolidated Financial Results for the Fiscal Year Ended February 28, 2015 dated April 8, 2015.

2. Matters Related to Summary Information (Notes)

(1) Changes in Significant Subsidiaries during the Period

Not applicable.

Changes in subsidiaries other than the specified subsidiaries

In the first quarter of the current fiscal year, Freund International, Ltd. was excluded from the consolidation since this company was absorbed by Freund-Vector Corporation, which became the surviving company, after which Freund International, Ltd. was dissolved.

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

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

(3) Changes in Accounting Policies and Accounting-based Estimates, and Restatements

The Company has applied the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (ASBJ) Statement No. 26, May 17, 2012) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, March 26, 2015) from the first quarter of the current fiscal year, for provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard for Retirement Benefits and Paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits. Accordingly, the Company reviewed the methods for calculating retirement benefit obligations and service costs, and revised the method of attributing estimated retirement benefit obligations to periods from the straight-line basis to the benefit formula basis, and revised the method of determining the discount rate from the method using a single discount rate calculated based on the average remaining service period of employees to the method using a single weighted average discount rate reflecting the estimated period and amount of benefit payment.

For the application of these accounting standards, etc. in accordance with the transitional accounting treatments set forth in Paragraph 37 of the Accounting Standard for Retirement Benefits, the adjustments associated with the change in calculation methods of retirement benefit obligations and service costs are recorded in retained earnings at the beginning of the first nine months of the current fiscal year.

The result was an increase of 4,112 thousand yen in net defined benefit liability, and a decrease of 2,782 thousand yen in retained earnings at the beginning of the first nine months of the current fiscal year. The effect of this change on operating income, ordinary income and income before income taxes and minority interests in the first nine months of the current fiscal year is insignificant.

3. Important Information about Going Concern Assumption

Not applicable.

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

(Thousands of yen)

	FY2/15 (As of Feb. 28, 2015)	Third quarter of FY2/16 (As of Nov. 30, 2015)
Assets		
Current assets		
Cash and deposits	4,870,566	4,040,693
Notes and accounts receivable-trade	5,266,889	5,036,782
Electronically recorded monetary claims-operating	5,578	203,987
Merchandise and finished goods	296,478	353,254
Work in process	931,971	1,905,260
Raw materials and supplies	543,437	625,591
Prepaid expenses	120,830	109,313
Deferred tax assets	256,424	250,762
Other	527,353	410,253
Allowance for doubtful accounts	(37,370)	(37,187)
Total current assets	12,782,160	12,898,711
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,084,608	1,248,792
Land	1,330,712	1,330,602
Other, net	988,415	719,944
Total property, plant and equipment	3,403,736	3,299,340
Intangible assets		
Goodwill	-	81,007
Other	146,911	116,680
Total intangible assets	146,911	197,688
Investments and other assets		
Deferred tax assets	137,768	138,932
Other	812,272	783,903
Allowance for doubtful accounts	(5,400)	(5,400)
Total investments and other assets	944,640	917,436
Total non-current assets	4,495,288	4,414,464
Total assets	17,277,448	17,313,176
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,833,333	1,970,816
Electronically recorded obligations-operating	953,608	1,005,632
Income taxes payable	332,544	132,433
Advances received	1,242,586	1,678,048
Provision for bonuses	233,683	135,115
Provision for directors' bonuses	59,000	54,000
Asset retirement obligations	-	19,199
Other	772,480	627,595
Total current liabilities	5,427,236	5,622,840
Non-current liabilities		
Net defined benefit liability	187,425	182,101
Negative goodwill	18,862	13,016
Asset retirement obligations	15,555	4,196
Other	448,129	403,622
Total non-current liabilities	669,973	602,936
Total liabilities	6,097,209	6,225,777

	(Thousands of yen)	
	FY2/15	Third quarter of FY2/16
	(As of Feb. 28, 2015)	(As of Nov. 30, 2015)
Net assets		
Shareholders' equity		
Capital stock	1,035,600	1,035,600
Capital surplus	1,280,522	1,280,522
Retained earnings	8,816,001	8,976,894
Treasury shares	(201,313)	(201,313)
Total shareholders' equity	10,930,810	11,091,703
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	34,183	42,854
Foreign currency translation adjustment	34,187	(36,398)
Remeasurements of defined benefit plans	(11,208)	(10,760)
Total accumulated other comprehensive income	57,162	(4,304)
Minority interests	192,266	-
Total net assets	11,180,239	11,087,398
Total liabilities and net assets	17,277,448	17,313,176

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

	(Thousands of yen)	
	First nine months of FY2/15 (Mar. 1, 2014 – Nov. 30, 2014)	First nine months of FY2/16 (Mar. 1, 2015 – Nov. 30, 2015)
Net sales	12,011,091	13,081,701
Cost of sales	8,266,405	8,931,450
Gross profit	3,744,685	4,150,250
Selling, general and administrative expenses	3,159,614	3,423,091
Operating income	585,070	727,159
Non-operating income		
Interest income	688	972
Technical support fee	11,193	12,246
Insurance premiums refunded cancellation	13,570	17,238
Foreign exchange gains	38,890	5,614
Amortization of negative goodwill	5,845	5,845
Other	18,441	18,479
Total non-operating income	88,631	60,397
Non-operating expenses		
Interest expenses	3,550	2,951
Provision of allowance for doubtful accounts	1,725	-
Other	1,126	179
Total non-operating expenses	6,402	3,131
Ordinary income	667,299	784,425
Extraordinary income		
Gain on sales of non-current assets	5,716	904
Total extraordinary income	5,716	904
Extraordinary losses		
Loss on sales of non-current assets	375	-
Loss on retirement of non-current assets	2,351	3,236
Loss on valuation of golf club membership	475	-
Loss on valuation of investment securities	1,750	-
Impairment loss	-	22,338
Total extraordinary losses	4,952	25,575
Income before income taxes and minority interests	668,063	759,755
Income taxes	321,604	344,187
Income before minority interests	346,458	415,567
Minority interests in income (loss)	9,803	(6,776)
Net income	336,655	422,344

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

(Thousands of yen)

	First nine months of FY2/15 (Mar. 1, 2014 – Nov. 30, 2014)	First nine months of FY2/16 (Mar. 1, 2015 – Nov. 30, 2015)
Income before minority interests	346,458	415,567
Other comprehensive income		
Valuation difference on available-for-sale securities	9,262	8,671
Foreign currency translation adjustment	37,007	(67,637)
Remeasurements of defined benefit plans, net of tax	-	447
Total other comprehensive income	46,269	(58,518)
Comprehensive income	392,728	357,048
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	376,789	360,877
Comprehensive income attributable to minority interests	15,939	(3,828)

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

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Segment and Other Information**Segment information**

I First nine months of FY2/15 (Mar. 1, 2014 – Nov. 30, 2014)

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

	Machinery Business	Chemical and Food Business	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales					
(1) External sales	7,149,049	4,862,041	12,011,091	-	12,011,091
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	7,149,049	4,862,041	12,011,091	-	12,011,091
Segment profit	612,081	322,147	934,228	(349,158)	585,070

Notes: 1. The adjustment consists of the following items.

The negative adjustment of 349,158 thousand yen to segment profit includes corporate expenses that are not allocated to any of the reportable segments. Corporate expenses are mainly general and administrative expenses that are not attributable to any of the reportable segments.

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

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

Not applicable.

3. Information by region**Net sales**

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

(Thousands of yen)				
Japan	North America	Europe	Other	Total
9,287,518	1,108,012	266,178	1,349,382	12,011,091

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

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

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

II First nine months of FY2/16 (Mar. 1, 2015 – Nov. 30, 2015)

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

	Machinery Business	Chemical and Food Business	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales					
(1) External sales	8,663,751	4,417,949	13,081,701	-	13,081,701
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	8,663,751	4,417,949	13,081,701	-	13,081,701
Segment profit	578,302	404,851	983,153	(255,994)	727,159

Notes: 1. The adjustment consists of the following items.

The negative adjustment of 255,994 thousand yen to segment profit includes corporate expenses that are not allocated to any of the reportable segments. Corporate expenses are mainly general and administrative expenses that are not attributable to any of the reportable segments.

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

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

Significant impairment losses related to non-current assets

There was no impairment loss allocated to reportable segments. The amount of impairment losses that was not allocated to these segments were 22,338 thousand yen.

Significant change in goodwill

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

3. Information by region

Net sales

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

(Thousands of yen)

Japan	North America	Latin America	Europe	Other	Total
9,632,372	1,337,285	676,048	686,238	749,756	13,081,701

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

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

Beginning with the end of FY2/15, net sales included in “Other” in prior periods were divided into “Latin America” and “Other” in association with revisions to administrative segments.

(1) North America: USA and Canada

(2) Latin America: Brazil, etc.

(3) Europe: France, UK, etc.

(4) Other: Asia, etc.

5. Supplementary Information

Orders and Sales

(1) Orders received (Thousands of yen)

Operating segment	First nine months of FY2/15 (Mar. 1, 2014 – Nov. 30, 2014)		First nine months of FY2/16 (Mar. 1, 2015 – Nov. 30, 2015)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	9,215,033	112.2	9,671,499	105.0
Chemical and Food Business	1,593,880	83.2	1,612,827	101.2
Total	10,808,913	106.7	11,284,326	104.4

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

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

3. Orders received do not include consumption taxes.

(2) Order backlog (Thousands of yen)

Operating segment	First nine months of FY2/15 (Mar. 1, 2014 – Nov. 30, 2014)		First nine months of FY2/16 (Mar. 1, 2015 – Nov. 30, 2015)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	7,225,808	117.6	7,976,130	110.4
Chemical and Food Business	293,836	54.0	376,639	128.2
Total	7,519,645	112.4	8,352,770	111.1

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

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

3. Order backlog does not include consumption taxes.

(3) Sales (Thousands of yen)

Operating segment	First nine months of FY2/15 (Mar. 1, 2014 – Nov. 30, 2014)		First nine months of FY2/16 (Mar. 1, 2015 – Nov. 30, 2015)	
	Amount	Composition (%)	Amount	Composition (%)
Machinery Business	7,149,049	59.5	8,663,751	66.2
Chemical and Food Business	4,862,041	40.5	4,417,949	33.8
Total	12,011,091	100.0	13,081,701	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.