

FREUND CORPORATION

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



(Securities code: 6312)

Results of Operations for the Third Quarter of the Fiscal Year Ending February 29, 2020

January 9, 2020



Consolidated Financial Summary for 3Q of FY2/20



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Consolidated Financial Summary

- Slow pace of new orders as domestic capital expenditure environment has worsened than expected in the pharmaceutical industry
- In the Machinery Business, most deliveries are usually in the 4Q of every fiscal year at the Freund Group
- In the Chemicals Business, sales of pharmaceutical excipients in Asia decreased and sales of food preservatives were steady

(Millions of yen)

	FY2/19 Q3 Actual	FY2/20 Q3 Actual	YoY Change		FY2/20 Forecasts (as of 4/9/19)	FY2/20 Forecasts (as of 1/9/20)
			Amount	%		
Net sales	13,243	11,110	(2,132)	(16.1)	17,500	17,000
Operating profit	670	93	(577)	(86.1)	1,000	600
Ordinary profit	770	111	(659)	(85.5)	1,000	600
Profit	523	37	(485)	(92.8)	700	350
Earnings per share (yen)	31.08	2.25	(28.83)	(92.8)	41.8	20.9
Capital investment	418	752	+333	+79.6	700	700
Depreciation	257	278	+21	+8.3	350	350
R&D expenses	620	595	(25)	(4.1)	750	750

Machinery Business: Overview

● Sales By Product Field

- ❑ Pharmaceutical products: Fewer new orders due to weak demand in Japan for pharmaceutical equipment
- ❑ Industrial products: Slowdown in sales of machinery to customers in China and South Korea

● Segment Profit

- ❑ Decreased earnings caused in part by losses at two subsidiaries

(Millions of yen)

	FY2/19 Q3 Actual	FY2/20 Q3 Actual	YoY change		FY2/20 Forecasts (as of 4/10/19)	FY2/20 Forecasts (as of 1/9/20)
			Amount	%		
Net sales	8,723	6,749	(1,973)	(22.6)	11,500	11,000
Pharmaceutical Products	7,068	5,710	(1,357)	(19.2)	—	—
Industrial Products	1,655	1,039	(616)	(37.2)	—	—
Operating profit	295	(142)	(437)	-	—	—
Orders received	8,620	7,208	(1,412)	(16.4)	—	—
Pharmaceutical Products	7,343	5,924	(1,419)	(19.3)	—	—
Industrial Products	1,277	1,284	+6	+0.5	—	—
Order backlog	5,818	5,994	+176	+3.0	—	—
Pharmaceutical Products	5,288	5,228	(60)	(1.1)	—	—
Industrial Products	529	765	+236	+44.7	—	—
Yen/dollar rate (+ is yen depreciation)	110.44	108.87	-1.57 yen/dollar	(1.4)	105.00	105.00

Machinery Business: Group Company Performance

- Freund Corporation: Sales decline caused higher fixed expense ratio
- Freund-Vector: A loss in the first three quarters because most sales and earnings are in the 4Q of every fiscal year
- Freund-Turbo: Posted a loss because of the cost of a new business site and higher new product development expenses

(Millions of yen)

	FY2/19	FY2/20	YoY change		FY2/20	FY2/20
	Q3	Q3	Amount	%	Forecasts	Forecasts
	Amount	Amount			(as of 4/10/19)	(as of 1/9/20)
Net sales	8,723	6,749	(1,973)	(22.6)	11,500	11,000
FREUND CORPORATION	5,589	4,130	(1,458)	(26.1)	—	—
FREUND-VECTOR	2,213	2,126	(87)	(3.9)	—	—
FREUND-TURBO	1,485	823	(662)	(44.6)	—	—
Operating profit	295	(142)	(437)	-	—	—
FREUND CORPORATION	537	134	(402)	(74.9)	—	—
FREUND-VECTOR	(227)	(195)	-	-	—	—
FREUND-TURBO	(14)	(81)	-	-	—	—
Orders received	8,620	7,208	(1,412)	(16.4)	—	—
FREUND CORPORATION	4,729	3,771	(958)	(20.3)	—	—
FREUND-VECTOR	2,919	2,404	(515)	(17.6)	—	—
FREUND-TURBO	971	1,032	+60	+6.3	—	—
Order backlog	5,818	5,994	+176	+3.0	—	—
FREUND CORPORATION	3,506	3,685	+179	+5.1	—	—
FREUND-VECTOR	2,000	1,604	(396)	(19.8)	—	—
FREUND-TURBO	310	704	+393	+126.5	—	—

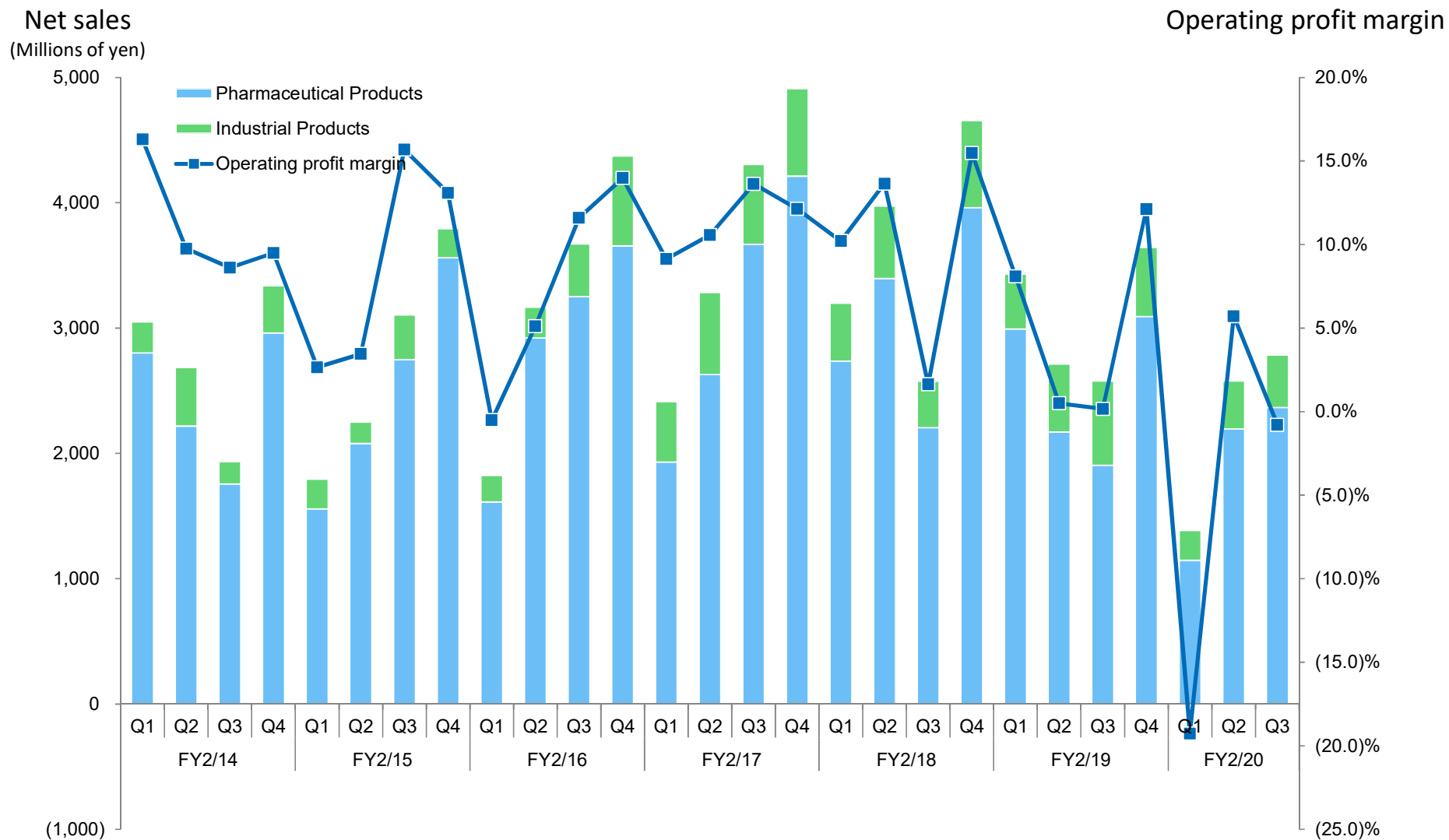
Machinery Business: Sales by Region

- Japan: Decrease in the number of projects and no contribution from new products
- North and South Americas: Sales in North America remained largely unchanged YoY
- Europe: Sales remained unchanged YoY
- Other (Asia): Slowdown in sales of battery machinery in India and China

(Millions of yen)

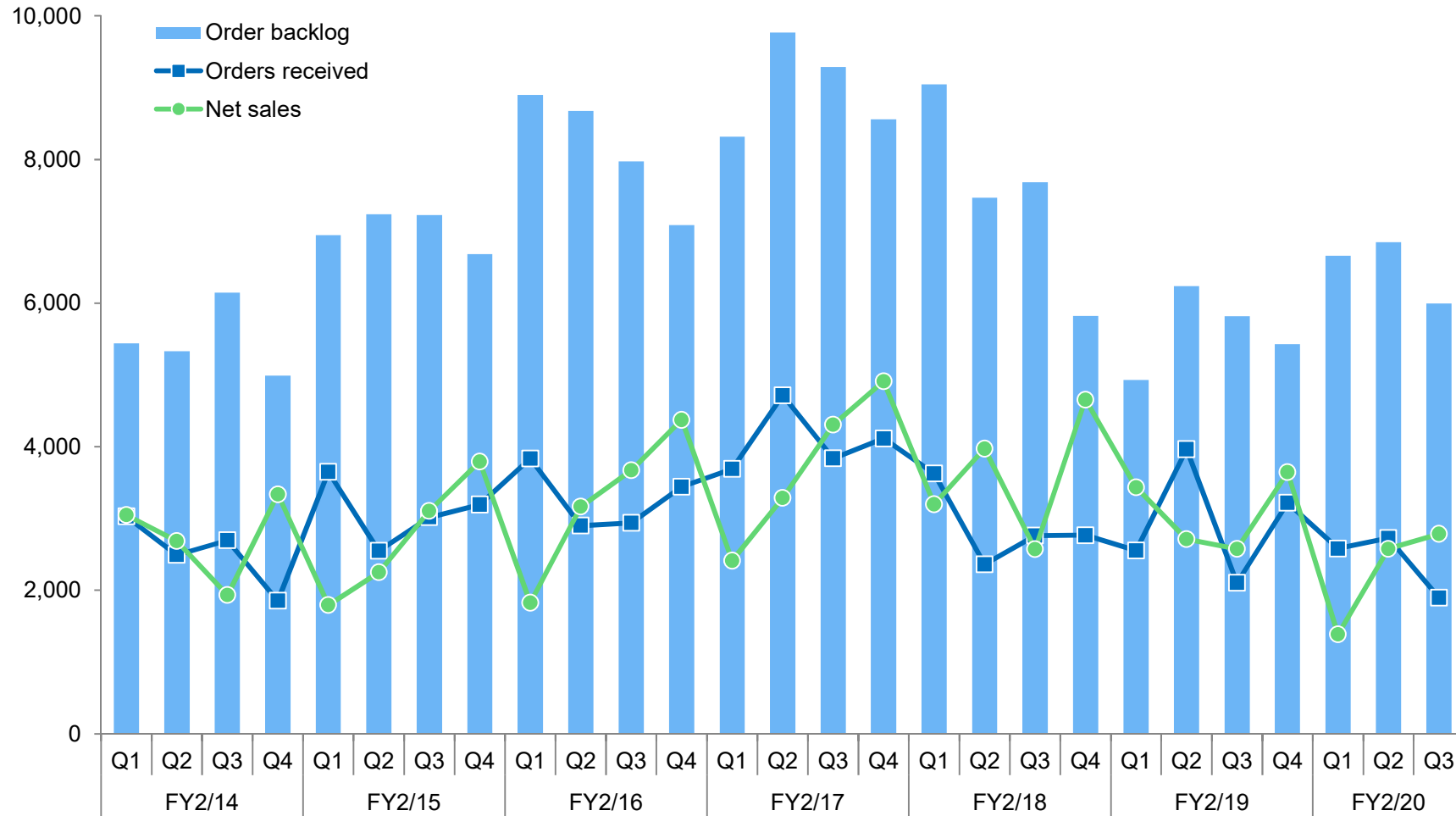
	FY2/19	FY2/20	YoY change		FY2/20	FY2/20
	Q3 Amount	Q3 Amount	Amount	%	Forecasts (as of 4/10/19)	Forecasts (as of 1/9/20)
Net sales	8,723	7,080	(1,642)	(18.8)	11,500	11,000
Japan	5,846	4,265	(1,581)	(27.0)	—	—
Overseas	2,876	2,489	(387)	(13.5)	—	—
North and South Americas	1,726	1,743	+16	+1.0	—	—
Europe and Africa	270	236	(34)	(12.7)	—	—
Middle East, Asia and Pacific	879	509	(369)	(42.1)	—	—

Machinery Business: Quarterly Results (by Product Field)

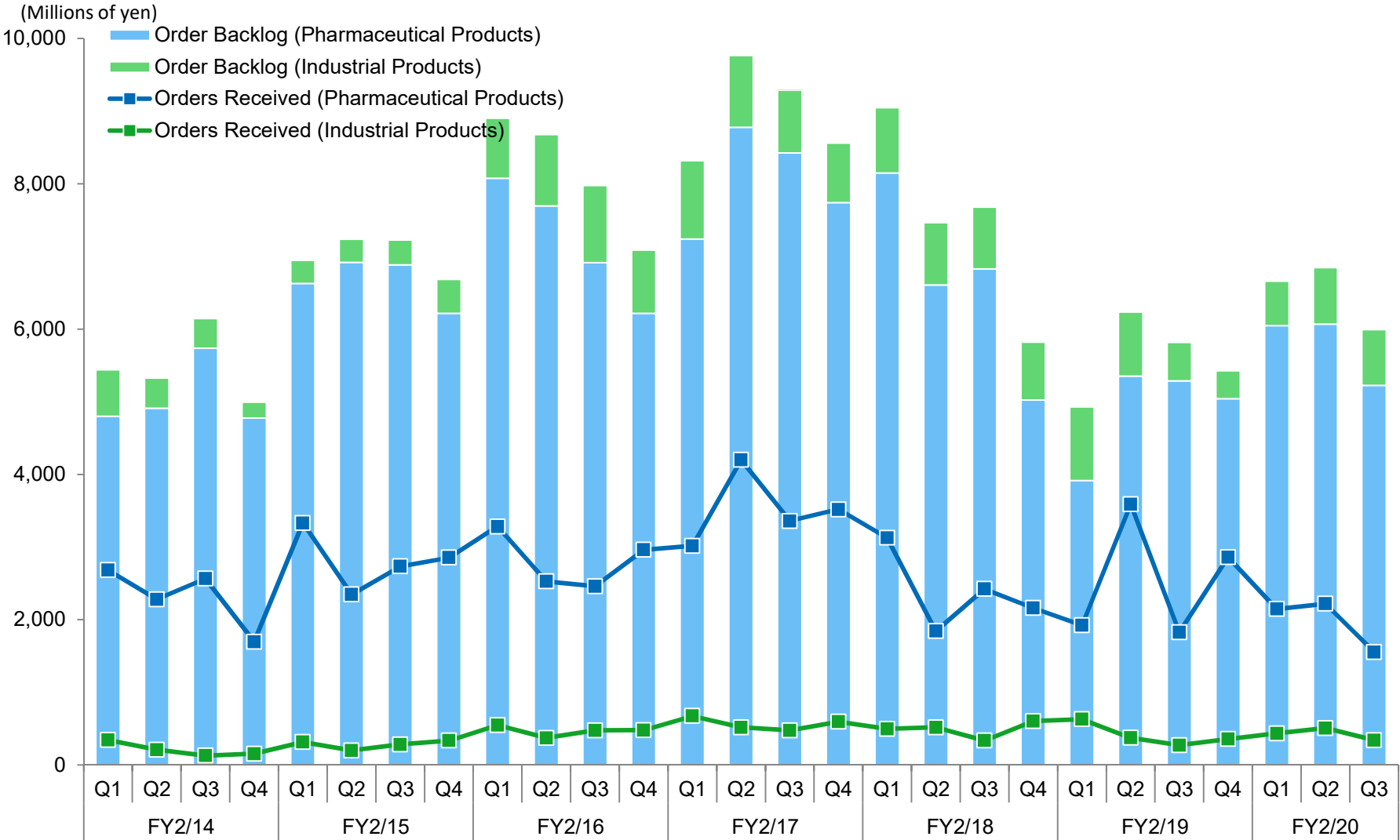


Machinery Business: Quarterly Results (Net Sales/Orders Received/Order Backlog)

(Millions of yen)



Machinery Business: Quarterly Results (Orders Received and Order Backlog by Product Field)



Chemicals Business: Overview

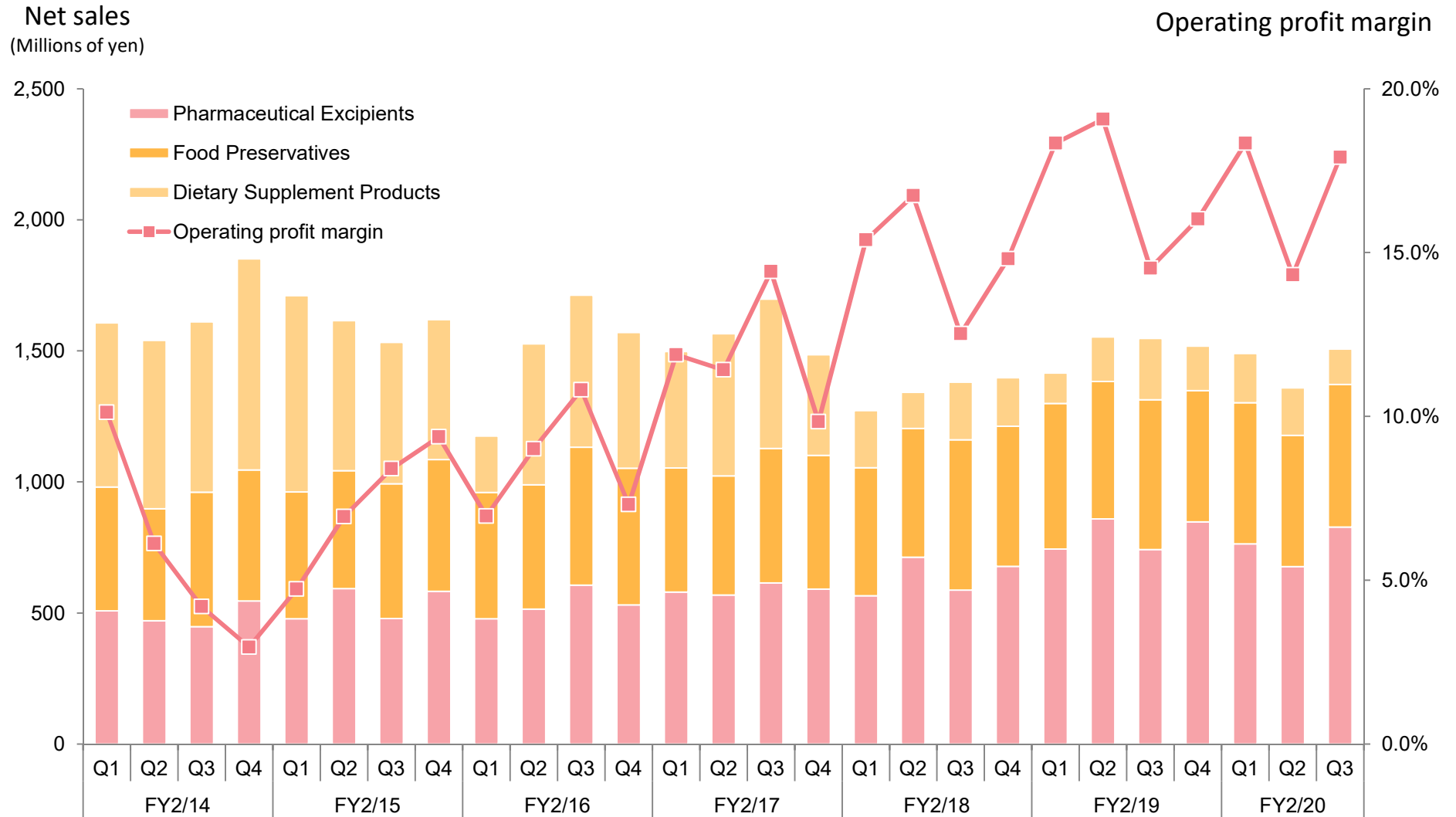
- Net Sales
 - ▣ Pharmaceutical excipients: Solid sales growth in Japan
 - ▣ Food preservatives: Performing as planned, including activities to start selling food preservatives in other countries
 - ▣ Export: Decline in sales to a major customer in India
- Segment Profit: Higher because of an improvement in the product mix

(Millions of yen)

	FY2/19	FY2/20	YoY change		FY2/20	FY2/20
	Q3	Q3	Amount	%	Forecasts	Forecasts
	Amount	Amount			(as of 4/10/19)	(as of 1/9/20)
Net sales	4,519	4,360	(159)	(3.5)	6,000	6,000
Pharmaceutical Excipients	2,346	2,271	(75)	(3.2)	—	—
Food Preservatives	1,650	1,583	(67)	(4.1)	—	—
Dietary Supplement Products	522	506	(16)	(3.1)	—	—
(Export sales)*1	301	111	(189)	(62.9)	—	—
Operating profit	781	652	(128)	(16.5)	—	—

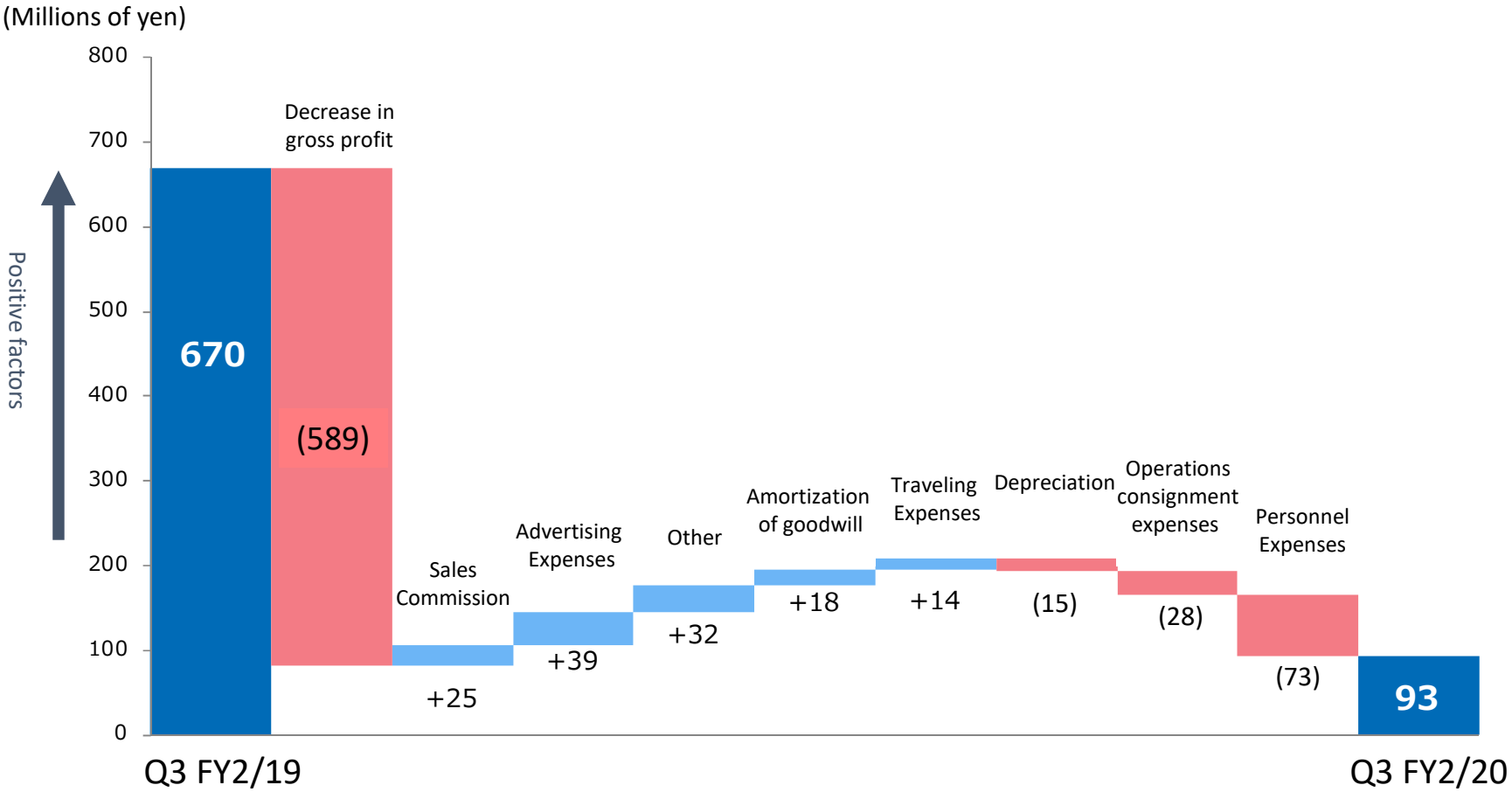
*1: Sales to India, South Korea and Taiwan

Chemicals Business: Quarterly Results (by Product Field)



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



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