

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending February 29, 2016
(Three Months Ended May 31, 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: July 6, 2015
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 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 First Quarter (March 1, 2015 – May 31, 2015) of the Fiscal Year Ending February 29, 2016

(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	%
Three months ended May 31, 2015	3,002	(14.4)	(24)	-	(0)	-	(29)	-
Three months ended May 31, 2014	3,506	(24.7)	(20)	-	(0)	-	(29)	-

Note: Comprehensive income
 Three months ended May 31, 2015: (105) million yen (- %)
 Three months ended May 31, 2014: (98) million yen (- %)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended May 31, 2015	(3.38)	-
Three months ended May 31, 2014	(3.47)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of May 31, 2015	16,761	10,802	63.4	1,232.28
As of Feb. 28, 2015	17,277	11,180	63.6	1,274.37

Reference: Equity capital
 As of May 31, 2015: 10,625 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	-	-	-	-	-
Fiscal year ending Feb. 29, 2016 (forecast)	-	0.00	-	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
First half	7,000	(5.0)	250	147.3	260	84.3	135	273.9	15.66
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 May 31, 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 May 31, 2015:	577,722 shares	As of Feb. 28, 2015:	577,722 shares
3) Average number of shares outstanding during the period			
Three months ended May 31, 2015:	8,622,278 shares	Three months ended May 31, 2014:	8,622,299 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 “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.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

The Japanese economy recovered slowly during the first quarter of the current fiscal year. The recovery was backed by rising corporate earnings due to the weaker yen, the increasing number of jobs and rising stock prices. However, the outlook is unclear because of concerns that include the higher cost of imported goods caused by the yen's decline and the risk of an overseas economic downturn.

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 patent expirations for major products, the higher cost of R&D and higher risks associated with the development of new drugs. Pharmaceutical companies are shifting their attention to emerging countries. The generic drug market is expanding in many countries, including Japan. The main reason is measures to increase the use of these drugs as governments step up activities aimed at holding down healthcare expenditures.

By developing innovative new products, the Freund Group worked on precisely targeting customers' needs. Group companies also aggressively pursued opportunities in new business fields.

Net sales decreased 14.4% year-over-year to 3,002 million yen. There was an operating loss of 24 million yen compared with a 20 million yen loss one year earlier and an ordinary loss of 0.4 million yen compared with a 0.7 million yen loss one year earlier. The net loss was 29 million yen, compared with a 29 million yen loss one year earlier.

Results by business segment were as follows.

Machinery Business Segment

In the machinery sector, where granulating and coating devices are the main products, orders from pharmaceutical companies in Japan remained strong because of the large volume of capital expenditures in the generic drug industry. However, sales and earnings in Japan decreased mostly because of the longer time required until deliveries due to the larger size of equipment sold. At U.S. subsidiary Freund-Vector Corporation, extensive activities to grow in overseas markets resulted in higher sales. There was an operating loss at this company, although smaller than one year earlier, because of fixed expenses.

As a result, net sales rose 1.7% year-over-year to 1,826 million yen and there was an operating loss of 9 million yen compared with operating income of 47 million yen one year earlier.

Chemical and Food Business Segment

In the chemical and food sector, sales of pharmaceutical excipients and food preservatives were firm. But sales of nutritional supplements, a product category that utilizes Freund's technologies, declined due to the impact of a reduction in output by a major customer. There was a small increase in operating income from one year earlier resulting from higher capacity utilization and actions to lower the cost of sales.

As a result, net sales dropped 31.3% year-over-year to 1,176 million yen, while operating income rose 1.1% year-over-year to 81 million yen.

(2) Explanation of Financial Position

Assets, liabilities and net assets

Total assets decreased 516 million yen over the end of the previous fiscal year to 16,761 million yen at the end of the first quarter under review. This mainly reflected an increase in work in process of 610 million yen, and decreases in notes and accounts receivable-trade of 997 million yen, and cash and deposits of 188 million yen.

Liabilities decreased 138 million yen over the end of the previous fiscal year to 5,958 million yen at the end of the first quarter under review. This mainly reflected an increase in advances received of 498 million yen, and decreases in income taxes payable of 265 million yen and electronically recorded obligations-operating of 220 million yen.

Net assets decreased 377 million yen over the end of the previous fiscal year to 10,802 million yen at the end of the first quarter under review.

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

There are no revisions to the first half and full year consolidated forecasts 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 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 rates to calculate tax expenses for cases in which using estimated tax rates 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 the approximate number of years of expected average length of 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 quarter 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 quarter of the current fiscal year. The effect of this change on operating loss, ordinary loss and loss before income taxes and minority interests in the first quarter 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)	First quarter of FY2/16 (As of May 31, 2015)
Assets		
Current assets		
Cash and deposits	4,870,566	4,682,307
Notes and accounts receivable-trade	5,266,889	4,269,264
Electronically recorded monetary claims-operating	5,578	39,231
Merchandise and finished goods	296,478	363,763
Work in process	931,971	1,542,586
Raw materials and supplies	543,437	552,434
Prepaid expenses	120,830	116,480
Deferred tax assets	256,424	272,408
Other	527,353	522,740
Allowance for doubtful accounts	(37,370)	(37,252)
Total current assets	12,782,160	12,323,963
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,084,608	1,279,613
Land	1,330,712	1,330,641
Other, net	988,415	738,526
Total property, plant and equipment	3,403,736	3,348,781
Intangible assets	146,911	140,060
Investments and other assets		
Deferred tax assets	137,768	130,495
Other	812,272	823,307
Allowance for doubtful accounts	(5,400)	(5,400)
Total investments and other assets	944,640	948,402
Total non-current assets	4,495,288	4,437,244
Total assets	17,277,448	16,761,208
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,833,333	1,803,049
Electronically recorded obligations-operating	953,608	733,371
Income taxes payable	332,544	67,432
Advances received	1,242,586	1,741,264
Provision for bonuses	233,683	270,832
Provision for directors' bonuses	59,000	26,250
Other	772,480	661,600
Total current liabilities	5,427,236	5,303,802
Non-current liabilities		
Net defined benefit liability	187,425	185,854
Negative goodwill	18,862	16,913
Asset retirement obligations	15,555	15,633
Other	448,129	436,071
Total non-current liabilities	669,973	654,473
Total liabilities	6,097,209	5,958,275

(Thousands of yen)

	FY2/15 (As of Feb. 28, 2015)	First quarter of FY2/16 (As of May 31, 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	8,525,430
Treasury shares	(201,313)	(201,313)
Total shareholders' equity	10,930,810	10,640,238
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	34,183	46,570
Foreign currency translation adjustment	34,187	(50,322)
Remeasurements of defined benefit plans	(11,208)	(11,441)
Total accumulated other comprehensive income	57,162	(15,194)
Minority interests	192,266	177,887
Total net assets	11,180,239	10,802,932
Total liabilities and net assets	17,277,448	16,761,208

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

(Thousands of yen)

	First three months of FY2/15 (Mar. 1, 2014 – May 31, 2014)	First three months of FY2/16 (Mar. 1, 2015 – May 31, 2015)
Net sales	3,506,699	3,002,638
Cost of sales	2,454,079	1,976,563
Gross profit	1,052,620	1,026,074
Selling, general and administrative expenses	1,073,496	1,050,574
Operating loss	(20,876)	(24,500)
Non-operating income		
Interest income	252	407
Technical support fee	3,266	2,133
Insurance premiums refunded cancellation	12,818	-
Amortization of negative goodwill	1,948	1,948
Foreign exchange gains	-	12,837
Other	6,112	7,725
Total non-operating income	24,398	25,052
Non-operating expenses		
Interest expenses	1,290	999
Foreign exchange losses	593	-
Provision of allowance for doubtful accounts	1,400	-
Other	963	20
Total non-operating expenses	4,247	1,020
Ordinary loss	(725)	(468)
Extraordinary losses		
Loss on sales of non-current assets	375	-
Loss on retirement of non-current assets	35	3,236
Loss on valuation of golf club membership	450	-
Total extraordinary losses	860	3,236
Loss before income taxes and minority interests	(1,586)	(3,704)
Income taxes	30,662	28,549
Loss before minority interests	(32,249)	(32,254)
Minority interests in loss	(2,290)	(3,134)
Net loss	(29,959)	(29,120)

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

(Thousands of yen)

	First three months of FY2/15 (Mar. 1, 2014 – May 31, 2014)	First three months of FY2/16 (Mar. 1, 2015 – May 31, 2015)
Loss before minority interests	(32,249)	(32,254)
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,659)	12,387
Foreign currency translation adjustment	(62,835)	(85,139)
Remeasurements of defined benefit plans, net of tax	-	(233)
Total other comprehensive income	(66,495)	(72,985)
Comprehensive income	(98,744)	(105,240)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(92,834)	(101,477)
Comprehensive income attributable to minority interests	(5,909)	(3,762)

(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 three months of FY2/15 (Mar. 1, 2014 – May 31, 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	1,794,953	1,711,745	3,506,699	-	3,506,699
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	1,794,953	1,711,745	3,506,699	-	3,506,699
Segment profit (loss)	47,666	80,983	128,650	(149,526)	(20,876)

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 149,526 thousand yen to segment profit (loss) includes 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. Segment profit (loss) is adjusted to be consistent with operating loss recorded 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 "Accounting Standard for Quarterly Financial Statements," the Company provides information by region (net sales) based on "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
3,102,465	195,594	52,395	156,244	3,506,699

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

II First three months of FY2/16 (Mar. 1, 2015 – May 31, 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	1,826,072	1,176,565	3,002,638	-	3,002,638
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	1,826,072	1,176,565	3,002,638	-	3,002,638
Segment profit (loss)	(9,377)	81,899	72,521	(97,022)	(24,500)

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 97,022 thousand yen to segment profit (loss) includes 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. Segment profit (loss) is adjusted to be consistent with operating loss recorded 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 “Accounting Standard for Quarterly Financial Statements,” the Company provides information by region (net sales) based on “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
2,364,438	194,486	112,640	235,098	95,973	3,002,638

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: US 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 three months of FY2/15 (Mar. 1, 2014 – May 31, 2014)		First three months of FY2/16 (Mar. 1, 2015 – May 31, 2015)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	3,648,495	120.5	3,833,281	105.1
Chemical and Food Business	578,863	116.3	508,778	87.9
Total	4,227,359	119.9	4,342,060	102.7

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 three months of FY2/15 (Mar. 1, 2014 – May 31, 2014)		First three months of FY2/16 (Mar. 1, 2015 – May 31, 2015)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	6,945,485	127.7	8,900,504	128.1
Chemical and Food Business	390,285	80.4	391,409	100.3
Total	7,335,771	123.8	9,291,913	126.7

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 three months of FY2/15 (Mar. 1, 2014 – May 31, 2014)		First three months of FY2/16 (Mar. 1, 2015 – May 31, 2015)	
	Amount	Composition (%)	Amount	Composition (%)
Machinery Business	1,794,953	51.2	1,826,072	60.8
Chemical and Food Business	1,711,745	48.8	1,176,565	39.2
Total	3,506,699	100.0	3,002,638	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.