Develop the Future through Creativity

FREUND Report 2014

Integrated Report
Fiscal year ended February 28, 2014
Since its founding in 1964, Freund Corporation has led the world by creating revolutionary new technologies in the realm of processes used to form powder into pellets and coatings, and developed film coating applications for tablets used in the pharmaceutical industry. In addition, as the leading company in the industry we have successfully developed “automated film coating equipment” and “film coating liquids,” and created a business model where both pharmaceutical product manufacturing equipment, pharmaceutical excipients and other chemical products (hardware) and pharmaceutical formulation technologies (software) are supplied to customers (What Freund calls their “Ink and Pen” business model offering both software and hardware) since the time of our founding.
Freund will leverage its research, technological and developmental capabilities within Japan and use its supply chain to propagate unique products and services throughout the world.

Fiscal Year Ended February 2014
Consolidated Earnings Highlights

- **Net sales**
  - ¥17,616 million
  - (Up 7.4% yoy)

- **Operating income**
  - ¥1,286 million
  - (Down 12.5% yoy)

- **Ordinary income**
  - ¥1,341 million
  - (Down 17.1% yoy)

- **Net income**
  - ¥787 million
  - (Up 2.9% yoy)

※ Consolidated earnings data from fiscal year ended February 1997
Contributing to the maintenance of health of people around the world by providing pharmaceutical product manufacturing equipment and pharmaceutical excipients that are crucial in the manufacture of pharmaceutical products.

From “pen and ink” to “hardware and software”

Freund has implemented a dual business structure that combines machinery, “pen,” and chemicals and foods, “ink,” as a means of differentiating itself from its competitors and establishing its position as the industry’s leading company.

Today, granulating and coating processes of drug formulation technologies are Freund’s core competence, and pharmaceutical processing equipment and chemical and food products, acting as “hardware,” are merged with pharmaceutical formulation technologies, acting as “software,” to provide machinery and equipment used in pharmaceutical manufacturing lines and pharmaceutical excipients used as raw materials in pharmaceutical products, thereby contributing to the health of people around the world.
Granulating and coating technologies and Freund Turbo’s milling and sieving technologies mutually complement each other as powder processing technologies. And by fusing these two technologies, a wide range of applications in the realm of powder processing technology can be provided.

Global Drug Market Trends

According to IMS Health, a major pharmaceutical information service provider in the United States, market growth in medically advanced countries is expected to slow toward 2017 due to the “2010 issue,” when patents for numerous blockbuster drugs are expiring. While the market in China is expected to trend favorably, growth is likely to slow. At the same time, newly developing countries for pharmaceuticals including parts of Asia, Africa, South and Central Americas, India, Russia and other regions are expected to see more distinctive market expansion.

Global drug market expected to expand on back of growth in developing countries for pharmaceuticals

Source: Created using the IMS INSTITUTE FOR HEALTHCARE INFORMATICS “The Global Use of Medicines: Outlook through 2017” (November 2013)

Note: 1. US Dollar value of the market scale calculated using variable foreign exchange rates
2. US Dollar market growth rates calculated using constant foreign exchange rates
3. 5 Countries in Europe: Germany, France, Italy, Spain and the United Kingdom
4. Contribution from foreign exchange from 2008 to 2012 estimated to total $17.0 billion / Contribution from foreign exchange from 2013 to 2017 estimated to total $28.0 billion
5. Growth rates from 2012 to 2017
To Our Stakeholders

We greatly appreciate all of your support in our various business endeavors. We at Freund Corporation are proud to present an overview of our business performance in our 50th fiscal year ended in February 2014.

Since our founding in 1964 during the period of high economic growth in Japan, Freund has developed the world’s leading coating liquids (Ink) and coating equipment (Pen) based upon our philosophy of “Develop the Future through Creativity.” In the 50 years since our founding, Freund has been able to provide pharmaceutical formation technologies (Software), chemical and food products including pharmaceutical excipients and granulating and coating equipment (Hardware) to pharmaceutical, food, and chemical manufacturers.

With the support of our clients and other stakeholders, Freund is able to celebrate our 50th year of operations. Along with the arrival of our 51st year of operations, we view the coming years as the founding year of our second stage of growth, in which the Freund Group will extract further synergies between its various companies and businesses. Therefore, we ask for the continued support of all of our shareholders in our various endeavors.

Freund Corporate Mottos
Develop the Future through Creativity

- Creating highly unique products
- Creating new market applications through foresight
- Creating a management foundation that can invigorate our organization
- Creating a corporate environment where the spirit of challenge is adopted in taking on new difficulties
- Creating rich interpersonal relationships

Yasutoyo Fusejima
Chairman and CEO

Iwao Fusejima
President and COO
Management Message

The Founding Year of Our Second Stage of Growth to Achieve 100 Years of Operation
—Change & Challenge—

President and COO: Iwao Fusejima

The fiscal year ended February 2014 marked the final year of our “VISION-50” fifth midterm management plan with a sales target of ¥20.0 billion, and promoted various efforts based upon our objectives of “achieving organizational improvements to expand the scale of our business and maintain growth,” “expansion of our existing businesses,” “full scale participation in new businesses,” and “fortification of our global strategy” as we arrive upon our 50th year of operations.

During the founding year of our second stage of growth in fiscal year ending February 2015, we will focus our efforts upon further fortification our business foundations.

Fifth Midterm Management Plan Review of Fiscal Years ended February 2012 to 2014

Based upon the main strategies emphasized within “VISION-50,” we promoted various business endeavors as defined in the strategies of each of our business segments. With regards to our machinery business segment, we have identified “expansion of sales in the pharmaceutical industry,” “new product and business development,” “fortification of our global structure,” and “strengthening of our manufacturing structure” as the fundamental elements of our business strategy. We have recorded favorable sales of machinery and equipment to the pharmaceutical industry through the successful identification of capital expenditures needs sparked by government policies regarding generic drugs within Japan. In addition, Freund was able to sign an agreement with a sales representative company in India and began implementation of test facilities in Milan, Italy as part of our efforts to strengthen our global structure. The reasons for the shortfall of targets
Management Message

identified in our Midterm Management Plan included delays in new product introductions in the Indian market, late development of products for newly developing countries, and subsequent inability to adequately respond to demands in the local markets with products and services, compounded by severe conditions for the industrial machinery business within the fine chemical products market in Japan. Moreover, a delay of orders into the next term for “TABREX” ink jet type tablet printing equipment was also another factor contributing to the shortfall.

Three strategies have been identified in the chemical and food business segment including “pharmaceutical excipients sales expansion,” “food industry business expansion,” and “Asian market development.” The dietary supplement related business trended favorably on the back of joint development and consigned manufacture of dietary supplements. However, delays in developing pharmaceutical excipient responses for generic drug market and the weaker yen’s impact upon excipient raw material prices were negative factors.

As a result of these developments, sales and operating income fell shy of targets established for the final year of our Midterm Management Plan in fiscal year ended February 2014 of ¥20.0 and ¥2.0 billion at ¥17.6 and ¥1.3 billion, respectively.

Sixth Midterm Management Plan Established for Fiscal Years ending February 2015 to 2017

While we came short of the targets set out in our previous three-year Midterm Management Plan, we were able to establish the foundations needed to take on new challenges in each of our business segments and at each of our Group companies in the future. Consequently, we were also able to identify important issues that we need to address. In addition, the fact that we were able to share the recognition of these issues with all of our middle and upper management is another great success of our previous Midterm Management Plan.

In light of the recognition of these important issues, the fiscal year ending February 2015 marks the 50th anniversary of Freund’s operations as well as the start of our Sixth Midterm Management Plan. This new Plan calls for “realization of growth through creativity and the achievement of a lean business structure for our next stage of growth” as our basic strategy, and we maintain a corporate motto of “Change and Challenge in the Founding Year of Our Second Stage of Growth to Achieve 100 Years of Operation.”

Sixth Midterm Management Plan Overview of Our “Change and Challenge 2014-2016” Plan

My primary focus in the new Midterm Management Plan is the maintenance of a “Freund like” structure that is independent of volatility in the market environment and still able to grow. Our Company has been fortunate to have recorded continued growth on the back of our manufacturing and sales structure of equipment to Japanese pharmaceutical manufacturers during the past 50 years since our founding. However, future issues include declining birthrates, aging of the population, and subsequent declines in the population within Japan, along with inevitable globalization strategies of pharmaceutical manufacturers. Therefore, we must remain fully aware of these and other trends, and implement reforms that allow us to take on new challenges. Furthermore, we are well aware of the need to develop the capabilities of each and every employee so that we can strengthen our organization to allow growth of both our employees and our Company overall, and have chosen the corporate slogan “one for all, all for one” in reflection of this goal.

Freund’s 50th Anniversary Year of Operations in 2014
In order to achieve the “realization of growth through creativity” outlined as the basic strategy within our Plan, Freund must promote further globalization of our businesses, fortify our product development capability by effectively leveraging our groups’ resources, fortify our product lineup, and implement other aggressive measures to increase the speed of our business development.

“A lean business structure” will be achieved by fortifying our efforts to cultivate human resources and establishing a foundation that encourage us to take on challenges. Furthermore, we will implement measures to maximize profits by reducing overall costs and improving our development and manufacturing processes, in addition to integrating our sales, development, and operations as part of restructuring efforts designed to bring about further unity within our Group.

One for All, All for One: Endeavors by Our Management to Achieve a "Sense of Unity"

Efforts to fortify our operating foundation were already launched that include the key concept of achieving a “sense of unity” to strengthen our competitive standing and improve our management. Our restructuring efforts have begun with the absorption of the domestic subsidiary Freund Kasei K.K. in March 2014. In addition, organizational reforms have been implemented to our research and development laboratories in December 2013. These reforms include the integration of development, manufacturing and sales processes for the machinery business segment and the chemical and food business segment into one unit to achieve an even greater sense of unity so as to develop a culture to foster our products by all employees of one united business segments. In addition, TS (Technical Service) section has been reorganized and integrated to Technology Development Department to better reflect the voice of our customers directly in the development of our products.

In March 2014, reforms in the management structure of Freund Turbo were implemented. This Company had been strongly focused upon development and lacked marketing functions. However marketing functions have been added along with the appointment of a new president who has bountiful experience in marketing. These changes are expected to contribute to speedy and timely development of products that accurately reflect the needs of both customers and the market. In addition, efforts are being taken to fortify our organizational structure to create stronger ties between development, manufacturing and sales functions in the realms of cosmetics, foods, and battery related industries.

Endeavors in the Founding Year of Our Second Stage of Growth

Strengthening of Our Global Business Deployment Efforts

Economic growth in newly developing markets is spawning the entry of new pharmaceutical manufacturers in addition to existing major global manufacturers and contributing to pricing competition within these pharmaceutical markets. With regards to our Company’s endeavors within Asian markets including
India, our brand recognition established in industrialized countries is regarded highly and gives us a superior competitive standing. Nevertheless, there are some perceptive difference in the expectation for the quality of equipment by the local pharmaceutical manufacturers and their purchasing power make pricing an important competitive factor. These conditions are also present in other developing countries covered by the US subsidiary, Freund-Vector Corporation. The Freund Group is working to create a global supply chain structure to ensure that product development is performed quickly and by accurately assessing the needs of the various markets.

Therefore, Freund is focusing its strategy upon China and India in Asia, and strengthening its sales capabilities in regions where its presence is rather limited, including the “Smiley Area” of Europe, where numerous generic drug manufacturers exist, and the South and Central American region. We aim to increase overseas sales ratio in consolidated basis to 30% by the ending year of Sixth Midterm Management Plan from current level of 25% through enhancement of our global sales network and active utilization of sales agent.

Endeavors in the Founding Year of Our Second Stage of Growth

The Freund Group can provide machinery and equipment and pharmaceutical formulation technologies to a wide range of pharmaceutical product applications based upon the milling and sieving technologies of Freund Turbo Corporation, in addition to our own granulating, drying, grading, coating, and tablet printing technologies. And by sharing market information held by Freund-Vector, we can accurately and quickly assess various needs of the markets to conduct speedy new product development. Freund will conduct development of unique products and create new businesses that also include its capabilities to print on tablets after the coating process and to detect foreign objects in the tablet inspection process.

With regards to the chemical and food product realm, Freund jointly developed a new excipient with Shin-Etsu Chemical Co., Ltd. in the fall of last year. This is the first example of a revolutionary new business with high value addition created through open innovation that combines the knowhow and technology of our Company through alliances. The research and development being conducted by the subsidiary in Ireland, Freund Pharmatec, is another example of this type of joint work. In this manner, Freund will realize quick development of businesses by leveraging of internal and external resources on a global basis to achieve its goal of research and development that embodies Freund’s motto “Develop the future through creativity” and contributes to the establishment of the Freund brand.

To Our Stakeholders

In March 2014, Freund was chosen as one of the “Global Niche Top 100 Companies” (GNT) by the Ministry of Economy, Trade and Industry. According to this scheme, the experiences of GNT companies are generalized with the goal of serving as a compass for management of other companies. And while we are honored that our Company was selected as a GNT company in the 50th year of our operations, the fact that this scheme has been launched reflects the importance of globalization and fortification of international competitive standing.

Realization of sustained growth through the creation of a business that reflects Freund’s ability to stay independent of fluctuations in the market environment is a large challenge for our Company in the founding year of our second stage of growth. Freund will pursue constant improvements in its corporate value by ensuring that each of our staff and Group companies take on new challenges, enabling us to contribute to the health of people around the world for 100 years.
The targets of our Fifth Midterm Management Plan have been reviewed and new targets have been established in our new Sixth Midterm Management Plan (Covering the fiscal years ending February 2015 to 2017), along with the establishment of the important concept of “the launch year of our second stage of growth to achieve 100 years of operation, change and challenge.” We seek to achieve greater unity in the management of our overall Group based upon the fundamental principle of “realization of growth through creativity and the achievement of a lean business structure for our next stage of growth.”

**Basic Theme of Our Business Strategy**

*One for All, All for One*

- Realization of growth through creativity
- Achievement of a lean business structure

**Fiscal Year ending February 2017**

**Sales Target:** ¥23.0 billion  
**Operating Income Target:** ¥2.3 billion

(Foreign exchange rate assumptions: $1USD = ¥100, €1 = ¥145)
Effectively leveraging our Group’s resources to achieve further growth.

In overseas markets, Freund-Vector Corporation of the United States, which manufactures and sells granulating and coating equipment, is expanding its sales network not only within the United States but also in developing nations. Freund Pharmatec Ltd. of Ireland is taking on the challenge of the new business of new dosage form development based upon ultrafine drug formulation technology.

Within Japan, Freund Turbo, which develops and sells primarily industrial machinery including milling, sieving, and granulating equipment, is cultivating opportunities in the market by leveraging its strengths in design of machinery for the fine chemical industry applications.

Followings are the various business activities of our Group companies during the fiscal year ended February 2014.

The Freund Group is fortifying its marketing functions through the facilitation of its dealership network, demonstration centers and laboratories as part of its efforts to better assess the needs of both the market and its customers in order to expand its businesses. Freund-Vector Corporation, which operates in North America, South and Central America, Europe and the Middle East, is also strengthening its marketing capabilities in the "Smiley Area" of Europe and the Middle East where there are numerous generic drug manufacturers. Consequently, they have added a demonstration center to their office in Milan, Italy. At the same time, Freund Corporation has focused its efforts in the Asia region upon India and China and is promoting a strategy of strengthening its dealership network and introducing prototype equipment.
Freund Pharmatec Ltd.

During the fiscal year ended February 2014, Freund Pharmatec promoted new dosage form development based upon Freund’s unique technologies called Ethicap®pill (Spherical layering granulating technology based upon CF Granulator, Granurex®) and Ethicap®gel (Seamless mini-capule technology based upon Spherex®) focusing on certain active pharmaceutical ingredients. Clinical trials (bioequivalence testing) of antihypertensive and anti-cholesterol drugs are being implemented and have contributed to the filing of three related patents applications.

Furthermore, it has hired personnel responsible for business development and started marketing. It is also beginning to market to individual clients based upon its increased recognition arising from its participation in drug formulation conferences and its technology presentations.

Freund-Vector Corporation

Within its operating regions covering the United States, South and Central Americas, Europe, and the Middle East, growth in the South and Central Americas and Middle East regions was particularly strong with sales rising for the 10th consecutive term.

In order to provide timely support services to a wide range of users, it maintains service representatives with high levels of technological expertise on the East Coast of the United States, and in Germany and Brazil. With regards to control equipment, it also provides remote diagnosis and repair services that utilize cutting edge information technologies. Furthermore, the ability to provide the customers with the Factory Acceptance Test (FAT) before shipment is substantially reducing the time required for the start-up of the equipment at the customer site after the delivery of the product.

At its laboratory equipped with various machinery and equipment, it can provide support to customers in their evaluations of the products prior to and after their purchases, and in the process development support for the new drug formulation. In addition, its product showroom in Milan, Italy has also been renovated in 2014 to serve as a process testing facility and it will maintain full time staff with technical expertise at this facility. It plans to provide further enhanced services and support to customers in Europe and the Middle East regions. At the same time, it plans on launching sales of new products and continuing to provide cutting edge technologies.

Freund Turbo Corporation

During the current term, capital investments of its major clients including the Japanese chemical manufacturers stagnated. With regards to development, it successfully developed simplified containment technologies, for which there is strong demand, following dry granulation equipment with the world’s highest level of containment for the Japanese pharmaceutical industry, which was developed last year.

In the coming term, Freund Turbo plans on establishing a new marketing office in Tokyo as part of its efforts to facilitate capabilities that enable us to accurately and quickly assess customer needs as a part of a plan to transform from its traditional role of developmental manufacturer to an engineering manufacturer with more capability to make proposals for pharmaceuticals, foods, and industrial machinery. In addition, we will continue to make aggressive efforts to establish our footing in overseas markets as well.
New Endeavors Fusing “Hardware” with “Software”

As a research and development driven company, the Freund Group endeavors to develop products that accurately capture the wide range of customer needs in the pharmaceuticals, foods and chemicals industries. And by fusing Freund’s unique machinery and equipment (Hardware) with its pharmaceutical formulation technologies (Software), we will ensure that the essence of the “Freund Brand” is reflected in our products and business model development.

Pharmaceutical Formulation Technologies that Support the Frontline of Medicine in the Aging Population

The need for orally disintegrating tablets (OD tablets) and other new dosage formats are increasing on the back of the aging population not only in Japan but also in other industrialized countries as well. Because OD tablets dissolve quickly in saliva or a small amount of water in the oral cavity, they are easily administered to elderly and child patients who have difficulty in swallowing as well as patients with conditions that limit the amount of liquids they can ingest. Freund maintains a “pen (Machinery and equipment) and ink (Pharmaceutical excipients)” business model that fuses hardware (Products) with software (Pharmaceutical formulation technologies) to create new businesses in the OD tablets market.

With regards to the “pen” or machinery and equipment businesses, Freund started sales of “TABREX®-DOD,” which boasts of improved tablet printing function for better character recognition, in 2014. This new equipment utilizes “drop on demand” (DOD) ink jet type printing, and can print characters and letters on tablets that are four times finer than traditional printing methods. Furthermore, this equipment is able to print on a wide range of tablet formats such as uncoated tablets, film coated tablets, sugar coated tablets and other OD tablets. Simple identification of the tablet visually is made possible by the printer’s capability to perform double side printing, parallel printing that responds to secant line, and non-secant line surface printing on tablets, and through its use of newly developed inorganic pigment that is resistant to deterioration over time and transfer to other surfaces. Consequently, this printer is expected to contribute to improved medical safety by lowering the risk of erroneous drug dispensing at the time of prescription.

In the realm of pharmaceutical excipients, the excipient for direct compression, “SmartEx™” for orally disintegrating tablet was jointly developed with Shin-Etsu Chemical Co., Ltd. in 2013. “SmartEx™” is an excipient made from a type of sugar alcohol, mannitol, disintegrating agent L-HPC® (Low transformation rate hydroxypropylcellulose) made by Shin-Etsu Chemical, and polyvinyl alcohol (PVA). Freund pharmaceutical formulation technologies used to make this product vastly improve dosages and increase the stability of products. “SmartEx™” represents a new type of business collaboration, as it is manufactured by Freund and sold by Shin-Etsu Chemical, and is a key product commemorating our Company’s 50th anniversary.
Colon Drug Delivery System (DDS) Formulation Development

Freund developed a food use colon disintegrative coating agent called “Chitocoat” in 2010. Conventional food use coating agents are mostly either enteric or gastric (stomach soluble). When AICELLO CORPORATION (Formerly known as AICELLO CHEMICAL CORPORATION), which manufactures and sells a chitosan, a type of polysaccharide, coated capsule approached us to develop a delivery system that is coated using a food use coating agent to enable dissolution in the colon, we launched joint development project. There are keen interests in technologies that enable drug delivery systems (DDS) to directly deliver active pharmaceutical ingredients to the affected regions of the patients that can contribute to increases in the efficacy of drugs, restrain dosage, and reduce adverse effects. Because colon DDS can be used to deliver orally ingested drugs directly to the colon, they can be used in drugs for colon disorder treatments and supplements to improve intestinal flora, and other new formulations that target the colon.

Unique Technologies Propagated to the World

Development of Innovative Continuous Granulating Equipment ~ Batch Type Granulating to Continuous Type Granulating ~

Current trends in the pharmaceutical industry for efforts to improve quality, manufacturing efficiencies, increase yields and reduce development costs call for the introduction of manufacturing equipment with continuous production capabilities. On this background, in 2011, the guideline of the International Conference on Harmonization (ICH)* between Japan, the United States and the European Union issued calls for a shift from batch manufacturing common in the pharmaceutical manufacturing industry to continuous manufacturing found more commonly in the petroleum, chemicals, and food industries, as a efforts to develop new drug manufacturing form. Therefore the introduction of continuous manufacturing equipment is now an important consideration for pharmaceutical companies. Freund became the first to launch sales of a concept model of a continuous type granulating equipment called “Granuformer®” to replace batch granulating equipment in April 2014. This equipment was developed using conceptual technology where agglomerated material is continuously dried inside a spiral formed pipe, and enables a continuous manufacturing process ranging from granulation to drying that makes the manufacture high quality granulated products possible.
Granulating and coating equipment are the main products within the machinery business segment. Despite weakness in the industrial machinery division and delays in cultivating Asian markets, demand from the Japanese pharmaceutical manufacturers remained favorable and allowed both sales and operating income to rise.

The United States subsidiary Freund-Vector Corporation conducted aggressive marketing activities in developing nations and was able to record its 10th consecutive term of record high sales.

At the same time, Freund Turbo suffered a decline in orders due to the slowing in the industrial machinery market, and its sales and operating income declined.

As a result of these developments, sales rose by 11.0% year-over-year to ¥11,004 million (pharmaceutical product related: ¥9,737 million, industrial related: ¥1,267 million) and operating income rose by 6.0% year-over-year to ¥1,242 million.

Traditionally, explosion diffusion exhaust vents and diffusion ducts are required to secure the safety of workers and to protect the environment from contamination. The pressure resistance of this product has been raised so that the pressure from an explosion can be contained within the equipment itself.

Therefore, the elimination of the need for explosion diffusion exhaust vents and diffusion ducts gives this product far greater versatility in its implementation. And while sales of this product have been seen in North America and Europe, this marks the first time that a product that does not require explosion diffusion exhaust vents has been sold to a major pharmaceutical company within Japan.
Despite aggressive marketing activities for functional excipients used in orally administered pharmaceutical products, 
manufacturing adjustment for some products, increases in import 
prices on raw materials due to the weakening of the yen, and 
increases in expenses of Freund Pharmatec Ltd. in foreign currency 
adjusted terms caused both sales and operating income to decline. 
Sales of food quality preserving agents rose on the back of 
aggressive marketing efforts despite intense competition, but 
increases in prices of raw materials contributed to a small decline 
in operating income. At the same time, dietary supplements 
leveraging Freund’s technologies continued to trend favorably and 
both sales and operating income rose.

As a result of these developments, net sales rose 2.0% year-over-
year to ¥6,611 million (Pharmaceutical excipients: ¥1,971 million, 
food quality preserving agent: ¥1,916 million, supplements and 
other new products: ¥2,723 million), while operating income 
dropped by 32.9% year-over-year to ¥379 million.

**Chemical and Food Business Segment**

**Net Sales:**

¥6,611 Million

**Operating Income:**

¥379 Million

**Group Companies:**

Freund Corporation, Freund Pharmatec Ltd., Freund Kasei K.K.

*(Food quality preserving agent manufacturing plant)*

※Was absorbed through merger effective March 1, 2014

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**Topic**

**Pharmaceutical Excipients**

“Dilactose®F (Fine)” Sales Started

In recent years, requirements for highly precise formulation designs for miniaturization and reduced dosages of active ingredients are increasing in the pharmaceutical industry. We have developed “Dilactose®F (Fine)” with a granule size that is finer than existing products of Dilactose®S and Dilactose®R. This new product makes it possible to directly compress the tablets containing fine and low-dosage active ingredients, which had been regarded difficult.
Overview of Research and Development

Research and Development

| Research and Development Expenses: | ¥464 Million |
| Intellectual Property Rights: | Approximately 300 |
| Research and Development Expenses Ratio: | 2.6% |
| Patent Competitiveness Indicator (YK Value): | 130.74 |

Machinery Business Segment

Against the backdrop of increases in the number of people that have difficulty in swallowing, along with the aging of the population, the share of orally disintegrating tablets (OD Tablet) is increasing. Also, medical error such as taking wrong medicine or doses is an issue in medical care field. Freund has developed an on-demand ink jet printing system that enables printing of even finer letters and characters and has introduced this system in its "TABREX" ink jet type tablet printing equipment, enabling printing that is more easily recognized. We believe that widespread use of printing technologies on uncoated tablets and OD tablets are expected to prevail in years to come.

In addition, the fluid bed granulation equipment "Flow Coater" commonly used in granulation for tablets was required by fire protection laws to be equipped with pressure relieving functions in the event of an explosion. Freund has developed a fluid bed granulation equipment with increased pressure resistance functionality that has received official certification of the Ministry of Health, Labor and Welfare. Consequently, we have been able to deliver this "explosion diffusion exhaust vent-less fluid bed granulation equipment" to a major pharmaceutical company within Japan for the first time.

Pharmaceutical Excipient

Fluid bed granulation product, made of D-mannitol and disintegrant, "SmartEx™" has been jointly developed with Shin-Etsu Chemical Co., Ltd. for use as a dissolving and directly administered excipient format for use in OD tablets. OD tablets can be easily manufactured by simply combining "SmartEx™" with the primary ingredients.

Furthermore, "Dilactose®F" has been added as a fine grade of the fluid bed granulation lactose product "Dilactose®" used as a general use excipient for tablets. This new grade is a finer version of the "Dilactose®S" version (Average particle diameter 94μm) with an even smaller particle size of 64μm, and is being considered for use in granulating materials applications in addition to direct tablet press applications.
Regarding Our Patent Competitiveness Indicator

Freund believes that objectively evaluating the link between intellectual capital and business creativity is highly important for a research and development driven company. Therefore, we use a “Patent Competitiveness Indicator (YK Value)” uniquely developed by Kudo and Associates as one key performance indicator (KPI) in evaluating our technology development capability.

YK value is an indicator that quantifies the “competitive standing of patents relative to competitors”. Because patents that survive attack from competitors can act as weapons to raise competitive standing, companies which have a high YK value are deemed to hold “effective patents” that can become the source of future business growth.

According to Kudo and Associates, the YK value of Freund Corporation during the fiscal year ended February 2014 was 130.74, which gave us a ranking of 59 out of 194 companies considered in the machinery sector universe. (5th place of 35 companies listed on the JASDAQ Market)

Organizational Reform

Since March 1, 2014, research and development laboratories in Hamamatsu have been reorganized as an organization under the machinery division and the chemical and food division. The machinery related function of the laboratories has been integrated to newly established Technology Development Department under the machinery division and chemical related function has been integrated to newly established Development Department under the chemical and food division.

In order to achieve the basic strategy of new midterm management plan “realization of growth through creativity and the achievement of a lean business structure for our next stage of growth,” we are pursuing to manage Freund as a group with “sense of unity.” This reform will accelerate our efforts to match the needs of customer more promptly and to fortify our product development capability by effectively leveraging our groups’ resources and acting business segments and development staff as “one team.”

Food Quality Preserving Agent

Freund has newly constructed a product line for “Negamold® Light” and “Negamold® Natural” which boast of the ability to maintain the “soft” and “moist” textures of foods in addition to the functions of microorganism bacteriostasis and antioxidation at our Hamamatsu Plant.

In addition, we have absorbed Freund Kasei K.K., the manufacturing subsidiary responsible for the production of food quality preserving agents, through a merger and moved its manufacturing facilities to the Hamamatsu Plant. By integrating production and development, we will fortify our product lineup a step further.
## Financial and Non-Financial Highlights

Freund Corporation and Subsidiaries  Five Years ended February 2010 to February 2014

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<th></th>
<th>FY09</th>
<th>FY10</th>
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<th>FY12</th>
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<td>Net sales</td>
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<td>Operating income margin (%)</td>
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<td>9.0</td>
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<td>Ordinary income</td>
<td>951</td>
<td>698</td>
<td>1,123</td>
<td>1,618</td>
<td>1,341</td>
<td>(17.1)</td>
</tr>
<tr>
<td>Net income</td>
<td>563</td>
<td>516</td>
<td>608</td>
<td>765</td>
<td>787</td>
<td>2.9</td>
</tr>
<tr>
<td>Capital investment</td>
<td>175</td>
<td>469</td>
<td>218</td>
<td>221</td>
<td>477</td>
<td>115.8</td>
</tr>
<tr>
<td>Depreciation</td>
<td>212</td>
<td>257</td>
<td>264</td>
<td>232</td>
<td>303</td>
<td>30.6</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>312</td>
<td>355</td>
<td>390</td>
<td>435</td>
<td>464</td>
<td>6.7</td>
</tr>
<tr>
<td>Research and development expenses ratio (%)</td>
<td>2.4</td>
<td>2.7</td>
<td>2.6</td>
<td>2.7</td>
<td>2.6</td>
<td>–</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>457</td>
<td>65</td>
<td>1,219</td>
<td>740</td>
<td>1,227</td>
<td>65.7</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>(198)</td>
<td>(623)</td>
<td>(154)</td>
<td>(332)</td>
<td>(423)</td>
<td>27.5</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>(154)</td>
<td>(196)</td>
<td>(134)</td>
<td>(164)</td>
<td>(226)</td>
<td>37.4</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>259</td>
<td>(558)</td>
<td>1,064</td>
<td>408</td>
<td>803</td>
<td>96.8</td>
</tr>
<tr>
<td><strong>At year-end</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>12,049</td>
<td>12,196</td>
<td>14,342</td>
<td>14,971</td>
<td>15,550</td>
<td>3.9</td>
</tr>
<tr>
<td>Net assets</td>
<td>7,939</td>
<td>8,071</td>
<td>8,489</td>
<td>9,315</td>
<td>10,392</td>
<td>11.6</td>
</tr>
<tr>
<td>(Equity)</td>
<td>7,814</td>
<td>7,952</td>
<td>8,356</td>
<td>9,197</td>
<td>10,239</td>
<td>11.3</td>
</tr>
<tr>
<td><strong>(Per share data)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Earnings per share (EPS, ¥)</td>
<td>65.41</td>
<td>59.96</td>
<td>70.59</td>
<td>88.76</td>
<td>91.37</td>
<td>2.9</td>
</tr>
<tr>
<td>Book value per share (BPS, ¥)</td>
<td>906.29</td>
<td>922.32</td>
<td>969.12</td>
<td>1,066.73</td>
<td>1,187.51</td>
<td>11.3</td>
</tr>
<tr>
<td>Dividend per share (DPS, ¥)</td>
<td>15.00</td>
<td>15.00</td>
<td>15.00</td>
<td>20.00</td>
<td>25.00</td>
<td>25.0</td>
</tr>
</tbody>
</table>
### Main indicators

<table>
<thead>
<tr>
<th></th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY13/FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on assets (ROA, %)</td>
<td>4.7</td>
<td>4.2</td>
<td>4.2</td>
<td>5.1</td>
<td>5.1</td>
<td>−</td>
</tr>
<tr>
<td>Return on equity (ROE, %)</td>
<td>7.2</td>
<td>6.6</td>
<td>7.5</td>
<td>8.7</td>
<td>8.1</td>
<td>−</td>
</tr>
<tr>
<td>Dividend to net asset ratio (DOE, %)</td>
<td>1.7</td>
<td>1.6</td>
<td>1.6</td>
<td>2.0</td>
<td>2.2</td>
<td>−</td>
</tr>
<tr>
<td>Dividend payout ratio (%)</td>
<td>22.9</td>
<td>25.0</td>
<td>21.2</td>
<td>22.5</td>
<td>27.4</td>
<td>−</td>
</tr>
<tr>
<td>Equity ratio (%)</td>
<td>64.9</td>
<td>65.2</td>
<td>58.3</td>
<td>61.4</td>
<td>65.8</td>
<td>−</td>
</tr>
<tr>
<td>EBITDA*</td>
<td>1,165</td>
<td>957</td>
<td>1,388</td>
<td>1,853</td>
<td>1,650</td>
<td>(10.9)</td>
</tr>
<tr>
<td>Average foreign exchange rate: US$ (¥)</td>
<td>93.65</td>
<td>87.79</td>
<td>79.80</td>
<td>79.80</td>
<td>97.73</td>
<td>−</td>
</tr>
<tr>
<td>Average foreign exchange rate: Euro (¥)</td>
<td>–</td>
<td>116.27</td>
<td>111.12</td>
<td>110.55</td>
<td>129.78</td>
<td>−</td>
</tr>
</tbody>
</table>

### Other indicators

<table>
<thead>
<tr>
<th></th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY13/FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas sales</td>
<td>3,874</td>
<td>3,236</td>
<td>3,422</td>
<td>3,596</td>
<td>4,382</td>
<td>21.9</td>
</tr>
<tr>
<td>Overseas sales ratio (%)</td>
<td>29.9</td>
<td>24.4</td>
<td>22.6</td>
<td>21.9</td>
<td>24.9</td>
<td>−</td>
</tr>
</tbody>
</table>

#### Sales by geographic region

<table>
<thead>
<tr>
<th></th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY13/FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>9,068</td>
<td>10,021</td>
<td>11,794</td>
<td>12,800</td>
<td>13,233</td>
<td>3.4</td>
</tr>
<tr>
<td>North America</td>
<td>1,370</td>
<td>1,270</td>
<td>1,512</td>
<td>948</td>
<td>1,503</td>
<td>58.6</td>
</tr>
<tr>
<td>Europe</td>
<td>1,183</td>
<td>491</td>
<td>841</td>
<td>772</td>
<td>701</td>
<td>(9.2)</td>
</tr>
<tr>
<td>Others</td>
<td>1,320</td>
<td>1,475</td>
<td>1,087</td>
<td>1,875</td>
<td>2,177</td>
<td>16.1</td>
</tr>
</tbody>
</table>

#### Number of employees

<table>
<thead>
<tr>
<th></th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY13/FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>329</td>
<td>363</td>
<td>363</td>
<td>371</td>
<td>370</td>
<td>(0.3)</td>
</tr>
<tr>
<td>Overseas</td>
<td>225</td>
<td>251</td>
<td>244</td>
<td>247</td>
<td>248</td>
<td>0.4</td>
</tr>
</tbody>
</table>

#### Machinery business

<table>
<thead>
<tr>
<th></th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY13/FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machinery business</td>
<td>189</td>
<td>226</td>
<td>234</td>
<td>240</td>
<td>240</td>
<td>−</td>
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</table>

#### Chemical and food business

<table>
<thead>
<tr>
<th></th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY13/FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chemical and food business</td>
<td>102</td>
<td>105</td>
<td>97</td>
<td>98</td>
<td>96</td>
<td>(2.0)</td>
</tr>
</tbody>
</table>

#### Other business

<table>
<thead>
<tr>
<th></th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY13/FY12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other business</td>
<td>38</td>
<td>32</td>
<td>32</td>
<td>33</td>
<td>34</td>
<td>3.0</td>
</tr>
</tbody>
</table>

*EBITDA = Ordinary income + Interest payments + Depreciation
Fiscal Year ended February 2014 Consolidated Earnings Overview

During the current fiscal year under review, the Japanese economy benefitted from improvements in corporate earnings, a recovery in consumer spending brought on by the effect of economic stimulus and monetary policies implemented by the Government and the Bank of Japan: the weakening of the yen and rise in stock prices. Despite this gradual economic recovery within Japan, the prolonged sovereign debt problems in Europe and slowing economic growth in developing nations contributed to instability in the global economy and continued to cloud the future economic outlook.

The major clients of the Freund Group in the pharmaceutical industry encountered various difficulties including the expiration of patents for major products, financial restructuring and medical expenditure restraint in various countries, and slowing growth in industrialized countries. Moreover, the creation of innovative new drugs has become difficult given the enforcement of stricter approval review processes and higher hurdles in technological innovation in the realm of research and development. Therefore, the focus of attention is shifting to developing countries where both the population and market are expected to grow, and to the expansion in the market for generic drugs.

Given these market trends, the Freund Group will continue to accurately assess and cultivate the needs of its clients by developing innovative and unique new products, and aggressively pursue opportunities in new business realms.

Net Sales
Sales rose by 7.4% year-over-year to ¥17,616 million. The machinery business segment suffered from weak demand in the realm of industrial machinery and delays in development of business opportunities in Asian markets, but overall demand from the pharmaceutical industry remained favorable and allowed sales to rise. Furthermore, the chemical and food business segment encountered weak demand for functional excipients arising from production activity adjustment for certain products by clients, but aggressive marketing activities for food quality preserving agents and dietary supplements contributed to higher sales.

Operating Income
Operating income declined by 12.5% year-over-year to ¥1,286 million. The machinery business segment benefitted from strong demand from the pharmaceutical industry globally and allowed profits to rise. However the chemical and food business segment suffered from weak demand for
functional excipients arising from inventory adjustments for certain products and higher raw materials pricing arising from the weaker yen and its profits declined.

Income before income taxes declined 1.1% year-over-year to ¥1,323 million due in part to the disappearance of ¥77 million from insurance premiums refunded cancellation booked as non-operating income and ¥301 million from litigation related expenses booked as extraordinary loss during the previous period. These same factors and decrease in income taxes also contributed to a 2.9% year-over-year increase in net income to ¥787 million.

Income Before Income Taxes, Net Income

Income before income taxes declined 1.1% year-over-year to ¥1,323 million due in part to the disappearance of ¥77 million from insurance premiums refunded cancellation booked as non-operating income and ¥301 million from litigation related expenses booked as extraordinary loss during the previous period. These same factors and decrease in income taxes also contributed to a 2.9% year-over-year increase in net income to ¥787 million.

Fiscal Year ending February 2015
Consolidated Earnings Estimates

With regards to our outlook for the operating environment in the coming term, Freund anticipates uncertainties including the impact of the increase in the consumption tax from April 2014 and economic instability in overseas markets resulting from political unrest to continue to cloud the economic horizon during the coming year, despite the gradual economic recovery seen during the fiscal year just ended.

Against this backdrop, the Freund Group has created its “New Midterm Management Plan (FY2014-2016), Change and Challenge” as its basic strategy to achieve our next stage of innovative growth and to become even leaner corporate structure. As part of this strategy, we will further fortify both our machinery and chemical and food business segments. In addition, we will endeavor to quickly launch new products into the market, expand sales of our main products, and aggressively deploy our businesses globally to expand our development and sales functions in overseas markets.

Based on these strategies, we expect sales and operating, ordinary and net income to rise by 2.2%, 4.2%, 5.8% and 1.5% year-over-year to ¥18,000, ¥1,340, ¥1,420, and ¥800 million respectively. For this estimation, we assume average foreign exchange rates of ¥103.00 per United States Dollar, and ¥142.00 per Euro during the full year.

Freund Corporation identifies the maximization of shareholder value as one of its most important management issues. In order to fulfill this commitment to our shareholders, we will fortify our corporate structure to be able to quickly and appropriately respond to changes in our operating environment so as to continue stable dividend payment.

We maintain a basic principle of returns of profits to shareholders linked to our earnings performance, and have established a dividend payout ratio target of 30% of consolidated earnings. In addition, we also seek to maintain a stable level of dividends with an eye to maintaining internal reserves to be able to fortify our business structure and respond to expansion in our business.

In light of the above mentioned principles, we have paid a dividend of ¥25 per share in the current term. Moreover, in the coming term we expect to raise our dividend to ¥30 per share adding ¥5 dividend payment in
commemoration of our 50th anniversary of operations. Furthermore, we will choose a policy of building up internal reserves to enable us to make effective investments in areas to expand our business horizon and improve our management structure for our future business endeavors.

**Assets, Liabilities, and Net Assets Conditions**

At the end of the current term, total assets rose by ¥579 million from the end of the previous term to ¥15,550 million, due mainly to a ¥983 million increase in cash and deposits. Over the same period, total liabilities declined by ¥498 million to ¥5,157 million, due primarily to a ¥352 million decline in advances received. Net assets rose by ¥1,077 million to ¥10,392 million, owing to increases of ¥615 million in retained earnings and ¥427 million in foreign currency translation adjustment.

**Cash Flow Conditions**

Cash and equivalents rose by ¥719 million from the end of the previous term to ¥4,107 million at the end of the current term (Compared with a ¥352 million increase during the previous term).

**Cash Flow From Operating Activities**

The net cash flow from operating activities rose by 65.7% year-over-year to ¥1,227 million. The factors contributed to the increased net cash flow included depreciation of ¥303 million, declines in notes and accounts receivables of ¥453 million, a drop in inventories of ¥552 million, income before income taxes of ¥1,323 million, despite reverse factors of income taxes payments of ¥805 million, advances received of ¥447 million, and a decline in notes and accounts payables of ¥113 million.

**Cash Flow From Investing Activities**

The net outflow of cash flow from investing activities increased by ¥91 million from the previous term to ¥423 million in the current term. This increase is attributed mainly to outflows for time deposits of ¥441 million and acquisition of property, plant and equipment of ¥264 million, which offset cash derived from redemption of time deposits of ¥259 million.

**Cash Flow From Financing Activities**

The net outflow of cash flow from financing activities increased by ¥61 million to ¥226 million. Major outflow factors were cash dividends paid of ¥172 million and repayments of lease obligations of ¥59 million.

**Business Risks**

The Freund Group has identified the various factors listed below as potential business risks and our earnings may be influenced in the event that any of these risks occur. While we maintain a policy designed to prevent the occurrence of these risks, we will respond accurately and quickly to the occurrence of any of these risks. And while we have made every effort possible to identify all potential risks to our businesses, there may be other unforeseen risks not cited here. Furthermore, the future risk factors mentioned here represent all factors recognized as of the end of the current fiscal year.
<table>
<thead>
<tr>
<th></th>
<th>Industry Trend Risk</th>
<th>The bulk of our sales are derived from transactions with companies within the pharmaceutical industry. The pharmaceutical industry within Japan and overseas are undergoing restructuring, and the potential for earnings to be under pressure could appear due to various government strategy changes including restraint in medical expenses.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Pricing Competition Risk</td>
<td>With regards to the machinery business segment, intensive pricing competition resulting from competition with competitors, market entry of engineering companies, and competition from low priced products made by manufacturers in China and Southeast Asia may be possible. Consequently, our earning maybe negatively impacted in the event that these conditions appear.</td>
</tr>
<tr>
<td>3</td>
<td>Customer Relationship Risk</td>
<td>With regards to the machinery business segment within Japan, our business is highly dependent upon various products provided by our business partners in the manufacturing industry. And in the chemical and food business segment, our dependency upon major business partners for transactions of nutritional supplements is on the rise. Therefore our earnings may be profoundly impacted by operating conditions, manufacturing capacity and technological capabilities of our major transaction partners, and changes in demand of customers to which we provide services and products.</td>
</tr>
<tr>
<td>4</td>
<td>Intellectual Property Risk</td>
<td>Our Group has a special division for the management of intellectual properties and we have been strictly managing patents and other intellectual properties. But in the course of conducting businesses both within and outside of Japan, the possibility of unforeseen legal disputes over intellectual properties is a potential risk.</td>
</tr>
<tr>
<td>5</td>
<td>Product Liability Risk</td>
<td>The Freund Group seeks to satisfy high expectations for quality and reliability of both services and products provided to our customers. While we maintain insurance to cover the responsibility for compensation for defective manufactured products, our earnings may be impacted by deterioration in the brand image of our products and by compensation claims that exceeds the coverage of our insurance.</td>
</tr>
<tr>
<td>6</td>
<td>Regulations Related Risk</td>
<td>In the various countries around the world that the Freund Group conducts its businesses, we are subject to laws and regulations relating to business licenses, exports and imports, commerce, fair trade, intellectual properties, consumer protection, foreign currency management, and environmental issues. These laws and regulations may also be revised on an as needed basis and the possibility of our Group's activities being limited and monetary penalties being levied exist in the event that we do not strictly abide by them.</td>
</tr>
<tr>
<td>7</td>
<td>Fundamental Human Resources Risk</td>
<td>Because of the nature of the Freund Group as a research and development driven company, we need to secure and employ highly capable human resources. And while we endeavor to secure and cultivate highly capable human resources, problems with our operations may result in the event of an inability to secure or maintain adequate human resources.</td>
</tr>
<tr>
<td>8</td>
<td>Foreign Exchange Fluctuation Risk</td>
<td>The Freund Group produces consolidated income statements, balance sheets, and other financial statements converting financial statements of subsidiaries operating overseas to Japanese yen. Therefore, foreign exchange rates at the time of the conversion of these financial accounts into Japanese yen can have a profound impact upon their values.</td>
</tr>
<tr>
<td>9</td>
<td>Natural Disaster Risk</td>
<td>The Freund Group faces the possibility of disruptive damage to its manufacturing and other facilities should natural disasters occur. We maintain insurance for damages caused by fires and earthquakes, but their financial coverage is limited and we may need to pay for damages that are not covered by insurance. Such damages include costs for interruption, delay in production and shipments activities as well as restoration costs for our manufacturing and other facilities.</td>
</tr>
<tr>
<td>10</td>
<td>Noncurrent Asset Risk</td>
<td>The Freund Group earnings may be influenced by impairment losses resulting from the implementation of impairment accounting for noncurrent assets in the event that the profitability of our businesses or market prices suffer dramatic declines resulting from a deterioration in operating conditions.</td>
</tr>
<tr>
<td>11</td>
<td>Overseas Business Operational Risk</td>
<td>The Freund Group operates its businesses on a global basis. Our Group's overseas operations and employment activities may encounter problems in the event that risks too large for any single company to deal with arise, including 1) political and economic conflict, and 2) terrorism, wars, infectious diseases and other events.</td>
</tr>
</tbody>
</table>
## Consolidated Balance Sheets
As of End of February 2012, 2013 and 2014

<table>
<thead>
<tr>
<th></th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td>14,342,112</td>
<td>14,971,100</td>
<td>15,550,529</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td>10,554,713</td>
<td>11,084,903</td>
<td>11,331,109</td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>3,035,083</td>
<td>3,617,368</td>
<td>4,600,568</td>
</tr>
<tr>
<td>Notes and accounts receivable</td>
<td>4,954,594</td>
<td>4,764,656</td>
<td>4,409,286</td>
</tr>
<tr>
<td>Merchandise and finished goods</td>
<td>251,508</td>
<td>210,802</td>
<td>202,036</td>
</tr>
<tr>
<td>Work in process</td>
<td>1,219,363</td>
<td>1,497,497</td>
<td>937,572</td>
</tr>
<tr>
<td>Raw materials and supplies</td>
<td>403,611</td>
<td>394,182</td>
<td>535,596</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>108,630</td>
<td>114,663</td>
<td>123,403</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>219,149</td>
<td>285,351</td>
<td>210,076</td>
</tr>
<tr>
<td>Other</td>
<td>381,906</td>
<td>227,221</td>
<td>345,239</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(19,134)</td>
<td>(26,839)</td>
<td>(32,670)</td>
</tr>
<tr>
<td><strong>Non-current assets</strong></td>
<td>3,787,398</td>
<td>3,886,197</td>
<td>4,219,419</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>2,861,869</td>
<td>2,910,188</td>
<td>3,052,125</td>
</tr>
<tr>
<td>Buildings and structures, net</td>
<td>975,250</td>
<td>969,595</td>
<td>991,603</td>
</tr>
<tr>
<td>Machinery, equipment and vehicles, net</td>
<td>301,545</td>
<td>300,243</td>
<td>410,237</td>
</tr>
<tr>
<td>Land</td>
<td>1,322,788</td>
<td>1,324,424</td>
<td>1,327,906</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>22,143</td>
<td>60,786</td>
<td>20,662</td>
</tr>
<tr>
<td>Other, net</td>
<td>240,141</td>
<td>255,137</td>
<td>301,715</td>
</tr>
<tr>
<td><strong>Intangible assets</strong></td>
<td>26,573</td>
<td>29,749</td>
<td>178,301</td>
</tr>
<tr>
<td>Software</td>
<td>10,211</td>
<td>13,387</td>
<td>175,042</td>
</tr>
<tr>
<td>Other</td>
<td>16,362</td>
<td>16,362</td>
<td>3,258</td>
</tr>
<tr>
<td><strong>Investments and other assets</strong></td>
<td>898,955</td>
<td>946,258</td>
<td>988,992</td>
</tr>
<tr>
<td>Investment securities</td>
<td>288,707</td>
<td>309,056</td>
<td>315,502</td>
</tr>
<tr>
<td>Business insurance funds</td>
<td>320,231</td>
<td>348,480</td>
<td>340,161</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>129,592</td>
<td>140,053</td>
<td>157,619</td>
</tr>
<tr>
<td>Other</td>
<td>173,533</td>
<td>160,988</td>
<td>187,005</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(13,109)</td>
<td>(12,319)</td>
<td>(11,296)</td>
</tr>
<tr>
<td></td>
<td>FY11</td>
<td>FY12</td>
<td>FY13</td>
</tr>
<tr>
<td>--------------------------</td>
<td>--------------</td>
<td>--------------</td>
<td>--------------</td>
</tr>
<tr>
<td>Liabilities</td>
<td>5,852,553</td>
<td>5,655,838</td>
<td>5,157,637</td>
</tr>
<tr>
<td>Current liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable</td>
<td>5,204,813</td>
<td>5,015,774</td>
<td>4,402,725</td>
</tr>
<tr>
<td>Electronically recorded obligations</td>
<td>2,810,177</td>
<td>2,478,182</td>
<td>2,068,855</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>16,347</td>
<td>20,393</td>
<td>317,482</td>
</tr>
<tr>
<td>Income taxes payable</td>
<td>462,635</td>
<td>464,890</td>
<td>170,561</td>
</tr>
<tr>
<td>Accrued consumption taxes</td>
<td>9,188</td>
<td>57,056</td>
<td>64,701</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>272,795</td>
<td>275,625</td>
<td>376,966</td>
</tr>
<tr>
<td>Advances received</td>
<td>1,223,324</td>
<td>1,279,621</td>
<td>926,851</td>
</tr>
<tr>
<td>Provision for bonuses</td>
<td>181,242</td>
<td>234,156</td>
<td>197,204</td>
</tr>
<tr>
<td>Provision for directors’ bonuses</td>
<td>63,000</td>
<td>86,000</td>
<td>65,000</td>
</tr>
<tr>
<td>Asset retirement obligations</td>
<td>–</td>
<td>–</td>
<td>22,000</td>
</tr>
<tr>
<td>Other</td>
<td>166,102</td>
<td>119,848</td>
<td>128,084</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>647,740</td>
<td>640,063</td>
<td>754,912</td>
</tr>
<tr>
<td>Long-term accounts payable</td>
<td>322,747</td>
<td>326,950</td>
<td>330,859</td>
</tr>
<tr>
<td>Lease obligations</td>
<td>59,275</td>
<td>59,809</td>
<td>179,849</td>
</tr>
<tr>
<td>Provision for retirement benefits</td>
<td>165,117</td>
<td>168,860</td>
<td>176,520</td>
</tr>
<tr>
<td>Negative goodwill</td>
<td>42,245</td>
<td>34,451</td>
<td>26,656</td>
</tr>
<tr>
<td>Asset retirement obligations</td>
<td>26,971</td>
<td>27,396</td>
<td>15,253</td>
</tr>
<tr>
<td>Other</td>
<td>31,382</td>
<td>22,596</td>
<td>25,773</td>
</tr>
<tr>
<td>Net assets</td>
<td>8,489,558</td>
<td>9,315,262</td>
<td>10,392,891</td>
</tr>
<tr>
<td>Shareholders’ equity</td>
<td>9,201,521</td>
<td>9,837,542</td>
<td>10,450,446</td>
</tr>
<tr>
<td>Capital stock</td>
<td>1,035,600</td>
<td>1,035,600</td>
<td>1,035,600</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>1,282,890</td>
<td>1,282,890</td>
<td>1,280,522</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>7,084,177</td>
<td>7,720,198</td>
<td>8,335,933</td>
</tr>
<tr>
<td>Treasury shares</td>
<td>(201,146)</td>
<td>(201,146)</td>
<td>(201,269)</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>(845,427)</td>
<td>(639,786)</td>
<td>(211,346)</td>
</tr>
<tr>
<td>Valuation difference on available-for-sale securities</td>
<td>3,627</td>
<td>14,365</td>
<td>14,934</td>
</tr>
<tr>
<td>Foreign currency translation adjustment</td>
<td>(849,055)</td>
<td>(654,152)</td>
<td>(226,280)</td>
</tr>
<tr>
<td>Minority interests</td>
<td>133,465</td>
<td>117,506</td>
<td>153,791</td>
</tr>
<tr>
<td>Liabilities and net assets</td>
<td>14,342,112</td>
<td>14,971,100</td>
<td>15,550,529</td>
</tr>
</tbody>
</table>
## Consolidated Income Statement, Comprehensive Income Statement

Freund Corporation and Subsidiaries  Fiscal Years ended February 2012, 2013, and 2014  

<table>
<thead>
<tr>
<th></th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net sales</strong></td>
<td>15,236,434</td>
<td>16,396,939</td>
<td>17,616,284</td>
</tr>
<tr>
<td><strong>Cost of sales</strong></td>
<td>10,624,305</td>
<td>11,313,798</td>
<td>12,377,597</td>
</tr>
<tr>
<td><strong>Gross profit</strong></td>
<td>4,612,128</td>
<td>5,083,141</td>
<td>5,238,686</td>
</tr>
<tr>
<td><strong>Selling, general and administrative expenses</strong></td>
<td>3,546,888</td>
<td>3,612,985</td>
<td>3,952,140</td>
</tr>
<tr>
<td><strong>Operating income</strong></td>
<td>1,065,239</td>
<td>1,470,155</td>
<td>1,286,546</td>
</tr>
<tr>
<td><strong>Non-operating income</strong></td>
<td>61,344</td>
<td>151,692</td>
<td>60,847</td>
</tr>
<tr>
<td>Interest income</td>
<td>4,846</td>
<td>2,558</td>
<td>1,695</td>
</tr>
<tr>
<td>Dividend income</td>
<td>4,294</td>
<td>4,753</td>
<td>4,716</td>
</tr>
<tr>
<td>Technical support fee income</td>
<td>20,956</td>
<td>12,411</td>
<td>15,068</td>
</tr>
<tr>
<td>Rent income</td>
<td>5,478</td>
<td>4,589</td>
<td>3,824</td>
</tr>
<tr>
<td>Insurance premiums refunded cancellation</td>
<td>–</td>
<td>77,565</td>
<td>–</td>
</tr>
<tr>
<td>Foreign exchange gains</td>
<td>2,465</td>
<td>27,541</td>
<td>12,679</td>
</tr>
<tr>
<td>Amortization of negative goodwill</td>
<td>7,794</td>
<td>7,794</td>
<td>7,794</td>
</tr>
<tr>
<td>Other</td>
<td>15,508</td>
<td>14,478</td>
<td>15,069</td>
</tr>
<tr>
<td><strong>Non-operating expenses</strong></td>
<td>3,205</td>
<td>3,558</td>
<td>5,464</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>1,286</td>
<td>2,147</td>
<td>4,860</td>
</tr>
<tr>
<td>Compensation expenses</td>
<td>513</td>
<td>–</td>
<td>–</td>
</tr>
<tr>
<td>Other</td>
<td>1,405</td>
<td>1,410</td>
<td>604</td>
</tr>
<tr>
<td><strong>Ordinary income</strong></td>
<td>1,123,378</td>
<td>1,618,290</td>
<td>1,341,929</td>
</tr>
<tr>
<td><strong>Extraordinary income</strong></td>
<td>1,010</td>
<td>21,773</td>
<td>4,665</td>
</tr>
<tr>
<td><strong>Extraordinary loss</strong></td>
<td>22,137</td>
<td>302,297</td>
<td>23,149</td>
</tr>
<tr>
<td><strong>Income before income taxes</strong></td>
<td>1,102,250</td>
<td>1,337,765</td>
<td>1,323,445</td>
</tr>
<tr>
<td>Income taxes-current</td>
<td>503,321</td>
<td>658,655</td>
<td>441,615</td>
</tr>
<tr>
<td>Income taxes-deferred</td>
<td>(33,732)</td>
<td>(74,219)</td>
<td>78,792</td>
</tr>
<tr>
<td><strong>Total income taxes</strong></td>
<td>469,588</td>
<td>584,435</td>
<td>520,408</td>
</tr>
<tr>
<td>Income before minority interests</td>
<td>632,662</td>
<td>753,330</td>
<td>803,036</td>
</tr>
<tr>
<td>Minority interests in income (loss)</td>
<td>24,001</td>
<td>(12,026)</td>
<td>15,194</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>608,660</td>
<td>765,356</td>
<td>787,841</td>
</tr>
<tr>
<td>Income before minority interests</td>
<td>632,662</td>
<td>753,330</td>
<td>803,036</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>(82,251)</td>
<td>218,571</td>
<td>455,088</td>
</tr>
<tr>
<td><strong>Comprehensive income</strong></td>
<td>550,410</td>
<td>971,902</td>
<td>1,258,125</td>
</tr>
</tbody>
</table>
### Consolidated Statement of Changes in Equity
Freund Corporation and Subsidiaries  Fiscal Year ended February 2014

(Thousand yen)

<table>
<thead>
<tr>
<th>Shareholders’ equity</th>
<th>Accumulated other comprehensive income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital stock</td>
<td>Capital surplus</td>
</tr>
<tr>
<td>As of March 1, 2013</td>
<td>1,035,600</td>
</tr>
</tbody>
</table>

Changes within the fiscal year

<table>
<thead>
<tr>
<th>Description</th>
<th>FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends from surplus</td>
<td>(172,447)</td>
</tr>
<tr>
<td>Net income</td>
<td>787,841</td>
</tr>
<tr>
<td>Purchase of treasury shares</td>
<td>(122)</td>
</tr>
<tr>
<td>Changes in foreign subsidiaries interest in their subsidiaries</td>
<td>(2,367)</td>
</tr>
<tr>
<td>Net changes of items other than shareholders’ equity</td>
<td>568</td>
</tr>
</tbody>
</table>

Changes within the fiscal year

<table>
<thead>
<tr>
<th>FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,035,600</td>
</tr>
<tr>
<td>1,280,522</td>
</tr>
<tr>
<td>8,335,593</td>
</tr>
<tr>
<td>(201,269)</td>
</tr>
<tr>
<td>14,934</td>
</tr>
<tr>
<td>(226,439)</td>
</tr>
<tr>
<td>153,791</td>
</tr>
<tr>
<td>10,392,891</td>
</tr>
</tbody>
</table>

### Consolidated Cash Flow Statement
Freund Corporation and Subsidiaries  Fiscal Years ended February 2012, 2013 and 2014

(Thousand yen)

<table>
<thead>
<tr>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>1,219,303</td>
<td>740,505</td>
</tr>
</tbody>
</table>

(Details)

<table>
<thead>
<tr>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income before income taxes</td>
<td>1,102,250</td>
<td>1,337,765</td>
</tr>
<tr>
<td>Depreciation</td>
<td>264,080</td>
<td>232,685</td>
</tr>
<tr>
<td>Litigation expenses</td>
<td>–</td>
<td>301,360</td>
</tr>
<tr>
<td>Decrease (increase) in notes and accounts receivable</td>
<td>(813,327)</td>
<td>217,007</td>
</tr>
<tr>
<td>Decrease (increase) in inventories</td>
<td>(494,546)</td>
<td>(158,042)</td>
</tr>
<tr>
<td>Increase (decrease) in notes and accounts payable</td>
<td>745,276</td>
<td>(350,041)</td>
</tr>
<tr>
<td>Increase (decrease) in advances received</td>
<td>673,003</td>
<td>2,393</td>
</tr>
</tbody>
</table>

Net cash provided by (used in) investing activities

(154,886) | (332,266) | (423,797) |

(Details)

<table>
<thead>
<tr>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(120,869)</td>
<td>(172,775)</td>
</tr>
</tbody>
</table>

Net cash provided by (used in) financing activities

(134,998) | (164,975) | (226,608) |

(Details)

<table>
<thead>
<tr>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash dividends paid</td>
<td>(129,066)</td>
<td>(129,190)</td>
</tr>
</tbody>
</table>

Effect of exchange rate change on cash and cash equivalents | (26,896) | 109,601 | 142,555 |

Net increase (decrease) in cash and cash equivalents | 902,521 | 352,864 | 719,450 |

Cash and cash equivalents at beginning of period | 2,132,562 | 3,035,083 | 3,387,948 |

Cash and cash equivalents at end of period | 3,035,083 | 3,387,948 | 4,107,398 |
Based upon the corporate philosophy of “develop the future through creativity,” Freund seeks to operate businesses in various realms that deal with human lifestyles through the pursuit of the following five creative concepts: “creating highly unique products,” “creating new market applications through foresight,” “creating a management foundation that can invigorate our organization,” “creating a corporate environment where the spirit of challenge is adopted in taking on new difficulties,” and “creating rich interpersonal relationships.” In the future, we will continue to increase our corporate value and contribute to the health of people around the world through the provision of products that satisfy our customers.

To Our Shareholders, Investors

We maintain a basic policy of timely and fair disclosure of information. As means of disclosing information, the Freund Group releases information that is aggregated and managed by our corporate administration division to investors and analysts via its Public Relations and Investor Relations Office, which are under the direct supervision of our general manager of corporate administration division.

Our president and general manager of corporate administration division held investor relations presentations for individual investors seven times, full year and first half earnings presentations for institutional investors, held one open house presentation of our Hamamatsu Technology Research Center facility, and met individually for one on one meetings with institutional investors and analysts 112 times*. Furthermore, We provided the opportunity for college students to attend two of our earnings announcement presentations and our general shareholders’ meeting rehearsal.

* Including teleconferences

We participate in International Integrated Reporting Council (IIRC) the pilot program for integrated reporting.

Along with Our Staff

Freund maintains a human resources vision of “cultivating and training highly professional and proactive sales staff”. We also actively pursue strategies to cultivate and improve the capabilities of our staff to allow them to actively seek out new challenges as part of our strategy of maintaining the existence of our company for the next 50 to 100 years.

As we celebrate our 50th year of operations, our President personally takes part in interviews with group employees and staff as part of our efforts to maximize the capabilities of each individual while ensuring we remain open to diversity. During the term under review, we provided opportunities at eight of our domestic and overseas facilities for staff to directly communicate with management. Through these communications we have been able to share our concept of “develop the future through creativity” with our staff globally, and prepared our staff for the arrival of our second stage of growth.

Introduction of Shareholder Benefit Program

Freund is greatly appreciative of the support of our shareholders. And as part of our efforts to create a long term shareholder base, we have decided to implement a shareholder benefit program with a goal of raising the attractiveness of our stock.

Benefit Details

- To holders of over 100 shares
- ¥1,000 denomination Quo Card

Presentation Period

Late October.

Qualifications and Period of Start of Implementation

We expect to offer this program to holders of 100 or more of our shares as of the registry date of August 31, 2014 and have held our shares for more than a full year.
Management Philosophy and Corporate Governance

With “develop the Future through Creativity” as the corporate motto of the Freund Group and as a research and development driven company, we seek to contribute to the health of people, the safety and security of foods by developing manufacturing equipment leveraging pharmaceutical formulation technologies, and manufacture pharmaceutical excipients used by pharmaceutical and food manufacturers.

Furthermore, our Group will maintain a governance structure that strictly abides by laws and regulations. At the same time, we will take steps to ensure that all of our staff, from our management to our employees, remain conscious of our corporate responsibility to society and to act with the highest levels of ethics. In addition, we believe that it is critical for our corporate governance to function in line with the spirit of fairness and creativity in order for our company to improve corporate value and to exist over the long term.

Basic Policy

The Freund Group maintains a basic corporate governance policy that seeks to raise transparency, and to continue to raise corporate value by complying with laws and maintaining fairness and independence from the perspective of all of our stakeholders, including our shareholders and customers.
## Global Management Structure

### Global Management Members (As of May 29, 2014)

<table>
<thead>
<tr>
<th>Name</th>
<th>Position details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yasutoyo Fusejima</td>
<td>Chairman and CEO, Group Oversight</td>
</tr>
<tr>
<td>Iwao Fusejima</td>
<td>President and COO, All Business Segment Management</td>
</tr>
<tr>
<td>Osamoto Nishimura</td>
<td>Managing Director, Oversight of Machinery Division, General Manager of Technology Research and Development Laboratories, Oversight of Hamamatsu office, Osaka office</td>
</tr>
<tr>
<td>Takashi Gushiken</td>
<td>Director, Freund Pharmatec Ltd. President</td>
</tr>
<tr>
<td>Ryujiro Fusejima</td>
<td>Director, General Manager of Corporate Administration Division, Oversight of Head Office, Manager of Information Disclosure, Manager of Compliance, Risk Management Manager, PR / IR Manager</td>
</tr>
<tr>
<td>Norio Shiratori</td>
<td>Director, General Manager of Management Strategy and Planning Division</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Members:</td>
<td>Tomohiro Niizato / Naoyoshi Fujita / Tsunehiko Yokota (full time) / Kazushi Iijima</td>
</tr>
</tbody>
</table>

---

## Message from Our Audit & Supervisory Board

Audit and Supervisory Board comprised of four members appointed at the general shareholder’s meeting, including one full-time auditor and three external auditors, is responsible for the corporate governance function of Freund Corporation.

The three external auditors have been confirmed to maintain no personal or capital relationships with Freund, and maintain positions of independence from which they can objectively assess the health of our Company based upon their respective fields of expertise and experiences to ensure that the rights of all of our stakeholders are upheld. In addition, they have been confirmed to maintain independence that does not threaten to conflict with the interests of general shareholders.

Furthermore, Audit and Supervisory Board conducts following various audit related activities in addition to regular audit activities:

- Audit and Supervisory Board meetings, where various topics are actively discussed and opinions are exchanged, are held six times a year.
- Close communications with the president and other members of board of directors is maintained through individually held meetings.
- Reports from and exchange of opinions with the accounting auditors are conducted during each quarter.
- Exchange of information with the internal audit office is conducted on a quarterly basis.
- Active exchange of opinions with the board of directors is conducted, with active participation of three external auditors in order to maintain objectivity of the auditor function. Furthermore, the opinions of certified accountants and advisory attorneys are sought out on various resolutions.

Therefore, we believe that the fair deliberations and supervisory functions expected of our three external auditors has been maintained through their various activities.

### Meeting attendance record of our external auditors

<table>
<thead>
<tr>
<th>Names</th>
<th>Board of directors meetings</th>
<th>Audit and supervisory board meetings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazushi Iijima</td>
<td>12/16</td>
<td>6/6</td>
</tr>
<tr>
<td>Tomohiro Niizato</td>
<td>10/13</td>
<td>5/5</td>
</tr>
</tbody>
</table>

※Attendance record of newly appointed as of May 29, 2013
In order to create an efficient research and development structure, Research and Development Laboratories have been included under the Machinery and Chemical and Food divisions.

In order to strengthen the management strategy organization, the management strategy and planning division has been newly established and integrated the office of the president.

In order to strengthen competitiveness and optimize management, Freund merged Freund Kasei K.K. and integrated manufacturing and sales functions within the group.
Company Overview (As of February 28, 2014)

**Company Overview**

Company Name: Freund Corporation  
Established: April 22, 1964  
Capitalization: ¥1.03560 billion  
Business Description: Development, manufacturing, and sales of granulation and coating equipment for the pharmaceutical, food, and chemical industries, in addition to pharmaceutical excipients, food preservatives, and health foods manufacturing and sales  
Employees: 370 (Consolidated basis)  
Headquarter Location: Shinjuku TX Bldg. 3rd Floor, 1-3-21 Okubo, Shinjuku-ku, Tokyo, 169-0072, Japan  
Website: http://www.freund.co.jp/english/

**Directors (As of May 29, 2014)**

Chairman and CEO: Yasutoyo Fusejima  
President and COO: Iwao Fusejima  
Managing Director: Osamoto Nishimura  
Director: Takashi Gushiken  
Director: Ryujiro Fusejima  
Director: Norio Shiratori  
Audit & Supervisory Board Member: Tsunehiko Yokota (full-time)  
Audit & Supervisory Board Member: Masayoshi Fujita  
Audit & Supervisory Board Member: Kazushi Iijima  
Audit & Supervisory Board Member: Tomohiro Niizato

**Affiliated Companies (As of March 1, 2014)**

- Freund Pharmatec Ltd. (Ireland)  
  Research and development of new dosage forms of pharmaceutical products
- Freund Turbo Corporation  
  Research and development, design, manufacturing and sales of powder technology related equipment
- Freund-Vector Corporation (United States)  
  Manufacturing and sales of powder technology related equipment
This Report contains forward looking plans, estimates, strategies, earnings and other statements. With regards to these forward looking estimates and other statements, they are based upon the most accurate information available at the time of this document’s creation. Therefore, our actual earnings may diverge largely from statements represented in this document due to the influence of various risks and uncertainties. Factors influencing forward looking estimates and statements include the economic environment, competitive pressures, related regulations and laws, changes in product development conditions, fluctuations in foreign exchange rates and other factors relating to our various businesses. Furthermore, the factors influencing our estimates and other statements are not limited to only those mentioned within this document.

(Note) The details of this report are based upon the results of the fiscal year 2013 (From March 1, 2013 to February 28, 2014). However, some new information available after March 2014 is also included in this document.
For further information about our investor relations program, please refer to our corporate website:

http://www.freund.co.jp/english/

## Annual Investor Relations Schedule

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<th>First Quarter</th>
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<td>Mar</td>
<td>Apr</td>
<td>May</td>
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<td>Full Year Earnings Announcement</td>
<td>First Quarter Earnings Announcement</td>
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<tr>
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<td>General Shareholders’ Meeting Term End Dividend Payment Freund Report Mailing</td>
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## Investor Relations Tools

On the “Investor Relations Information” page of our website, we provide investor relations related information including news releases, earnings announcements, Freund Report, electronic public notices, earnings announcement presentation materials, analyst reports and others.

In addition, users can register on this page to receive “email alerts” informing them about various investor relations information. (Japanese only)

By clicking on the “English Page,” visitors can access our most recent IR information.

PDF format documents

Earnings Announcement Presentation Materials
Freund Report
Freund Report (English version)

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FREUND CORPORATION

Please contact us at the phone number or through our website listed below for information regarding this Freund Report.

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