

FREUND CORPORATION

STANDARD
TOKYO

(Securities code: 6312)

Results of Operations for the First Quarter of the Fiscal Year Ending February 28, 2025

July 17, 2024



Consolidated Financial Summary for the First Quarter of FY2024

*FY2024=Fiscal Year ending February 2025



Consolidated Financial Summary

- Net sales slightly decreased YoY.
A big YoY increase in machinery sales in Japan but a sharp decline in sales at overseas subsidiaries, partly due to the large volume of shipments at the end of FY2023. Chemicals business sales were about the same as one year earlier.
- Operating profit decreased significantly YoY.
Higher machinery earnings in Japan but not enough to offset losses at overseas subsidiaries because of a one-time expense of about 160 million yen at Freund Corporation for the change to a new core IT system.
- Record high machinery order backlog for a first quarter despite the low level of orders at the subsidiary in Italy. A large volume of inquiries in Japan and the U.S.

(Millions of yen)	FY2023 1Q	FY2024 1Q	YoY Change		FY2024 Forecasts
				%	
Net sales	4,200	4,124	(75)	(1.8)%	23,500
Operating profit	(29)	(264)	(234)	—	1,100
Ordinary profit	(17)	(247)	(230)	—	1,100
Profit attributable to owners of parent	(18)	(205)	(186)	—	770
Earnings per share (yen)	(1.12)	(12.16)	(11.03)	—	45.76

* No change in the FY2024 sales and earnings forecasts because of the stable performance in Japan and the outlook for overseas operations to become profitable in the second half.

Machinery Business: Group Company Performance (Sales/Operating Profit)

Freund Corporation	A big YoY increase in sales despite the negative effect of the timing of sales recognition for some projects in Japan. Earnings increased even after the one-time expense of about 80 million yen for the core IT system update.
Freund-Turbo	Sales and earnings are generally in line with plan.
FREUND Inc.	Sales and earnings were sluggish following the large number of shipments at the end of FY2023. In addition, major projects will be concentrated in the second half.
FREUND S.r.l.	Sales and earnings were sluggish because major projects are expected to be delivered in the second half, similarly as FREUND Inc.

(Millions of yen)	FY2023	FY2024	YoY change	
Before elimination for consolidation	1Q	1Q		%
Net sales	2,556	2,506	(50)	(2.0)%
Freund Corporation	1,107	1,727	619	56.0%
Freund-Turbo	214	349	134	62.4%
FREUND Inc.	1,155	362	(792)	(68.6)%
FREUND S.r.l.	162	93	(69)	(42.6)%
Operating profit	(76)	(219)	(143)	—
Freund Corporation	27	115	88	325.9%
Freund-Turbo	(34)	17	52	—
FREUND Inc.	30	(188)	(218)	—
FREUND S.r.l.	(98)	(180)	(81)	—

Machinery Business: Group Company Performance (Orders Received/Order Backlog)

Freund Corporation	The order backlog remains high. Orders decreased YoY, but there is a large volume of inquiries due to the substantial investments in large-scale equipment by generic drug manufacturers in Japan.
Freund-Turbo	Orders increased YoY as planned and the order backlog decreased YoY because the backlog in FY2023 included many large orders.
FREUND Inc.	There was a large volume of inquiries although orders were slightly below the plan. The order backlog remains high.
FREUND S.r.l.	Actions are needed for increasing orders and the order backlog.

(Millions of yen)	FY2023	FY2024	YoY change	
Before elimination for consolidation	1Q	1Q		%
Orders received	4,200	3,056	(1,144)	(27.2)%
Freund Corporation	2,395	1,695	(699)	(29.2)%
Freund-Turbo	337	417	79	23.7%
FREUND Inc.	1,091	803	(287)	(26.4)%
FREUND S.r.l.	376	139	(236)	(62.8)%
Order backlog	14,607	16,636	2,029	13.9%
Freund Corporation	9,133	10,893	1,760	19.3%
Freund-Turbo	1,016	748	(267)	(26.4)%
FREUND Inc.	3,205	4,072	866	27.0%
FREUND S.r.l.	1,252	921	(330)	(26.4)%

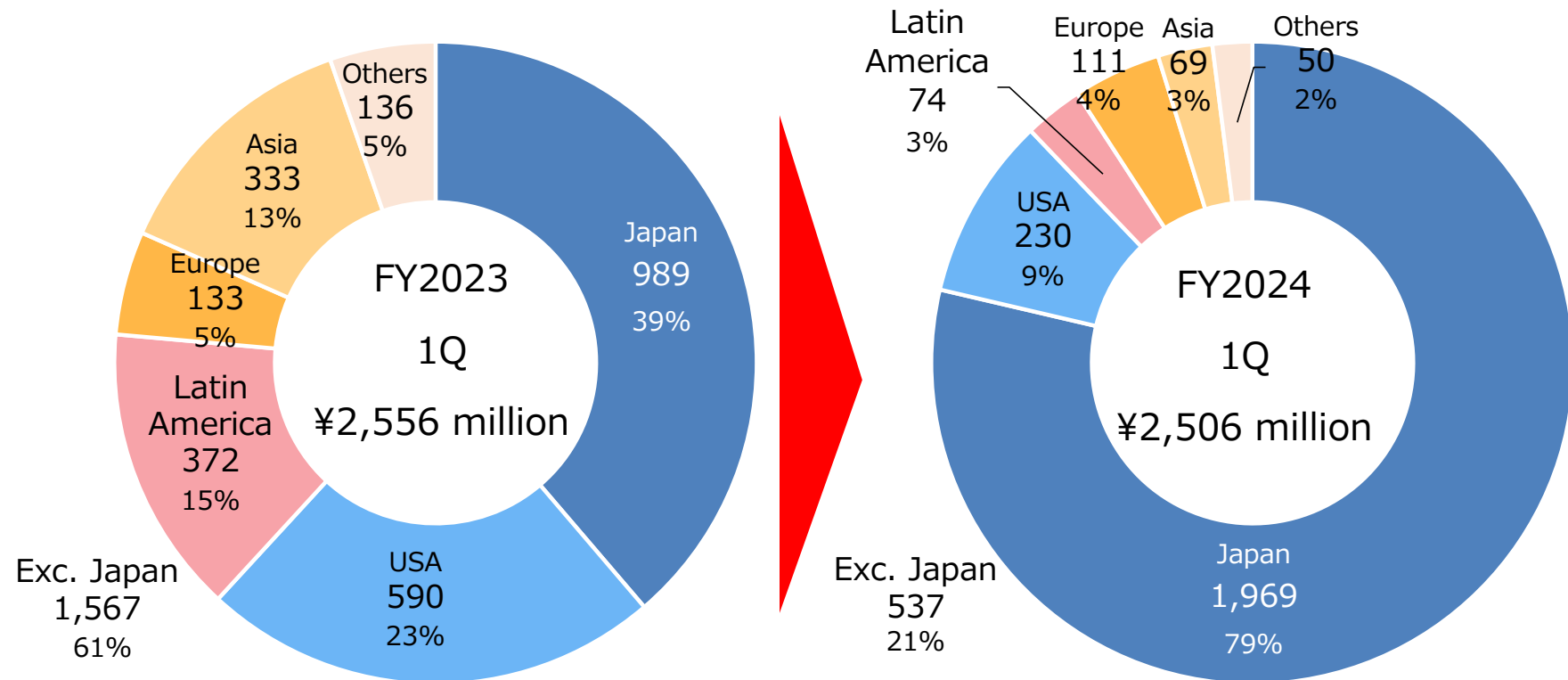
Machinery Business: Sales by Region

Japan

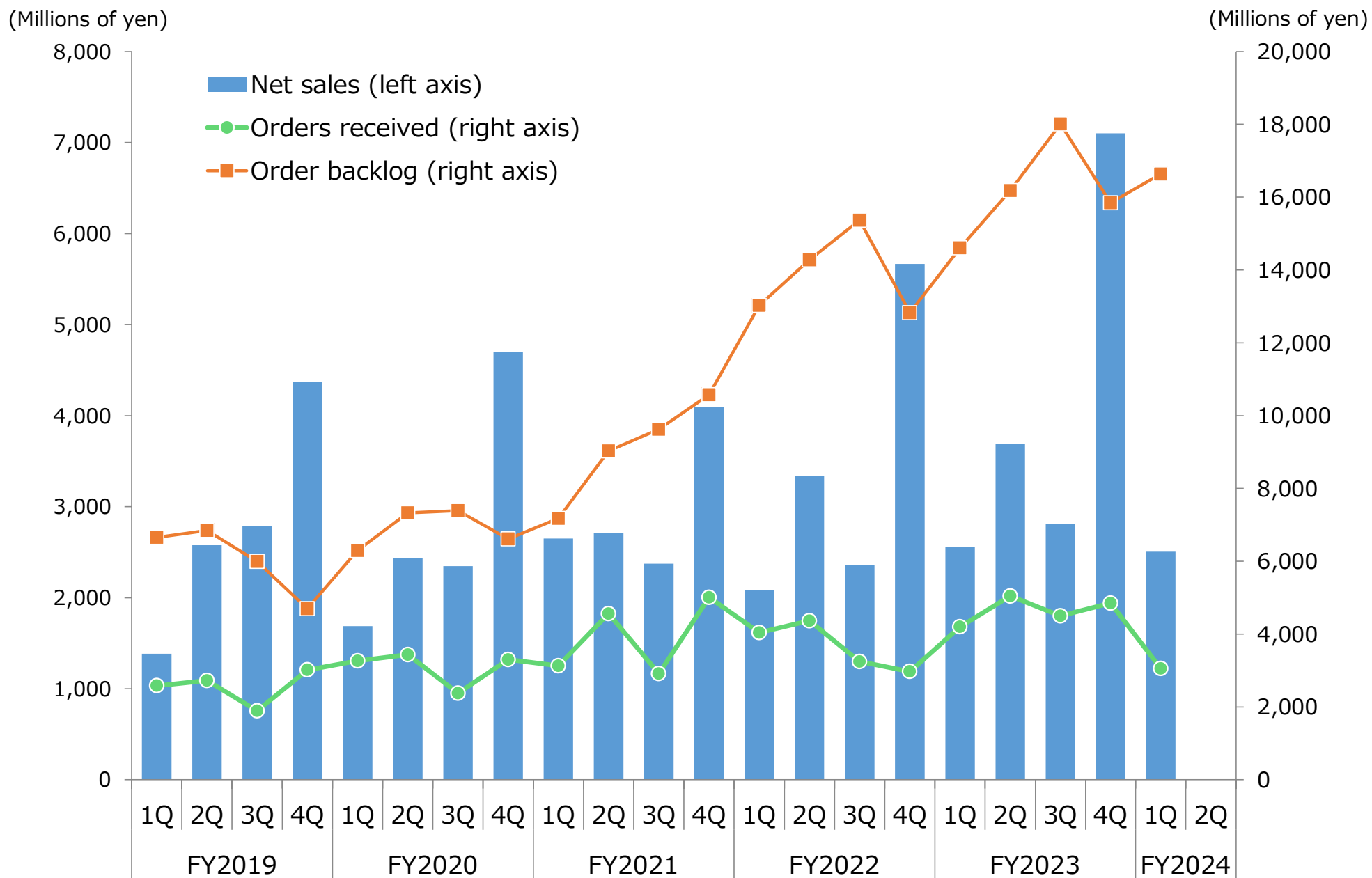
A big increase in sales due to consistent shipments for the orders received.

Overseas

Overseas sales fell to 21% of total sales in the first quarter, but are expected to rise to about 50% of FY2024 sales.



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



Chemicals Business: Overview

Net sales

Pharmaceutical excipients:

Sales grew YoY despite the negative effect of a temporary production decline at a major customer.

Food preservatives:

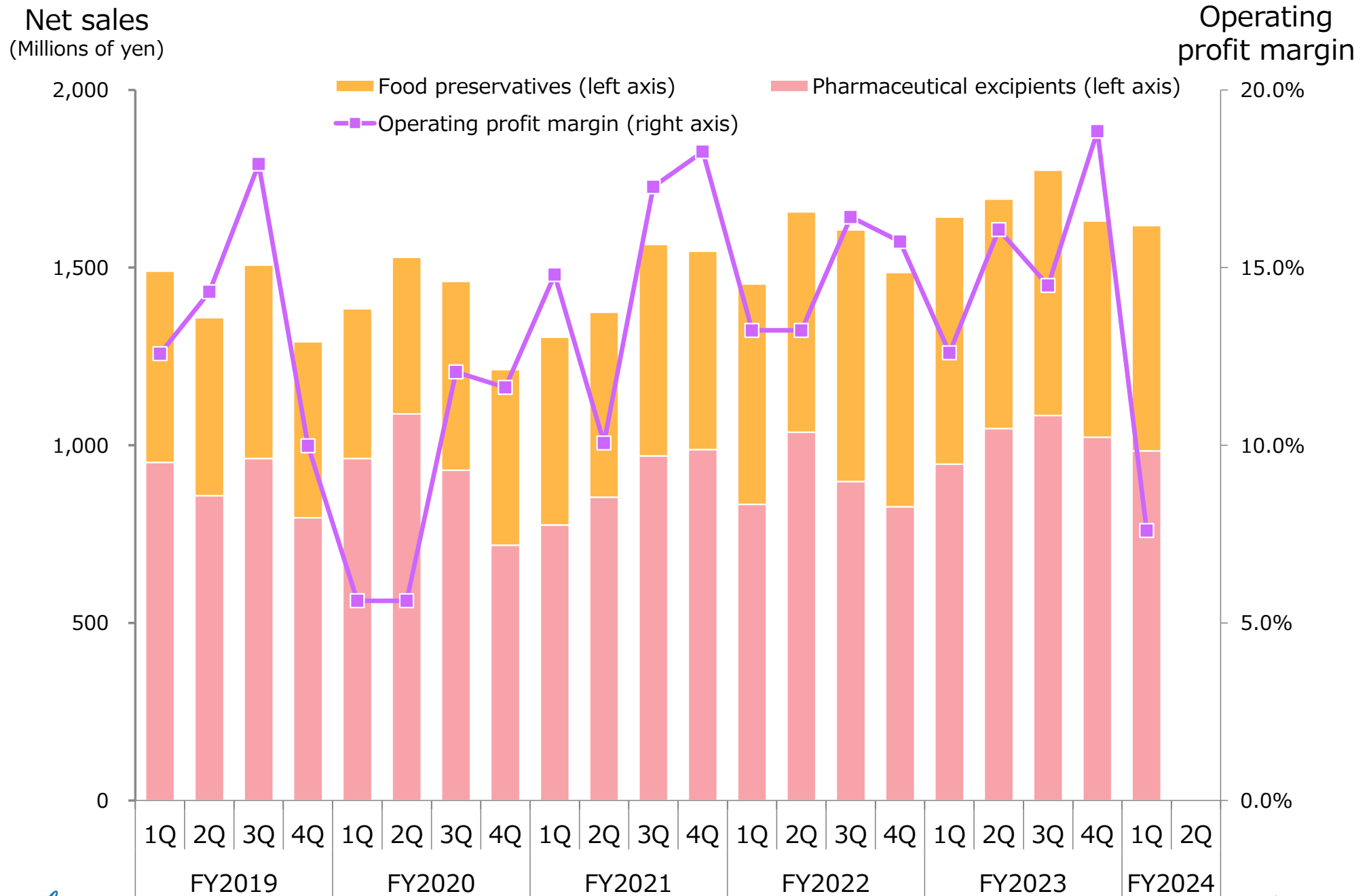
Sales decreased because some major customers switched to procuring from multiple companies to ensure business continuity.

Operating profit

Down YoY because of a one-time expense of about 80 million yen for the core IT system update

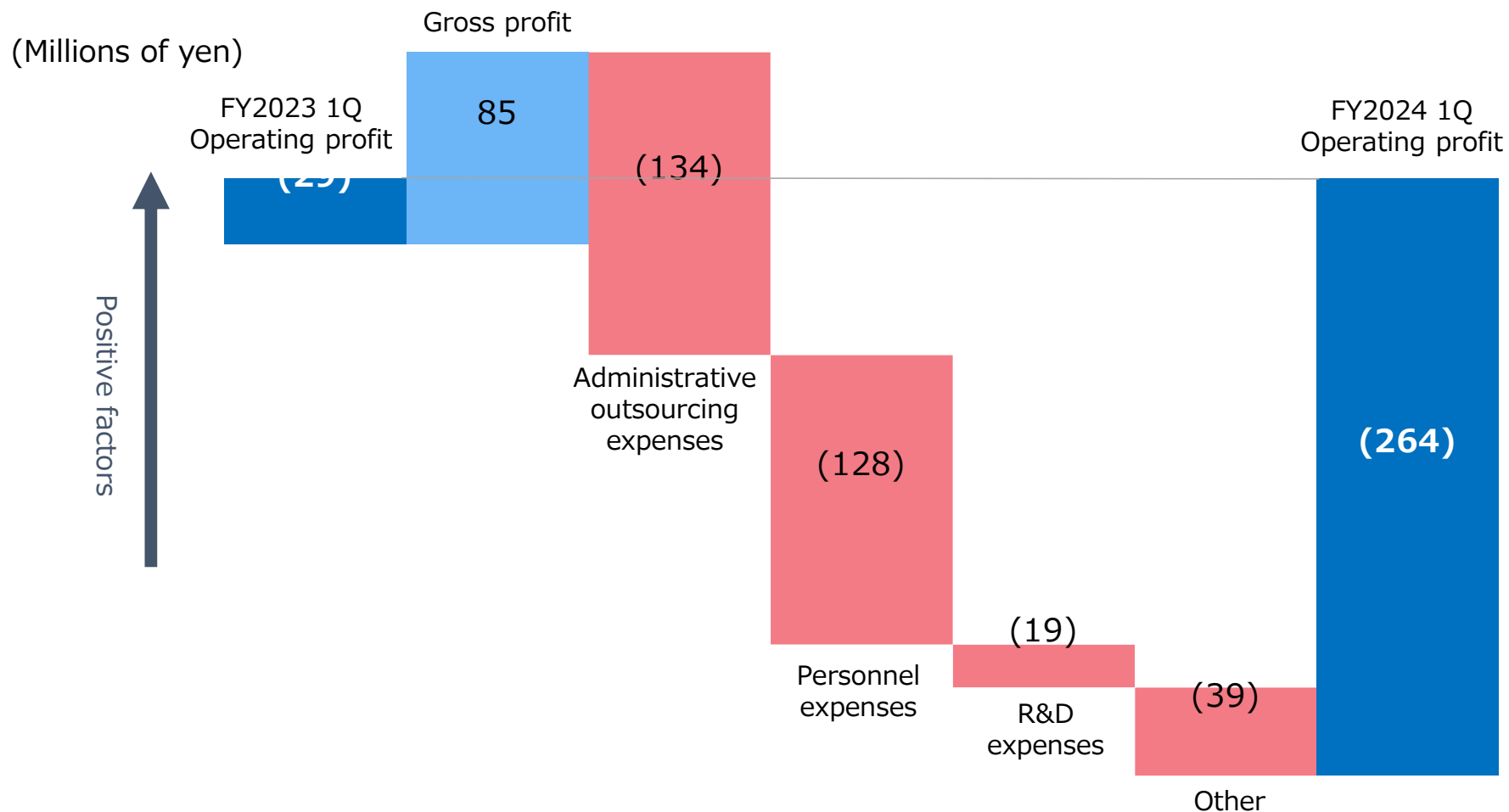
(Millions of yen)	FY2023 1Q	FY2024 1Q	YoY change	
				%
Net sales	1,643	1,618	(25)	(1.5)%
Pharmaceutical excipients	948	983	35	3.7%
Food preservatives	695	634	(60)	(8.7)%
Operating profit	207	123	(83)	(40.6)%

Chemicals Business: Quarterly Results (by Product Field)



Analysis of Change in Consolidated Operating Profit

- Gross profit increased YoY mainly because of higher machinery sales in Japan.
- Selling, general and administrative (SG&A) expenses increased by 320 million yen YoY. The main reasons are higher operations consignment expenses and personnel expenses caused by one-time expenses for the core IT system update.



Summary of Consolidated Balance Sheet

- Inventories (work in process) increased mainly in the U.S. subsidiaries, while trade receivables were successfully collected.
- The equity ratio remains high at 58.1% even though net assets decreased mainly due to the payment of dividends.

Assets				Liabilities and Shareholders' Equity			
(Millions of yen)	Feb. 29, 2024	May 31, 2024	Change	(Millions of yen)	Feb. 29, 2024	May 31, 2024	Change
Current assets	18,537	18,135	(401)	Current liabilities	9,920	9,779	(140)
Cash and deposits	4,736	4,603	(133)	Trade payables	3,881	3,048	(833)
Trade receivables	7,058	5,721	(1,336)	Short-term borrowings	515	407	(107)
Inventories	5,815	6,813	997	Contract liabilities	3,932	4,894	962
Other assets	926	996	70	Other liabilities	1,592	1,429	(162)
Non-current assets	7,252	7,137	(114)	Non-current liabilities	845	814	(30)
				Total net assets	15,023	14,677	(345)
Total assets	25,789	25,272	(516)	Total liabilities and net assets	25,789	25,272	(516)

Topics: Our New Management Vision

On April 22, 2024, Freund celebrated the 60th anniversary of its founding. As one way to mark this accomplishment, we have established a new management vision for the Freund Group, based on our corporate philosophy: paving the way to the future through creativity®.

Management Vision

Creating essential technologies for a brighter tomorrow

At the FREUND Group, our mission is to build a healthier, more prosperous future by contributing to the steady supply of pharmaceuticals, and providing solutions for the freshness and safety of food. We deliver the knowledge and the products that can help solve diverse issues. By applying our creativity and our technological capabilities to providing indispensable products and services to people around the world, we are working to create a better tomorrow.

For further growth of our businesses and enhancement of corporate value, we are dedicated to constantly creating new technologies and new forms of added value. We aim for our activities to create a healthy and fulfilling future for the customers of the Freund Group as well as for the patients and other users of our customers' products.

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