

FREUND CORPORATION

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

**JASDAQ**

(Securities code: 6312)

Results of Operations  
for the First Half of the Fiscal Year Ending  
February 29, 2020

October 9, 2019

 **FREUND**

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# Consolidated Financial Summary for 1H of FY2/20



## Consolidated Financial Summary

- Greater than expected negative impact of the completion of the government initiatives to raise the generic drug share to 80% (GE80%)
- Freund-Vector: First half loss as most earnings are generated normally in the second half
- Freund-Turbo: Lithium-ion battery machinery business is decelerating rapidly and first half loss as most earnings are generated normally in the second half
- Chemicals Business: Decrease in sales of excipients to a high-volume customer in India

(Millions of yen)

	FY2/19 1H	FY2/20 1H	YoY change	
	Actual	Actual	Amount	%
Net sales	9,117	6,817	(2,299)	(25.2)%
Operating profit	592	3	(589)	(99.4)%
Ordinary profit	684	6	(678)	(99.1)%
Net Income	466	(7)	(474)	-
Earnings per share (yen)	27.6	(0.46)	(28.06)	-
Orders received	6,910	5,640	(1,270)	(18.4)%
Order backlog	6,421	6,931	+509	+7.9%
Capital investment	243	453	+210	+86.6%
Depreciation	162	177	+14	+8.8%
R&D expenses	407	408	+0	+0.2%
ROA	2.7%	-0.1%	-	-
ROE	3.6%	-0.1%	-	-

## Machinery Business: Overview

- Sales By Product Field

- ▣ Pharmaceutical products: Post-GE80% stage is affecting the pharmaceutical market more than expected
  - ▣ Industrial products: Rapid slowdown in the lithium-ion battery machinery business for China and South Korea

- Segment Profit

- ▣ First half loss because most earnings are generated normally in the second half (Millions of yen)

	FY2/19 1H		FY2/20 1H	
	Amount	YoY change(%)	Amount	YoY change(%)
<b>Net sales</b>	<b>6,145</b>	<b>(14.3)</b>	<b>3,964</b>	<b>(35.5)</b>
Pharmaceutical Products	5,163	(15.8)	3,342	(35.3)
Industrial Products	981	(5.5)	621	(36.7)
<b>Operating profit</b>	<b>291</b>	<b>(66.5)</b>	<b>(119)</b>	<b>(141.2)</b>
<b>Orders received</b>	<b>6,518</b>	<b>+8.9</b>	<b>5,311</b>	<b>(18.5)</b>
Pharmaceutical Products	5,514	+11.0	4,368	(20.8)
Industrial Products	1,003	(1.1)	942	(6.1)
<b>Order backlog</b>	<b>6,233</b>	<b>(16.5)</b>	<b>6,846</b>	<b>+9.8</b>
Pharmaceutical Products	5,353	(19.0)	6,067	+13.3
Industrial Products	880	+2.3	779	(11.4)
<b>Yen/dollar rate</b> (+ is yen depreciation)	<b>109.3</b>	<b>-2.1 yen/dollar</b>	<b>109.2</b>	<b>-0.1 yen/dollar</b>

## Machinery Business: Group Company Performance

- Freund Corporation: Sharp downturn in the environment for GE-related investment
- Freund-Vector: Most earnings are generated normally in the second half
- Freund-Turbo: Lithium-ion battery machinery business is decelerating rapidly and first half loss as most earnings are generated normally in the second half
- Parle Freund: Established as jointly owned company (51% Freund ownership)

(Millions of yen)

	FY2/19 1H		FY2/20 1H	
	Amount	YoY change(%)	Amount	YoY change(%)
<b>Net sales</b>	<b>6,145</b>	<b>(14.3)</b>	<b>3,964</b>	<b>(35.5)</b>
FREUND CORPORATION	4,261	(10.8)	2,411	(43.4)
FREUND-VECTOR	1,302	(30.9)	1,212	(7.0)
FREUND-TURBO	817	+4.2	525	(35.7)
<b>Operating profit</b>	<b>291</b>	<b>(66.5)</b>	<b>(119)</b>	<b>(141.2)</b>
FREUND CORPORATION	477	(43.4)	94	(80.2)
FREUND-VECTOR	(137)	-	(144)	-
FREUND-TURBO	(49)	(174.2)	(69)	-
<b>Orders received</b>	<b>6,518</b>	<b>+8.9</b>	<b>5,311</b>	<b>(18.5)</b>
FREUND CORPORATION	3,591	(6.4)	2,828	(21.3)
FREUND-VECTOR	2,189	+51.0	1,758	(19.7)
FREUND-TURBO	737	+5.9	724	(1.7)
<b>Order backlog</b>	<b>6,233</b>	<b>(16.5)</b>	<b>6,846</b>	<b>+9.8</b>
FREUND CORPORATION	3,463	(39.3)	4,427	+27.8
FREUND-VECTOR	2,147	+82.1	1,791	(16.6)
FREUND-TURBO	622	+6.9	627	+0.8

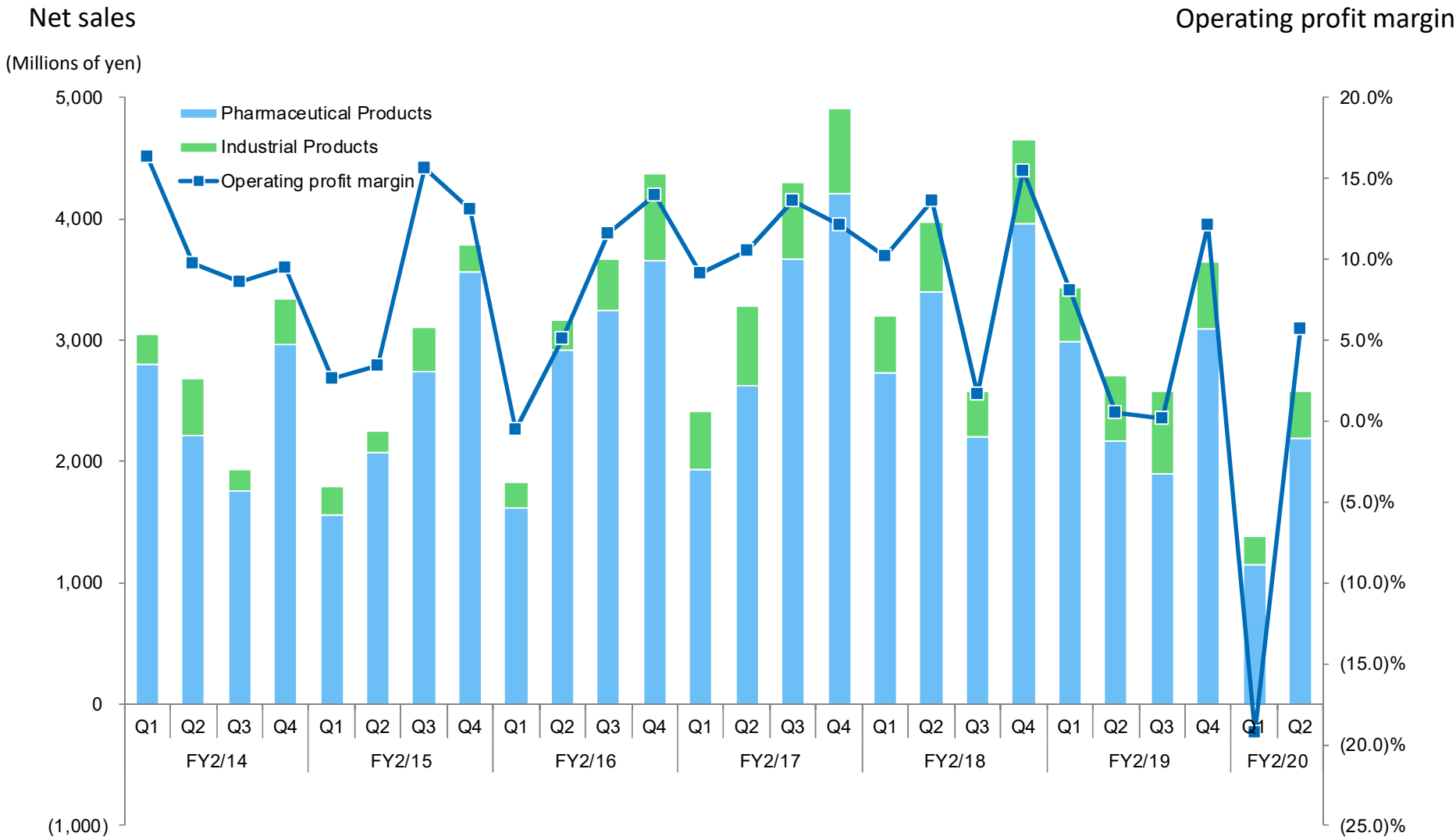
## Machinery Business: Sales by Region

- Japan: Sales down due to greater than expected impact of the new post-GE80% market environment
- North America: Struggling with US projects
- South America: Firm demand for equipment, mainly in Brazil
- Europe: Sales decline due to lack of large projects
- Asia: Weak performance in India and South Korea

(Millions of yen)

	FY2/19 1H		FY2/20 1H	
	Amount	YoY change(%)	Amount	YoY change(%)
<b>Net sales</b>	<b>6,145</b>	<b>(14.3)%</b>	<b>3,964</b>	<b>(35.5)%</b>
<b>Japan</b>	<b>4,352</b>	<b>(4.5)%</b>	<b>2,557</b>	<b>(41.2)%</b>
<b>Overseas</b>	<b>1,793</b>	<b>(31.4)%</b>	<b>1,407</b>	<b>(21.5)%</b>
North and South Americas	1,007	(10.0)%	1,005	(0.2)%
Europe and Africa	141	(86.1)%	150	+6.2%
Middle East, Asia and Pacific	643	+35.8%	251	(61.0)%

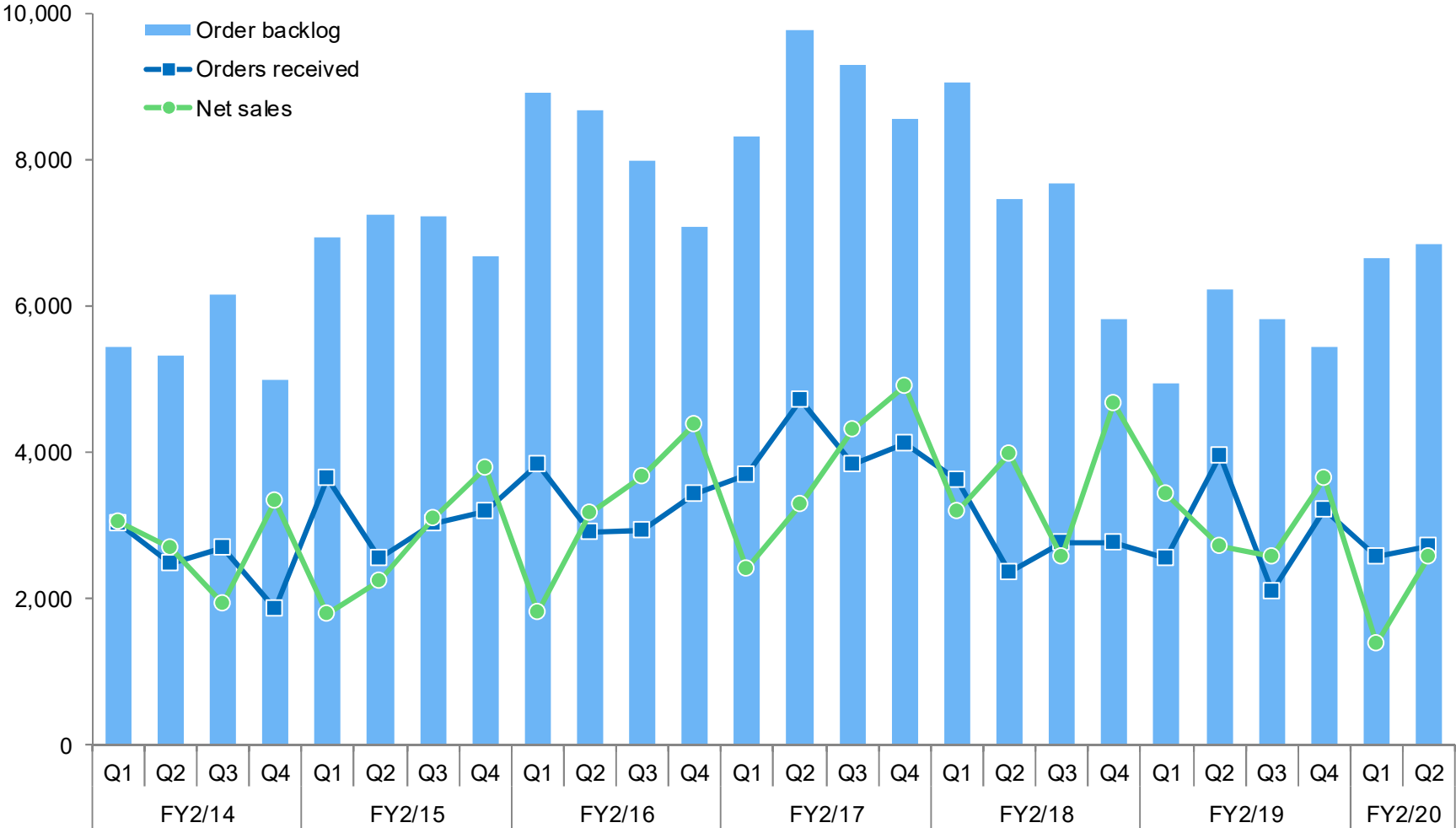
# Machinery Business: Quarterly Results (by Product Field)





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

(Millions of yen)



## Chemicals Business: Overview

### ● Net Sales

- ❑ Pharmaceutical excipients: Sales and profits increased centering on GE manufacturers in Japan but were weak outside Japan
- ❑ Food preservatives: In line with plan
- ❑ Dietary supplement products: Sales up partly due to one-time orders
- ❑ Export: Extended cut in production at a high-volume customer in India

- Segment Profit: Sales decreased year on year due to lower sales of excipients

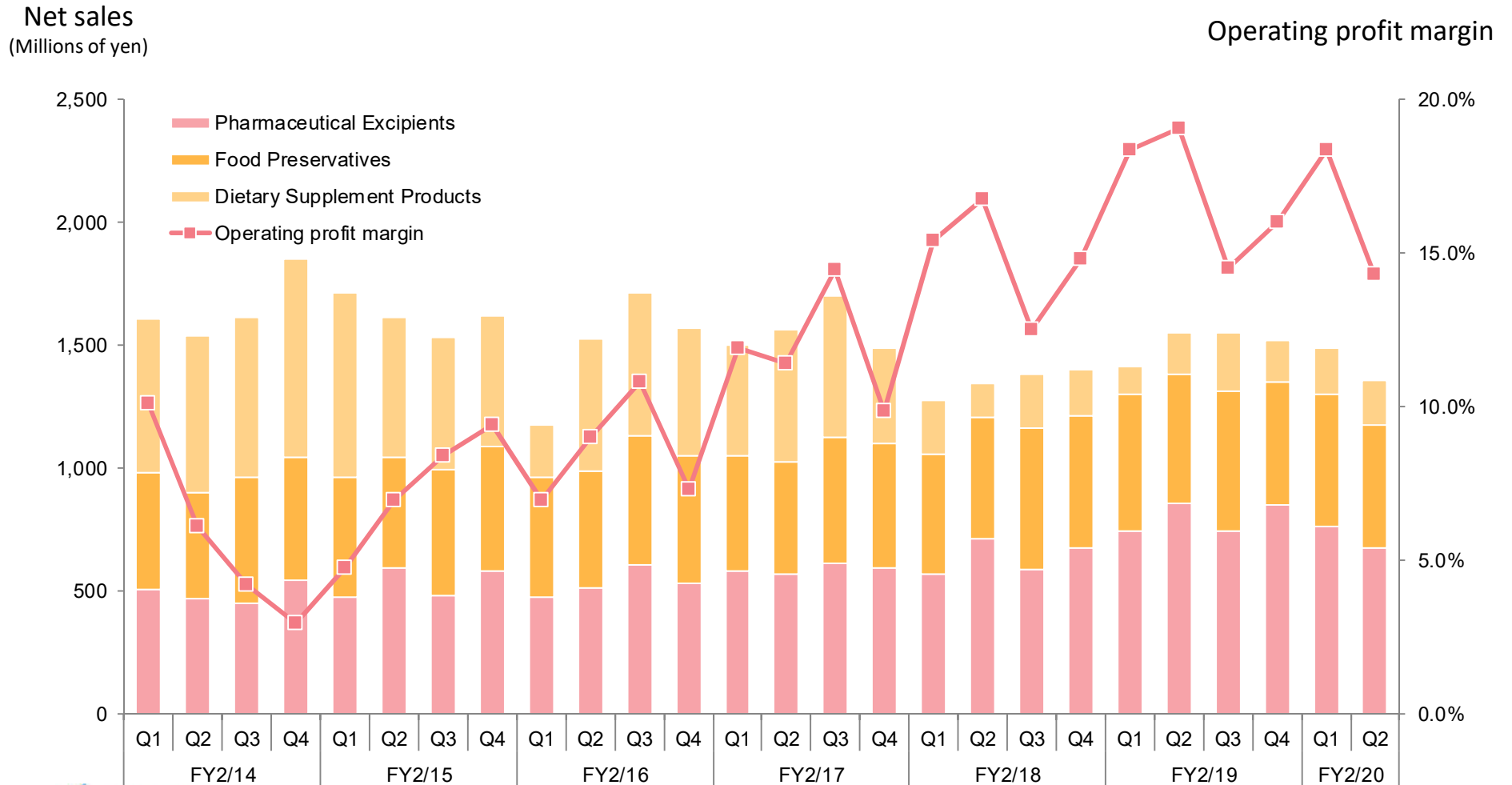
(Millions of yen)

	FY2/19 1H		FY2/20 1H	
	Amount	YoY change(%)	Amount	YoY change(%)
<b>Net sales</b>	<b>2,971</b>	<b>+13.5</b>	<b>2,852</b>	<b>(4.0)</b>
Pharmaceutical Excipients	1,603	+25.3	1,442	(10.1)
Food Preservatives	1079	+10.1	1039	(3.7)
Dietary Supplement Products	287	(19.3)	370	+28.9
(Export sales)*1	233	+244.3	80	(65.4)
<b>Operating profit</b>	<b>556</b>	<b>+32.1</b>	<b>382</b>	<b>(31.3)</b>

\*1: Sales to India, South Korea and Taiwan

# Chemicals Business: Quarterly Results (by Product Field)

- Sales of pharmaceutical excipients in Japan increased, including sales of highly-profitable products mainly for GE manufacturers
- Overseas sales of pharmaceutical excipients decreased because of lower sales to a high-volume customer in India



## Summary of Consolidated Statement of Income

(Millions of yen)

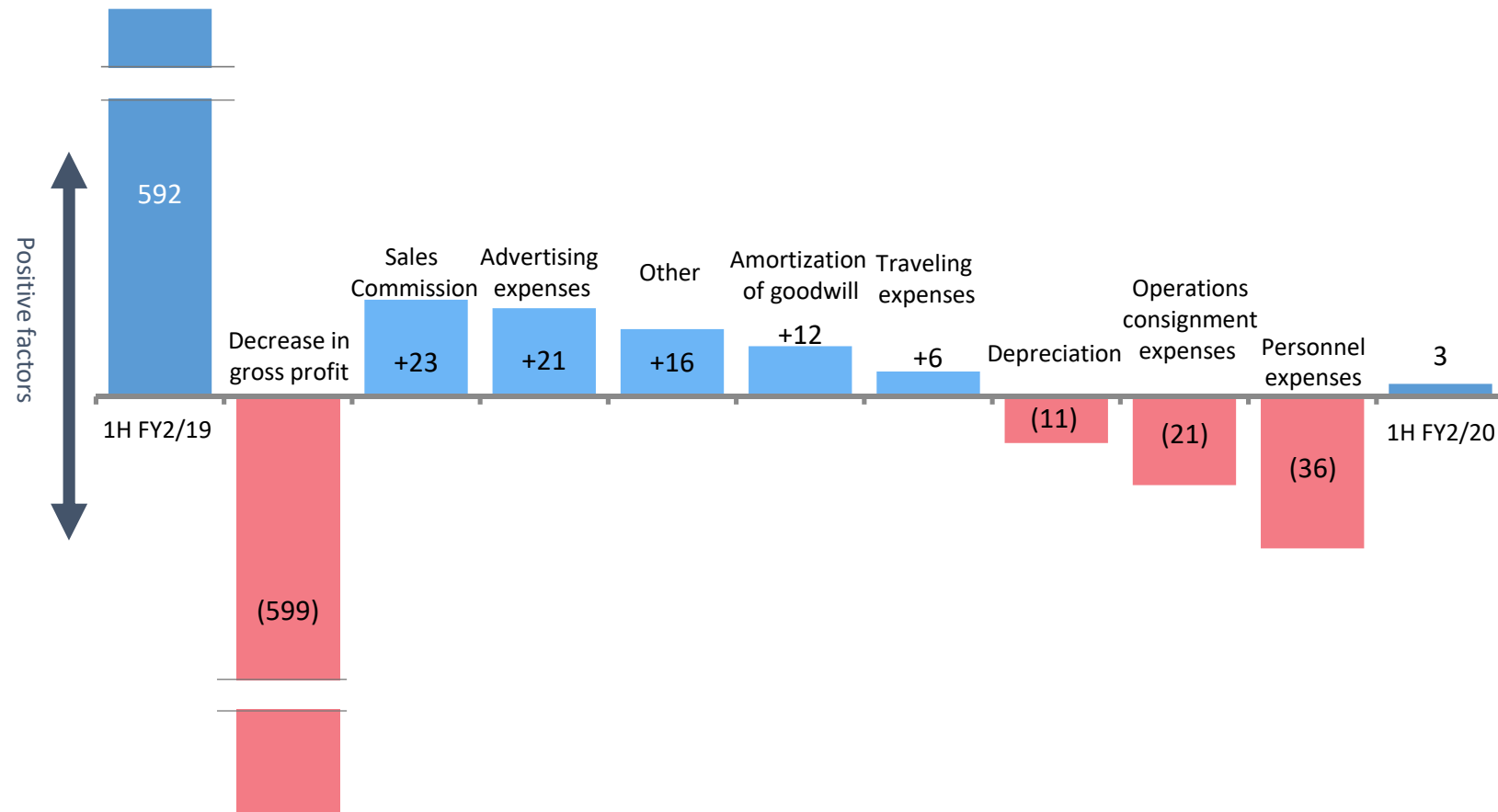
	FY2/19 1H		FY2/20 1H		YoY change	
	Amount	Composition ratio	Amount	Composition ratio	Amount	%
Net sales	9,117	100.0%	6,817	100.0%	(2,299)	(25.2)%
Cost of sales	6,100	66.9%	4,400	64.6%	(1,700)	(27.9)%
Gross profit	3,016	33.1%	2,416	35.4%	(599)	(19.9)%
SG&A expenses	2,423	26.6%	2,413	35.4%	(9)	(0.4)%
Operation profit	592	6.5%	+3	0.0%	(589)	(99.4)%
Non-operating income and expenses	91	1.0%	2	0.0%	(88)	(96.9)%
Ordinary profit	684	7.5%	6	0.1%	(678)	(99.1)%
Extraordinary income and losses	99	7.5%	11	0.2%	(88)	(88.9)%
Profit before income taxes	705	7.7%	17	0.3%	(688)	(97.6)%
Profit	466	5.1%	(7)	-0.1%	(474)	(101.7)%

Slow down in the machinery business

# Change in Consolidated Operating Profit

- Cost reductions unable to compensate for the big decrease in the top line

(Millions of yen)



## Summary of Consolidated Balance Sheet

	(Millions of yen)		
	FY2/19-End	1H FY2/20-End	YoY change Amount
Current assets	12,881	12,721	(160)
Cash and deposits	5,534	5,030	(503)
Accounts receivable <sup>*1</sup>	4,332	3,800	(532)
Inventories	2,475	3,447	+972
Non-current assets	4,583	4,992	+408
Property, plant and equipment	3,769	3,997	+228
Intangible assets	16	16	+0
Investments and other assets	797	978	+180
<b>Total assets</b>	<b>17,465</b>	<b>17,713</b>	<b>+248</b>
Current liabilities	3,938	4,668	+729
Accounts payable <sup>*1</sup>	2,169	2,350	+181
Advances received	666	1,424	+757
Non-current liabilities	275	238	(37)
Net defined benefit liability	162	167	+4
<b>Total liabilities</b>	<b>4,214</b>	<b>4,906</b>	<b>+691</b>
<b>Total net assets</b>	<b>13,250</b>	<b>12,807</b>	<b>(443)</b>

**Inventories**

- Merchandise and finished goods +111
- Work in process +861
- Raw materials and supplies (1)

**Property, plant and equipment**

- Machinery, equipment and vehicles +125
- Construction in progress +170

Will become sales in the second half and afterward

\*1: Includes electronically recorded monetary claims-operating and obligations-operating

## Summary of Consolidated Statement of Cash Flows

	(Millions of yen)	
	FY2/19 1H	FY2/20 1H
<b>Cash flows from operating activities</b>	<b>(230)</b>	<b>289</b>
Profit before income taxes	705	17
Depreciation	162	177
Decrease (increase) in notes and accounts receivable - trade	91	513
Decrease (increase) in inventories	338	(1,028)
Increase (decrease) in advances received	(573)	783
Increase (decrease) in notes and accounts payable - trade	(724)	170
Income taxes paid	(332)	(132)
<b>Cash flows from investing activities</b>	<b>(190)</b>	<b>(414)</b>
Purchase of property, plant and equipment	(205)	(440)
<b>Cash flows from financing activities</b>	<b>(918)</b>	<b>(359)</b>
Reoaymens of lease obligations	(3)	(1)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(25)
Cash dividends paid	(343)	(332)
Net increase (decrease) in cash and cash equivalents	(1,322)	(503)
Cash and cash equivalents at end of period	5,245	5,030
<b>Free cash flow</b>	<b>(420)</b>	<b>(124)</b>

Establishment of the joint venture in India

## Consolidated Earnings and Dividend Forecasts for FY2/20



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## Summary of Consolidated Forecasts

- Net sales: Many activities aimed at increasing the top line
- SG&A expenses: Reducing comprehensive cost at group companies
- Using all group resources to aim for higher earnings, including measures to raise sales in non pharmaceutical sector (in the food, cosmetic and industrial machinery sectors)

(Millions of yen)

	FY2/19 (Actual)			FY2/20 (Actual)		FY2/20 (Forecast)		YoY change	
	1H	2H	Full-Year	1H	Full-Year	Amount	%		
Net sales	9,117	9,291	18,408	6,817	17,500	-908	(4.9)		
Operating profit	592	630	1,223	3	1,000	-223	(18.2)		
Ordinary profit	684	642	1,326	6	1,000	-326	(24.6)		
Profit	466	377	843	△ 7	700	-143	(17.0)		
Earnings per share (yen)	27.60	-	50.15	(0.46)	41.80	-8.35	(16.7)		
Capital investment	243	384	627	453	700	-	-		
Depreciation	162	182	344	177	350	-	-		
R&D expenses	407	424	832	408	750	-	-		

## Summary of Segment Forecasts

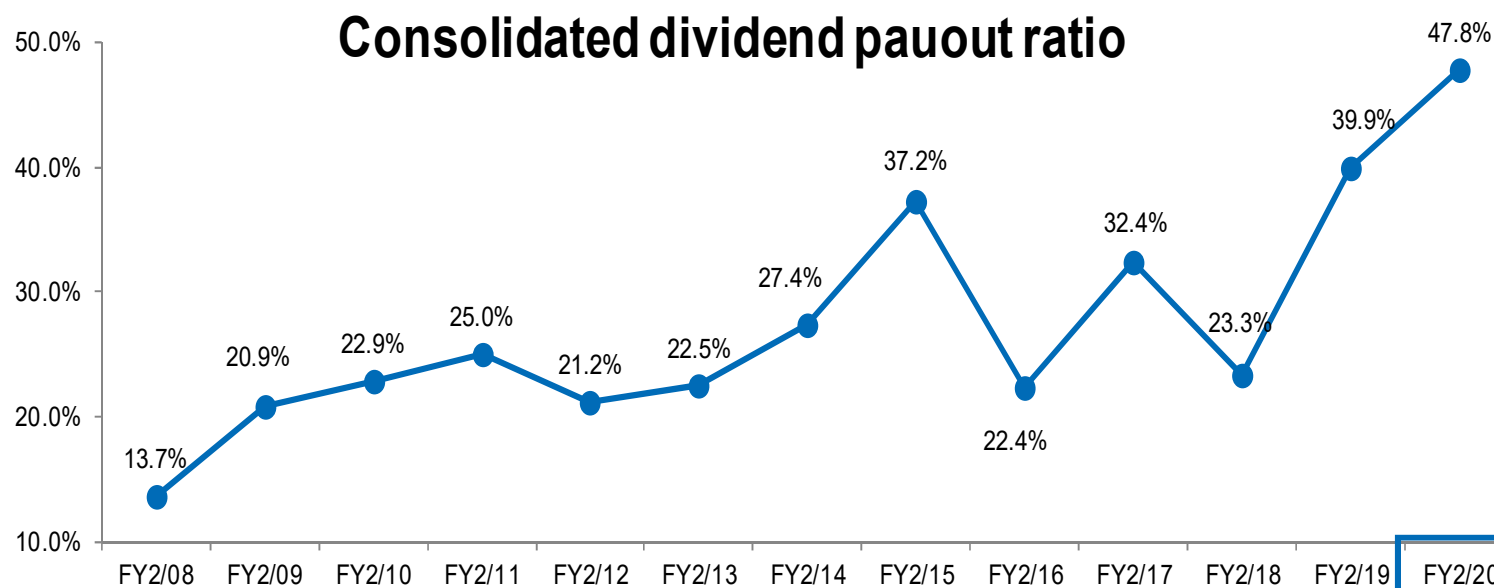
- Machinery: To promote production equipment in Japan as well as overseas
- Chemicals: Expand pharmaceutical excipients sales in Japan as well as overseas

(Millions of yen)

	FY2/19				FY2/20 (Actual)	FY2/20 (Forecast)		YoY change	
	1H	2H	Full-Year	Composition ratio (%)	1H	Amount	Composition ratio (%)	Amount	%
Consolidated net sales	9,117	9,291	18,408	100.0	6,817	17,500	100.0	(908)	(4.9)
Machinery Business Segment	6,145	6,222	12,368	67.4	3,964	11,000	62.9	(1,368)	(11.1)
Chemicals Business Segment	2,971	3,068	6,040	32.6	2,852	6,500	37.1	+459	+7.6
Segment income	592	630	1,223	100.0	3	1,000	100.0	(223)	(18.2)
Machinery Business Segment	291	445	737	49.2	(119)	-	-	-	-
Chemicals Business Segment	556	468	1,024	93.8	382	-	-	-	-
Adjustments	(254)	(284)	(538)	(43.0)	(259)	-	-	-	-
Yen/dollar rate (+ is yen depreciation)	109.33	110.48	110.48	-	109.21	105.00	-	-	-

## Summary of Dividend Forecasts

- Consolidated dividend payout ratio target is 30%
- Plan to pay a dividend of 20 yen per share (ordinary dividend)



Profit (¥ million)	619	563	516	608	765	787	695	961	1,064	1,477	843	700
Dividend per share (yen)	7.5	7.5	7.5	7.5	10.0	12.5	15.0	12.5	20.0	20.0	20.0	20.0
Number of shares outstanding (Thousand shares)	4,600	9,200	9,200	9,200	9,200	9,200	9,200	9,200	18,400	18,400	18,400	18,400

Note: Freund conducted a 2-for-1 common stock split on June 1, 2009 and March 1, 2016.  
The dividends per share for FY2/16 and earlier have been adjusted to reflect the stock split.

# 7th Medium-term Management Plan



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# Third Year of the 7th Medium-term Management Plan

Corporate Philosophy

Develop the Future through Creativity

Management Vision

Freund Group will contribute to better medical care and health for people worldwide and creating and utilizing technologies for fulfilling lives and food safety

Values which the FREUND Group holds precious



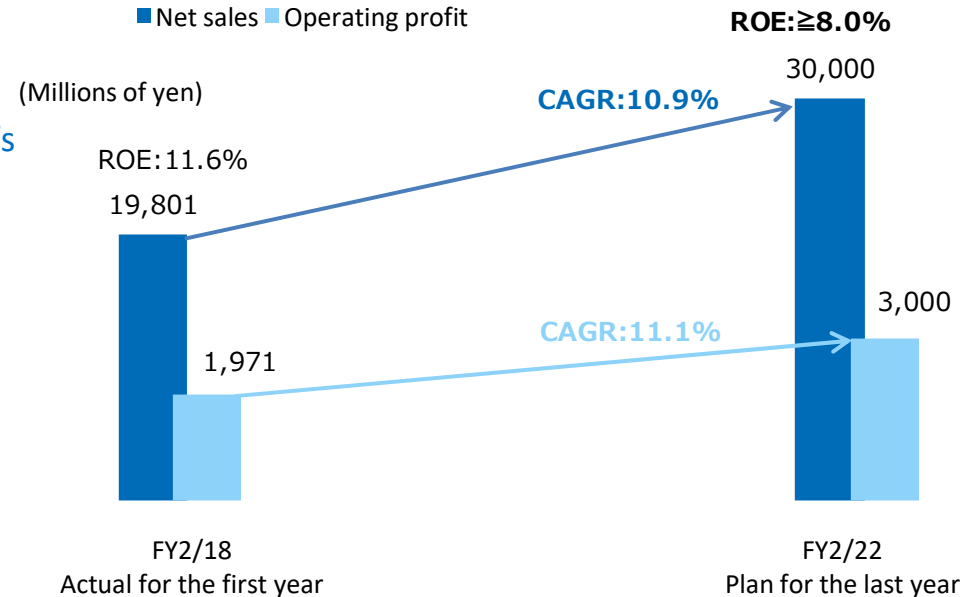
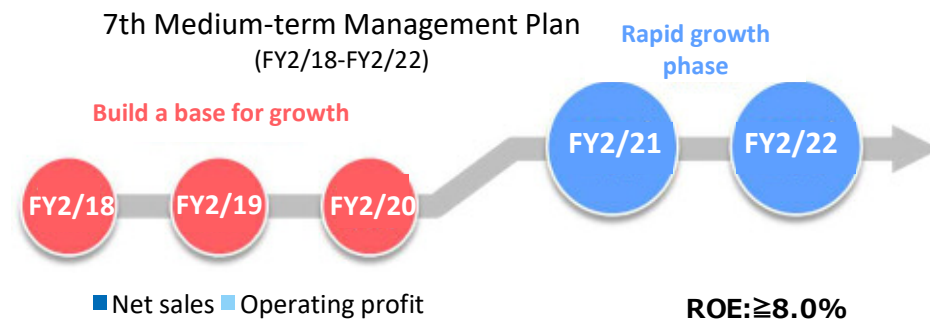
**Create special forms of value**  
Aim to be the leader in all of the group's business sectors



**Always use the customer's perspective**  
Be a company like no other for customers and society



**Networking**  
Solidify the group to create a unified organization

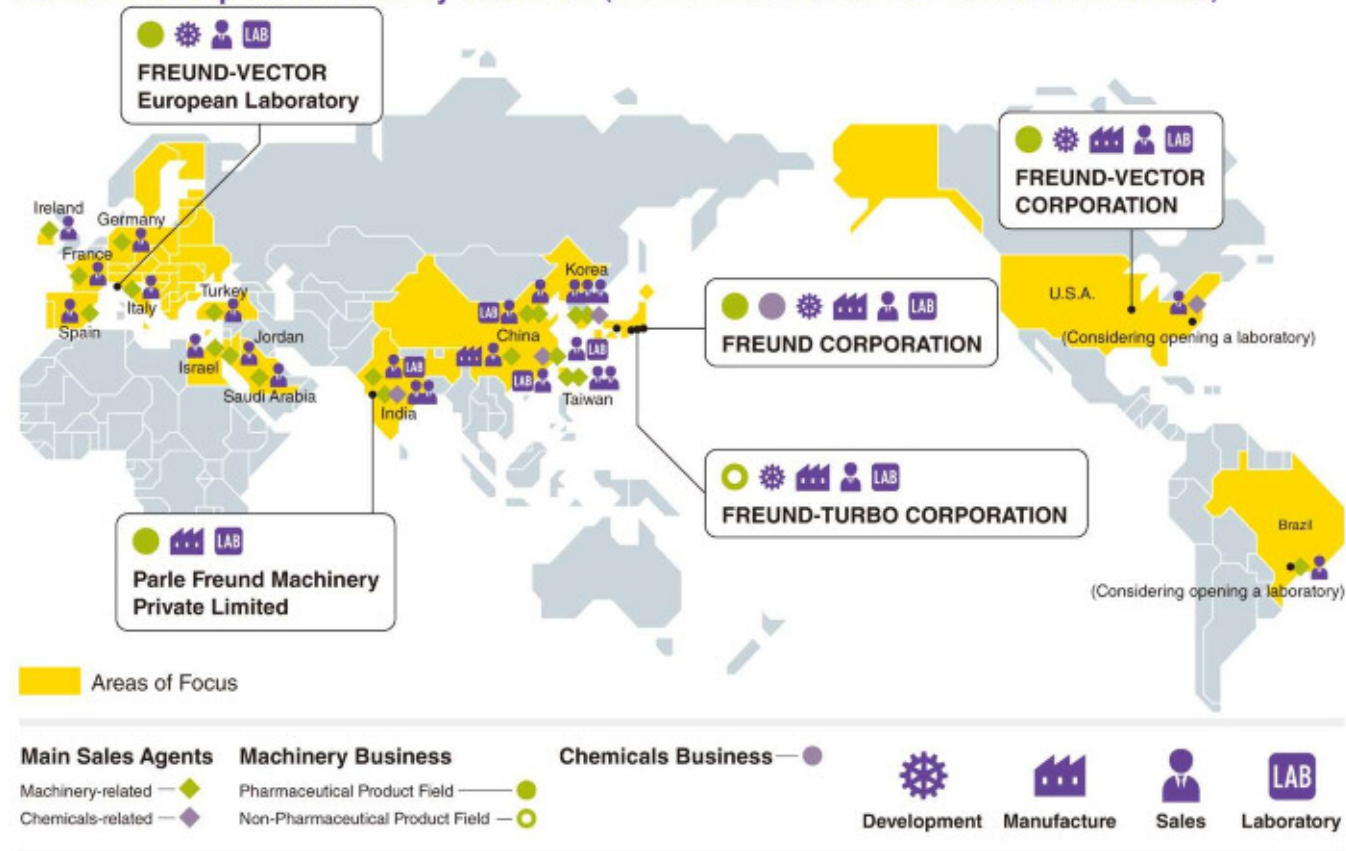


# Operating Environment: Establishing foundation for overseas expansion

Assumption regarding market conditions

- For pharmaceutical industry capital expenditures in Japan, the benefits of the extra demand created by the GE80% policy have come to an end.
- Pharmaceutical industry capital expenditures in other countries are expected to continue growing until at least 2022 and probably afterward as well. (But there are elements that are unclear)
- Many opportunities exist for expansion and potential applications for Freund's technologies and products (pulverization, granulation, fine-particle coating) into non-pharmaceutical fields.

**FREUND Group Global Facility Overview (Pharmaceutical and Non-Pharmaceutical Product Fields)**



## Medium-term Management Plan Framework for the First Three Years

55th (FY2/19)	56th (FY2/20)	57th (FY2/21 onward)
<ol style="list-style-type: none"> <li>1. Redefine the corporate culture (ONE FREUND)</li> <li>2. Employee training</li> <li>3. Development of new products</li> </ol>	<ol style="list-style-type: none"> <li>1. Redefine the corporate culture (ONE FREUND)</li> <li>2. Securing talented people</li> <li>3. Establishing foundation for overseas expansion</li> </ol>	<ol style="list-style-type: none"> <li>1. Redefine the corporate culture (ONE FREUND)</li> <li>2. Making active use of talented people</li> <li>3. Overseas development</li> </ol>
<p style="text-align: center;"><b>Machinery</b></p> <ol style="list-style-type: none"> <li>1. Launch new products (TABREX)</li> <li>2. Launch new products (Granuformer)</li> <li>3. Development into non-pharmaceutical fields</li> </ol>	<p style="text-align: center;"><b>Machinery</b></p> <ol style="list-style-type: none"> <li>1. Increase sales of the new products</li> <li>2. Receive orders for Granuformer 1</li> <li>3. Increase sales of VECTOR Lab</li> <li>4. Start of joint venture with India Parle (Palre Freund)</li> </ol>	<p style="text-align: center;"><b>Machinery</b></p> <ol style="list-style-type: none"> <li>1. Increase sales of the new products</li> <li>2. Expand overseas business</li> <li>3. Develop different areas of core competence</li> </ol>
<p style="text-align: center;"><b>Chemicals</b></p> <ol style="list-style-type: none"> <li>1. Increase overseas sales of pharmaceutical excipients</li> <li>2. Increase overseas sales of food preservatives</li> <li>3. Development of powerfully competitive products</li> </ol>	<p style="text-align: center;"><b>Chemicals</b></p> <ol style="list-style-type: none"> <li>1. Expand sales into overseas markets</li> <li>2. Overseas development of food preservatives</li> <li>3. Build-up of food preservatives facilities</li> </ol>	<p style="text-align: center;"><b>Chemicals</b></p> <ol style="list-style-type: none"> <li>1. Expand sales of pharmaceutical excipients to GE manufacturers</li> <li>2. Expand sales of food preservatives overseas</li> </ol>

## 7th Medium-term Management Plan: Two-Year Progress Report

	FY2/19 Accomplishments	Progress
<b>Business expansion</b>		
• Expand new business domains	Extended core competences (pulverizing, granulation, coating particles) to non-pharmaceutical product field	△
• Faster global growth	Establishment of laboratories in growing markets (India, China) Established Freund Group's first base (Parle Freund) in India	○ ○
• Open innovation (business alliances)	Preparing to start supplying spray dryers and other equipment for higher molecular weight drugs	○
• Developing a win-win business model with customers and suppliers	Entrusted with a maintenance work for realizing effective operation of a customer's plant	○
• Establish a base for a service business	Preparations to start a contract development organization (CDO) business	×
<b>New technologies</b>		
• More group solidarity	Integrate Japan and U.S. group technology and product development capabilities	△
• Joint development	Use alliances classified by function to develop continuous production equipment	○
• Tie-ups with the academic sector	Cooperate with academic institutions for R&D and testing for next-generation technologies	△
<b>Business operations</b>		
• Reform business processes	Improve efficiency by centralizing the data management for product components	○
• Employee training and development	Give people skills to succeed globally, such as by using international assignments and rotations of people within the group	△

○ : Producing benefits    △ : Just started    × : To be started



## (Supplementary Materials)

- Company Overview
- Segment Information

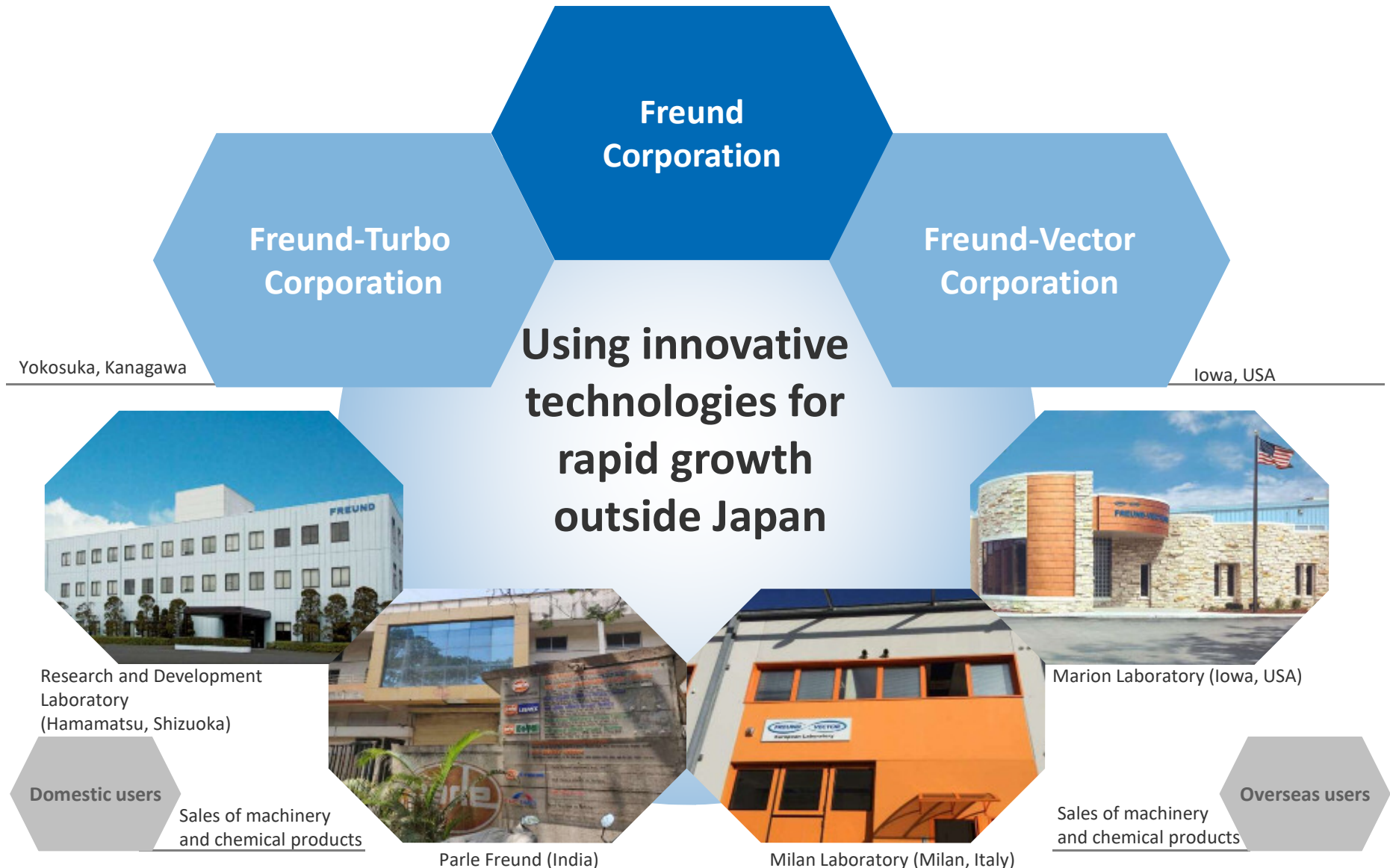


## Company Overview

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● Company name	: Freund Corporation
● Established	: April 1964
● Representative	: Iwao Fusejima, President & CEO
● Location	: 6-25-13 Nishi-shinjuku, Shinjuku-ku, Tokyo, Japan
● Paid-in capital	: 1,035,600,000 yen (As of February 28, 2019)
● Sales	: 18,400 million yen (Fiscal year ended February 2019, consolidated)
● Number of employees	: 380 (As of August 31, 2019, consolidated)
● Business	: Machinery business- Manufacturing and sales of granulation and coating equipment and others Chemicals business- Manufacturing and sales of pharmaceutical excipients, food preservatives, and others
● Group companies	: Freund-Vector Corporation, Freund-Turbo Corporation, Parle Freund Machinery Private Limited

# The Freund Group and R&D Facilities



# Our “Pen” (Machinery) and “Ink” (Chemicals) Business Model

## 1. Machinery Business Segment



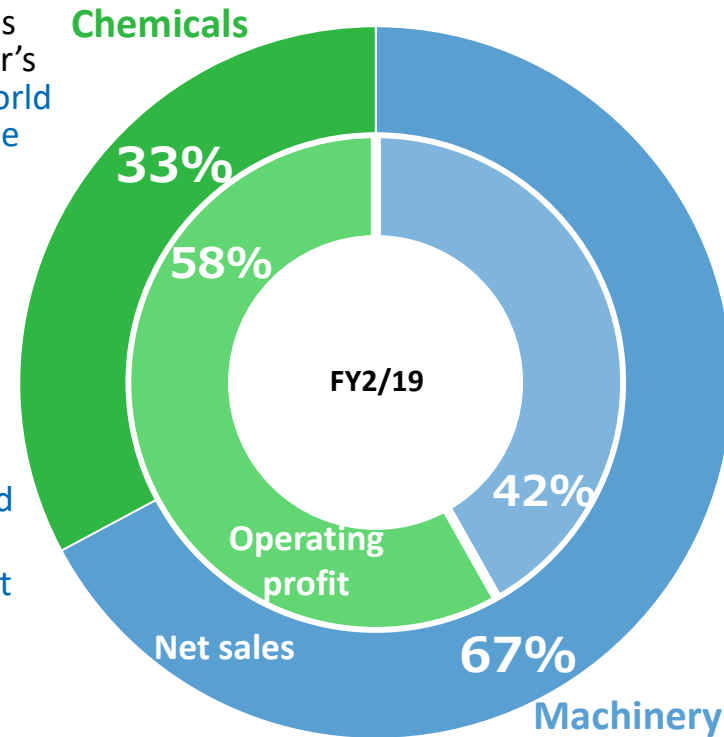
- Manufacturing and sales of **granulation and coating equipment** for the pharmaceutical, food, and fine chemical industries.
- For coating equipment, Freund **ranks first in Japan** and sales growth is accelerating in Asian market and in Freund-Vector’s U.S. and European operations. **No other company in the world has expertise in both drug formulation technologies and the associated machinery.**
- Aiming to increase sales of machinery for industrial applications too by **combining granulating and coating technologies with milling and sieving technologies.**

## 2. Chemicals Business Segment



- Manufacturing and sales of **pharmaceutical excipients, food preservatives, nutritional supplements, and others.**
- Freund uses **Good Manufacturing Practice (GMP) compliant equipment** to produce pharmaceutical excipients.
- Food preservatives made by Freund help ensure the safety of food by maintaining the quality of many types of products.
- By using its granulating and coating technologies, Freund has worked with customers to develop and commercialize nutritional supplements and seamless mini-capsules.

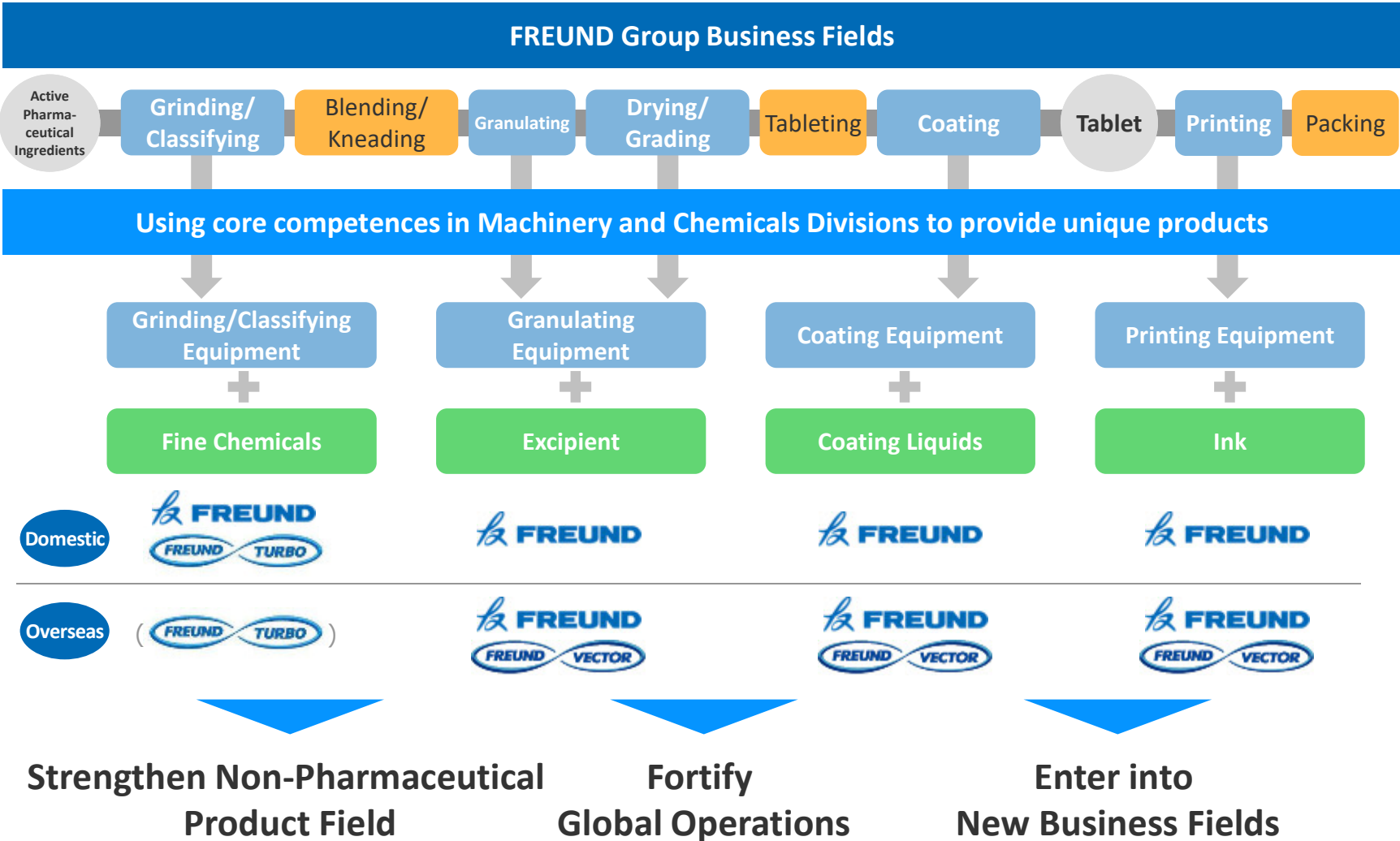
Composition of Net Sales and Profit by Segment



**Consolidated sales: ¥18.40 billion**  
**Consolidated operating profit: ¥1.22 billion**

# Freund Group's Business Fields

- FREUND Group's Business Fields based upon Pharmaceutical Products Manufacturing Processes



# Machinery Business: Main Products are Granulating and Coating Equipment for Pharmaceutical Companies

- In the machinery business, pharmaceutical machinery is 82% of sales and industrial machinery is 18%
- Granulating and coating equipment for pharmaceutical companies are the core products; Start of accepting orders for tablet printers
- Industrial machinery sales are increasing



Continuous granulating machine (Granuformer®)



Automated tablet coater (HICOATER FZ)

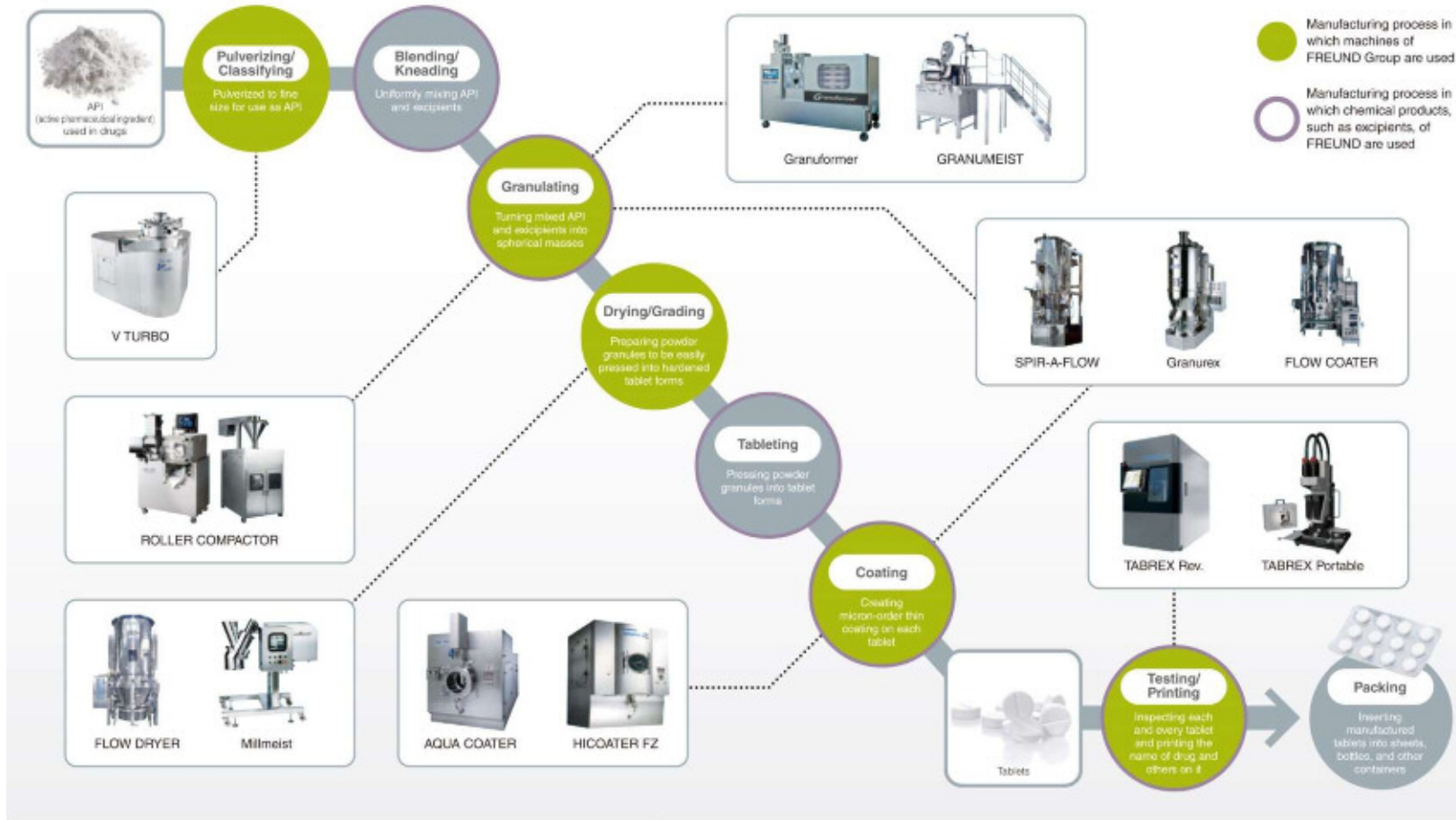


Tablet printer (TABREX Rev.)



Agitation granulation machine (BALANCE GRAN)

# Machinery Business: Equipment for the Production of Pharmaceuticals



## FREUND Group's Business Scope Based on Pharmaceutical Products Manufacturing Process

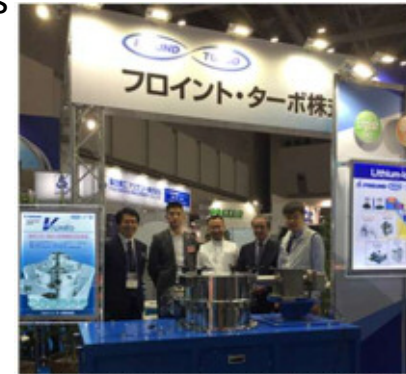
Machinery equipment and chemical products such as excipients used in the manufacturing process of pharmaceutical products (tablets, granules, and others) are the main products of the FREUND Group. FREUND is unique in that it is the only company in the global industry that conducts both the machinery and chemicals businesses.

We introduce the main products of the FREUND Group used in the manufacturing process for pharmaceutical products.

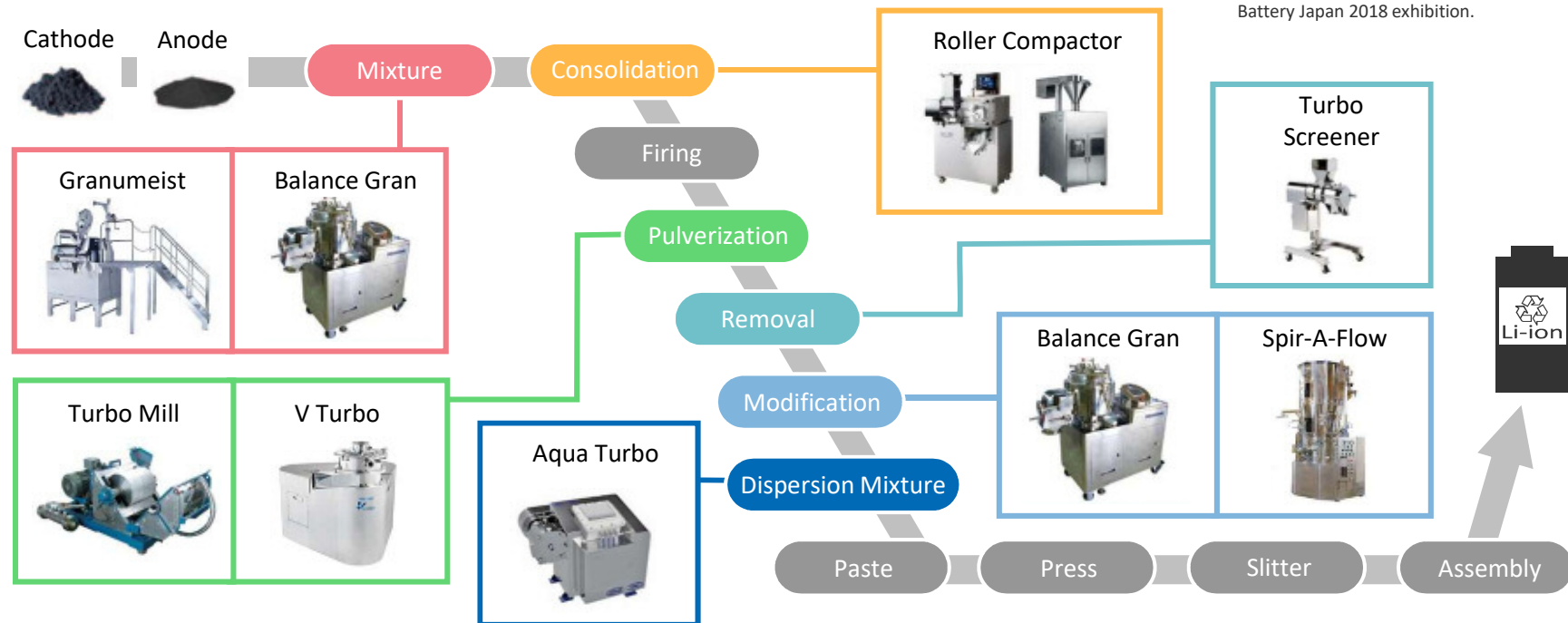
# Examples of Key Initiatives for Consistent Earnings Growth

## Machinery: Faster Global Growth of Industrial Machinery Operations

- A lineup of equipment for producing lithium-ion battery electrode materials
  - ▣ A lineup that covers all processes; able to offer prospective customers several models
  - ▣ Machines have been sold to companies in China and South Korea, the world's major lithium-ion battery producers; receiving more orders as these companies start commercial production and raise output
  - ▣ Products added by a 2018 acquisition have already been sold and are in use



Sales partners from China and South Korea were also at the Freund-Turbo booth at the Battery Japan 2018 exhibition.





# Chemicals Business: A Growing Product Lineup for the Healthcare Sector

- Product lineup includes pharmaceutical excipients, food preservatives, nutritional supplements and other products
- Sales of pharmaceutical excipients for generic drugs continue to increase

## 1. Pharmaceutical excipients

- Direct compression excipients
- Adsorbent/solidified agents/fluidized agents
- White coloring agents
- Lubricant agents
- Luster agents



## 2. Food preservatives

- Food excipients
- Food quality preserving agents



## 3. Nutritional supplements/others

- Seamless mini capsule
- AQ shelax® (aqueous liquid)
- Supplements



# The Freund Group Disclosure Policy

## 1. Basic disclosure policy

Freund positions the transparency of management as an important responsibility in order to be a company that can be a trusted member of society. To maintain this transparency, we always disclose information about the company in a manner that is fair and timely from the standpoint of all stakeholders.

## 2. Standard for disclosure

Freund discloses information in compliance with the Companies Act, Financial Instruments and Exchange Act, and other applicable laws and regulations. Disclosure also complies with the timely disclosure rules of securities exchanges where the company's stock is traded. In addition, Freund discloses information that is not covered by these laws and regulations and exchange rules in cases where the information is believed to be necessary for investment decisions.

## 3. Disclosure methods

Freund discloses information by using the Timely Disclosure network (TDnet) of the Tokyo Stock Exchange. To ensure the timeliness and fairness of information announced using TDnet, this information is posted promptly on Freund's website. In addition, press releases and other information are promptly posted on Freund's website and made available in other ways to ensure disclosure fairness and speed. Furthermore, information in Japanese is supplied in English as much as possible to make information available to a large number of stakeholders.

## 4. Prevention of insider trading

For the prevention of insider trading, Freund's internal rules include provisions concerning basic items that must be observed regarding the proper management of internal information, Freund stock transactions and other matters. There are also activities for ensuring that Freund personnel understand insider trading restrictions and for overseeing stock and other transactions.

## 5. Silent period

To prevent leaks of information about earnings announcements, as well as to comply with laws and regulations and ensure the fairness of these announcements, Freund has a "silent period" that begins on the day following the end of each fiscal year quarter and ends on the day of the earnings announcement for that quarter. Freund will not reply to any questions concerning results of operations during this period. However, in the event of the possibility that results of operations will differ significantly from the forecast, Freund may disclose this information in accordance with timely disclosure rules.

## 6. Forward-looking statements

Information disclosed by Freund may contain information about the future other than sales and earnings forecasts, such as information about strategies and business plans. This information is based on the decisions of management by using information that was available at that time. As a result, actual performance may differ significantly from forward-looking statements due to changes in the economy and market conditions and other reasons.

(Established on March 27, 2017)

# Investor Relations Policy

The Freund Board of Directors approved the following policy for investor relations activities on March 27, 2017.

## Policy concerning constructive dialogues with shareholders and other investors

Freund has a strong commitment to conducting constructive dialogues with shareholders and other investors in order to contribute to the company's sustained growth and mid- to long-term growth in corporate value. By providing clear explanations of management policies, business operations and the corporate culture, Freund aims to earn the understanding of shareholders and other investors in order to continue to receive their support as "Freund fans."

- 1. Investor relations framework** – The Corporate Planning Division responsible for investor relations oversees dialogues with shareholders and other investors under the direct supervision of the company's president. In addition, the president is assisted by a director who is in charge of investor relations.

To support these dialogues, Freund departments involved with dialogues cooperate, such as by preparing and checking disclosure materials and, as needed, sharing information, so that information is disclosed with fairness and speed.

- 2. Stakeholder dialogues** – Freund holds information meetings about results of operations and other subjects following the end of the second quarter and fiscal year. Small meetings are held after the first and third quarters. Information provided at these meetings is posted on Freund's website. When a medium or long-term management plan is established, the company provides a clear explanation of strategic goals and business plans. In addition, Freund frequently visits institutional investors to explain its goals and performance. Freund also participates in investor forums held by securities companies, holds information meetings for individual investors, and conducts other activities for stakeholder dialogues.

The FREUND Integrated Report and other IR documents are distributed to shareholders and posted on Freund's website. This publication contains business and financial information as well as about the company's strengths that do not appear in the financial statements. By providing more information about the Freund Group, this publication aims to help the public understand the true corporate value of the group.

- 3. Feedback of shareholder/investor opinions** – Opinions and other statements by shareholders and other investors at dialogues are passed on to the president, directors and others and the information is shared as needed.
- 4. Management of insider information** – There are no shareholder/investor dialogues during each silent period, which begins on the day following the end of each fiscal year quarter and ends on the day of the earnings announcement for that quarter. Freund handles insider information strictly in compliance with internal rules concerning the management of internal information and restrictions on transactions by Freund personnel.

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This presentation contains forward-looking statements involving plans, outlooks, strategies and policies. These statements reflect the judgments of management and assumptions based on information available at the time of this presentation. Actual results of operations may differ from these statements for a number of reasons. Consequently, forecasts and other forward-looking statements are not guarantees about future performance. Although Freund has checked this presentation carefully, there is still a possibility of errors in this information.