

FREUND CORPORATION

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



(Securities code: 6312)

Results of Operations for the First Half of the Fiscal Year Ending February 28, 2021

October 21, 2020

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Consolidated Financial Summary for 1H of FY2/21



Consolidated Financial Summary

- Consolidated sales: up 3.3% YoY
- Consolidated operating profit: increased 247 million yen YoY
- Machinery orders: up 26.3% YoY
- Capital investments and R&D expenses: down YoY

(Millions of yen)

	FY2/20 1H	FY2/21 1H	YoY change	
	Actual	Actual	Amount	%
Net sales	6,817	7,043	+226	+3.3%
Operating profit	3	251	+247	-
Ordinary profit	6	271	+265	-
Profit	(7)	183	+191	-
Earnings per share (yen)	(0.46)	10.98	+11.44	-
Machinery Orders received	5,311	6,705	+1,394	+26.3%
Machinery Order backlog	6,846	7,330	+483	+7.1%
Capital investment	453	171	(281)	(62.2)%
Depreciation	177	196	+19	+10.8%
R&D expenses	408	267	(140)	(34.5)%
ROA	(0.0)%	1.0%	-	-
ROE	(0.1)%	1.4%	-	-

Machinery Business: Overview

● Sales by Product Field

- ❑ Pharmaceutical products: Generic drug manufacturers' demand for equipment remains unclear now that Japan has achieved the goal of a generic drug share of 80%; sales increased 3% because FY2/20 1H sales were weak and 2H sales were strong.
- ❑ Industrial products: Up 10.0% as a strong 2Q outweighed slow 1Q sales

● Orders received by Product Field

- ❑ Pharmaceutical products: Up 34.2% because of large orders resulting from sales activities that accurately targeted customers' needs
- ❑ Industrial products: A challenging business climate due to weak demand

(Millions of yen)

	FY2/20 1H		FY2/21 1H	
	Amount	YoY change (%)	Amount	YoY change (%)
Net sales	3,964	(35.5)	4,125	+4.1
Pharmaceutical Products	3,342	(35.3)	3,441	+3.0
Industrial Products	621	(36.7)	683	+10.0
Operating profit	(119)	(141.2)	255	-
Orders received	5,311	(18.5)	6,705	+26.3
Pharmaceutical Products	4,368	(20.8)	5,863	+34.2
Industrial Products	942	(6.1)	842	(10.6)
Order backlog	6,846	+9.8	7,330	+7.1
Pharmaceutical Products	6,067	+13.3	6,578	+8.4
Industrial Products	779	(11.4)	752	(3.5)
Yen/dollar rate (+ is yen depreciation)	109.2	-0.1 yen/dollar	107.2	-2.0 yen/dollar

Machinery Business: Group Company Performance

- **Freund Corporation:** Sales in Japan were mostly as planned despite delays in some export sales
- **Freund-Vector:** Sales down because of COVID-19 and rainstorm damage, but earnings increased due to a U.S. government COVID-19 relief payment of about \$2.1 million
- **Freund-Turbo:** Sales rebounded in the 2Q but orders continued to decline

(Millions of yen)

	FY2/20 1H		FY2/21 1H	
	Amount	YoY change (%)	Amount	YoY change (%)
Net sales	3,964	(35.5)	4,125	+4.1
FREUND CORPORATION *	2,411	(43.4)	2,838	+17.7
FREUND-VECTOR *	1,212	(7.0)	1,018	(16.0)
FREUND-TURBO *	525	(35.7)	629	+19.8
Operating profit	(119)	(141.2)	255	-
FREUND CORPORATION	94	(80.2)	228	-
FREUND-VECTOR	(144)	+5.5	30	-
FREUND-TURBO	(69)	+41.6	(3)	-
Orders received	5,311	(18.5)	6,705	+26.3
FREUND CORPORATION	2,828	(21.3)	4,156	+47.0
FREUND-VECTOR	1,758	(19.7)	2,019	+14.8
FREUND-TURBO	724	(1.7)	529	(26.9)
Order backlog	6,846	+9.8	7,330	+7.1
FREUND CORPORATION	4,427	+27.8	5,228	+18.1
FREUND-VECTOR	1,791	(16.6)	1,685	(5.9)
FREUND-TURBO	627	+0.8	415	(33.7)

Note: Before consolidation adjustments

Machinery Business: Sales by Region

- Japan: Sales in Japan were mostly in line with the plan
- North and South Americas: Sales decreased in Brazil and the U.S. because of COVID-19
- Europe and Africa: Sales decreased slightly YoY
- Middle East, Asia and Pacific: Higher sales involving China and Middle East

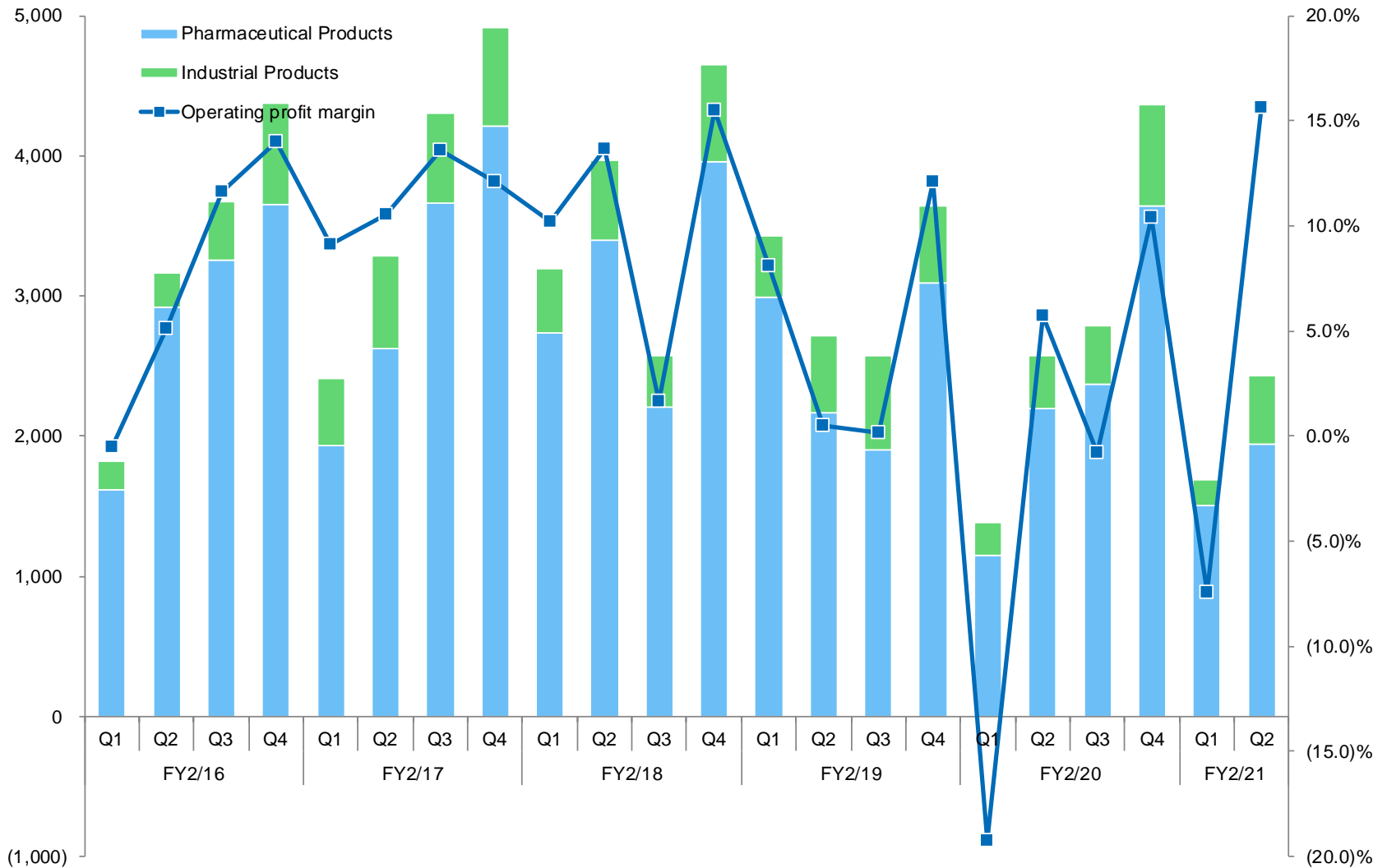
(Millions of yen)

	FY2/20 1H		FY2/21 1H	
	Amount	YoY change (%)	Amount	YoY change (%)
Net sales	3,964	(35.5)%	4,125	+4.1%
Japan	2,557	(41.2)%	2,989	+16.9%
Overseas	1,407	(21.5)%	1,136	(19.3)%
North and South Americas	1,005	(0.2)%	553	(45.0)%
Europe and Africa	150	+6.2%	139	(7.4)%
Middle East, Asia and Pacific	251	(61.0)%	443	+76.8%

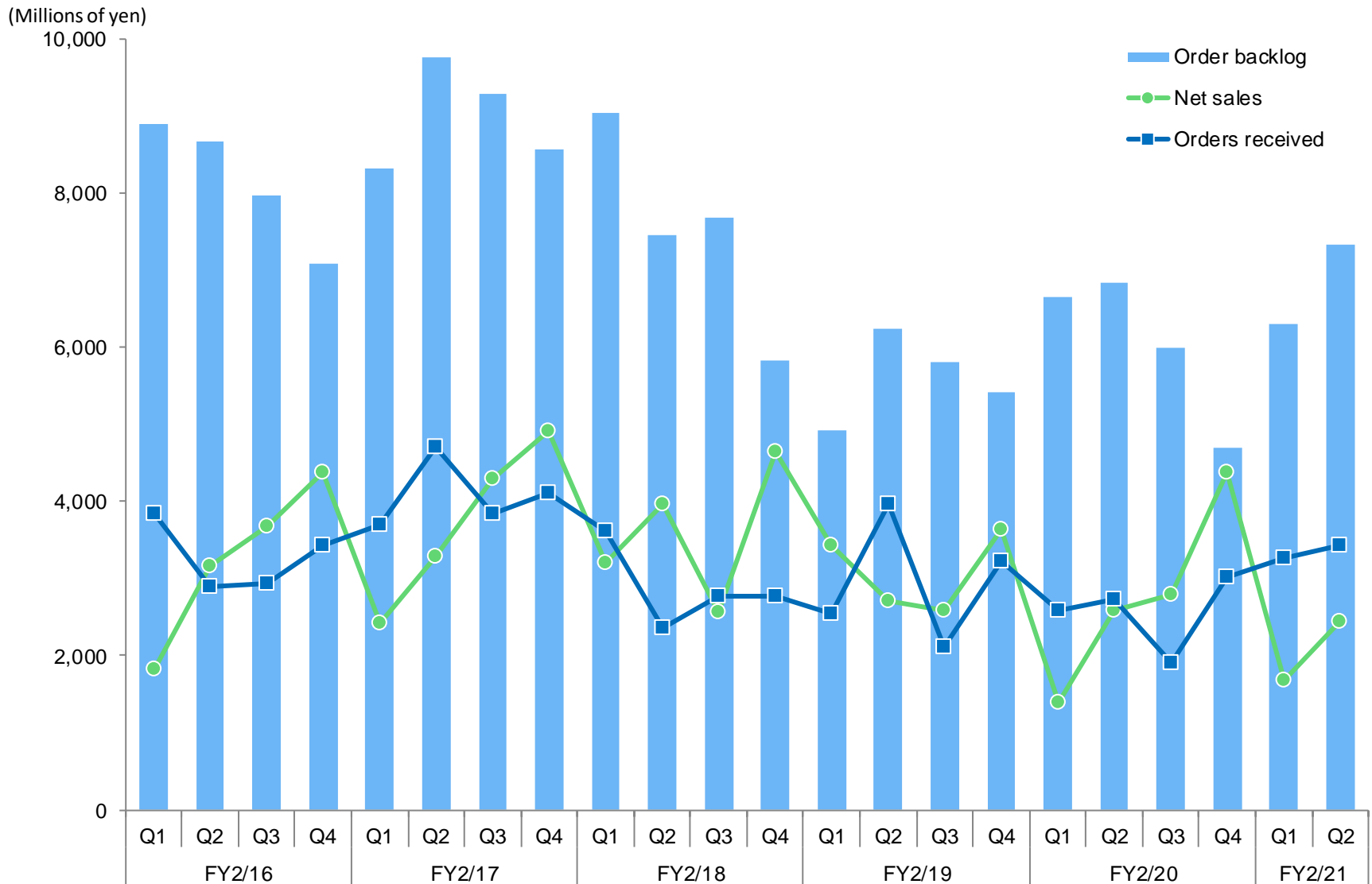
Machinery Business: Quarterly Results (by Product Field)

Net sales
(Millions of yen)

Operating profit margin



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



Chemicals Business: Overview

● Net Sales

- ❑ Pharmaceutical excipients: Small decrease as some deliveries were postponed to 3Q
- ❑ Food preservatives: Sales decreased as COVID-19 impacted confectionery sales
- ❑ Dietary supplements: Big increase in sales as customers increased inventories of supplements
- ❑ Export: Increased due to the expansion of overseas sales activities

● Segment Profit

- ❑ Down because of higher sales of products with low profit margins

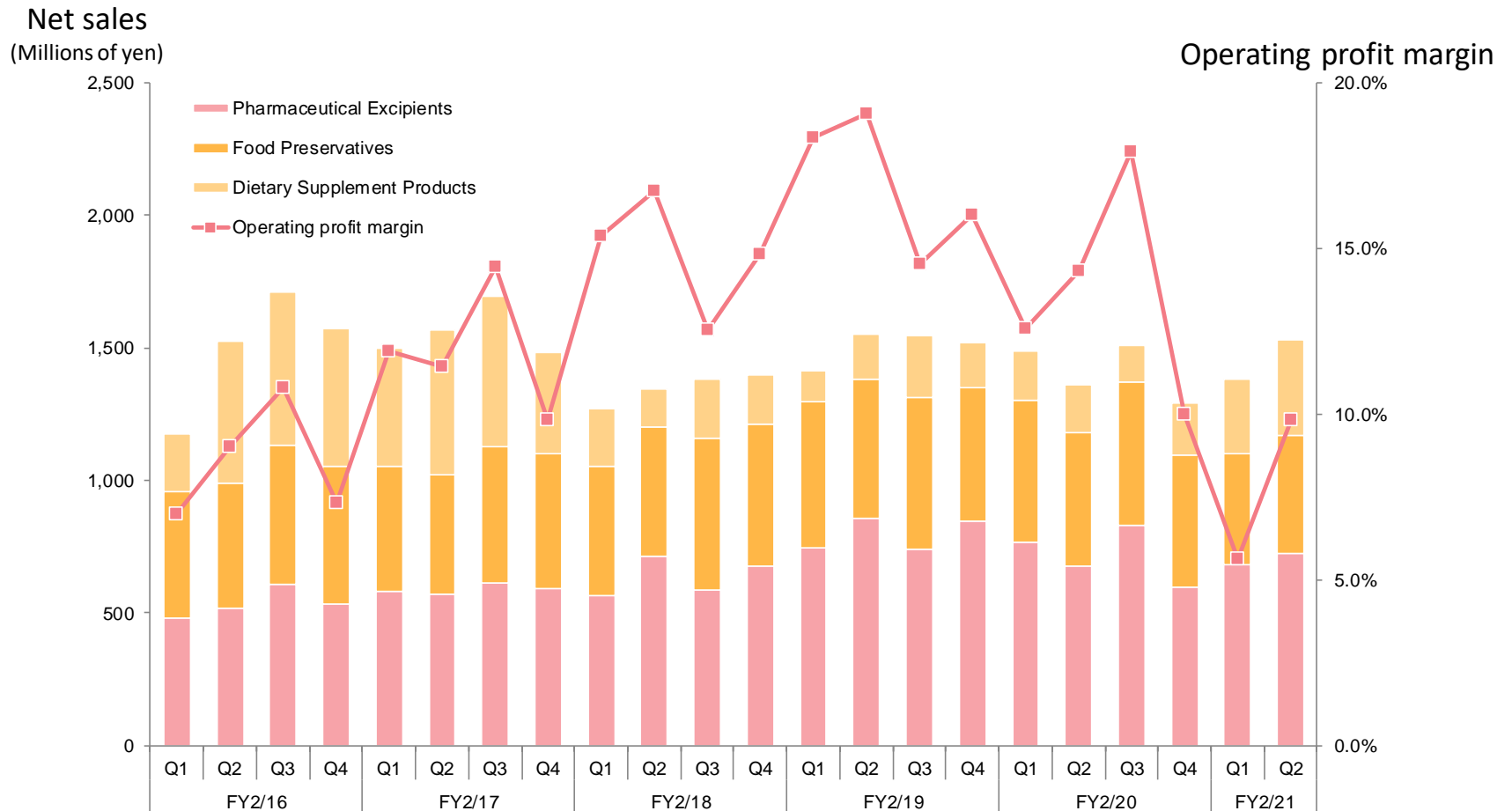
(Millions of yen)

	FY2/20 1H		FY2/21 1H	
	Amount	YoY change (%)	Amount	YoY change (%)
Net sales	2,852	(4.0)	2,917	+2.3
Pharmaceutical Excipients	1,442	(10.1)	1,409	(2.3)
Food Preservatives	1,039	(3.7)	863	(16.9)
Dietary Supplement Products	370	+28.9	644	+73.8
(Export sales)*1	80	(65.4)	104	+29.5
Operating profit	382	(31.3)	228	(40.2)

*1: Sales to India, South Korea, China and Taiwan, etc.

Chemicals Business: Quarterly Results (by Product Field)

- Solid sales growth of pharmaceutical excipients
- Food preservative sales decreased as COVID-19 impacted confectionery demand
- Strong growth as customers increased inventories of dietary supplements



Summary of Consolidated Statement of Income

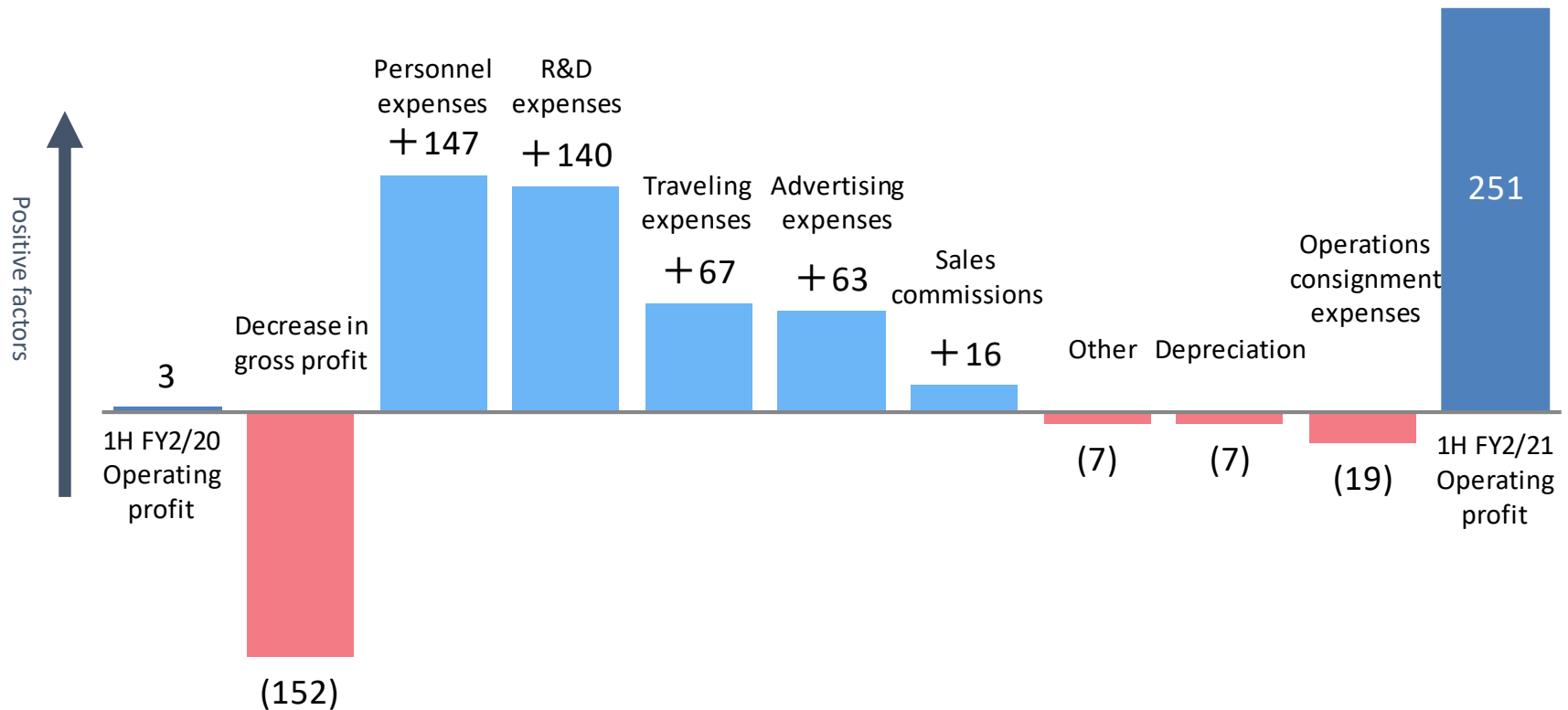
(Millions of yen)

	FY2/20 1H		FY2/21 1H		YoY change	
	Amount	Composition ratio	Amount	Composition ratio	Amount	%
Net sales	6,817	100.0%	7,043	100.0%	+226	+3.3%
Cost of sales	4,400	64.6%	4,779	67.9%	+379	+8.6%
Gross profit	2,416	35.4%	2,263	32.1%	(152)	(6.3)%
SG&A expenses	2,413	35.4%	2,012	28.6%	(400)	(16.6)%
Operation profit	3	0.0%	251	3.6%	+247	-
Non-operating income and expenses	2	0.0%	20	0.3%	+17	-
Ordinary profit	6	0.1%	271	3.9%	+265	-
Extraordinary income and losses	11	0.2%	(4)	(0.1)%	(16)	-
Profit before income taxes	17	0.3%	266	3.8%	+249	-
Profit	(7)	(0.1)%	183	2.6%	+191	-

Change in Consolidated Operating Profit

- Operating profit increased because cost reductions more than offset the decrease in the gross profit
- Freund-Vector earnings benefited from a U.S. government COVID-19 relief payment

(Millions of yen)



Summary of Consolidated Balance Sheet

(Millions of yen)

	FY2/20-End	FY2/21-1H	YoY change Amount
Current assets	13,193	12,325	(868)
Cash and deposits	4,314	4,743	+429
Accounts receivable	5,431	4,193	(1,237)
Inventories	3,051	3,056	+5
Non-current assets	5,311	5,200	(111)
Property, plant and equipment	4,209	4,094	(115)
Intangible assets	96	90	(5)
Investments and other assets	1,006	1,015	+9
Total assets	18,505	17,525	(979)
Current liabilities	5,023	4,281	(742)
Accounts payable	3,121	1,866	(1,255)
Advances received	775	1,286	+511
Non-current liabilities	237	246	+9
Retirement benefit liability	165	161	(3)
Total liabilities	5,261	4,528	(733)
Total net assets	13,243	12,997	(246)

Summary of Consolidated Statement of Cash Flows

	(Millions of yen)	
	FY2/20 1H	FY2/21 1H
Cash flows from operating activities	289	977
Profit before income taxes	17	266
Depreciation	177	196
Decrease (increase) in notes and accounts receivable - trade	513	1,211
Decrease (increase) in inventories	(1,028)	(50)
Increase (decrease) in advances received	783	529
Increase (decrease) in notes and accounts payable - trade	170	(1,192)
Income taxes paid	(132)	(46)
Cash flows from investing activities	(414)	(171)
Purchase of property, plant and equipment	(440)	(206)
Cash flows from financing activities	(359)	(366)
Repayments of lease obligations	(1)	(1)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(25)	-
Cash dividends paid	(332)	(333)
Net increase (decrease) in cash and cash equivalents	(503)	429
Cash and cash equivalents at end of period	5,030	4,743
Free cash flow	(124)	805

Consolidated Earnings and Dividend Forecasts for FY2/21



Summary of Consolidated Forecasts

- Forecast sales growth due to more activities for capturing new orders
- Forecast big increases in earnings because of measures to reduce the cost of sales, SG&A expenses and other expenses
- As a result, the goal is sales and earnings that are consistent with the initial guidance for FY2/21

(Millions of yen)

	FY2/20 (Actual)	FY2/21 (Forecast)	YoY change	
			Amount	%
Net sales	16,772	17,800	+1,027	+6.1
Operating profit	558	1,000	+441	+79.1
Ordinary profit	582	1,000	+417	+71.6
Profit	381	700	+318	+83.5
Earnings per share (yen)	22.79	41.80	+19.01	+83.4
Yen/dollar rate (+ is yen depreciation)	109.03	105.00	-	-
Capital investment	951	-	-	-
Depreciation	386	-	-	-
R&D expenses	725	-	-	-

Summary of Segment Forecasts

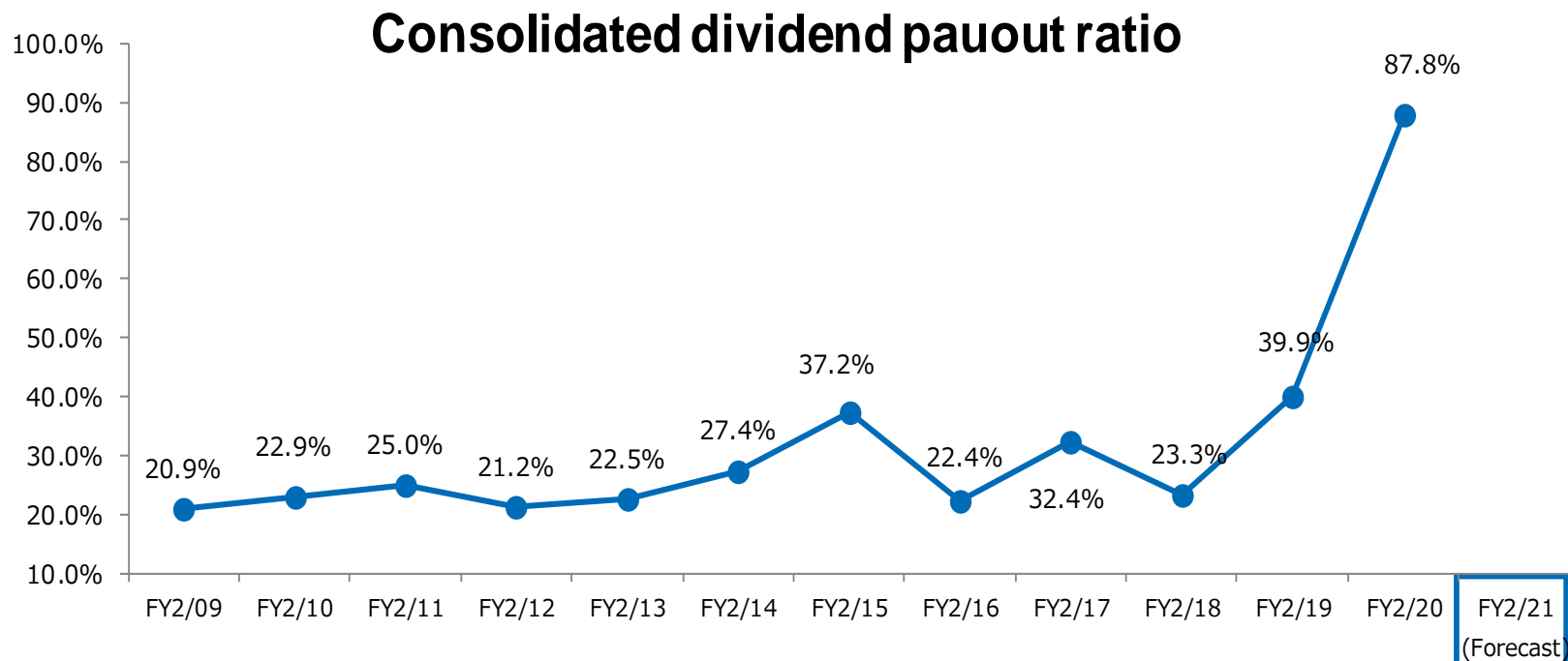
- Machinery: Goals are improving accuracy for new orders, expanding the maintenance business and increasing overseas sales
- Chemicals: Goals are increasing sales of pharmaceutical excipients in Japan and receiving new orders involving other countries

(Millions of yen)

	FY2/20		FY2/21 (Forecast)		YoY change	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	%
Consolidated net sales	16,772	100.0	17,800	100.0	+1,027	+6.1
Machinery Business Segment	11,118	66.3	12,000	67.4	+881	+7.9
Chemicals Business Segment	5,654	33.7	5,800	32.6	+145	+2.6
Segment profit	558	100.0	1,000	100.0	+441	+79.1
Machinery Business Segment	311	55.7	-	-	-	-
Chemicals Business Segment	781	140.0	-	-	-	-
Adjustments	(534)	(95.7)	-	-	-	-
Yen/dollar rate (+ is yen depreciation)	109.03	-	105.00	-	-	-

Summary of Dividend Forecasts

- Dividend forecast and payout ratio for FY2/21 have not been determined at this time



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.

8th Medium-term Management Plan

8th 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

ONE
FREUND



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

Core Strategy

**Create a structure for business operations that can
use technologies to meet the true needs of
customers and achieve consistent growth in earnings**

Seven Goals

1. Group solidarity
2. Always use the customer's perspective
3. Constant innovation
4. Global management
5. Strategy for growth
6. Business process and working-style reform
7. A firm commitment to compliance and governance

8th Medium-term Management Plan: Seven Goals

1. Group solidarity

Make all three group companies a unified organization and use this cohesiveness for collaboration for sales and R&D in order to achieve consolidated performance targets.

2. Always use the customer's perspective

Supply products with outstanding quality in every respect along with prices and speed that meet customers' expectations.

3. Constant innovation

Channel substantial resources to creating new products, as an organization specializing in developing technologies and other ideas, and rigorously manage progress concerning development plans.

4. Global management

While capturing market share in Japan, operations of all group companies must reflect the shift of customers' activities to other countries and the growing importance of quality in overseas markets.

5. Strategy for growth

Use M&A, business alliances and other activities to create businesses that can be the foundation of the next medium-term management plan and step up measures to achieve non-organic growth in existing businesses.

6. Business process and working-style reform

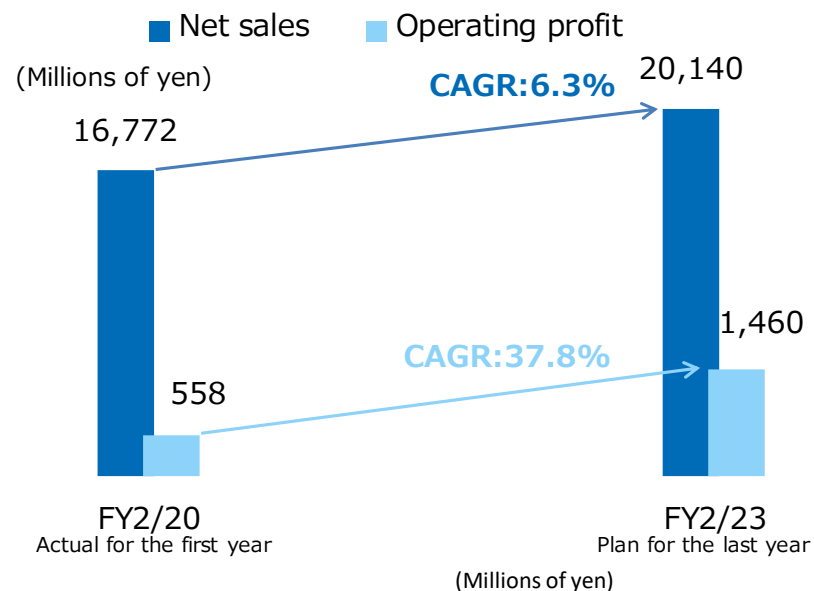
Eliminate inefficient tasks and jobs and become a highly efficient organization with pleasant and productive workplaces.

7. A firm commitment to compliance and governance

Improve production and quality management structure, upgrade internal controls, and take other actions to develop the sound operation of businesses in order to earn the trust of customers and society.

8th Medium-term Management Plan: Numerical Targets

- Unified business operations with subsidiaries
- Increase customer satisfaction from the standpoint of users
- Create innovative products
- Achieve growth on a global scale



	FY2/21	FY2/22	FY2/23
Net sales	17,800	19,050	20,140
FREUND CORPORATION	12,680	13,240	14,070
FREUND-VECTOR	4,040	4,560	4,720
FREUND-TURBO	1,800	1,900	2,000
Operating profit	1,000	1,220	1,460
FREUND CORPORATION	850	900	1,050
FREUND-VECTOR	70	150	220
FREUND-TURBO	100	130	160

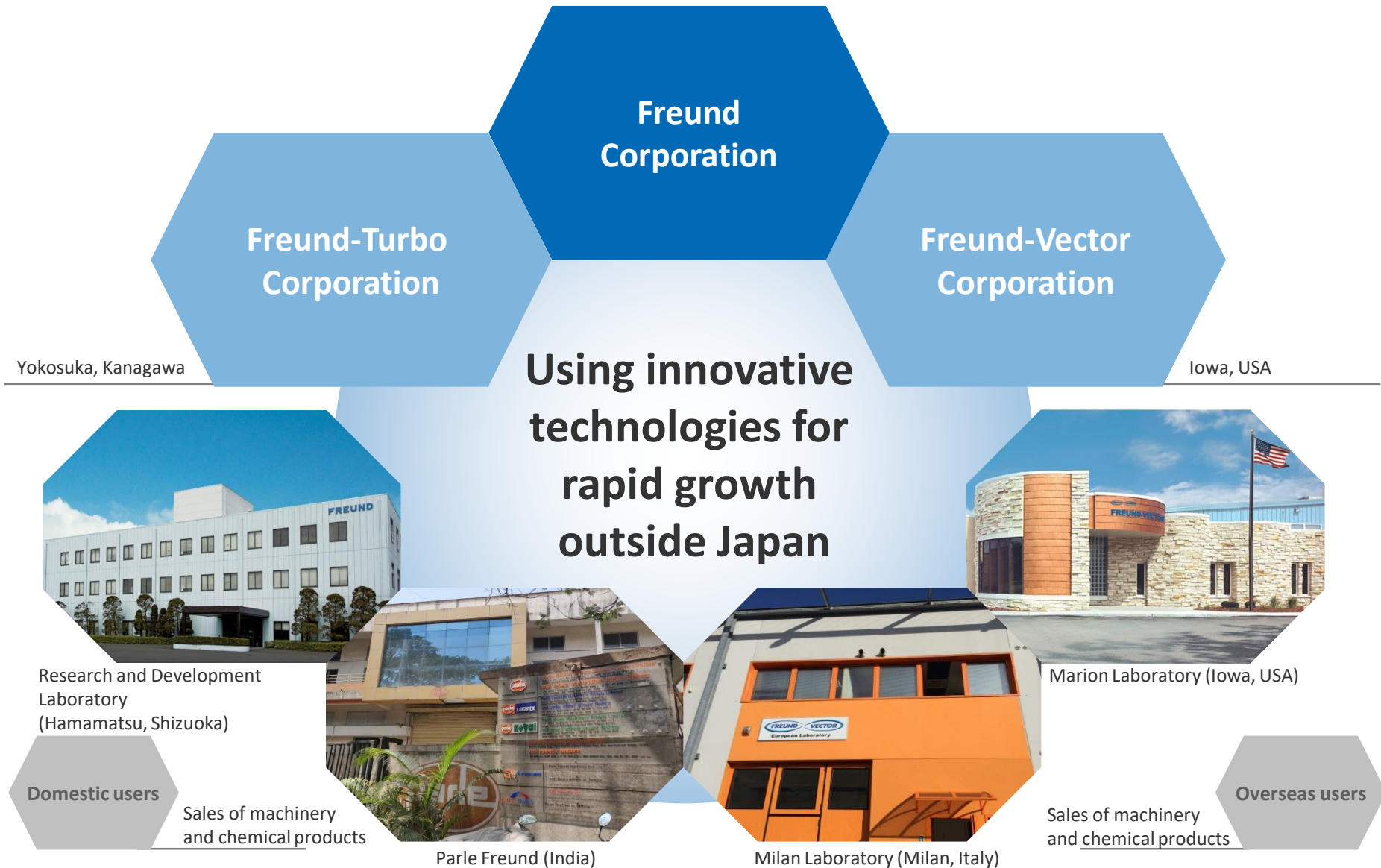
(Supplementary Materials)

- Company Overview
- Segment Information

Company Overview

- 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 August 31, 2020)
 - Sales : 16,700 million yen (Fiscal year ended February 2020, consolidated)
 - Number of employees : 384 (As of August 31, 2020, 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



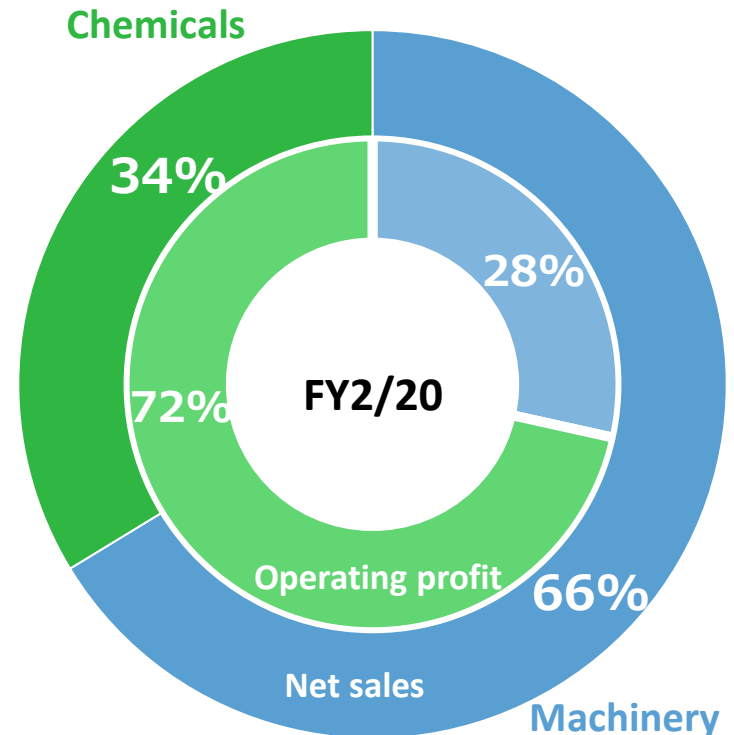
- Manufacturing and sales of **granulation and coating equipment** for the pharmaceutical, food, and fine chemical industries.
- For coating equipment, Freund **ranks first in Japan** and sales growth is accelerating in Asian market and in Freund-Vector’s US and European operations. **No other company 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.

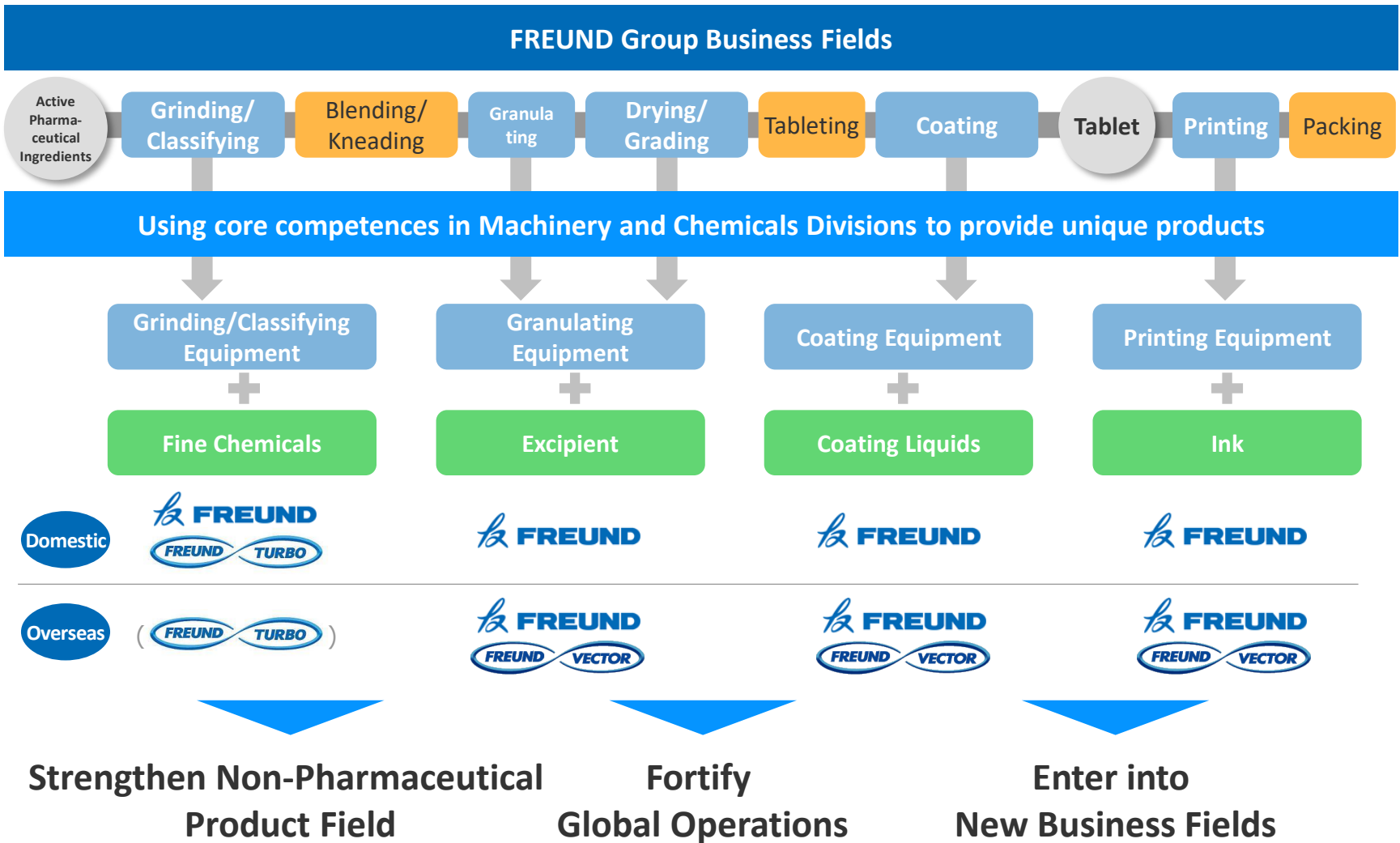
Composition of Net Sales and Profit by Segment



Consolidated sales: ¥16.77 billion
Consolidated operating profit: ¥0.55 billion

Freund Group's Business Fields

- FREUND Group's business fields based upon pharmaceutical products manufacturing processes



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** – Activities involving dialogues are supervised by the Chief Financial Officer, who is a director, and conducted by the Corporate Planning Department, which is responsible for 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.

Inquiries:
Freund Corporation
Corporate Planning Department
Corporate Planning Division /
Accounting Division

Tel: +81-3-6890-0767

Fax: +81-3-6890-0870

Email: ir@freund.co.jp

IR website: <http://www.freund.co.jp>

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.