

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 Third Quarter of the Fiscal Year Ending February 28, 2022

January 12, 2022

Consolidated Financial Summary for Q3 of FY2/22

Consolidated Financial Summary

- Sales, operating profit and ordinary profit increased YoY.
- Sales increase was driven by the machinery business as a result of the consolidation of Cos.Mec and higher sales of other group companies.
- Earnings in the first nine months of FY3/21 include a subsidy of more than 200 million yen received by a U.S. subsidiary. Operating and ordinary profit were up about 300 million yen after adjusting for this one-time income.
- Higher chemicals business earnings, the result of a lower cost of sales, was the main reason for earnings growth.
- Profit decreased slightly due to impairment loss.

(Millions of yen)

	FY2/21 Q3 Actual	FY2/22 Q3 Actual	YoY Change	
			Amount	%
Net sales	10,852	11,988	+1,135	+10.5
Operating profit	391	459	+68	+17.4
Ordinary profit	435	492	+57	+13.2
Profit	277	270	(6)	(2.5)
Earnings per share (yen)	(9.44)	8.69	+18.13	—
Depreciation	300	436	+135	+45.2
R&D expenses	382	455	+72	+18.9
Dividend	—	—	—	—

Machinery Business: Group Company Performance

- Consolidated: Sales increased and earnings were lower, although earnings increased YoY after adjusting for subsidy income one year earlier. Orders are strong.
- Freund Corporation: Sales and earnings remained unchanged YoY. Orders from overseas customers were sluggish.
- Freund-Vector: Sales increased and earnings were lower, although earnings increased YoY after adjusting for subsidy income one year earlier. Orders are strong from customers in the U.S., Brazil and other countries.
- Freund-Turbo: Sales and earnings increased YoY. Sales in Japan are recovering.
- Cos.Mec: Sales were held down by the impact of the pandemic in emerging countries, the primary market for this company.

(Millions of yen)

	FY2/21	FY2/22	YoY change	
	Q3 Amount	Q3 Amount	Amount	%
Net sales	6,472	7,740	+1,267	+19.6
FREUND CORPORATION	4,400	4,431	+31	+0.7
FREUND-VECTOR	1,642	2,021	+379	+23.1
FREUND-TURBO	906	1,066	+160	+17.7
Cos.Mec	—	561	—	—
Operating profit	357	262	(94)	(26.4)
FREUND CORPORATION	384	396	+11	+2.9
FREUND-VECTOR	27	(113)	(141)	(517.8)
FREUND-TURBO	(54)	50	+105	—
Cos.Mec	—	(70)	—	—
Orders received	9,084	10,612	+1,528	+16.8
FREUND CORPORATION	5,166	4,565	(601)	(11.6)
FREUND-VECTOR	3,059	4,748	+1,688	+55.2
FREUND-TURBO	858	908	+50	+5.9
Cos.Mec	—	390	—	—
Order backlog	7,389	9,626	+2,237	+30.3
FREUND CORPORATION	4,707	4,826	+119	+2.5
FREUND-VECTOR	2,148	3,768	+1,620	+75.4
FREUND-TURBO	533	524	(8)	(1.6)
Cos.Mec	—	506	—	—

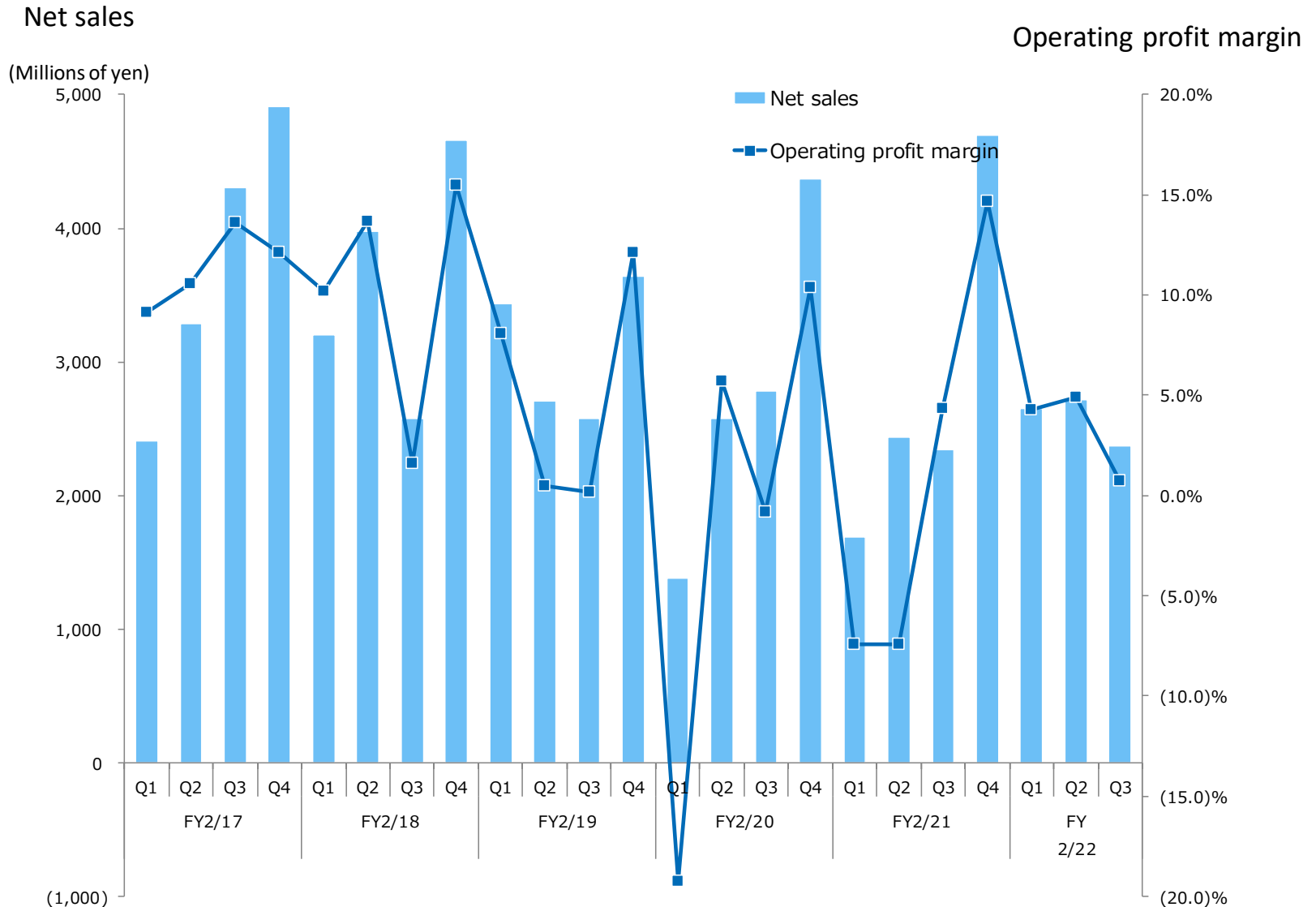
Machinery Business: Sales by Region

- Growth outside Japan was mainly responsible for higher sales.
- USA: Sales are recovering from the pandemic downturn one year earlier.
- Latin America: Sales increased compared to the previous fiscal year as the effects of COVID-19 are gradually declining. The consolidation of Cos.Mec. contributed to sales.
- Europe: Sales benefited from a large order in Ireland and the consolidation of Cos.Mec.
- Asia: Lower sales in China were offset by higher sales in India and other countries.

(Millions of yen)

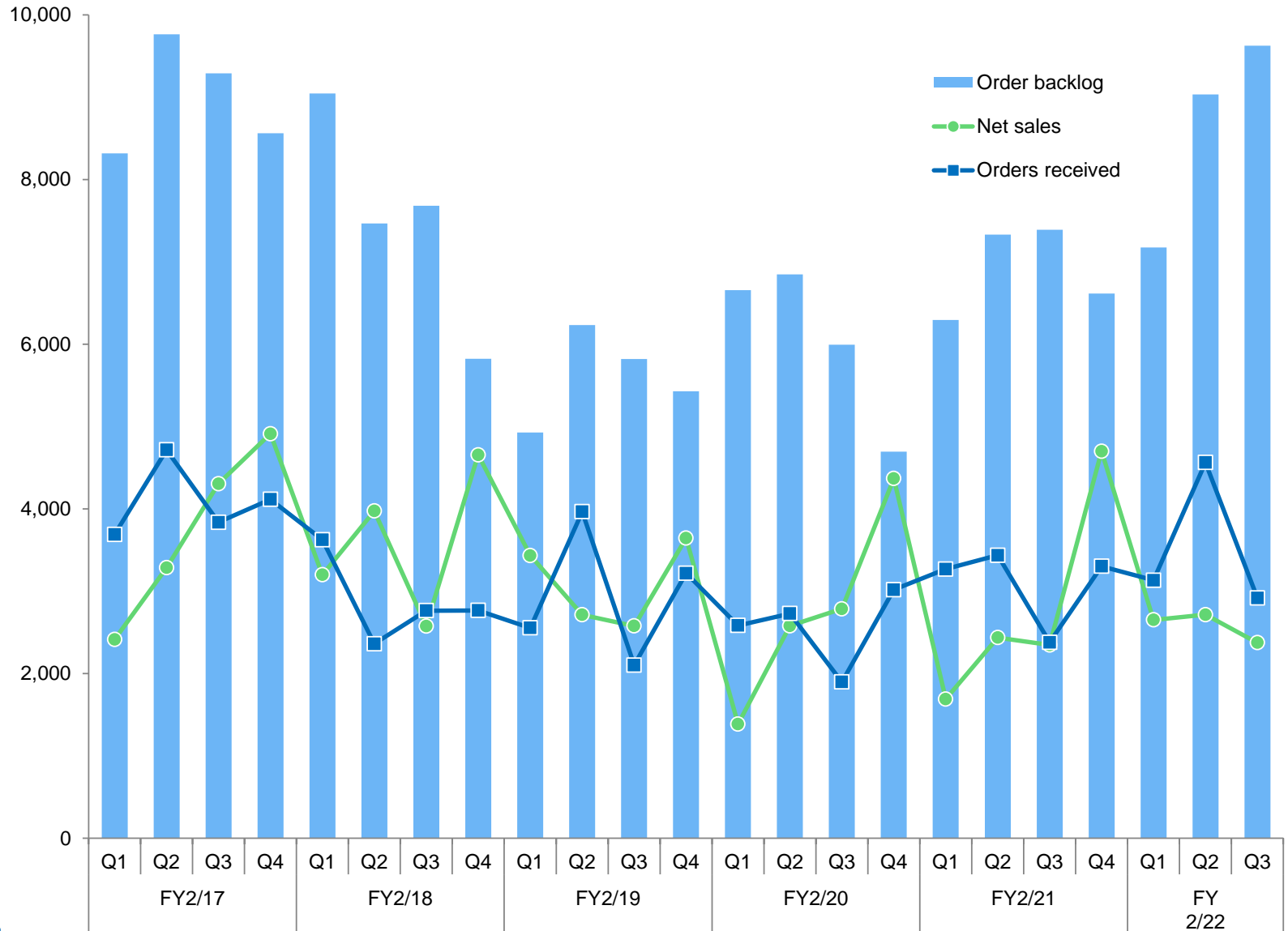
	FY2/21	FY2/22	YoY change	
	Q3 Amount	Q3 Amount	Amount	%
Net sales	6,472	7,740	+1,267	+19.6
Japan	4,232	4,529	+297	+7.0
Overseas	2,240	3,210	+970	+43.3
USA	788	990	+202	+25.7
Latin America	191	535	+344	+179.7
Europe	258	558	+299	+115.8
Asia	862	876	+14	+1.6
Others	139	249	+109	+78.8

Machinery Business: Quarterly Results



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

(Millions of yen)



Chemicals Business: Overview

● Net Sales

- Pharmaceutical excipients: Sales increased despite supply and other problems in the generic drug industry.
- Food preservatives: Higher sales for confectionery products at supermarkets/convenience stores offset lower sales of preservatives for products sold to tourists.
- Dietary supplement products: Significant sales decline due to the termination of orders from a high-volume customer.
- Export: Increased due to the expansion of overseas sales activities for pharmaceutical excipients.

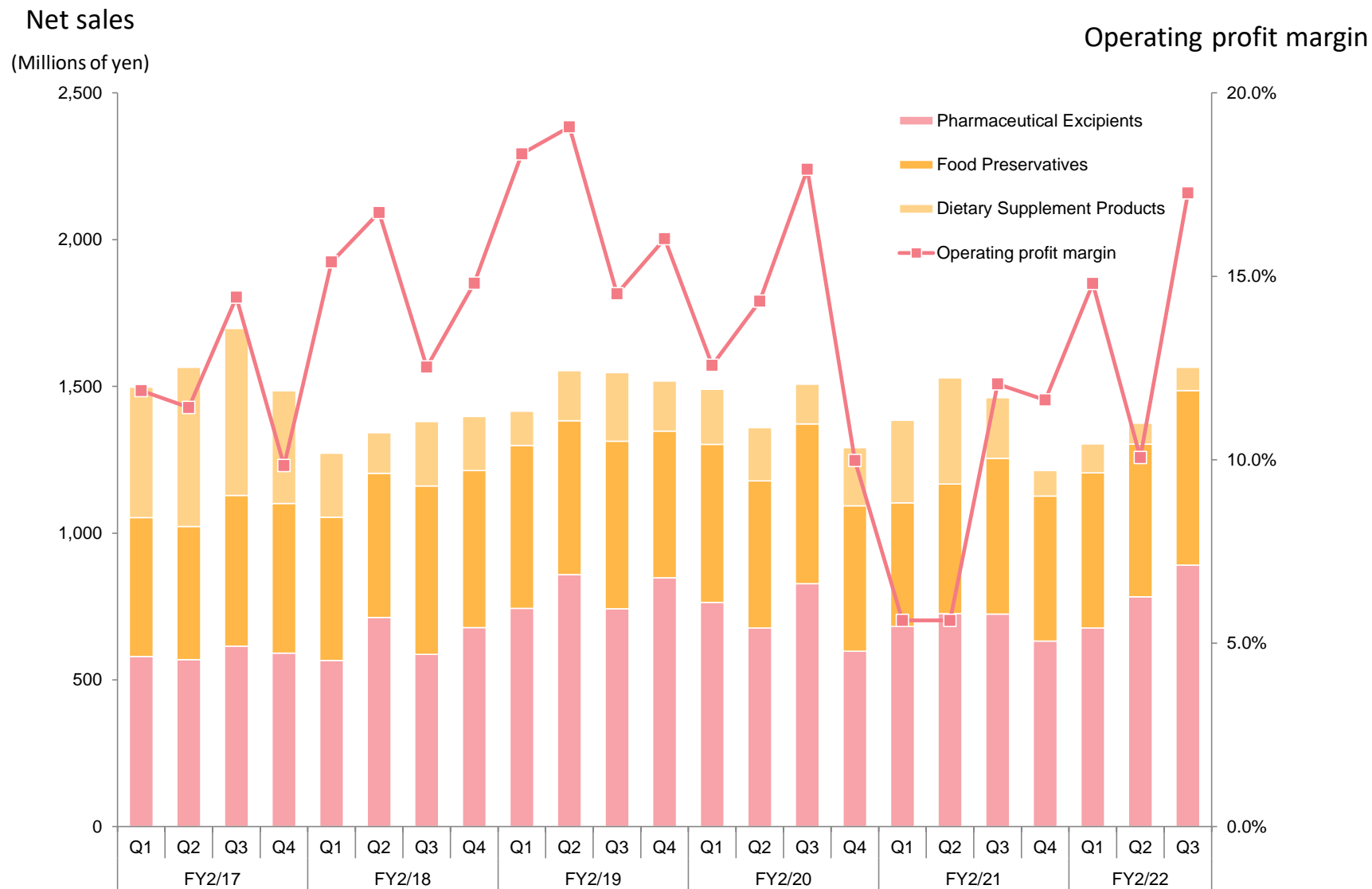
- Segment Profit: Higher earnings because of a decline in the cost of sales ratio.

(Millions of yen)

	FY2/21	FY2/22	YoY change	
	Q3	Q3	Amount	%
	Amount	Amount		
Net sales	4,379	4,248	(131)	(3.0)
Pharmaceutical Excipients	2,133	2,352	+218	+10.3
Food Preservatives	1,395	1,645	+249	+17.9
Dietary Supplement Products	851	250	(600)	(70.6)
(Export sales)*1	157	227	+70	+44.6
Operating profit	404	602	+197	+48.7

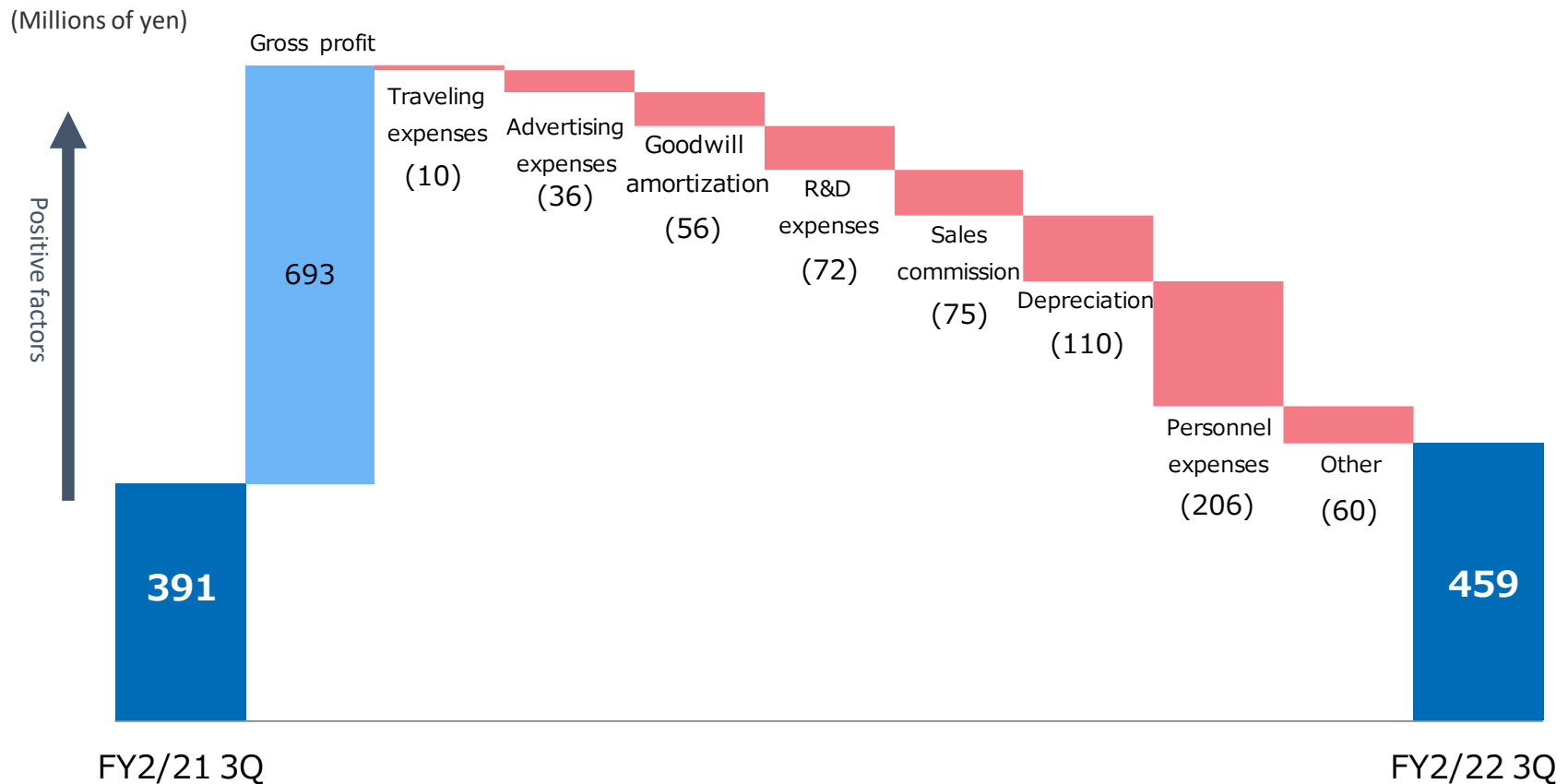
*1 Sales to Europe, India, South Korea, China and Taiwan, etc.

Chemicals Business: Quarterly Results (by Product Field)



Change in Consolidated Operating Profit

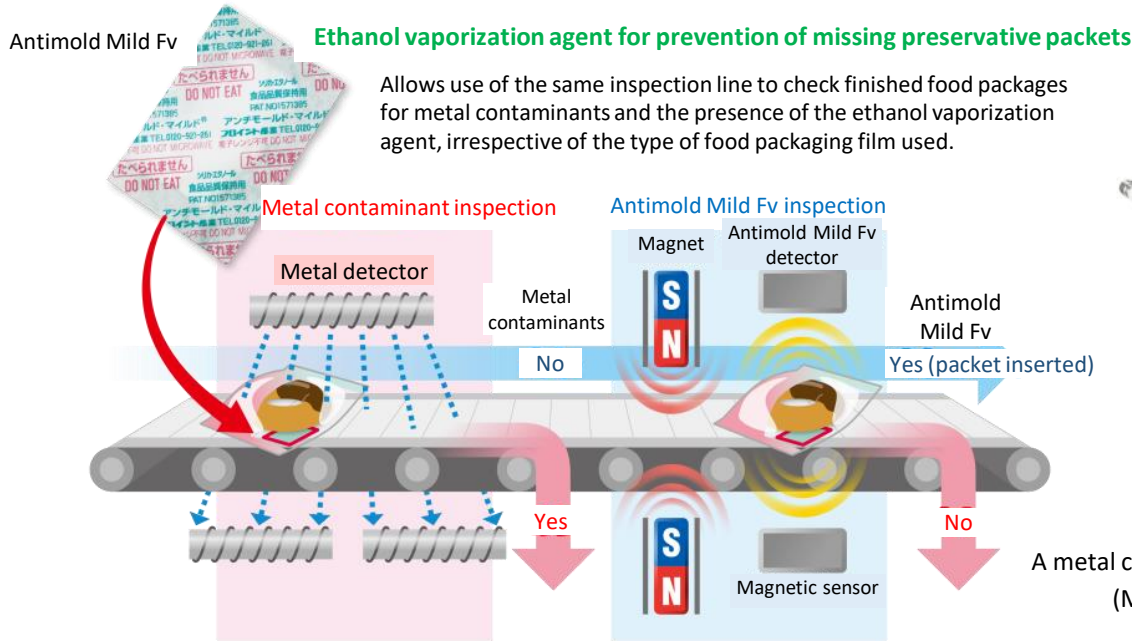
- Operating profit increased as the higher gross profit covered the increase in SG&A expenses.
- The main reasons for higher SG&A expenses are the consolidation of Cos.Mec, Cos.Mec goodwill amortization, and lower personnel and other expenses in the previous fiscal year due to the receipt of a pandemic subsidy at the US subsidiary.



Development and Launch of the Antimold Mild® Fv Food Preservative

- Development and launch in November 2021 of Antimold Mild® Fv, a food preservative that allows confirming the insertion of the preservative with all types of packaging.
 - ❑ Finished food packages can be checked for metal contaminants and food preservative packets at the same time.
 - ❑ Confirmation of the insertion of a preservative packet is possible regardless of the type, color and design of the food packaging film.
 - ❑ No restriction on the location of the preservative packet inside the package.
- URL: https://www.freund.co.jp/product/preservation/preservation_ethanol/antimoldmild_fv.html

How packages are inspected (Example)



A metal contaminant detection unit compatible with Antimold Mild Fv (M Series metal detector made by Anritsu Corporation)

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