

A large, abstract graphic consisting of numerous thin, white, curved lines that sweep across the page from the top right towards the bottom left. These lines are punctuated by small, light-colored circles of varying sizes, creating a sense of motion and connectivity. The background is a solid teal color.

FREUND CORPORATION
FREUND Report 2023

Fiscal Year Ended February 28 2023
(From March 1, 2022 to February 28, 2023)

Contents

Profile	1
Milestones of FREUND Group	2
Global Network of FREUND Group	3
Value Creation Cycle of FREUND Group	4
Manufacturing Process for Pharmaceutical Products and FREUND Group's Business Scope	5
Overview of Business Segments and Relationship with Society	6
10-Year Consolidated Financial Data of FREUND Group	7
Top Message	8

From Business Site

New Management Structure of Group Company	13
Our Global Five-Pillar Structure	14
Non-pharmaceutical Product Field: Machinery	15
Non-pharmaceutical Product Field: Food Preservatives	16
Sustainable Management Foundation	17
Company and Stock Information	22

Disclaimer

Forward looking statement

This Report contains forward looking plans, estimates, strategies, financial results and other statements. Such information is based on the most accurate information available at the time of production of this Report. Therefore, the Company's actual financial results may diverge largely from statements represented in this Report due to the influence of various risks and uncertainties. Influencing factors include the economic environment, competitive pressures, related regulations and laws, changes in product development conditions and fluctuations in foreign exchange rates relating to the Company's businesses. Furthermore, the factors influencing the Company's estimates and other statements are not limited to the above.

Note: The details of this Report are based on the results of the fiscal year ended February 28, 2023 (from March 1, 2022 to February 28, 2023). (However, new information available after March 2023 has also been included in this Report).

Profile

We have grown on the basis of our “Hardware (pharmaceutical product manufacturing equipment, pharmaceutical excipients and other products)” and “Software (drug formulation technologies)” business models. Currently, we have 6 Group companies in Asia, the U.S. and Europe, including Japan. We are expanding our business segment not only to pharmaceutical product field but also to non-pharmaceutical product field. Based on the Group's value of “ONE FREUND,” we are promoting business activities aimed at “contributing to better medical care and health for people worldwide” in management vision.

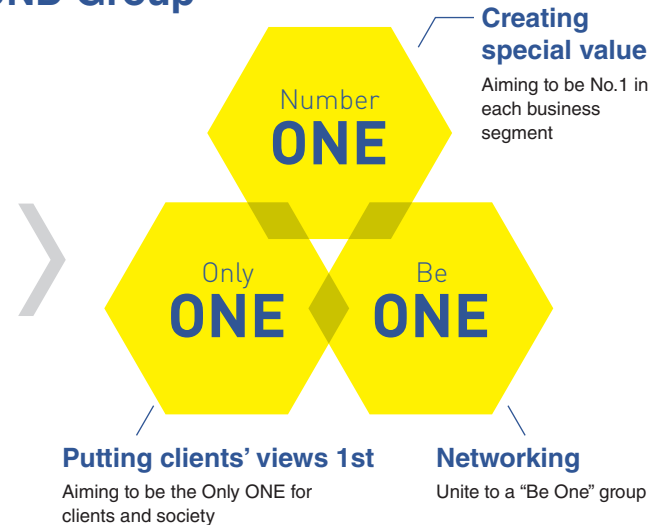
Corporate Philosophy

“Develop the Future through Creativity®”

Management Vision

Contributing to better medical care and health for people worldwide, and creating and fostering technologies for fulfilling lives and food safety.

Values which the FREUND Group holds precious



HISTORY of FREUND

Milestones of FREUND Group

Focusing on film coating technologies for tablets, we were the first in the world to succeed in developing “automated film coating machine” and “film coating liquid.” Since our foundation in 1964, FREUND CORPORATION has been on a path as a research and development type company based on granulation/coating technologies under corporate philosophy of “Develop the Future through Creativity®.”

Founding period 1964-1969

Founded amidst high economic growth period

- 1964 Management** Established in Kanda Tsukasamachi, Chiyoda-ku, Tokyo
- Machinery** Developed and launched testing machine for automated film coating machine “FM-2 model” and manufacturing machine “FM-5 model”
- Chemicals** Developed and launched film coating liquid for pharmaceuticals “FC-101” and “EC-101”
- 1969 Machinery** Developed and launched fluid bed granulation, coating and drying machine “FLOW COATER”

Innovation period 1970-1989

Grew dramatically in line with economic growth of Japan

- 1971 Machinery** Developed and launched automated sugar and film coating machine “HICOATER”
- 1978 Chemicals** Developed and launched food preservatives “Antimold-102”
- 1980 Management** Established Freund Kasei Corporation in Urawa City, Saitama Prefecture (currently Saitama City) (merged in March 2014)
- 1987 Chemicals** Developed and launched multiple function type food preservatives “Negamol”

Growth period 1990-2019

Expanded target markets to the world through globalization

- 1992 Management** Established the “Hamamatsu Plant/ Hamamatsu Technology Development Research Center” in Hamamatsu City, Shizuoka Prefecture
- 1996 Management** Registered shares on the Over-The-Counter Market with the Japan Securities Dealers Association (later JASDAQ)
- 1997 Management** Acquired Vector Corporation (U.S.) (currently Freund-Vector Corporation)
- 1997 Management** Acquired Turbo Corporation (currently Freund-Turbo Corporation)
- 2008 Machinery** Developed and launched new tablet coating machine “HICOATER FZ”
- 2010 Management** Acquired Turbo Corporation (currently Freund-Turbo Corporation)
- Management** Established Freund Pharmatec Ltd. in Ireland (transferred business to Sigmoid Pharma Ltd. (Ireland) in February 2016)
- 2013 Machinery** Launched tablet printing machine “TABREX”
- 2014 Management** Celebrated the 50th anniversary since FREUND’s founding
- Machinery** Developed continuous granulation and drying system “Granuformer concept model”
- 2015 Chemicals** Launched pharmaceutical excipients for orally disintegrating tablets “NONPAREIL-105 (150)”
- 2016 Machinery** Developed and launched tablet printing machine “TABREX Rev.”
- 2018 Machinery** Developed and launched continuous granulation and drying system “Granuformer”
- 2019 Management** Established joint venture company Parle Freund Machinery Private Limited (India)

To the future 2020-

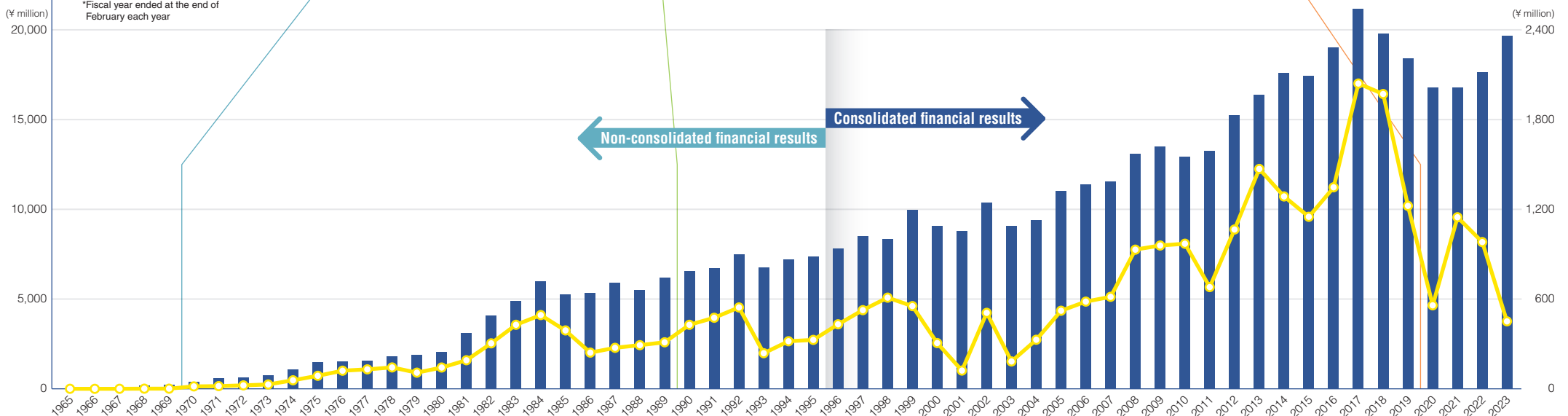
Fly to the future with creativity

- 2020 Management** Acquired Cos.Mec S.r.l. (Italy)
- Machinery** Developed and launched data integrity system “Smart DI”
- 2021 Management** Established joint venture company Freund-Chineway Pharmaceutical Technology Center Co., Ltd. (China)
- Chemicals** Developed and launched food preservative for fine detection solution “Antimold Mild FDS”
- Machinery** Developed and launched tablet automatic coating tool “TACT”
- Machinery** Developed and launched tablet coater “HICOATER HV”
- 2022 Machinery** Developed and launched near infrared technology “Smart MOIS”
- Management** Moved to the Tokyo Stock Exchange standard market

Net sales and operating profit trends

- Net sales (LHS)
- Operating profit (RHS)

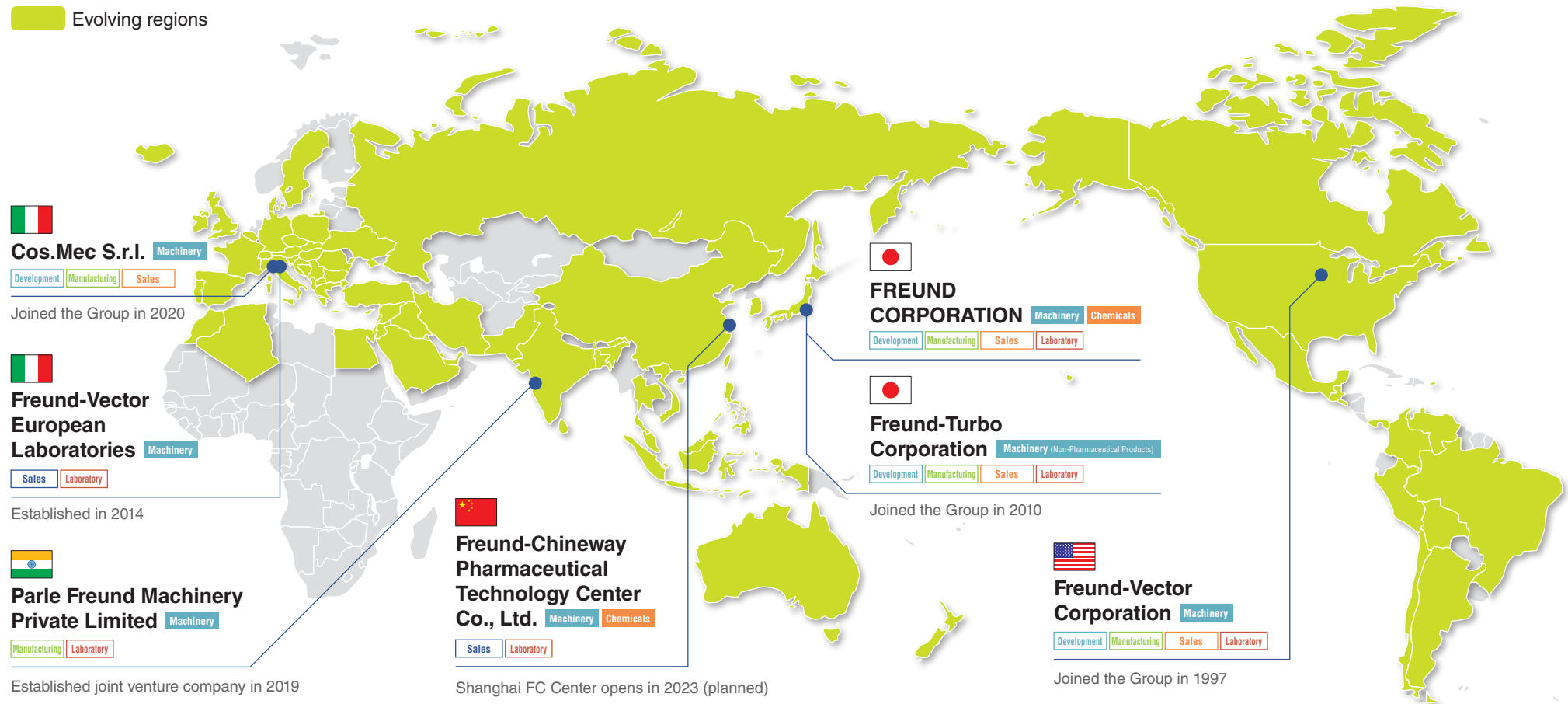
*Fiscal year ended at the end of February each year



GLOBAL NETWORK

Global Network of FREUND Group

In July 2021, we established the Shanghai FC Center, a technology development research center in China, and are preparing to start its operations during the second quarter of FY02/24. As a result, our Group's global network in the pharmaceutical product field now consists of a five-pillar-structure including Japan, the U.S., India, Italy and China. The addition of manufacturing sites in India and Italy to the existing sites in Japan and the U.S. has strengthened the business development in the pharmaceutical emerging regions. For China, a huge pharmaceutical emerging market, we will handle both machinery and chemical products at the Shanghai FC Center to increase awareness of our products. Through these efforts, we will provide better products suited to the market, respond to regional needs for services including maintenance and cultivate high-quality local agents. With the establishment of a five-pillar-structure as a cornerstone, we aim to expand our global market share by pursuing synergies among group companies. The business domains developed at each site and the functions of each site are as follows.

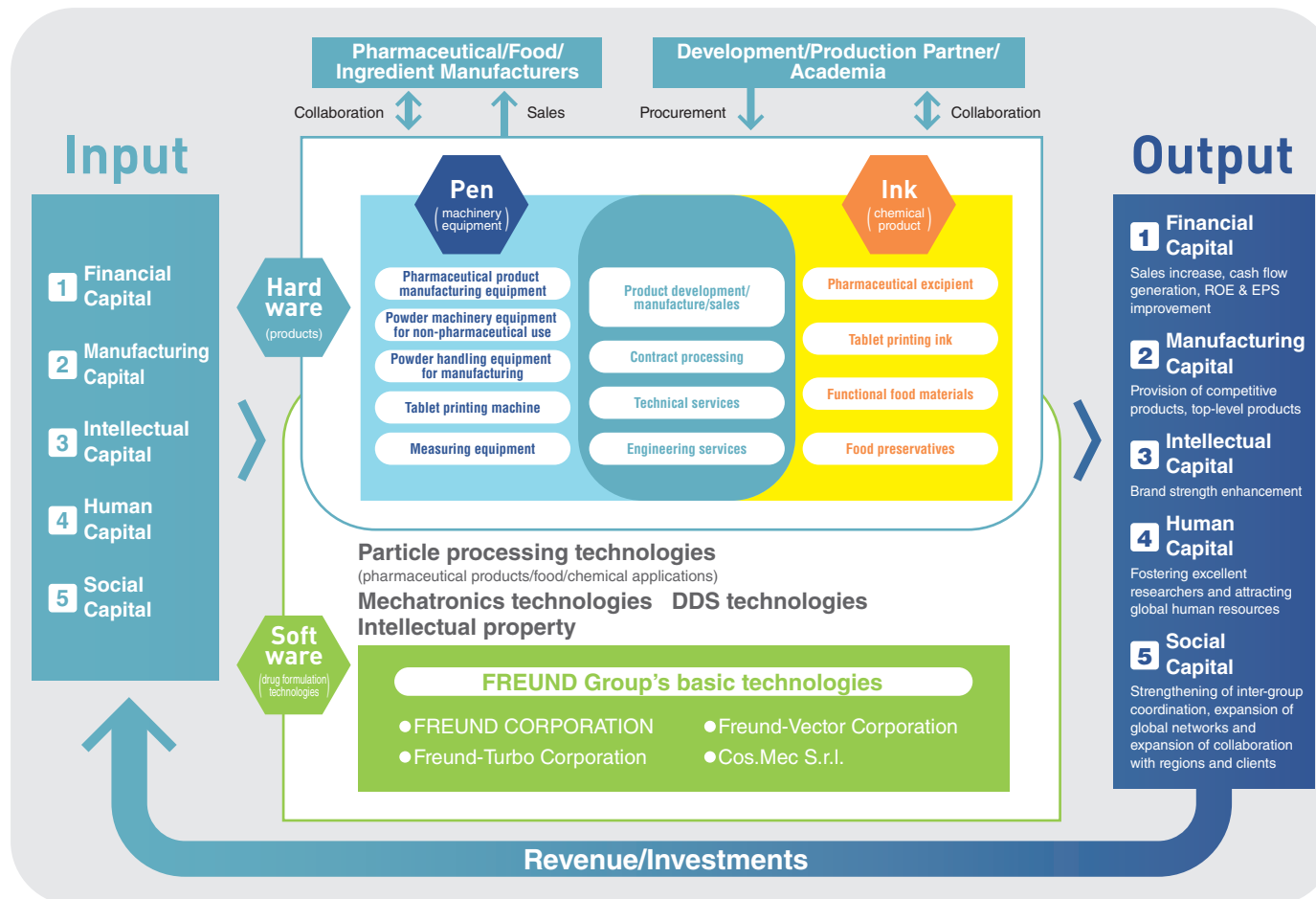


Value Creation Cycle of FREUND Group

We have grown our solid dosage manufacturing equipment business, such as tablets and granules, and pharmaceutical excipient business since founding. We are a unique research and development-oriented group of companies that are involved in both formulation of machines and excipients in the pharmaceutical field, and are the only one of its kind in the world. In recent years, while expanding our fundamental particle processing technologies into non-pharmaceutical product fields such as food and industrial applications, we have added powder handling equipment that is used in the ancillary processes for pharmaceutical products to our business domain and are promoting global business activities. Furthermore, we are taking on the challenge of realizing sustained growth based on our management vision by launching our own engineering services with a view to solving problems with existing equipment operating at our clients' manufacturing sites.

Sustainability policy

For FREUND Group, sustainability means aiming for sustained growth of stakeholders, the Group and society, based on our corporate philosophy of "Develop the Future through Creativity®". We will contribute through the value we provide to our clients in our corporate activities, while taking into consideration issues such as abnormal weather, resource depletion, deforestation, and human rights. We will also strive to contribute to the realization of a long-term sustainable society from an ESG (Environment, Social and Governance) perspective, taking into consideration D&I (Diversity & Inclusion).



Outcome

Providing value to stakeholders

Shareholders/ Investors

Contributing to asset formation, increased visibility in capital markets

Clients

Further cooperation as a good partner and stable supply of reliable products

Employees

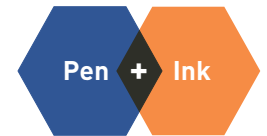
Respect for human rights, promoting individual growth and providing a comfortable and safe work environment

End Users

Enjoyment of good medicine and realization of good health and a prosperous life

Society

Contributing to civil society and international society



Business modeling of the machinery business "Pen" and chemical product business "Ink"

Since our inception, we have differentiated ourselves from our competitors in the pharmaceutical product field through likening its business model to "Pen" machinery and "Ink" chemical products. Today, we have established ourselves as a leading company in the pharmaceutical manufacturing equipment industry.



Unique value-added creation through the fusion of "Hardware" and "Software"

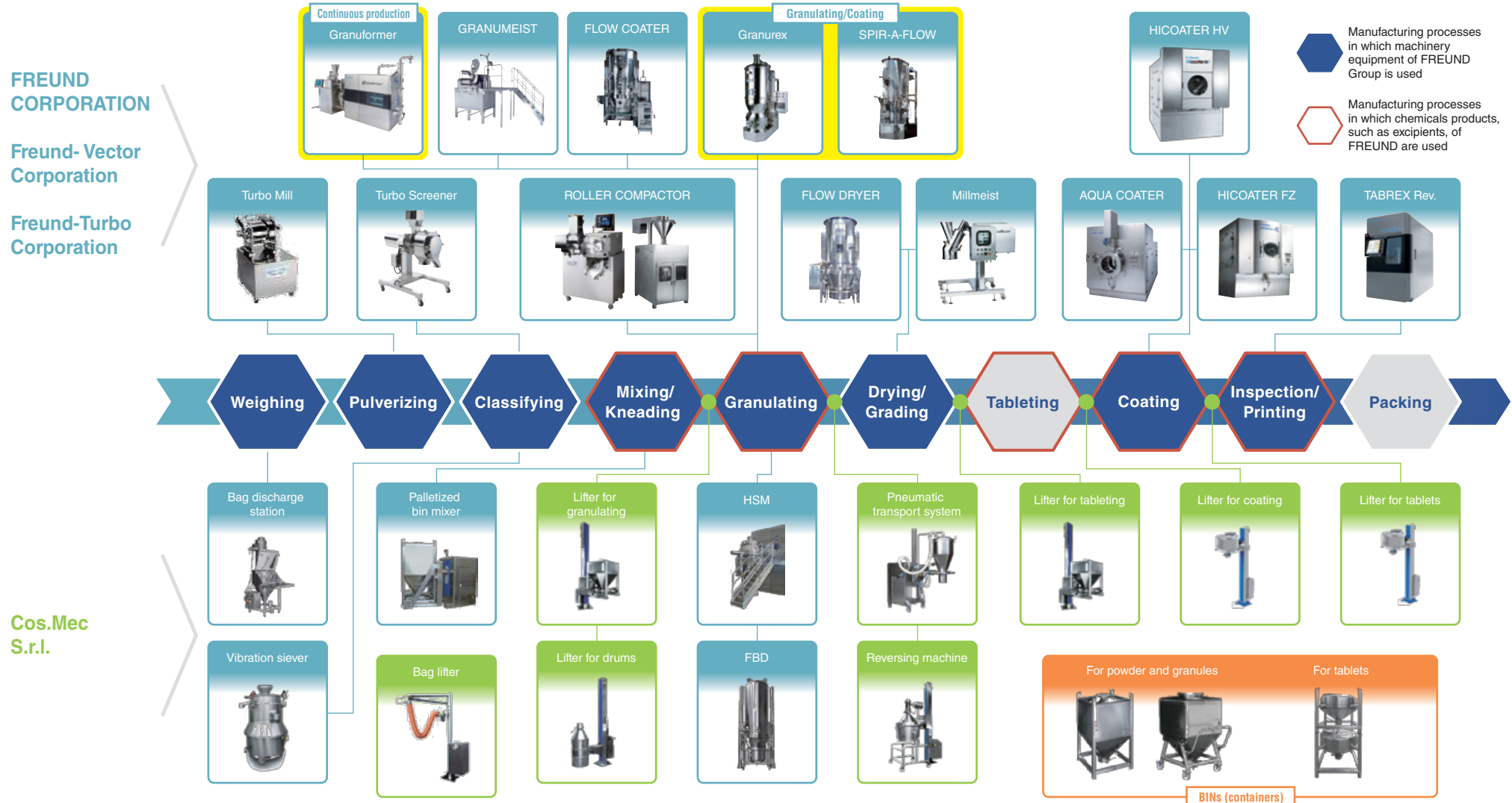
In addition to the research and development of "Hardware" such as machinery equipment and chemicals, our Group possesses the "Software" for particle processing technologies that fusing their superior performance. By integrating "Hardware" and "Software", we promote unique value-added creation to produce original in-house products, contract processing and technical services.

Manufacturing Process for Pharmaceutical Products and FREUND Group's Business Scope

Our main products are machinery equipment and chemical products such as excipients, which are used in the process of manufacturing pharmaceutical products (tablets and granules, etc.). FREUND is the only enterprise in the world that conducts both the machinery equipment and chemicals businesses in pharmaceutical related business. Furthermore, in November 2020, the Group's product lineup expanded significantly with Italy's Cos.Mec joining the Group, which powder handling equipment that is used in the ancillary processes for pharmaceutical products.



Please see here for product details.



Overview of Business Segments and Relationship with Society

Based on technologies such as granulating, coating, pulverizing, classifying, the FREUND Group is expanding its businesses into the non-pharmaceutical product field including food and other industrial applications in addition to the pharmaceutical product field. The Group is thereby taking on new challenges that can contribute to improving the quality of health and life of people.

Machinery Business Segment

Manufacture and sales of granulating and coating equipment for pharmaceutical, food, cosmetic and other products

Characteristics

- Granulating/coating equipment boasting the top share of the world market as well as the Japanese market
- Accelerating deployment of businesses in Asia, as well as Europe and North America via subsidiaries in the U.S. and Italy
- Developing equipment based on drug formulation technologies
- Focusing on sales expansion of equipment for other industrial business fields by integrating granulating/coating and pulverizing/classifying technologies

Chemicals Business Segment

Manufacture and sales of pharmaceutical excipients, food preservatives and health foods

Characteristics

- Pharmaceutical excipients manufactured at GMP* certified facilities
- Food preservatives used to preserve the quality of various foods contributing to food safety
- Commercialization of health foods and seamless mini-capsules jointly developed with client companies using granulating and coating technologies

*GMP: Good Manufacturing Practice

Social value to be provided to the medical site

Improving the quality of medical care by increasing the value addition of pharmaceutical products

Improving drug efficacy through granulating and coating technologies

For over half a century, FREUND CORPORATION has leveraged its core competencies of granulating and coating technologies, along with its products and drug formulation technologies, to increase the value of pharmaceutical products. At the same time, FREUND has conducted manufacturing that enables more people to access high value-added pharmaceutical products, and the Group strives to improve the quality of medical care worldwide.



Continuous granulation and drying system "Granuformer"

Contributing to aging society by pursuing "easy to ingest" drugs

Active pharmaceutical ingredients of medicine accounts for a small percent of the total. The remaining portion is excipients that are used to make drugs into sizes that are easy to swallow and for coating of the surface to mask the bitter taste. FREUND is strengthening the development of orally disintegrating tablet (ODT) related products which use a unique drug formulation technology and allows for easier ingestion of drugs by assisting the swallowing process.



Pharmaceutical excipients "Granutol F (Fine)"

Preventing medical mistakes caused by dispensing errors

In the dispensing field, there are incidents of medical mistakes due to patients taking the wrong drugs because they are similar in appearance and name. FREUND prints on drugs to allow for easy identification and contributes to prevention of medical mistakes worldwide. To do so, FREUND developed the industry's first safe drug ingestion concept that involves a new generation tablet printing/inspection machine and specialized inks.



Tablet printing machine "TABREX Rev."

Social value to be provided to the food and health

Better taste and health; supporting enriched lives of people

Pursuing fresh taste, safety and security

Food preservatives are small pouches placed inside of packaging to protect the flavor and ensure the safety and security of freshly cooked pastries and breads, Japanese confectionaries and other products. FREUND develops food quality prolonging agents based on its "ethanol evaporation" technology which preserves bacteriostatic effects in order to deliver fresh, tasty products as well as safety and security.



Food preservatives "Antimold-Mild"

Maximizing the effect of effective food ingredients with advanced drug formulation technologies

Along with the increased concern for health, demand for supplements and health foods is on the rise. FREUND is contributing to healthy lives together with health support manufacturers by using advanced drug formulation technologies to promote the function of effective food ingredients and enable easier ingestion.



Food coating agent "Chitoccoat"

Social value to be provided to the leading-edge industry

Taking on challenges in new technological fields to support enriched and convenient lives

Creating new markets for the next generation using FREUND's unique pulverizing technologies

The FREUND Group's powder pulverization technology is used to create products in the cosmetic, food and other industries that support peoples' daily lives. For example, this technology is used in make up foundations which many women wear daily. The fine powders manufactured by the Group's equipment help to produce "healthy looking and clean skin."



High viscosity wet grinding mill and separator "AQUA TURBO TZ"

10-Year Consolidated Financial Data of FREUND Group

(¥ million)

	FY02/14	FY02/15	FY02/16	FY02/17	FY02/18	FY02/19	FY02/20	FY02/21	FY02/22	FY02/23
For the year										
Net sales	17,616	17,424	19,027	21,164	19,801	18,408	16,772	16,765	17,632	19,658
Cost of sales	12,377	11,978	12,921	14,343	12,985	12,220	11,344	11,126	11,620	13,665
Selling, general and administrative expenses	3,952	4,295	4,759	4,779	4,845	4,964	4,870	4,528	5,030	5,541
Operating profit	1,286	1,150	1,346	2,041	1,971	1,223	558	1,111	981	451
Profit (loss) attributable to owners of parent	787	695	961	1,064	1,477	843	381	970	543	(538)
EBITDA*1	1,605	1,473	1,692	2,393	2,332	1,598	950	1,599	1,639	1,113
Orders received (Machinery)	10,067	12,407	13,112	16,358	11,513	11,839	10,227	12,386	15,621	14,630
Order backlog at end of period (Machinery)	4,991	6,682	7,086	8,561	5,822	5,428	4,695	6,615	10,574	12,826
Depreciation	303	308	321	338	344	344	386	461	570	565
R&D expenses	464	592	687	640	862	832	725	526	580	622
Cash flows from operating activities	1,227	822	290	3,605	594	435	(27)	2,280	701	(196)
Cash flows from investing activities	(423)	(240)	(432)	(351)	(493)	(566)	(852)	(1,726)	(680)	(666)
Cash flows from financing activities	(226)	(284)	(331)	(277)	(499)	(921)	(325)	(371)	(427)	451
At end of period										
Total assets	15,550	17,277	17,206	19,101	19,125	17,465	18,505	20,575	22,273	22,758
Net assets	10,392	11,180	11,529	12,185	13,242	13,250	13,243	13,858	14,354	14,117
(Equity)	10,239	10,987	11,529	12,185	13,242	13,250	13,243	13,858	14,354	14,117
Per share data*2										
Earnings per share (EPS, ¥)	45.69	40.36	55.74	61.72	85.69	50.15	22.79	57.96	32.46	(32.15)
Book value per share (BPS, ¥)	593.76	637.19	668.57	706.62	767.91	791.34	790.94	827.67	857.28	843.09
Dividend*3 per share (DPS, ¥)	12.50	15.00	25.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
Major indicators										
Operating profit margin (%)	7.3	6.6	7.1	9.6	10.0	6.6	3.3	6.6	5.6	2.3
Return on assets (ROA, %)	5.1	4.0	5.6	5.6	7.7	4.8	2.1	4.7	2.5	(2.4)
Return on equity (ROE, %)	8.1	6.6	8.5	9.0	11.6	6.4	2.9	7.2	3.9	(3.8)
Dividend payout ratio*4 (%)	27.4	37.2	22.4	32.4	23.3	39.9	87.8	34.5	61.6	—
Equity ratio (%)	65.8	63.6	67.0	63.8	69.2	75.9	71.6	67.4	64.4	62.0

*1. EBITDA = Operating profit + Technical support fee income + Depreciation + Amortization of goodwill

*2. The Company carried out a 2-for-1 split of common shares on March 1, 2016. The "per share" calculations are based on the assumption that the stock splits were conducted at the beginning of FY02/14.

*3. Dividend per share includes commemorative dividends of ¥2.50 (for FY02/15) and ¥5.00 (for FY02/17).

*4. Consolidated dividend payout ratio for FY02/23 is not available due to loss attributable to owners of parent.

Under a sense of value “ONE FREUND,” we will challenge the next stage, for operation of global five-pillar-structure in full scale.

In FY02/23, the last fiscal year of the 8th Medium-Term Management Plan that sets the basic strategy of “Respond to clients’ needs with technological expertise and create a management structure to realize sustained growth in profits,” critical condition continued due to various issues associated with prolonged Ukraine crisis, accelerated depreciation of the yen, etc. while there was a sign of recovery from COVID-19 pandemic. Against the backdrop of difficult situations, FREUND Group has steadily improved the global structure to realize the management vision of “contributing to better medical care and health for people worldwide.” We interviewed Iwao Fusejima, President and CEO on the overview of the Group’s business activities and future initiatives.

Iwao Fusejima

President and CEO



O N E F R E U N D



FY02/23: Overview of Business Activities

Regarding Japan's economy, there was a move toward recovery realized by balancing the measures against COVID-19 and social/economic activities. However, situation is still uncertain, because of, for example, price increase caused by escalating price of raw materials and energy associated with prolonged Ukraine crisis and acceleration of depreciation of the yen.

The pharmaceutical industry, which is the main user of the Group in the Japanese market, is under pressure to respond to the strengthening of measures to control medical cost, such as the implementation of the drug price revision every year, which used to be once every two years, in addition to the increase in R&D expenses. For the generic drugs (GE) industry, the government has promoted the measures to popularize and promote GE. The effect has taken a round, and therefore, the growth is expected to slow down. In the meantime, improvements to the structure for quality assurance and stable supply are required for the entire industry, due to flaws in some manufacturers' manufacturing system. In response to such issues, large-scale GE manufacturers and other manufacturers plan to increase and enhance the facilities, such as increasing and the number of plants.

Although the world economy shows a sign of recovery, it is in the critical conditions, because of continuous monetary tightening in Europe and the U.S. after acceleration of inflation caused by price increase of resources, energy, and food associated with prolonged Ukraine crisis.

In FY02/23, Chemicals Business Segment achieved better results than planned. Regarding the Machinery Business Segment, there was an effect of increase in net sales of overseas subsidiaries. However, labor shortage and disruption of supply chain continued in the Machinery Business Segment especially in the U.S., resulting in the prolonged lead time. And, we revised the annual financial forecasts twice, as of January 12, 2023 and May 2, 2023, because the margin of Japanese market and other

markets decreased, associated with price increase of raw materials caused by rapid inflation, and recognition of impairment loss related to Cos.Mec. Although net sales exceeded the forecast announced in the beginning of the period, operating profit and other profits fell short of the forecast. In addition, impairment loss caused the first net loss since the establishment. We deeply apologize to stakeholders for the results.

Machinery Business Segment and Chemicals Business Segment will continue to make efforts to further strengthen the sales capabilities, and improve the structure that responds to the true needs of clients with their technological capabilities to proactively promote development, manufacturing, and sales activities across the globe.

Business Activities in Pharmaceutical Product Field

Overview of Machinery Business

In the Japanese market, we received order steadily because of the GE industry's plan to increase and enhance the production facilities. As a result, order backlog hit the record high, and we could keep the high level until the end of FY02/23.

In the overseas market, there were significant delays in shipments due to ongoing challenges in parts procurement caused by the tight labor market in the U.S. and disruptions in the supply chain. Furthermore, profit margins decreased as a result of rising raw material prices driven by rapid inflation.

By region, profitability of businesses in the U.S. and Brazil, for which FREUND-VECTOR is responsible for, deteriorated because prolonged lead time and raw material price increase made a negative impact. So, those regions struggled in terms of financial results. Cos.Mec, with its main markets in emerging countries, passed the escalating price of raw materials on to its selling prices in an appropriate manner, and steadily converted the orders to sales. As a

result, it achieved the record-high net sales, and succeeded in turning profitable.

Overview of Chemicals Business

Pharmaceutical excipient business showed a steady growth both for Japanese and overseas markets, exceeding FY02/22 that hit a record high. The result was increased year-on-year in both net sales and profits.

Business Activities in Non-Pharmaceutical Product Field

Overview of Machinery Business

FREUND-TURBO, which is involved in industrial machinery business, showed a steady growth in orders received and order backlog mainly for chemical industry, resulting in increased net sales year-on-year. On the other hand, net sales of high-margin products were stagnant. As a result, operating profit margin decreased year-on-year.

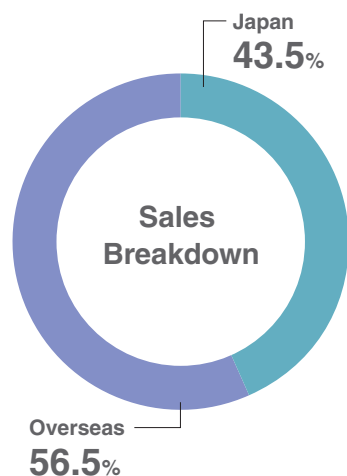
Overview of Chemicals Business

Regarding food preservatives business, demand for confectionary products recovered and demand for bread sold online increased, exceeding the previous year's record-high net sales, similar to the pharmaceutical excipient business (For the initiatives of bread industry, please refer to "From Business Site: Non-pharmaceutical product field food preservatives" on page 16.). Despite the rising raw material prices, increase in operating rate helped improvement in profit margin, resulting in an increase both in net sales and profits.

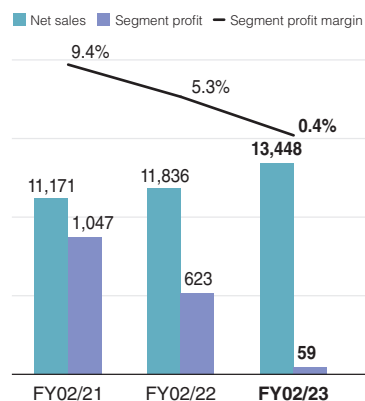
Net sales of health food decreased as was forecasted in the beginning of the period, due to the termination of a contract from a large user.

Operating Performances by Business Segment

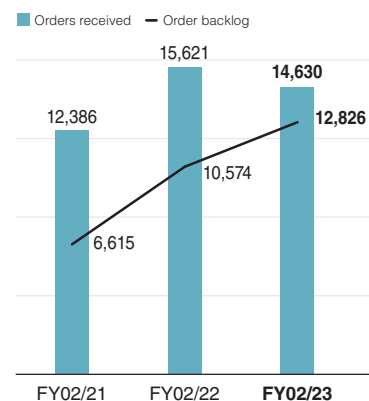
Machinery Business



Net Sales/Segment Profit/Segment Profit Margin (¥ million)



Orders Received/Order Backlog (¥ million)



Review of the 8th Medium-Term Management Plan

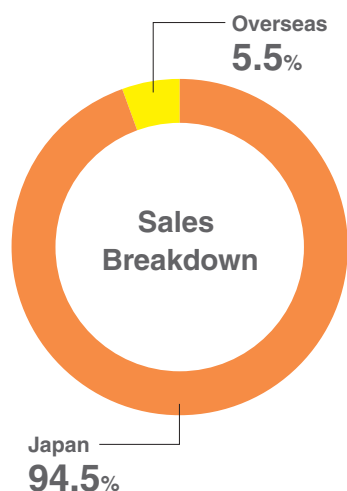
In the 8th Medium-Term Management Plan, the Group originally planned consolidated net sales of FY02/23 to be ¥20.1 billion, and operating profit of the same period to be ¥1.4 billion. However, due to continued uncertain business environment, such as disruption of supply chain and tight semiconductor and parts markets caused by heightened geopolitical risks, we revised down the forecasts of the consolidated net sales to ¥18.5 billion and consolidated operating profit to ¥700 million as of April 13, 2022. The actual financial results were ¥19.6 billion in net sales and ¥450 million in operating profit. However, net loss was recorded due to the impairment loss.

Toward Global Five-Pillar-Structure

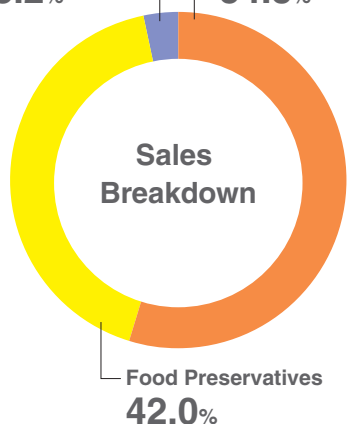
Looking at the global trends of the pharmaceutical industry, a series of capital investment for plant expansion is planned in the domestic market over the next several years, mainly by major GE manufacturers. In the global market, the pharmaceutical product market is projected to grow in the future against the backdrop of an aging population in developed countries and population growth and rising medical standards in emerging countries. In addition, some Japanese pharmaceutical companies start to transfer their plants overseas.

In light of this situation, based on its growth strategies of promoting globalization, the Group has expanded into India and Italy, in addition to Japan and the U.S. And, we established a joint venture company (Freund-Chineway Pharmaceutical Technology Center Co., Ltd: Shanghai FC Center) in China that is at a standstill due to lockdown associated with Zero-COVID policy, and plan to start the operation during the second quarter of FY02/24. Needs of Chinese pharmaceutical companies for introduction of new machinery have already increased. Excipients industry shows the similar move.

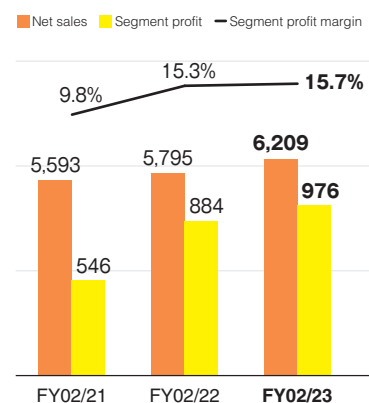
Chemicals Business



Health Food 3.2%
Pharmaceutical Excipients 54.8%
Food Preservatives 42.0%



Net Sales/Segment Profit/Segment Profit Margin (¥ million)



Shanghai FC Center is a research center that handles both machinery equipment and excipients. The Center develops the formulation design and aims for providing Chinese pharmaceutical companies with the developed know-how. This is the Group's fourth research base, following Hamamatsu in Japan, Iowa in the U.S., and Milan in Italy.

Considering growth of the next generation, we steadily proceed with establishment of the global management foundation, respond to the local needs flexibly with global five-pillar-structure focusing on Japan, the U.S., Europe (Italy,) India, and China, and try to expand the business globally under a sense of value "ONE FREUND."

Initiatives for Reorganization for the 9th Medium-Term Management Plan

We originally had planned to develop and announce the new Medium-Term Management Plan (the 9th Medium-Term Management Plan) with FY02/24 as the initial year. However, the business environment of the Group is still in the unclear conditions, because there are many uncertain elements, such as prolonged Ukraine situation, escalating price of raw materials and energy caused by them, and restrictions in terms of supply. Considering the situations, we regard the FY02/24 to be the year of the single-year managing plan, and are to develop the 9th Medium-Term Management Plan that sets the FY02/25 as the first year.

So, we implemented organizational restructuring as of March 1, 2023, prior to formulating the 9th Medium-Term Management Plan. The restructuring was done to establish a new function-oriented organization with the purpose of strengthening the synergy of Machinery Business and Chemicals Business, strengthening supply chain of chemical products, and responding to globalization. Followings are the three key points that were revised.

1 Reorganization of the Company from an organization focusing on functions to that focusing on business segments

We restructured the organization into Machinery Division and Chemical Division to immediately make decisions on the issues to be responded as a business segment, such as responding to diversified customer needs and creating value, adopting to changes in external environment and social issues, and contributing to a sustainable society; and to realize the continuous growth and stability of each business segment.

Furthermore, with the aim of developing human resources from the perspective of the entire business, we will strengthen the development of human resources with business acumen and an entrepreneurial mindset.

2 Establishment of Quality Assurance Division

Considering the recent quality issues in the pharmaceutical industry, we try to strengthen the functions through uniforming the quality assurance functions, which had been independent for each business segment, and quality management functions of functional excipients and food preservatives, and through promoting those functions to the division.

3 Transferring Corporate Planning Department and newly established Overseas Management Division into the organization directly supervised by the President

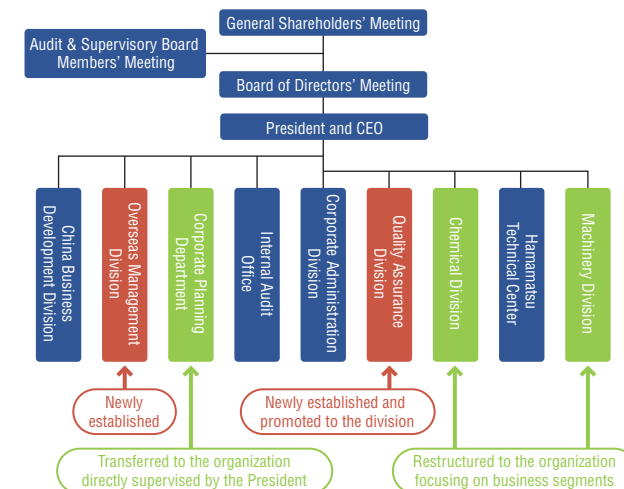
We transferred Corporate Planning Department to be directly supervised by the President, so that the Department can be responsible for formulating the Group management strategies, and developing and executing the 9th Medium-Term Management Plan of the entire Group.

For realizing our vision and promoting the global five-pillar-structure in a strong manner, we newly established the Overseas Management Division and placed it directly under

the President. We will also aim to enhance the management capabilities of our overseas subsidiaries while fostering global talent and developing managerial personnel of the overseas subsidiaries.

Outline of Organization Restructuring

(Structure of the new organization on and after March 1, 2023)



Following the restructuring, position and responsibilities of the two Directors were changed, Toshifumi Moriguchi was promoted to Director, and Ryuichi Kume assumed the office of External Director (For details, please refer to "Introduction of New Directors" on page 19.).

In addition, Greg Smith assumed the office of President of Freund-Vector as of February 1, 2023, and as of March 1, 2023, Ken Shinogi assumed the office of President and CEO of Freund-Turbo (For details, please refer to "From Business Site: New Management Structure of the Group Companies" on page 13.). With the new management structure, we will strive to formulate and execute the 9th Medium-Term Management Plan through strengthening collaboration among the Group companies.

Initiatives of Human Resources System Reform for the Next Stage of Growth and Change

In 2024, the Company commemorates the 60th anniversary since its founding. Business environment surrounding the Company has changed as times change. We revised the human resources system, because, as a starting point for transformation from the stable-growth stage to the next stage of growth and change, we recognized the need for both the growth of our business model and reform of human resources management to support the change (For details, please refer to “Promotion of Sustainable Management: Human Resources System Realizing Corporate Philosophy and Sustainability” on page 21). Human resources system has been reviewed under the concept of clarifying the Company’s core competencies as well as corporate culture and human resources policies necessary to leverage the core competencies, and the concept that growth of each one of the employees leads to the development of the Company. In addition, we promote Diversity and Inclusion (D&I) activities and activities to cultivate human resources for the next generation management by inviting external management professionals. We aim to enhance employee engagement and grow together with our employees, uniting as one company towards the realization of our management vision “contributing to better medical care and health for people worldwide.”

Introduction of Restricted Stock Unit Plan

The Company has decided to introduce the Restricted Stock Unit Plan for Executive Directors of the Company, utilizing the treasury shares within the existing limit of the compensation for Directors, ¥300 million or below, with the

purpose of providing the medium- to long-term incentives for continuous improvement of our Corporate value, and sharing more values with shareholders.

Aforementioned stock-based rewards account for 10% of the annual reward of the Executive Directors. In addition, celebrating the 60th year in business, the Company grants the stocks to the Company’s executive officers and all employees to motivate employees, have them become aware of participating in the management, and enhancing their awareness of improving the Company’s financial results and stock price. By doing so, we will enhance the medium- and long-term corporate value.

To Our Stakeholders

The Company is still in the unclear conditions, because COVID-19 pandemic, Russian invasion in Ukraine, and various issues associated with them have a negative impact on our business activities. Indeed, those issues have interfered with execution of the 8th Medium-Term Management Plan. However, at the same time, just before marking the 60th anniversary, we made the shift to the new organization and management structure. Under the new

management structure, we would like to promote the development of the 9th Medium-Term Management Plan after thorough discussion on the next initiatives for the 70th anniversary after 10 years. And, we steadily take strategic measures the Group needs, including improvement of the global five-pillar-structure.

As the starting point for the next stage, we will continue to pursue further growth with a sense of value “ONE FREUND.” We appreciate the continued support of you, all our stakeholders, for the Group.



FY02/24: Overview of Consolidated Financial Forecasts

	FY02/23 (Actual)	FY02/24 (Forecasts)	YoY Changes	
			(¥ million)	%
Net sales	19,658	20,000	+342	+1.7
Operating profit	451	700	+249	+55.0
Ordinary profit	559	650	+91	+16.3
Profit attributable to owners of parent	(538)	450	+988	—
EPS (¥)	(32.15)	26.87	+59.02	—
Capital investment	646	—	—	—
Depreciation	565	—	—	—
R&D expenses	622	—	—	—

New Presidents of Freund-Vector (the U.S.) and Freund-Turbo (Japan)



Greg Smith | President
Freund-Vector Corporation

Profile

Joined the Company in 1992 as control engineer. Engaged in developing the Company's first PC-based management system. Since 2004, promoted re-examination of product lineup as Vice President in charge of sales and engineering. From 2013, became in charge of sales and business development fields and introduced the new spray drying machine product line. Concurrently served as manager of laboratories and assumed the office of President as of February 1, 2023.

I Will Push Forward with Development of Freund-Vector with Unmatched Passion.

Freund-Vector, which manufactures and sells process equipment, is characterized by flexible customization tailored to clients' needs and careful support. As a vendor that fits in with the facilities of clients and their manufacturing philosophies and meets their original validation requirements in various situations such as expansion of facilities, new product research, and launching of new drugs, we confront the issues of clients seriously and resolve them, which will satisfy the clients. Superior service and support that are developed during such processes will contribute to the competitiveness in the end.

Our clients do business globally. It is crucial to provide them with the services and support that suit their business activities. With our original full FAT*, we can install and validate the process equipment much faster than other companies. And, in addition to provision of extra parts, we deal with repair of aged machines. We also hold personal seminars, online seminars, and other various forms of training programs to clients.

I am sure of our advantage in manufacturing equipment and confident that we can provide the valuable solution to the issues of clients. I think my goal and mission are to be the person who plays an important role in contributing to the business performance of the Freund Group through, with our excellent service, establishing the long-term win-win relationship with clients. We will tackle the mission with unmatched passion.

*FAT: Factory Acceptance Test



Ken Shinogi | President
Freund-Turbo Corporation

Profile

Joined Mitsubishi Precision Co., Ltd. in 1991 and engaged in developing traffic-control parking lot system. Joined Turbo Corporation (currently Freund-Turbo Corporation) in 1999. Engaged in improvement and development as a person responsible for designing pulverizers. Assumed the office of Manager of Design Section, General Manager of Engineering Department, Plant Manager and in 2018 Director and Plant Manager. Then Managing Director and Plant Manager in 2022, before assuming the office of President as of March 1, 2023.

Under a Sense of Value “ONE FREUND,” We Aim for the High Quality Manufacturing.

Freund-Turbo is a manufacturing company that has provided powder processing technology equipment and contract processing service since its establishment in 1967. In particular, in the field of “pulverizing,” “classifying,” and “granulating,” we have been well received and trusted as an industry-leading company by various clients in the industrial field. After joining the FREUND Group in 2010, “mixing” was added to our technologies, which encouraged us to take a step in the new stage and led to our current business activities.

The industries and fields we focus on span a wide range of areas. In addition to pharmaceutical solid formulation, we provide technologies of pulverization, granulating, and enhancing functions of various raw materials, which are indispensable in reuse of resources such as toners for realizing zero emissions (zero CO₂) and recycling of resins, environmental fields including soil improvement, forage, and fertilizer, and processes for manufacturing semiconductor-related items, new fuels, biodegradable resins, advanced functional materials, high-functionality films, and secondary batteries.

In particular, our equipment contributes to enhancing the functions of raw materials for batteries of electric vehicles, whose global market keeps expanding for realization of carbon neutral. We will promote high-quality product development with an eye on expansion of our business that includes materials for silicon wafer and semiconductor sealing going forward.

Through integrating the technological capabilities we have been cultivating with new inspiration to continue innovation, we provide new solutions to ever-evolving raw materials and, under a sense of value “ONE FREUND” and with our unique technologies, aim to become a company that is needed by people around the world.

Key Marketing Activities in Pharmaceutical Product Field

In the pharmaceutical product field, the five-pillar-structure focusing on Japan, the U.S., India, Italy, and China, is starting to take shape. Shanghai FC Center in China, whose opening was delayed due to the impact of COVID-19 pandemic, is planned to start operations by the end of the second quarter of FY02/24. Global-scale major exhibitions had not been held in person for a while due to COVID-19 pandemic. However, in FY02/23, physical exhibitions started to be held little by little. The Group's companies participated in the exhibitions below and conducted marketing activities in a proactive manner.

Key Marketing Activities in FY02/23

August 22-26, 2022

“ACHEMA 2022”

Messe Frankfurt, Germany

The overseas Group companies Freund-Vector in the U.S. and Cos.Mec in Italy participated in “ACHEMA,” the world-largest exhibition featuring chemical industry technologies.



All management teams of the overseas Group companies gathered at the exhibition.

February 7-9, 2023

“MAGHREB PHARMA Expo 2023”

Algiers, Algeria

Cos.Mec participated in “MAGHREB PHARMA Expo 2023,” the pharmaceutical exhibition held in Algiers, the capital and the largest city of Algeria in North Africa. Algeria is expected to increase its investment in pharmaceutical product field as an emerging country in the pharmaceutical product markets.



Cos.Mec booth

July 13-15, 2022

“INTERPHEX JAPAN 2022”

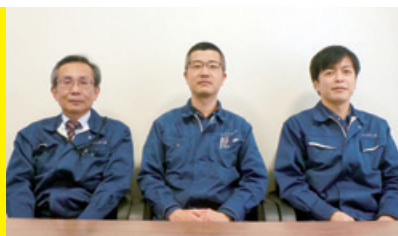
Tokyo Big Sight, Japan

FREUND participated in “INTERPHEX JAPAN,” one of the largest exhibitions in Japan, which features products, technologies, and service related to research and manufacturing of pharmaceutical products and cosmetics.

For details, please refer to “Business Topics: Machinery Business Segment” in the FY02/23 Interim Shareholders' Newsletter (Japanese only).

Freund-Turbo: New Order-Receiving Strategies in Cooperation Among Business Segments

Under the concept of “Act’20’24,” Freund-Turbo Corporation launched the new order-receiving strategies from March 2022. In the strategies, 11 segment teams, including key machinery and services, develop their original strategies for achieving the respective target order volume, crossing the boundaries of business sections, such as sales, technologies, and inspection, and conduct sales activities. The purpose of the strategies is to achieve the order volume of ¥2 billion as the entire company. We interviewed the two Team Leaders about the current status of the strategies.



Yasutetsu Ando

Team Leader
“Act’20’24” Pulverizing-Segment
GL, Assistant Manager, Testing Section, Development Division

From left,

Sales: Tomoyuki Maruyama
Testing: Yasuteru Ando (Team Leader)
Design: Masahito Abe

Realizing a Manufacturing Site Where Everyone Thinks Before Taking Action Through Becoming Aware of the Things That Had Not Been Aware Of

I joined the Company in 2011 and was assigned to Testing Section, where I have been working ever since. For the first four years, I was responsible for testing of “TURBO SCREENER,” Fine Powder Classifier. And then, my responsibilities shifted to include “TURBO MILL” and other pulverizers.

Freund-Turbo has expanded the product lineup since I joined the company. For example, in 2018, the Company absorbed Akira Kiko Co., Ltd., a company that specialized in high stirring granulation machine, specifically “BALANCE GRAN,” High Share Mixer / Coater. It added the lineup of “mixing” to the powder use, and enabled us to flexibly respond to the requests of clients. Responding to the needs of the industry, we have been making efforts to increase the sales through improvement of technological capabilities.

I regard the purpose of “Act’20’24” as the raising awareness within the company. Establishing an organization where employees on site proactively think and take action instead of waiting for instructions from superiors. To put it in practice in a more dynamic manner, three business sections cooperate each other in a cross-sectional manner.

Conventionally, Sales Division was responsible for orders received, while Technology and Testing Division oversaw the post-order procedures. Due to implementation of “Act’20’24” and increasing cross-sectional awareness of the procedures, cooperation among business sections became smoother, which leads to enhancement in productivity.

Achievement degree of each team regarding “Act’20’24” is evaluated on a quarterly basis and revision to the strategies is made as needed. We will take the initiative in achieving the goals through further deepening the cooperation among the business sections.



Toshiya Komagata

Team Leader
“Act’20’24” Classifying-Segment
Testing Section, Development Division

From left,

Sales: Toyohiko Hagiwara
Inspection: Toshiya Komagata (Team Leader)
Design: Kosuke Ando

Leading New Experience to the Proposal for Improvement, and Making Use of It for Vibrant Working Environment

I joined the Company in 2005 and engaged in operations of commissioned pulverizing at the Pulverizing Section. Then I was transferred to Testing Section in 2014. After being involved in actual operations, I have supervised testing since 2019.

Back then, Freund-Turbo had corporate culture of pursuing for manufacturing as a specialist. However, under the direction of the former President, it made a shift, increasing the product lineup in response to the market needs and aiming for increasing the revenue with high-quality products.

In “Act’20’24,” members of different business sections work together for the common goals as a team. It is an unconventional challenge for us. About a year has passed since we started “Act’20’24.” Since the initiative started, each section became more open, facilitating communications. I think they are significant achievements.

We, the Classifying-Segment Team is in charge of the strategies of “TURBO SCREENER.” It is a high-performance product with high repeating rate. However, its stagnant sales were problematic. The team discussed the potential causes of the problem and agreed that a lack of recognition was one of the causes. Consequently, we actively worked on developing PR strategies to address this issue. It was a task that we were unfamiliar with. However, we learned a lot from the experience.

We would like to use such experience and knowledge to improve proposals for other departments, too, and create the animated working environment.

Aiming for Improving Productivity and Food Loss Reduction by Extending Best-Before Period of Bread



Hideki Yona

Manager of Planning & Promotion Office, Food Preservatives Division



Food preservatives used for bread
From left, Antimold-Mild, Negamold (moisture-dependent type)

Reasons for Launching the Initiative of “Extending Best-Before Period of Bread”

Food preservatives such as ethanol evaporative food preservatives and oxygen scavenger type food preservatives began to be widely adopted more than 40 years ago. They have been used for souvenir snacks, distributed snacks and other food with long best-before period. In the meantime, we have received inquiries regarding extension of best-before period for shelf-stable bread. Additionally, in the spring of 2022, Japan Institute of Baking made a similar inquiry, which made us recognize that reduction of food loss by extending the best-before period for bread is becoming an industry-wide concern.

In general, use-by period of bread products ranges from three to five days. Therefore, date management similar to that of fresh food is essential. In addition, due to a wide variety of products and frequent changes in the production line among different manufacturers, the productivity of bread manufacturing is not high, compared with manufacturing of the souvenir snacks and distributed snacks that have longer use-by period thanks to enclosed food preservatives.

This is why we thought we could contribute to improving the production efficiency of the bread industry and reducing food loss in a relatively simple manner by extending the best-before period of bread using the food preservatives for bread products.

To extend the best-before and use-by periods, it is essential to preserve the flavor and texture while effectively controlling the growth of microorganisms including mold. The same principle applies to bread. Ethanol-evaporative type food preservatives generate ethanol gas in the food packaging, which is then absorbed by bread. That controls the growth of microorganisms, thereby preserving softness and moisture of the bread.

Conventionally, food preservatives were used for food with long best-before period. The Company aims for “improvement of productivity” and “food loss reduction by extending the best-before period” of the bread industry through applying them to bread with short best-before period. Yona, Manager of Planning & Promotion Office, Food Preservatives Division, explains the new initiatives.

Start of Collaboration with Japan Institute of Baking

The Company conducted a basic test on the effects of food preservatives on bread preservation and summarized the technological findings regarding the application method and effects. As part of the collaboration with Japan Institute of Baking, in September 2022, we held the study session to present the findings concerning the food preservatives to member bread manufacturers. And, in January 2023, the Institute edited and published the technological materials on food preservatives written by our engineers. They distributed 800 copies of these materials to factories, R&D centers, procurement departments, and other bases of bread manufactures in Japan.

From 2023, the Institute launched a curriculum on the quality preservation as a part of “Breadmaking Technology Education Course” offered by the Institute. The course aims to provide bakers with occupational education and training. The Company contributes to the course by providing three lecturers per year. We will present the advantages of adopting our product technologies in an easy-to-understand manner and make the lectures interesting so as to spread our expertise to the bread manufacturers.



Study session

Strengthening the Food Preservatives Business Paying Attention to Environment

Working with Japan Institute of Baking, we have realized the new collaboration with an external organization. And the collaboration is about to bear fruit. With an eye on those initiatives, we will continue to promote application of food preservatives to food products other than confectionery.

Currently, the Company is already engaged in environmentally conscious product design both in product development and improvement of existing products. In the future, we aim to contribute to promotion of SDGs beyond food loss reduction by developing eco-conscious food preservatives.

Introduction of Board Members

Honorary Chairman and Directors



Yasutoyo Fusejima
Honorary Chairman



Iwao Fusejima
President and CEO



Masao Wakai
Director



Hisashi Tanaka
External Director

Reason for Appointment

Hisashi Tanaka was appointed as External Director as he was deemed to be able to contribute to strengthening management oversight and corporate governance by having abundant experience and wide-ranging insight as a manager.



Toshiaki Honda
Director



Toshifumi Moriguchi
Director



Ryuichi Kume
External Director

Reason for Appointment

Ryuichi Kume was appointed as External Director as he was deemed to be a manager with abundant experience and wide-ranging insight in the pharmaceutical industry, and able to contribute to strengthening of management oversight and corporate governance.

Audit & Supervisory Board Members



Sakae Hirano
Full-time Audit & Supervisory Board Member

Reason for Appointment

Sakae Hirano was appointed as Full-time Audit & Supervisory Board Member as he was deemed to have more than adequate ability to oversee the management based on his knowledge of finance and accounting as well as superior insight regarding management in general.



Sayoko Izumoto
External Audit & Supervisory Board Member

Reason for Appointment

Sayoko Izumoto was appointed as External Audit & Supervisory Board Member as she was deemed to satisfy this role by leveraging on her long experience as a certified public accountant and on her vast insight regarding finance and accounting.



Kazunari Hamada
External Audit & Supervisory Board Member

Reason for Appointment

Kazunari Hamada was appointed as External Audit & Supervisory Board Member as he was deemed to satisfy this role having specialized knowledge and experiences as an attorney from an objective standpoint as a legal expert.

Skill Matrix

	Name	Tenure	Attendance at Board of Directors and Audit & Supervisory Board	Advisory Committee		Fields expected to cover								
				Nominating and Remuneration Committee	Corporate Management/ Top Management Experience	Marketing/Sales	Finance/Accounting	IT/Security	Human Resources/ Labor/Human Resources Relations	Legal/Risk Management	Global Experience	Manufacturing/ Development/Research and Development	ESG/Sustainability	
Directors	Re-appointed Iwao Fusejima	15 years	11 times/11 times	Member of the Nominating and Remuneration Committee	●	●						●		
	Re-appointed Masao Wakai	3 years	11 times/11 times		●		●		●	●	●			●
	Re-appointed Toshiaki Honda	2 years	11 times/11 times			●						●	●	●
	Newly appointed Toshifumi Moriguchi	—	—			●				●			●	●
	Re-appointed Hisashi Tanaka	2 years	10 times/11 times	Chairman of the Nominating and Remuneration Committee	●				●	●	●	●	●	●
	Newly appointed Ryuichi Kume	—	—	Member of the Nominating and Remuneration Committee	●	●								●
Audit & Supervisory Board Members	Re-appointed Sakae Hirano	4 years	Board of Directors: 11 times/11 times Audit & Supervisory Board: 13 times/13 times		●		●			●		●		●
	Current position Sayoko Izumoto	6 years	Board of Directors: 11 times/11 times Audit & Supervisory Board: 13 times/13 times	Observer of the Nomination and Remuneration Committee			●		●		●			
	Current position Kazunari Hamada	2 years	Board of Directors: 11 times/11 times Audit & Supervisory Board: 13 times/13 times							●		●		

Corporate Governance

The Group's basic policy and objective of corporate governance is to continuously enhance corporate value by increasing corporate transparency, ensuring legal compliance, fairness, and independence from the perspective of all stakeholders, including shareholders, investors, and users.

For more detailed information, please refer to the "Corporate Governance" section of our website.

<https://www.freund.co.jp/english/company/governance.html>

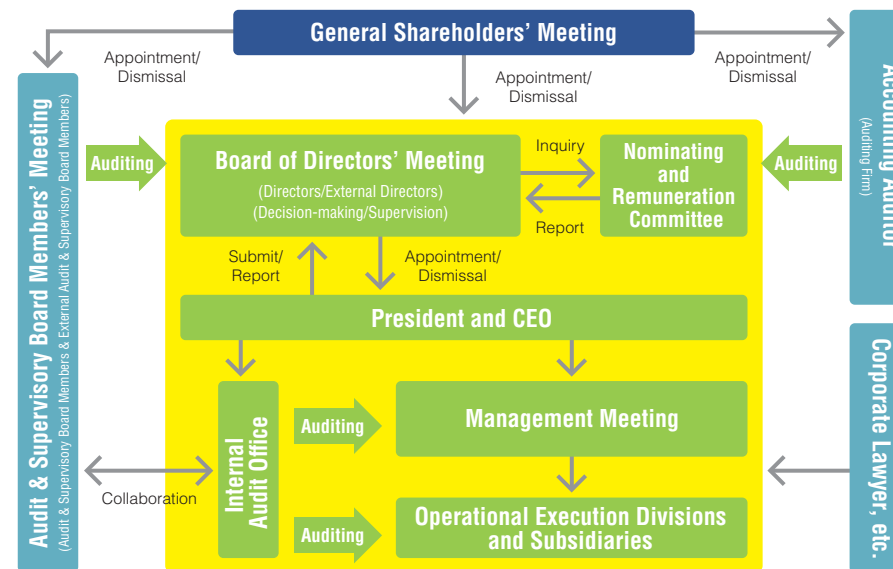
Basic Policy

Based on the corporate philosophy of "Develop the Future through Creativity[®]," the Company is engaged in business activities to realize its management vision of "contributing to the future of medical care and health of people throughout the world, and creating and fostering technologies for fulfilling lives and food safety." Through fair and appropriate competition, we aim to provide products and services that are useful to our clients and increase our corporate value through the process of pursuing reasonable profits.

Overview of the Corporate Governance Structure

The Company has a Board of Directors, Audit & Supervisory Board, and accounting auditors. The Executive Officers execute business operations, while the Board of Directors sets management policies and targets for the entire Group and supervises the management and business operations of each group company. The Board of Directors consists of six members (two of whom are External Directors) with diverse experience, knowledge and expertise, and in principle meets once a month. Three external auditors (one of whom is a full-time auditor) also participate in the Board of Directors meetings to ensure appropriate and prompt decision-making and to further strengthen the supervisory function. Auditors work closely with the Internal Audit Office, which reports directly to the President and CEO, and the accounting auditors to enhance the effectiveness of audits.

Corporate Governance Structure (As of the end of May 2023)



Basic Approach to Internal Control and Outline of the Structure

The Company identifies the internal control function as "a framework for management to control operational execution divisions." The Board of Directors assumes responsibility in designing basic scheme of internal controls for the group companies, and in supervising maintenance, operation and assessment of internal controls based on the Companies Act and other relevant laws as well as the Company's articles of incorporation and other internal rules.

To fulfill its corporate social responsibility, which is the basis of our corporate philosophy of "Develop the Future through Creativity[®]," we are working to instill compliance and establish a risk management system, and have established the Compliance and Risk Management Committee and the Internal Control Committee, which comprehensively manages internal controls.

Introduction of New Directors

Toshifumi Moriguchi

Internal Director

Joined YOSHITOMI PHARMACEUTICAL INDUSTRIES, LTD. in 1985. After merger, served as General Manager of Facility Engineering Department, Pharmaceutical Division, Mitsubishi Tanabe Pharma Corporation; Director and Manager of Yoshitomi Plant, Mitsubishi Tanabe Pharma Factory Ltd.; before being appointed to Director and Vice President of the same company. Joined BIKEN Co., Ltd. as Director and General Manager of Business Management Department in 2017. Joined FREUND in 2019 and appointed as Executive Officer and Division Director of Production Division. Since March 2023, served as Executive Officer and Division Director of Chemical Division up until now.



When I joined YOSHITOMI PHARMACEUTICAL INDUSTRIES, LTD. (Current Mitsubishi Tanabe Pharma Corporation,) the company started to introduce Factory Automation (FA), which involved the automation of factory by computer-control technologies. Although I was specialized in machinery, I was assigned to an engineering work department, and experienced electrical instrumentation, process design, and machinery equipment, and other general processes.

Then, I was involved in many capital investments in the course of merger, restructuring, and company split-up by function of YOSHITOMI PHARMACEUTICAL INDUSTRIES, LTD., and, as factory manager, engaged in pharmaceutical manufacturing and quality control, and worked to ensure a stable supply of products.

I joined the Company with the purpose of taking charge of overall process of building the new chemical product factory from planning to the construction management, which was underway in Hamamatsu plant. However, the investment was cancelled due to concerns about profitability. Therefore, I have supervised the Production Business Division since September 2019 and worked on development of production infrastructure focusing on safety, quality, and response to laws.

In the future, I would like to accelerate the response through responding to the environmental change in an immediate and flexible manner and quickly rotating the cycle of the value chain to strengthen the capability to propose solutions to customers and enhance our competitiveness. And, taking advantage of the experience in production business, I will make efforts to coordinate the functions of sales, development, and supply chain so as to realize the stable and sustainable growth of the business. We appreciate the continued support of our stakeholders.

Ryuichi Kume

External Director

Joined Shionogi & Co., Ltd. in 1981. In the 2000s, assumed the office of Managing Executive Officer and Division Director of Manufacturing Division, Senior Executive Officer and Division Director of Pharmaceutical Business Division, Senior Executive Officer and Division Director of CMC Research Division, etc., before being appointed as President and CEO, Shionogi Pharma Co., Ltd. in 2019. Since 2022, served as Chairman and Director of the same company and continue to hold the position up until now.



After joining Shionogi & Co., Ltd., I engaged in development of fungicides at Chemical Division. At The Dow Chemical Company, the licensee, I served as leader of the formulation team in a global project. This experience provided me with a broader perspective, considering both global and business aspects of the work.

After getting back to the pharmaceutical business, I experienced the entire value chain from research to sales as manager. In particular, in the CMC (chemical/manufacturing/quality-management information of active pharmaceutical ingredients [APIs] and formulation in the application documents) research, I made a significant improvement to the development method with the purpose of shortening the time of initial period of development and reducing the amount of API use. Those opportunities to interact with a wide variety of professionals in the industry became my foundation for aspiration and implementation of many alliances.

FREUND is a balanced company in terms of basic technologies, because it understands the act of "manufacturing" both on the software and hardware sides, and practice pharmaceutical excipients and pharmaceutical products manufacturing while handling machinery. I believe integration of machinery and prescription technologies will be needed even more in manufacturing of pharmaceutical products, formulation in particular, across the globe. The Company can lead the world as a company with the will and technologies that meet those needs.

I feel responsibility and tension to be appointed as External Director of this historic company. To develop the Company, I will utilize my experience and knowledge for management. I will focus on improvement of transparency and soundness of the management through providing the objective opinions.

Risk Management

The Group perceives risks as latent factors in its corporate business activities that could lead to deterioration in its social credibility or to damages in its corporate value. The Group is exposed to various potential risks as listed below, and its financial results may unexpectedly be influenced in the event that any of these risks occur. The Group maintains a policy to acknowledge the possibility of such occurrences, and prevent the occurrence of these risks to the best of its ability, while also responding quickly and adequately in the case that they do occur. It should be noted that not all risks are cited here. Furthermore, factors related to the future mentioned here represent those recognized as of the end of FY02/23.

For details of each risk item, please refer to the "Corporate Governance/Risk Management" section of our website.

<https://www.freund.co.jp/english/company/governance.html>

Business Risks

- | | |
|---|--|
| 1 Pricing Competition Risk | 9 Intellectual Property Risk |
| 2 Raw Materials Procurement Risk | 10 Product Liability Risk |
| 3 Industry Trend Risk | 11 Public Regulations-Related Risk |
| 4 Foreign Exchange Fluctuation Risk | 12 Information Leakage Risk |
| 5 Human Resources Risk | 13 Natural Disaster risk |
| 6 Business Partner Relationship Risk | 14 Overseas Business Operational Risk |
| 7 Impairment Risk for Non-Current Assets | 15 COVID-19 Related Risk |
| 8 Client Company Credibility Risk | |

Risks to Be Watched Closely in the Future

In FY02/23, with the idea of "with COVID-19," movement for normalizing the economic activities has become prominent. However, many risks such as acceleration of inflation and disruption of supply chain in the world caused by Russian invasion in Ukraine have become visible. The Group is aware of the following risks that should be watched closely in the future.

Industry Trend Risk

In Japan, in addition to the ongoing reduction in drug prices, quality and stable supply issues that have arisen in the generic drug industry have triggered a movement to reorganize the pharmaceutical industry. In the midst of these developments, the Group is increasing its presence in overseas markets and accelerating global expansion in the pharmaceutical product field through such measures as the M&A of Cos.Mec in Italy in November 2020 and the establishment of the Shanghai FC Center in July 2021, while promoting machinery and chemical businesses related to non-pharmaceutical product fields, such as the chemical, food, and battery industries, and expanding its geographical and business areas.

Overseas Business Operational Risk

Trends in financials and healthcare policies around the world affect the management of pharmaceutical companies. Pharmaceutical companies in the U.S. and other developed countries are taking cost-cutting measures, such as transferring manufacturing to lower-cost emerging countries. The Group's priority countries and regions for business expansion are emerging countries such as India, China, and Southeast Asia, where populations and incomes are expected to grow, and we are required to manage risks related to business expansion in these countries and regions. To this end, the Group is strengthening its understanding of conditions by country/region, drafting strategies, and monitoring individual transactions.

Promotion of Sustainable Management

Human Resources System Realizing Corporate Philosophy and Sustainability

With the 60th anniversary within a year, we are tackling human resources management reform as the starting point for entering the stage of change, which helps us leave the stable growth period for the next growth. As part of the initiatives, Omori, Manager of Human Resources Section of the Corporate Administration Division explains the aim of human resources system reform that was implemented for the first time in about eight years.

Chiaki Omori

Manager of Human Resources Section,
Corporate Administration Division

Chiaki Omori (right)

*Person on the left is Sahona Kikuchi, a project member.



Issues of Existing Human Resources System and Reasons for Reform

In the previous revision of human resources system, which was conducted in 2014, human resources strategies were not developed based on the business strategies. And, there have been issues on institutional fatigue. For example, a job-rank system, evaluation system and its processes have lost substance.

As times change, both external and internal environment has changed. The Company, which will mark its 60th year soon, has come to the point of leaving the stage of stable growth for that of change, aiming for further growth. Under the recognition that we need human resources management reform now for the next growth, we have decided to revise the human resources system.

Clarification of Human Resources Policy

In a way, operation of human resources system is equivalent to utilization for growth (development). Considering the fact that employees are the ones who put the system into practice, we tried to

grasp the current issues through carrying out the survey for all the employees and interviewing some of them in advance.

In addition, we asked the opinions of the management level. This is how we reflect the broader concepts such as “what are core competencies of the Company?” “what kind of organizational culture is needed to take advantage of the core competencies?” and “what kind of human resources we needed to realize such an organizational culture?” to clarify the human resources policies we pursue.

Concept and Key Point of New Human Resources System

Although it was difficult to design the human resources system suitable for the Company under the concept that growth of each one of the employees leads to development of the company and through integrating the necessary elements, in the end, we could get the concept of the new human resources system into shape as follows.

Purpose Create the environment where employees work voluntarily and with a sense of satisfaction

Theme Dialogue: Company and employees; superiors and subordinates

Basic policy ONE FREUND: Growth of individuals leads to development of the company

And, the concept leads to the key points below.

- Enhance the team power for realization of business strategies
- Promote voluntary action
- Reward employees that contributed to the organization and made achievement

Take Key Measures of Human Resources System Reform

First, we reviewed the definition of the rank, and clarified the roles we expect for each rank, job type, and position. Based on those ideas, we restructured the evaluation and reward systems.

Although the evaluation standards are “achievement” and “action required for the desired figure,” we place importance on the dialogue between evaluators and those who are evaluated to set the goals and perform evaluation. We aim for understanding the direction and level of capability development that each one of the employees needs, and promoting the growth.

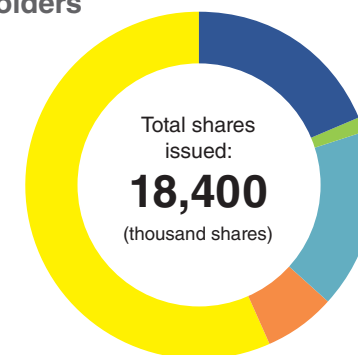
Basic policy of the new human resources system states “growth of individuals leads to development of the company.” We would like to adopt the career development plan (CDP) proactively and proceed with the human resources management reform.

Company Name	FREUND CORPORATION
Established	April 22, 1964
Capital Stock	¥1,035,600,000
Employees	476 (Consolidated)
Head Office Location	FREUND Bldg. 6-25-13 Nishishinjuku, Shinjuku-ku, Tokyo, 160-0023
Website	https://www.freund.co.jp/english/
Stock Listing	TSE Standard (securities code 6312)
Fiscal Year	From March 1 to the last day of February next year
Annual General Shareholders' Meeting	Held in May of every year
Shareholder Registry Administrator	Mitsubishi UFJ Trust and Banking Corporation
Total Number of Shares Issued	18,400,000 shares
Total Number of Shareholders	16,760

Major Shareholders (Top Ten)	Shares owned (thousand shares)	Ownership ratio (%)
K. K. Fusejima Yokosha	1,648	9.84
Yasutoyo Fusejima	1,217	7.27
MUFG Bank, Ltd.	836	4.99
The Master Trust Bank of Japan, Ltd. (Trust Account)	756	4.52
Sumitomo Mitsui Banking Corporation	744	4.44
PERSHING-DIV. OF DLJ SECS. CORP.	706	4.22
Okawara Mfg. Co., Ltd.	673	4.02
Freund Employee Shareholding Circle	423	2.53
The Shizuoka Bank, Ltd.	368	2.20
Meiji Yasuda Life Insurance Company	360	2.15

The Company has 1,655,000 shares of treasury shares. Shareholding percentage stakes are calculated after excluding 1,655,000 shares of treasury shares.

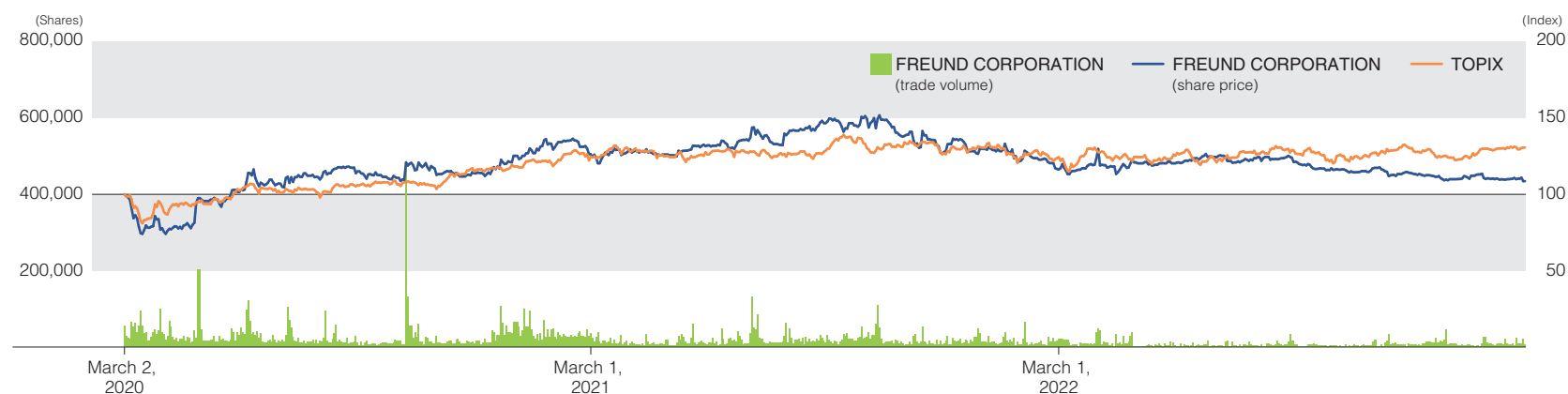
Shareholder Distribution by Type of Shareholders



Type of Shareholders	No. of shares held (thousand shares)	Percentage (%)
Financial Institutions	3,443	18.71
Financial Instruments Firms	242	1.31
Other Corporations	3,084	16.76
Foreign Corporations	1,220	6.63
Individuals, Others	10,411	56.59

NOTE: Treasury shares are included in the category of "Individuals, Others"

Trends of Share Price, Trading Volume and TOPIX



NOTE:
Share prices and trading volumes prior to the stock split shown in the chart have been adjusted to reflect the stock split. FREUND CORPORATION and TOPIX prices have been adjusted to show relative valuations on March 2, 2020 as 100.

FREUND CORPORATION

FREUND Bldg. 6-25-13 Nishishinjuku, Shinjuku-ku, Tokyo, 160-0023

Please contact with us for any inquiry at the E-mail address on the right.

Finance & Accounting Department, Corporate Administration Division

Phone: +81-3-6890-0747

E-mail: ir@freund.co.jp

Fax: +81-3-6890-0870

URL: <https://www.frend.co.jp>

