



# FREUND CORPORATION **FREUND Report 2025**

Fiscal Year Ended February 28, 2025  
(From March 1, 2024 to February 28, 2025)

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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, 2025 (from March 1, 2024 to February 28, 2025). (However, new information available after March 2025 has also been included in this Report).

PROFILE

We have grown based on our business model that combines "Hardware (products such as pharmaceutical product manufacturing equipment and pharmaceutical excipients)" and "Software (drug formulation technologies)." Currently, we have 6 Group companies in Asia, including Japan, the U.S. and Europe. We are expanding our business segment not only to the pharmaceutical product field but also to the non-pharmaceutical product field. Based on our corporate philosophy, "Develop the Future through Creativity," we provide indispensable products and services to people around the world, challenging ourselves to promote business activities that will create a better tomorrow.

Corporate Philosophy

"Develop the Future through Creativity"

Group Management Vision

Creating essential technologies for a brighter tomorrow

At the FREUND Group, our mission is to build a healthier, more prosperous future by contributing to the steady supply of pharmaceuticals, and providing solutions for the freshness and safety of food.

We deliver the knowledge and the products that can help solve diverse issues.

By applying our creativity and our technological capabilities to providing indispensable products and services to people around the world, we are working to create a better tomorrow.

Long-term Vision

ONE FREUND & BEYOND



\*\*"ONE FREUND" refers to values which the FREUND Group holds precious

We will move forward to realize  
"ONE FREUND & BEYOND" by strengthening  
and expanding core businesses with  
a focus on our customers and, beyond them,  
the patients and users who will benefit from  
our products and services.

In April 2024, we celebrated our 60th anniversary, and FREUND CORPORATION established a new Group Management Vision, "Creating essential technologies for a brighter tomorrow." FY2024 marked the first year of the 9th Medium-term Management Plan (hereinafter "9th Medium-term Plan"), which is aimed at realizing our long-term vision, "ONE FREUND & BEYOND" that incorporates the idea of "going beyond." President and CEO Iwao Fusejima summarized the FREUND Group's business activities and the progress of initiatives set forth in the 9th Medium-term Plan.

**Iwao Fusejima**

President and CEO



## What We Aim to Realize through Our Group Management Vision

Due to a shortage of pharmaceutical supplies in Japan, there has been a growing demand for increased production capacity from major generic drug manufacturers, and our machinery and equipment are being delivered to our customers' production sites on an unprecedented scale. In order to meet the strong capital investment needs of our customers and ensure that our products are delivered as scheduled, our operations faced considerable challenges. However, this also signifies that the Company is contributing to solving the societal issue of the shortage of pharmaceuticals.

As we celebrate our 60th anniversary, we have reviewed our management vision and established a new Group Management Vision. I feel very proud to be involved in initiatives that embody this vision, which I believe is a sentiment shared by everyone within the Company.

However, I also do not think it is enough just to sell products that satisfy our customers and contribute to solving societal issues. With that in mind, we repeatedly communicate to all employees of the FREUND Group that our reason for existence is to promote our businesses not only for our direct customers but also for those "beyond" them. When our products, such as machinery equipment and pharmaceutical excipients, are used to make medicines that cure diseases and enable people to live healthy lives, it means that we are delivering good health to patients and their families, who are the end users of our direct customers, including pharmaceutical manufacturers. When sweets containing food preservatives are enjoyed by families at home, it means that we are contributing to bringing joy to the lives of consumers, who are the ultimate customers of our direct customers, which include confectionery manufacturers. That is why we at the FREUND Group believe that we must always look ahead to the future, provide high-quality products, and continue to challenge ourselves to further improve their quality.

## FY2024: Overview of Business Activities

We have launched our 9th Medium-term Plan to put our new Group Management Vision into practice. Here we would like to report on the business environment for its first year, FY2024, and provide an overview of the FREUND Group's business activities in response to that environment.

### Business Environment in the Global Market

In the domestic market, there was active movement among major pharmaceutical manufacturers to increase production capacity in order to resolve the shortage of pharmaceutical supplies, which has become a societal issue in the pharmaceutical industry, a major user of the FREUND Group's products. Under these circumstances, we strengthened orders and sales of machinery equipment used in the pharmaceutical manufacturing process, and promoted stable supply of pharmaceuticals through maintenance services for machinery equipment used at our customers' production sites.

In the global market, the pharmaceutical industry is expected to continue growing, driven by the aging population in developed countries and population growth and rising medical standards in emerging countries. The FREUND Group has established a global five-pillar-structure

consisting of the United States, Italy, India, China, and Japan. Through this strengthened collaboration and increased synergy, we have promoted initiatives to enhance the presence of the FREUND brand in the global market.

### Initiatives by Business Segments and Group Companies

Although consolidated net sales fell slightly short of our initial forecast due to the poor performance of Freund S.r.l. (hereinafter "F Italy"), this was offset by a significant increase in net sales in the domestic machinery business of FREUND CORPORATION, resulting in a 2.2% increase in net sales year-on-year and a record high for the second consecutive fiscal year. Operating profit was down 5.4% year-on-year due to increased personnel expenses and non-recurring expenses associated with the update of the new core system, but was up 9.2% compared to the initial forecast. The following is an overview of specific activities in each business segment.

#### Machinery Business Segment: Pharmaceutical Product Field

In the domestic market, our new tablet coater, "HICOATER HV," and tablet coating PAT system, "TACT," have begun operation at our customers' production sites, strengthening our response to needs such as productivity improvement, automation, and labor saving.

In FY2024, we focused on early delivery and start-up of equipment in collaboration with our partner companies, which enabled us to exceed our shipment and delivery targets. In addition, we saw growth in our high-margin maintenance business, resulting in a significant increase in net sales and operating profit of 27.2% and 85.0% year-on-year, respectively. Although the domestic order backlog fell below the level of FY2023, when new orders performed well, it still remained at a high level.

In the overseas market, net sales in the United States and Central and South America, which account for the majority of FREUND Inc. (hereinafter "F America") sales, decreased by 7.4% year-on-year due to factors such as shipment delays. However, operating profit increased significantly compared to the previous fiscal year as unprofitable projects, which had been an ongoing issue, were eliminated and gross profit margin improved. In addition, the addition of F Italy's powder handling equipment to our system sales lineup proved successful, leading to an increase in new orders and record-high orders received and order backlog.

In F Italy, which mainly covers emerging markets, performance declined due to geopolitical factors and delays in large projects caused by delays on the customer side in the construction of manufacturing factories. However, orders for powder handling equipment increased due to synergies within the FREUND Group.

#### Machinery Business Segment: Non-pharmaceutical Product Field

Freund-Turbo (hereinafter "F Turbo"), which handles industrial equipment, saw an increase in the ratio of its own products accounting for net sales, and operating profit reached a record high. In the battery-related field, projects with major Japanese, US, and European automakers, as well as battery-related manufacturers, made progress. Apart from batteries, we are promoting sales of equipment for materials used in multilayer ceramic capacitors (MLCCs) in the electrical and electronics fields. We have also begun expanding into the food field in Southeast Asia, with orders progressing steadily in each field and orders received reaching a record high.

### Machinery Business Segment: Overview of Net Sales and Operating Profit

(¥ million)	FY2023	FY2024	YoY Changes	
				%
Net sales	16,157	16,755	598	3.7
Freund Corporation	6,904	8,785	1,881	27.2
Freund-Turbo	1,761	1,762	1	0.1
Freund Inc.	6,169	5,709	(459)	(7.4)
Freund S.r.l.	1,755	1,044	(711)	(40.5)
Operating profit	924	1,241	316	34.2
Freund Corporation	659	1,220	560	85.0
Freund-Turbo	81	160	79	97.9
Freund Inc.	86	224	138	159.7
Freund S.r.l.	80	(329)	(409)	—

\*Figures by group company are before consolidated adjustments

### Machinery Business Segment: Overview of Orders Received and Order Backlog

(¥ million)	FY2023	FY2024	YoY Changes	
				%
Orders received	18,600	17,851	(748)	(4.0)
Freund Corporation	9,863	6,950	(2,913)	(29.5)
Freund-Turbo	1,201	1,637	436	36.3
Freund Inc.	6,065	8,710	2,645	43.6
Freund S.r.l.	1,469	553	(916)	(62.4)
Order backlog	15,842	17,076	1,233	7.8
Freund Corporation	10,914	9,284	(1,629)	(14.9)
Freund-Turbo	607	762	155	25.6
Freund Inc.	3,479	6,436	2,956	85.0
Freund S.r.l.	841	592	(249)	(29.6)

### Chemical Business Segment: Pharmaceutical Excipients Business

Due to a shortage in pharmaceutical supply, some of our major customers in Japan relocate their production capacity to certain products. This temporarily affected our shipment of pharmaceutical excipients, causing a year-on-year decline in net sales in Japan, but sales in overseas markets remained strong, resulting in a 1.3% increase year-on-year in net sales for this business segment.

### Chemicals Business Segment: Food Preservatives Business

Net sales decreased by 6.0% year-on-year due to various factors, including the impact of some major customers switching to multiple procurement suppliers for business continuity reasons, but remained largely in line with our plans.

### Chemicals Business Segment: Overview of Net Sales and Operating Profit

(¥ million)	FY2023	FY2024	YoY Changes	
				%
Net sales	6,745	6,641	(104)	(1.5)
Pharmaceutical excipients	4,105	4,159	54	1.3
Food preservatives	2,640	2,481	(159)	(6.0)
Operating profit	1,044	809	(235)	(22.4)

\*Operating profit decreased due to non-recurring expenses associated with the update of the new core system.

## FY2025: Overview of Consolidated Financial Forecasts

We are facing greater uncertainty than ever before, and it is difficult to forecast the economic environment. In particular, new policies on tariffs imposed by the United States have led to intensifying global trade friction, forcing many manufacturers to rebuild their supply chains. In addition, we believe that downward pressure on the global macroeconomy poses a risk of weighing on the Japanese economy, and that the macroeconomic environment remains unpredictable, with exchange rates and stock prices fluctuating sharply.

Considering the current business environment and the measures being implemented in response to it, the financial forecasts for FY2025 are that consolidated net sales will reach a record high for the third consecutive fiscal year, driven by continued strong performance in the domestic machinery business as well as growth led by F America. As for consolidated operating profit, non-recurring expenses related to the introduction of the core system will no longer be incurred. Furthermore, with F Italy expected to recover from its deficit, we anticipate an increase in profits compared to the previous fiscal year.

### Overview of Results for FY2024 and Forecasts for FY2025

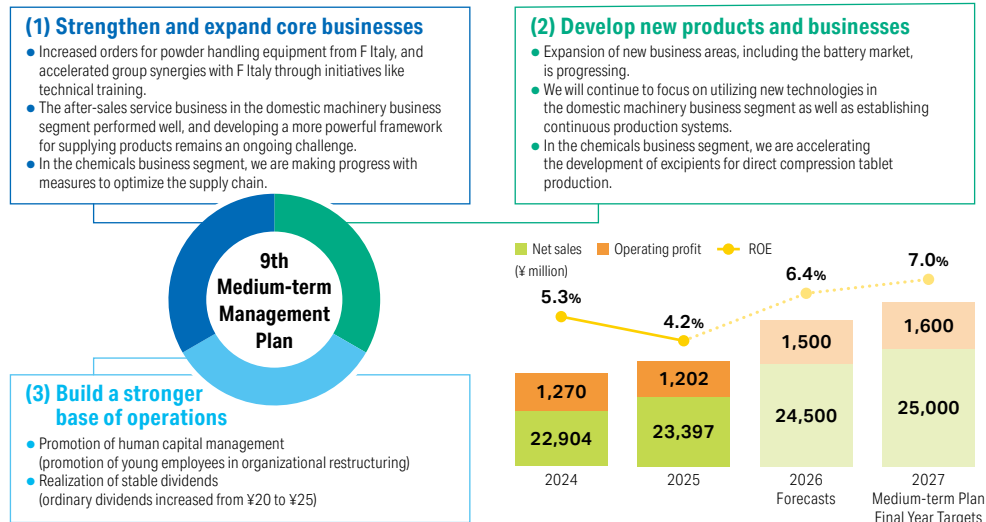
(¥ million)	FY2023 Results	FY2024 Initial Forecasts	FY2024 Results	Changes YoY	Changes vs. Forecasts	FY2025 Forecasts	Changes YoY
Net sales	22,903	23,500	23,397	2.2%	(0.4%)	24,500	4.7%
Operating profit	1,270	1,100	1,201	(5.4%)	9.2%	1,500	24.8%
Ordinary profit	1,285	1,100	1,219	(5.1%)	10.8%	1,500	23.0%
Profit attributable to owners of parent	764	770	637	(16.7%)	(17.3%)	1,000	56.8%
EPS (¥)	45.46	45.76	37.71	(17.0%)	(17.6%)	59.14	56.8%
DPS (¥)	20.00	25.00	25.00	25.0%	—	25.00	—
Capital investment	732	—	380	(48.1%)	—	—	—
Depreciation	539	—	662	22.8%	—	—	—
R&D expenses	634	—	748	18.0%	—	—	—
ROE	5.3%	5.0%	4.2%	(1.1pp)	(0.8pp)	6.4%	1.2pp
Exchange rate (yen/dollar)	143.22	140.00	152.66	Yen down 9.44 yen	Yen down 12.66 yen	145.00	Yen up 7.66 yen



## Progress of the 9th Medium-term Management Plan

Our 9th Medium-term Plan focuses on three key initiatives: (1) strengthen and expand core businesses, (2) develop new products and businesses, and (3) build a stronger base of operations. The following is an update on the progress of key initiatives for FY2024.

### Upon Completion of the First Year of the 9th Medium-term Management Plan



### Accelerating the Creation of Group Synergies

In April 2024, to mark the 60th anniversary of our founding, we changed the names of our two Group companies in the United States and Italy to “Freund Inc.” and “Freund S.r.l.,” respectively, and unified the logo across the entire Group in order to unify the “FREUND” brand across the globe. This has fostered a sense of unity within the Group, and new initiatives between Group companies are beginning to take shape.

Our first major action took place at ACHEMA 2024, the world’s largest chemical equipment trade fair, which was held in Frankfurt, Germany, in June 2024. Our Company, F America, and F Italy gathered under the “FREUND” logo to exhibit jointly and widely promote our products to customers and distributors around the world.

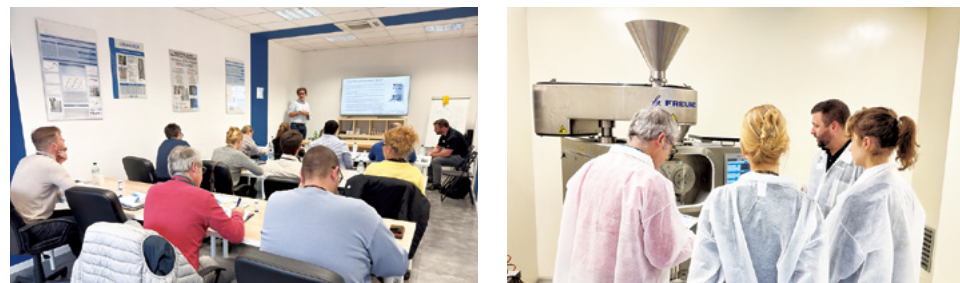
On the manufacturing side, our engineers provided technical guidance in Italy for a coating machine that was not included in F Italy’s product lineup, enabling F Italy to begin manufacturing the machine. In addition, efforts are underway to actively utilize F Italy’s manufacturing capability for the entire group, such as F Italy manufacturing small laboratory equipment, which are among F America’s top-selling laboratory equipment.

There is also active exchange of personnel and technical information between F America and F Italy. On the technical side, F America’s technical support team received training to support F Italy’s products, and F Italy’s engineers visited the United States to provide support for verifying

proper operation of the company’s equipment. We are also promoting collaboration in sales by holding joint seminars for customers.

In the non-pharmaceutical product field, where F Turbo is strong in machinery equipment for secondary batteries, collaboration between this company and F America has begun, and efforts to accelerate the creation of group synergies are being strengthened in new market development areas as well.

### Scene from a customer seminar held by F America at F Italy (Milan)



### Domestic Machinery Business Segment: Strengthening the After-sales Service Business

In response to the shortage of pharmaceuticals, there is still a high demand for productivity improvement, quality improvement, and automation in the pharmaceutical industry. There is also a growing need for after-sales services to ensure stable operations. We have established a new Service Engineering Department within our Machinery Business Headquarters as a dedicated maintenance division to provide maintenance services that ensure the stable operation of our customers’ machinery equipment.

Due to the growing demand for equipment upgrades, we are in the process of introducing a large number of our machinery equipment, and we intend to expand our after-sales service business by implementing an organized response. Production stoppages due to mechanical equipment malfunctions can pose a significant risk to our customers. Rather than taking a passive approach of dispatching personnel in response to our customers’ requests, we plan to build up our business by implementing maintenance based on preventive maintenance proposals using regular diagnostic data.

### Domestic Chemicals Business Segment: Promotion of Supply Chain Optimization

In the pharmaceutical excipients business, we have decided to cancel the construction of a new factory, which was a pillar of the 9th Medium-term Plan. However, we are considering expanding production lines in existing buildings in order to execute our growth strategy. In addition to improving production efficiency, we aim to build a production base that can respond to diverse customer needs by achieving flexibility that enables multi-product production. Furthermore, from the perspective of maintaining stable supply and promoting environmentally friendly

operations, we plan to open a new warehouse in eastern Japan, in addition to our existing warehouse in western Japan, thereby establishing two site system.

In the food preservatives business, we have reviewed our warehouse logistics in response to the 2024 problem in Japan's logistics, which is causing cost increases and longer lead times for delivery. By setting up distribution centers near our production sites, we have built a logistics network that delivers products to our customers quickly, while also reducing costs. As for our production base, we are working with machinery manufacturers to improve the production capacity of our existing machines with the aim of stabilizing production by FY2026.

## Issues Identified through New Initiatives

As a new initiative to achieve the 9th Medium-term Plan, we have established a Medium-term Management Plan Promotion Committee to manage its progress. Through these activities, the issue of the shortage of engineers in the field has once again become apparent.

### Strengthening Human Resource Acquisition and Development

Although the shortage of human resources is not a problem unique to our company, considering our current order situation, securing human resources is an urgent issue. This is why we are also working on recruitment through referrals, where our employees introduce potential candidates from their personal networks. We have already hired several new employees through this initiative and are developing them through a mentor system centered around on-the-job training.

The shortage of human resources is also an issue for our customers. Enhancing production capacity through equipment expansion may result in dysfunction unless accompanied by the development of human resources. From a long-term perspective, this could lead to a decline in demand for our products, so as a new initiative to support our customers' human resource development, we held a "FREUND Technical Seminar" at the Hamamatsu Technical Center. This seminar is planned and run by young members of the TS (Technical Services) Section, and has been well received by participants, so we plan to continue holding it on an ongoing basis.

### Promoting Collaboration and Innovation

Because our expertise lies in the highly specialized fields of granulating and coating, we have a tendency to think inward. Whether developing new products or modifying and improving existing ones, I have always believed that incorporating perspectives from outside the company leads to new ideas. I have traditionally played a central role in promoting collaborative efforts, but I would like to encourage those working on the front lines to take a more active role in collaboration, and to work with other companies and customers to create innovation by drawing on our technologies and exploring various approaches.

In FY2024, we held our first "in-house business contest." This contest was held with the purpose of promoting employee growth and motivation, discovering talented individuals, and so on. Ideas were solicited on the two themes of new business opportunities and operational efficiency, and despite this being the first time the contest was held, we received many entries.

Going forward, we expect to see proposals that go beyond internal perspectives and include new business models based on collaboration with external parties and business efficiency improvements that involve our customers.

## To Our Stakeholders

On April 22, 2024, thanks to the support of our shareholders and many other stakeholders, our company celebrated its 60th anniversary. Once again, I would like to express my sincere gratitude to everyone. Although plans to construct a new pharmaceutical excipient factory at the Hamamatsu Office have been cancelled, we are focusing all of our management resources on addressing the shortage of pharmaceutical supplies, which is a major societal issue in Japan.

Although the shortage of pharmaceuticals is expected to continue for the next few years, we will continue to promote initiatives to strengthen our overseas business while persistently keeping in mind a focus to resolving the issue in Japan. We will steadily establish a foundation for accelerating the creation of synergies between Group companies by maximizing the utilization of each company's business foundation and developing products tailored to the needs of each market, thereby accelerating our global business expansion.

In the non-pharmaceutical field of the machinery business segment, F Turbo is also developing promising businesses, and we will steadily promote the "strengthening and expansion of core businesses" across the entire Group with the aim of realizing "ONE FREUND & BEYOND".

The pharmaceutical industry possesses characteristics that make rapid growth difficult, such as long development periods and the significant time and cost required to modify approved drugs. We operate our business under these industry characteristics. On the other hand, due to rapid changes in the external environment, I feel that there is a certain gap in perception between the pace of growth demanded by the stock market and the time frame necessary for the Group to achieve steady growth through its business activities. In order to close this gap, I firmly believe that engaging in dialogue with the stock market is more important than ever.

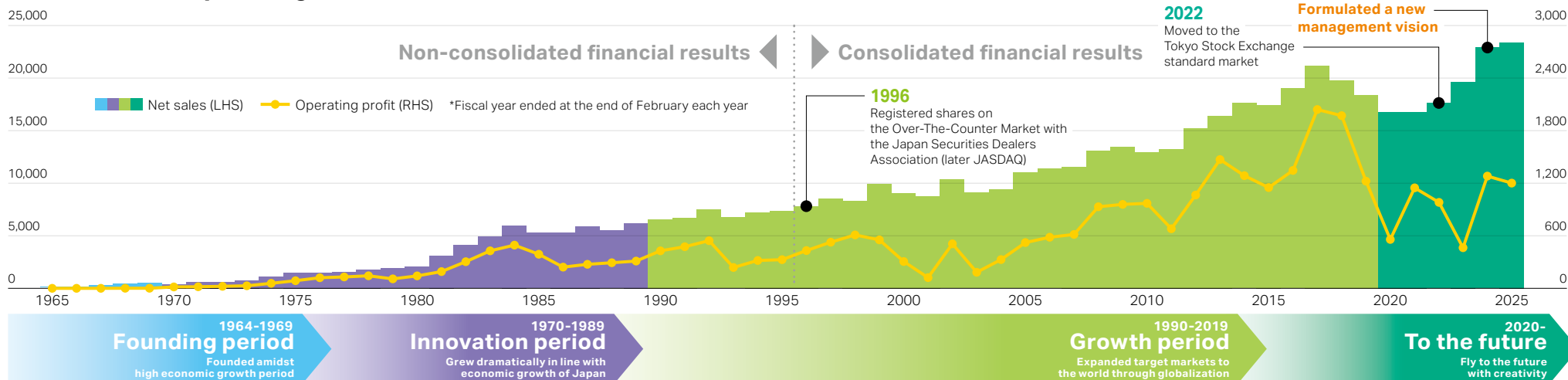
Considering the current uncertainty in the business environment, we have decided to postpone the announcement of our initiatives aimed at realizing management that takes into account capital costs and stock prices, as we believe that careful consideration is necessary regarding these efforts. We will instead focus more than ever on activities aimed at the capital markets, including IR activities, in order to ensure a thorough understanding of the Group.



# HISTORY of FREUND GROUP

Focusing on film coating technologies for tablets, we were the first in the world to successfully develop "automated film coating machine" and "film coating liquid." Since our foundation in 1964, FREUND CORPORATION has followed a path as a research and development-oriented company based on granulation/coating technologies, under the corporate philosophy of "Develop the Future through Creativity." We will continue to focus on developing technologies that are truly indispensable around the world.

## Net Sales and Operating Profit Trends (¥ million)



## Group Development

- |  |   |  |   |  |
|--|---|--|---|--|
| <b>1964</b> Established in Kanda Tsukasamachi, Chiyoda-ku, Tokyo   | <b>1975</b> Signed agency agreement with Vector Corporation (USA)           | <b>1992</b> Established the "Hamamatsu Plant/ Hamamatsu Technology Development Research Center" in Hamamatsu City, Shizuoka Prefecture | <b>2010</b> Established Freund Pharmatec Ltd. in Ireland (transferred business to Sigmoid Pharma Ltd. (Ireland) in February 2016) | <b>2020</b> Acquired Cos.Mec S.r.l. (Italy) (currently Freund S.r.l.)  |
| <b>1980</b> Established Freund Kasei Corporation in Urawa City, Saitama Prefecture (currently Saitama City) (merged in March 2014) | <b>2010</b> Acquired Turbo Corporation (currently Freund-Turbo Corporation) | <b>1997</b> Acquired Vector Corporation (U.S.) (currently Freund Inc)  | <b>2019</b> Established joint venture company Parle Freund Machinery Private Limited (India)                                      | <b>2021</b> Established joint venture company Freund-Chineway Pharmaceutical Technology Center Co., Ltd. (China) |

## Machinery Business

- |   |  |   |   |  |
|---|--|---|---|--|
| <b>1964</b> Developed and launched testing machine "FM-2 model" and manufacturing machine "FM-5 model" for automated film coating machine | <b>1971</b> Developed and launched automated sugar and film coating machine "HICOATER" | <b>2000</b> Developed and launched centrifugal rolling granulation and coating machine "GRANUREX" | <b>2016</b> Developed and launched tablet imprinting machine "TABREX Rev."                | <b>2020</b> Developed and launched data integrity system "Smart DI"  |
| <b>1969</b> Developed and launched fluid bed granulation, coating and drying machine "FLOW COATER"  | <b>1988</b> Developed and launched film coating machine "AQUA COATER"                  | <b>2008</b> Developed and launched new tablet coating machine "HICOATER FZ"                       | <b>2018</b> Developed and launched continuous granulation and drying system "Granuformer" | <b>2021</b> Developed and launched tablet coating machine "HICOATER HV" and tablet automatic coating tool "TACT" |

## Chemical Business

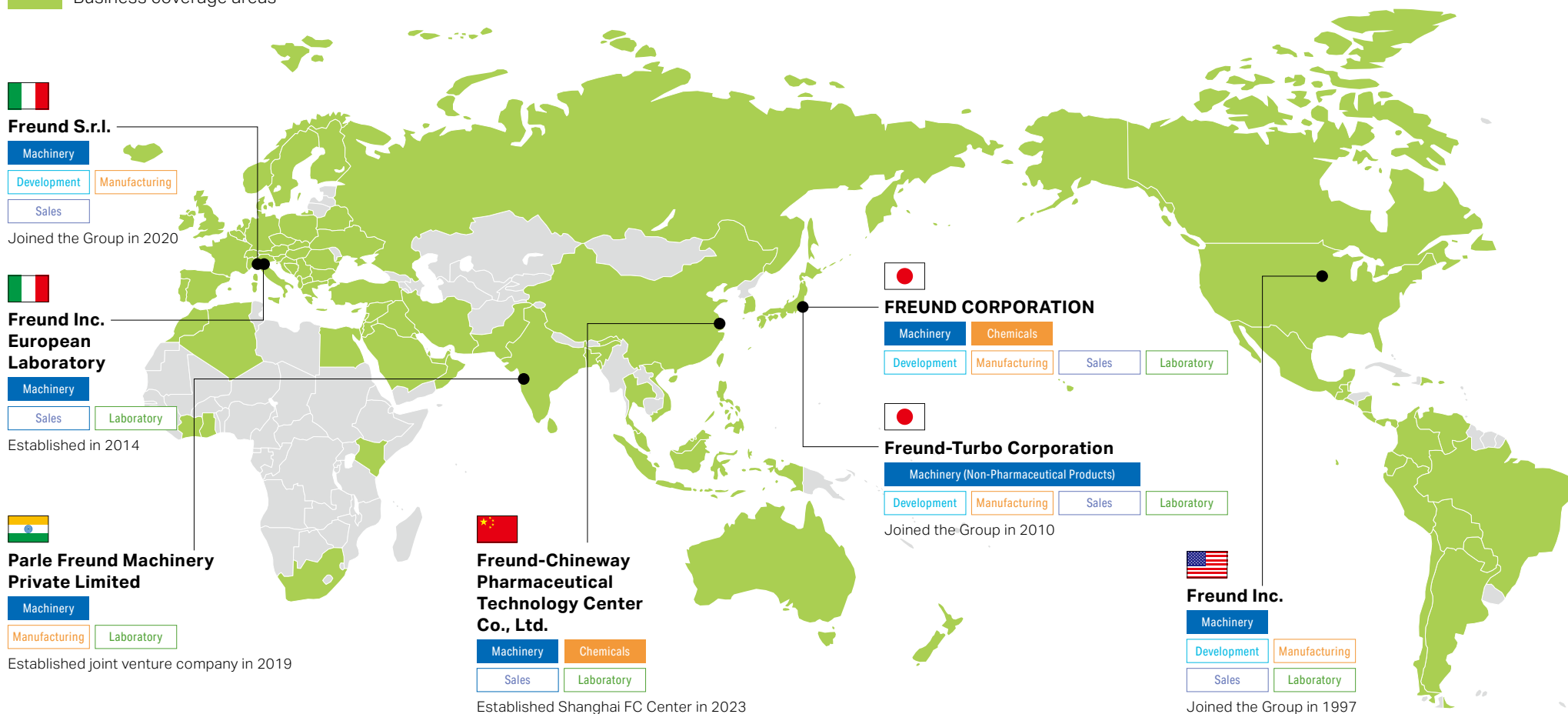
- |  |   |   |  |   |
|--|---|---|--|---|
| <b>1964</b> Developed and launched film coating liquid for pharmaceuticals "FC-101" and "EC-101" | <b>1975</b> Developed and launched pharmaceutical excipient "Dilactose"                 | <b>2002</b> Developed and launched ethanol evaporation sustained food preservatives "Antimold Tender" | <b>2011</b> Developed and launched coating solution designed for large intestine drug delivery "Chitocoat"   | <b>2023</b> Developed and launched environmentally friendly food preservatives "Antimold-Mild EF" |
|  | <b>1978</b> Developed and launched food preservatives "Antimold-102"                    | <b>2008</b> Developed and launched spherical granule pharmaceutical excipient "NONPAREIL-108"         | <b>2013</b> Jointly developed "SmartEx," direct compression use excipient specially designed for orally disintegrating tablets, with Shin-Etsu Chemical Co, Ltd. | <b>2024</b> Developed new core particle "Nonpareil-MM" for pharmaceutical formulations            |
|  | <b>1987</b> Developed and launched multiple function type food preservatives "Negamold" |   |  |   |



# GLOBAL NETWORK of FREUND GROUP

Our Group's global network in the pharmaceutical product field now consists of a five-pillar-structure, i.e. Japan, the U.S., Italy, India and China. The addition of manufacturing sites in Italy and India to the 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 formulation machines and excipients 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. By pursuing group synergy, we aim to expand our global market share. The business domains developed at each site and the functions of each site are as follows.

Business coverage areas

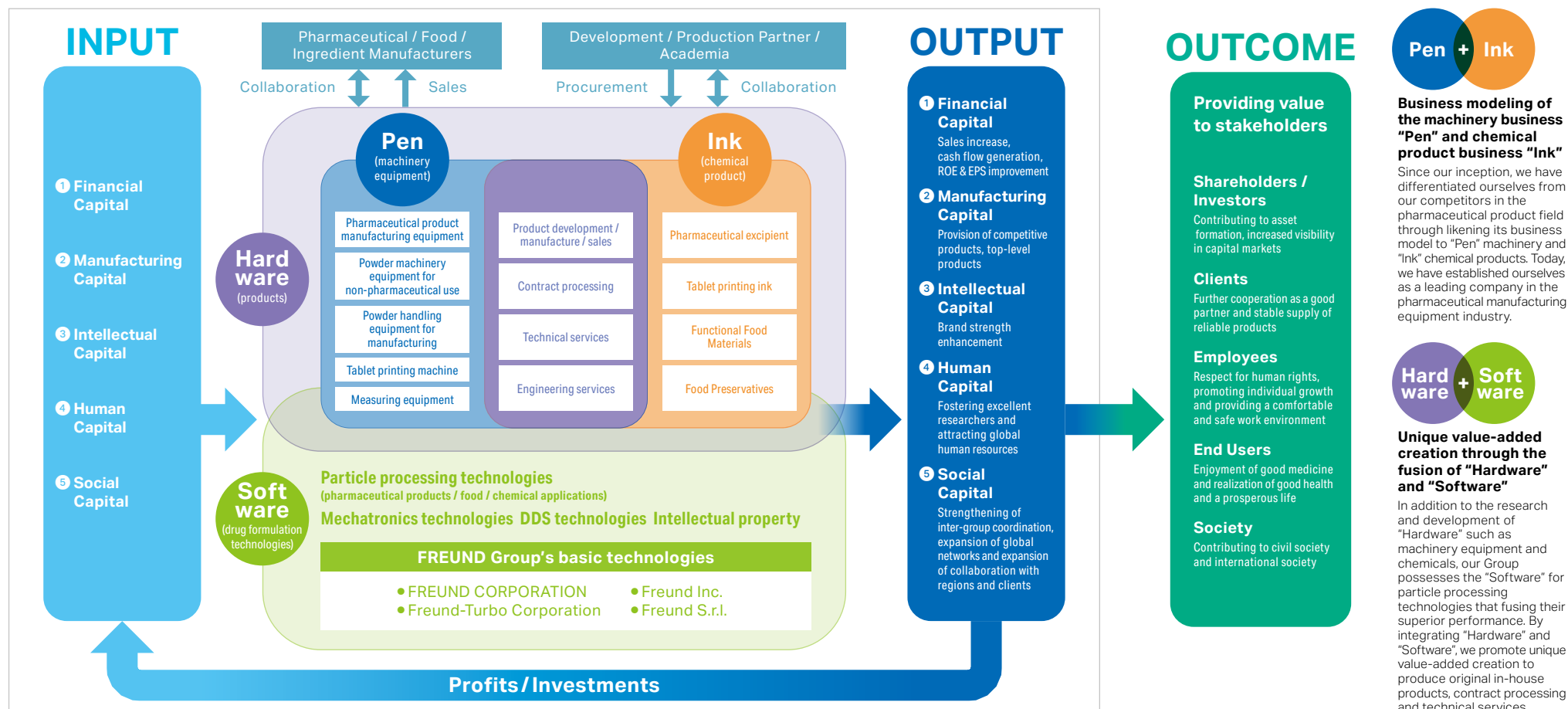


# VALUE CREATION CYCLE of FREUND GROUP

We are a unique research and development-oriented group of companies 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 fields such as food and industrial applications, we have added powder handling equipment used in the ancillary processes for pharmaceutical products to our business domain and are promoting global business activities. Furthermore, we will continue to take on the challenge of realizing sustained growth based on our management vision, for example, by strengthening unique engineering services to solve 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).

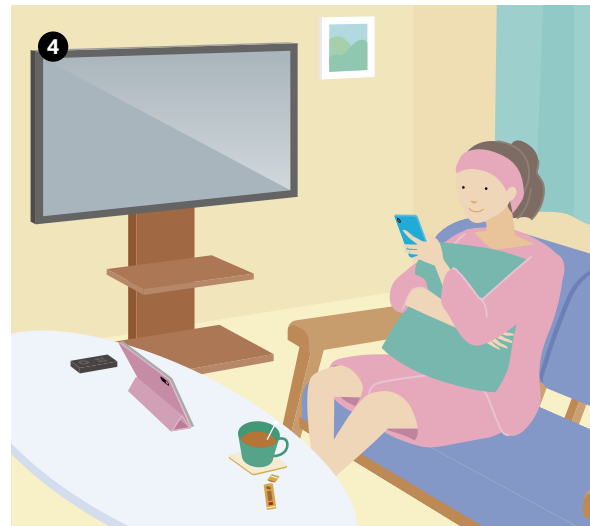
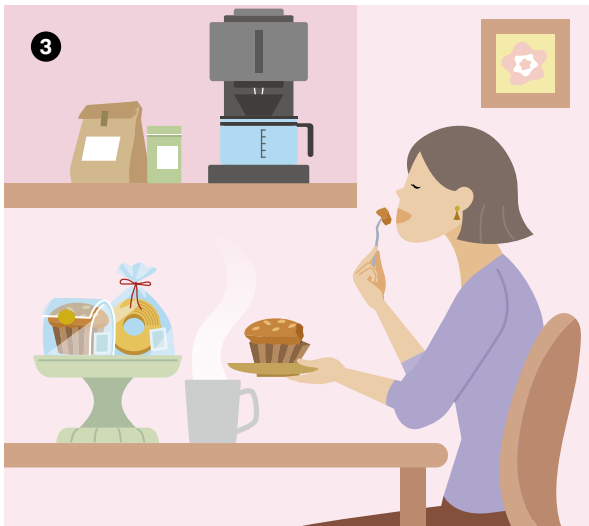
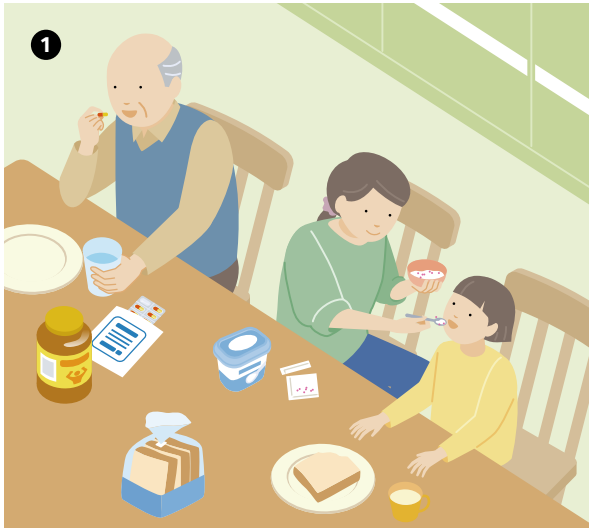


\*DDS technology (drug delivery system technology): Technology designed to deliver drugs to specific target sites in the required amount and at the appropriate time

# FREUND GROUP

## HERE and THERE

Get to know FREUND in 5 minutes ▶



## FREUND in Daily Life

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 people's health and everyday well-being.



### Medicines and Supplements (Tablets, Capsules, etc.)

Our technologies are utilized in various functions, such as masking the bitterness of medicines to make them easier to take, dissolving them in the mouth to deliver the active ingredients to the desired part of the body, and regulating the time it takes for the active ingredients to be absorbed into the body.



### Instant Noodles (Powdered Soup)

Our powder granulation technology is used to make powdered soup for instant noodles and cup soups that can quickly dissolve in hot water.



### Baked Sweets (Small Packets Labeled "Do Not Eat")

These small packets are often found in products sold at convenience stores and supermarkets, as well as in souvenir sweets. Our technology protects foods from mold and bacteria while preserving their freshness, ensuring that they reach consumers safely and securely.



### Electrical Appliances (Plastic, Lithium-ion Batteries, etc.)

Our pulverizing technology is used in powders for cathode and anode materials in lithium-ion batteries as well as pellets for plastic products used in televisions and other electronic appliances.



### Instant Stick Coffee

Our technology is utilized not only to make products dissolve easily in the same way as powdered soup, but also to evenly distribute and blend the coffee and milk contents in products such as café lattes.



**Hiroaki Sekiwa**  
Director  
Division Director, Corporate  
Administration Division

## FY2024: Summary of Business Results

\* For an overview of consolidated financial results for FY2024 and consolidated financial forecasts for FY2025, please refer to the "Top Message" on pages 2-6.

Consolidated net sales for FY2024 reached ¥23,397 million, marking a record high for the second consecutive fiscal year following FY2023. In response to increased demand for equipment to address the shortage of pharmaceutical supplies, mainly from domestic generic drug manufacturers, the domestic machinery business drove performance, but with differences in terms of details.

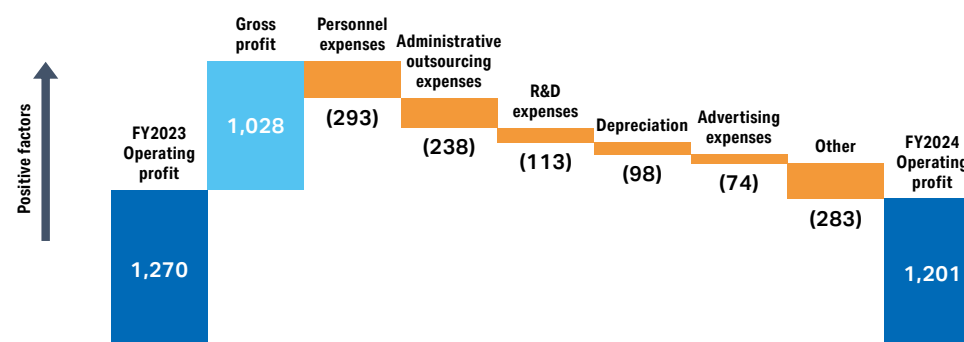
In FY2023, Freund Inc. (hereinafter "F America") recovered from the business downturn caused by the COVID-19 pandemic, and the pharmaceutical excipients business also recorded its highest-ever net sales, with all three companies in Japan, the U.S., and Europe performing well for the first time. On the other hand, during FY2024, while overseas subsidiaries of F America and Freund S.r.l. (hereinafter "F Italy") each experienced a decline in net sales, the domestic machinery business made efforts to ship products early in cooperation with partner companies, and strengthened its after-sales service, which is a key strategy of the 9th Medium-term Management Plan (hereinafter "9th Medium-term Plan"). This resulted in growth for the domestic machinery business, offsetting the decline in overseas sales and resulting in a new record high in net sales compared to FY2023.

Although F Italy's performance declined significantly, the creation of synergies, which is a key strategy in the Medium-term Plan, is accelerating through the unification of the FREUND brand, and F America is selling F Italy's powder handling equipment, with orders received for this equipment more than doubling.

Ideally, we would like all three companies in Japan, the U.S., and Europe to perform well, but we believe that the strength of a five-pillar-structure, including India and China, lies in their mutual ability to cover for each other. Domestic net sales offset the decline in overseas net sales, but in terms of orders received and order backlog, F America covered the decline in domestic net sales. In addition, powder handling equipment contributed significantly to orders received and order backlog at F America.

In terms of profits, gross profit increased by ¥1,028 million year-on-year, mainly due to increased net sales in the domestic machinery business. Meanwhile, SG&A expenses increased by ¥1,098 million year-on-year due to an increase in personnel expenses, an increase in administrative outsourcing expenses associated with the renewal of core systems, and an increase in advertising expenses for joint participation by three companies in overseas exhibitions. As a result, operating profit decreased by ¥68 million year-on-year to ¥1,201 million.

### Analysis of Change in Consolidated Operating Profit (¥ million)



## FY2024: Overview of Financial Position

Total assets at the end of FY2024 increased by ¥769 million from the end of FY2023 to ¥26,559 million. The main factor was a ¥1,699 million increase in inventories to be shipped in the next fiscal year. In terms of liabilities, contract liabilities increased by ¥1,309 million due to an increase in order backlog. The equity ratio remains high at a level of 58%.

## Overview of the Consolidated Balance Sheet

Assets				Liabilities and Shareholders' Equity			
(¥ million)	Feb. 29, 2024	Feb. 28, 2025	Changes	(¥ million)	Feb. 29, 2024	Feb. 28, 2025	Changes
Current assets	18,537	19,648	1,111	Current liabilities	9,920	10,411	491
Cash and deposits	4,736	5,152	415	Trade payables	3,881	3,104	(776)
Trade receivables	7,058	6,226	(831)	Short-term borrowings	515	108	(406)
Inventories	5,815	7,515	1,699	Contract liabilities	3,932	5,241	1,309
Other assets	926	754	(171)	Other liabilities	1,592	1,956	364
Non-current assets	7,252	6,910	(341)	Non-current liabilities	845	710	(134)
				Total net assets	15,023	15,437	413
Total assets	25,789	26,559	769	Total liabilities and net assets	25,789	26,559	769

## Overview of Consolidated Cash Flows

(¥ million)	FY2023	FY2024
<b>Cash flows from operating activities</b>	<b>2,368</b>	<b>1,750</b>
Profit before income taxes	1,101	1,114
Depreciation	539	662
Decrease (increase) in trade receivables	(1,380)	851
Decrease (increase) in inventories	95	(1,706)
Increase (decrease) in trade payables	1,085	(780)
Increase (decrease) in contract liabilities	887	1,327
Income taxes paid	(267)	(510)
<b>Cash flows from investing activities</b>	<b>(739)</b>	<b>(459)</b>
Purchase of property, plant and equipment	(348)	(254)
Purchase of intangible assets	(391)	(61)
<b>Cash flows from financing activities</b>	<b>(874)</b>	<b>(855)</b>
Short-term borrowings	(450)	(417)
Cash dividends paid	(333)	(336)
Net increase (decrease) in cash and cash equivalents	819	415
Cash and cash equivalents at end of period	4,736	5,152
<b>Free cash flow</b>	<b>1,628</b>	<b>1,290</b>

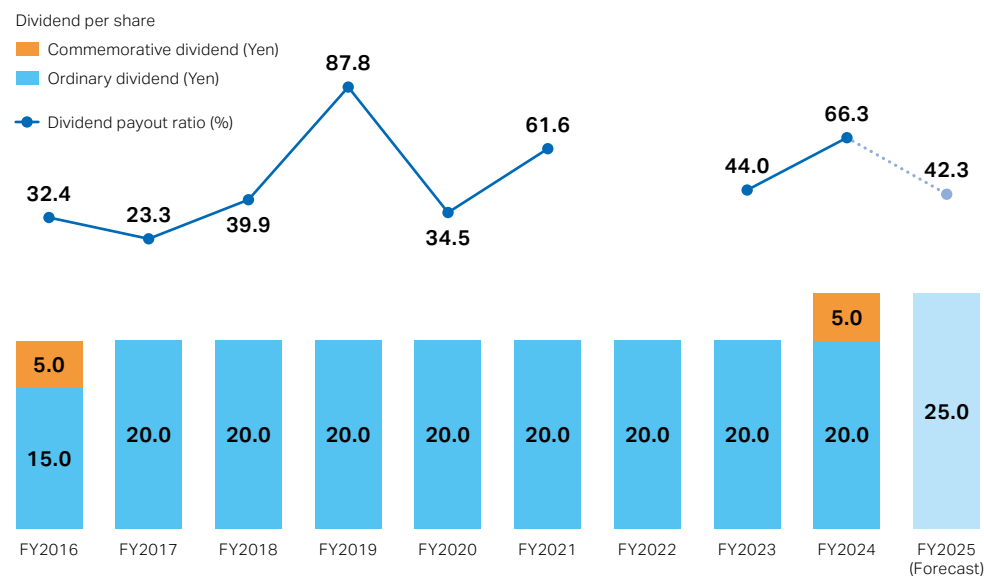
In consolidated cash flows, profit before income taxes of ¥1,114 million contributed to an increase in net cash provided by operating activities of ¥1,750 million. Free cash flow amounted to ¥1,290 million due to investment funds for the acquisition of property, plant and equipment, repayment of short-term borrowings, and dividends paid. The balance of cash and cash equivalents at the end of FY2024 increased by ¥415 million from the end of FY2023 to ¥5,152 million.

## Basic Policy on Shareholder Return

We regard maximizing shareholder value as our most important management priority. We aim to strengthen our corporate structure to respond flexibly and appropriately to changes in the business environment, invest in growth, and distribute profits to our shareholders.

Regarding profit distribution, we aim for a consolidated dividend payout ratio of 30%, but we have maintained dividends even when consolidated profit losses were recorded, and have never reduced ordinary dividends. The dividend for FY2024 is ¥25 per share, consisting of a regular dividend of ¥20 per share and a special dividend of ¥5 per share in commemoration of the 60th anniversary of the Company's founding (consolidated dividend payout ratio: 66.3%). For FY2025, we plan to increase the ordinary dividend from ¥20 to ¥25 as part of our shareholder return policy, by adding a commemorative dividend of ¥5 (consolidated dividend payout ratio: 42.3%).

## Trends in Dividends and Dividend Payout Ratio



Note: Dividend payout ratio for FY2022 is not available due to loss attributable to owners of parent. Commemorative dividends were paid in FY2016 for the 20th anniversary of the exchange listing of Freund stock and in FY2024 for the 60th anniversary of Freund's establishment.



During FY2024, interest in capital investment to address drug shortages remained strong in the pharmaceutical industry, and we, along with our partner companies and construction companies, remained busy dealing with such capital investment. Amid such business conditions, we took measures to deliver and launch new equipment ahead of schedule. We also provided new products that significantly improved productivity and systems that automated manual operations, thereby contributing to our customers' productivity, quality improvements and automation. Going forward, we will continue to strengthen our after-sales service to ensure stable operation and contribute to improving the manufacturing quality of our customers. Here, we spoke with a major manufacturer of generic drugs, which have become part of our social infrastructure, about the current status of their initiatives to address the pressing social issue of pharmaceutical shortages.

## Sawai Pharmaceutical Co., Ltd.

### Mr. Teruo Araki

Factory Manager, Daini Kyushu Factory

Your manufacturing equipment is utilized extensively in all of our factories, and we currently have various equipment in operation, including fluidized bed granulators. Your equipment is integral to ensuring the stable production of high-quality pharmaceuticals. Therefore, we installed 11 fluidized bed granulation dryers, two CF granulators, and four tablet film coating machines in the new solid dosage facility at the Daini Kyushu Factory, which was completed in July 2024. We also plan to install an additional three fluidized bed granulation dryers and three tablet film coating machines.

The reason behind this decision lies in the fact that your company's equipment not only offers excellent performance in terms of stable operation, but that you also respond quickly in the event of any problems, providing us with tremendous support in ensuring stable supply. Currently, we are striving to improve the operating rate of our new solid dosage facility and maintain stable production at our existing facilities in order to respond to the shortage of generic drugs.

We look forward to your continued efforts in maintaining and improving your equipment technology and promptly responding to equipment malfunctions in emergencies, so that we can work together to ensure a stable supply of pharmaceuticals.

#### A variety of our equipment in operation at Sawai Pharmaceutical's Daini Kyushu Factory



Fluidized bed granulation dryer



CF granulation machine



Tablet film coating machine

## Towa Pharmaceutical Co., Ltd.

### Mr. Takayuki Kanno

Operating Officer, Senior Plant Manager, Yamagata Plant

Domestic generic drugs account for over 80% of the market by volume and have become an important part of our social infrastructure. As a generic drug manufacturer, we are actively investing in the construction of new buildings and the introduction of new equipment to increase production in order to fulfill our responsibility for maintaining a stable supply. We plan to achieve an annual production capacity of 17.5 billion tablets at our three plants by the fiscal year 2026.

We use a wide variety of production equipment at our manufacturing plants, but among them, fluidized bed granulators for granulating powders and film coating machines for coating tablets are particularly important for ensuring the quality of our pharmaceutical products.

The reasons why we have chosen to introduce so many of these important pieces of equipment from your company include the fact that you are able to provide equipment that meets our specifications, offer appropriate maintenance proposals, and respond quickly to malfunctions and other issues.

We look forward to the development of automation and unmanned equipment that will enable us to realize our ongoing smart factory initiatives. And we also look forward to continuing our long-standing relationship with you for many years to come.

#### A variety of our equipment in operation at Towa Pharmaceutical's Yamagata Plant



Fluidized bed granulation dryer



Centrifugal rolling granulation and coating machine



Tablet film coating machine

## We will take advantage of our partnerships within the group and our core technologies to pursue further growth in the next-generation battery and energy markets.



**Masayuki Sadakane**  
Director  
Freund-Turbo Corporation

As developments toward net-zero emissions gain momentum in various sectors of the global market, the automotive industry is expanding its efforts to improve the performance of raw materials used in lithium-ion batteries for automotive applications. Given this trend, there is growing interest in our Company, which provides powder processing technology equipment and contract processing services for non-pharmaceutical product fields, with micro-pulverization, coating, and precision mixing technologies as our core technologies.

The product with the highest demand is "Balance Gran," a surface modification/high-speed mixing device used in the manufacture of lithium-ion battery materials. This is a revolutionary device that can perform mixing, dispersing, blending, granulating, drying, and surface modification all within the same container, and compared to conventional stirring granulation machines, it is inexpensive, capable of large-scale granulation, fine granulation and surface modification, and easy to clean. By replacing the granulation blades with a variety of interchangeable blades, it is possible to handle various raw materials, bulk densities, and particle sizes.

We have been working with an automobile manufacturer for two and a half years, conducting repeated testing and evaluation, which has led to new orders. As a result, we are seeing a growing number of automotive manufacturers both in Japan and overseas introducing our laboratory units, pilot equipment, and prototype machines for use in research and development. As the development of demand for new batteries is expected to continue, one of our key challenges is to establish a robust framework for the future. We are already looking forward to the day, just a few

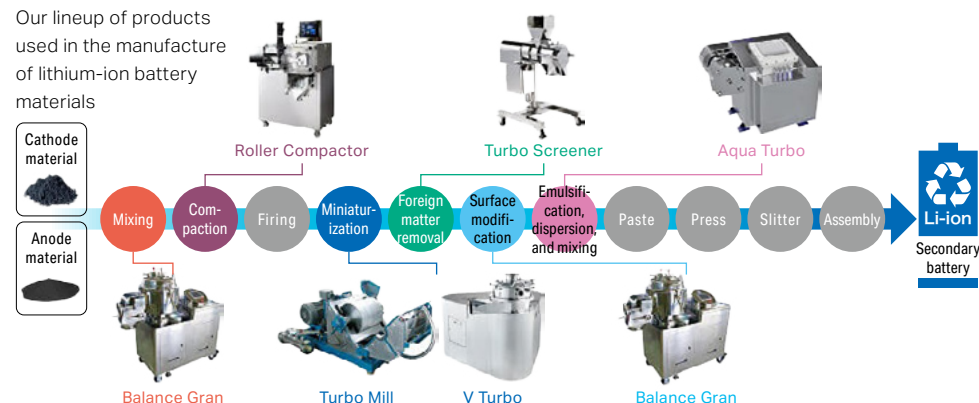
years from now, when vehicles manufactured using our equipment will be driving on public roads.

In addition to automobile manufacturers, we are also in negotiations with battery and battery material manufacturers. Due to export restrictions imposed by China, one of the major producers of natural graphite, material manufacturers are working to produce artificial graphite, which is used as a material for carbon in battery anodes. This has led to strong demand for granulating machines such as our "Roller Compactor" and dry grinding machines such as our "Turbo Mill". We are also working to strengthen our capabilities in this area in response to growing demand for contract processing.

Aside from batteries, we are promoting sales of equipment for materials used in multilayer ceramic capacitors (MLCCs) in the semiconductor field. In addition to the "Balance Gran" and "Roller Compactor," we are also promoting the wet grinding mill "Beads Mill Aqua Turbo TZ" and the fine powder classifier "Turbo Screener".

In overseas markets, we are actively approaching customers mainly in Europe and the United States, but we plan to collaborate with trading companies for sales and with overseas partners for contract processing and testing. We are also strengthening our partnerships with other companies in the FREUND Group. We have begun specific initiatives for information sharing for sales and seminars, and for dividing up sales targets. While our share of the FREUND Group's overall sales is still small at this point, we aim to further strengthen our partnership within our Group and achieve further growth based on the values of "ONE FREUND".

Our lineup of products used in the manufacture of lithium-ion battery materials



## We connect consumers, food manufacturers, and suppliers, work together to develop essential technologies, and continue to provide a stable supply of food preservatives.

During FY2024, the Chemical Division worked to rebuild its production platform to ensure a stable supply of high-quality products and addressed the 2024 logistics issue by promoting modal shifts and optimizing logistics bases. We are also continuing to implement cost reduction measures through the development of environmentally friendly products and improvements in production efficiency. Furthermore, in order to further deepen our response to client needs, we separated and reorganized our pharmaceutical excipients business and food preservatives business in FY2025.

Here, we spoke with Kawamura, General Manager, and Sugita, Deputy General Manager, of the Supply Chain Department about their efforts in the Food Preservatives Division.



**Jun Kawamura** (Right)

General Manager,  
Food Preservatives  
Supply Chain Department

**Misa Sugita**

Deputy General Manager,  
Food Preservatives  
Supply Chain Department

### Pursuing Customer Satisfaction and Value Enhancement through a Stable Supply System

**Kawamura** As one of the leading manufacturers of food preservatives, we have expanded our business by focusing on alcohol evaporation-type food preservatives, which we were the first to develop.

These products, which consist of powdered alcohol packed in small bags, can be included with confectionery and bread products to prevent the growth of mold while maintaining a moist texture. Currently, thousands of food manufacturers nationwide are using our products.

**Sugita** At the Supply Chain Department, we have integrated raw material procurement, production management, manufacturing, and logistics systems to establish a system for the stable supply of food preservatives. We are working with our Sales and Development Divisions to strengthen our relationships with suppliers and partner factories in order to ensure a stable supply of raw materials, reduce costs, and improve our production infrastructure. By working together as “ONE FREUND,” we aim to increase customer satisfaction and further enhance the value of our Company.

### A New Project Has Also Been Launched

**Sugita** In December 2024, we launched a new project. In this project, members from various departments are working together to develop a completely original food preservative that will enable us to take a new step forward as we enter our 61st year as a company.

**Kawamura** We are actively working to solve various issues facing the food industry, such as food loss, through the use of food preservatives, thereby contributing to the sustainability of society as a whole. We firmly believe that these activities fulfill our corporate social responsibility, pass on the spirit of “*mottainai*” (reduce waste) to the next generation, and serve as a foundation for creating new value.

**Sugita** We aim to become a 100-year company and will continue to enhance our organizational capabilities and competitiveness from a supply chain perspective. Through this project, I have come to understand the importance of working together as a team. By collaborating across divisions, we aim to contribute to building an organization that is resilient enough to turn adversity into opportunity.



Food preservatives  
“Antimold-Mild”



Environmentally friendly  
food preservatives  
“Antimold-Mild EF”

We believe that our corporate value lies in fulfilling our social mission through maximizing product quality and services, and we will continue to enhance the group's quality assurance system.



**Yutaka Ebisawa** (Right)

Executive Officer  
Division Director  
Quality Assurance Division

**Chikako Ishigai**

Manager, Excipients Quality  
Assurance Section  
Quality Assurance Division

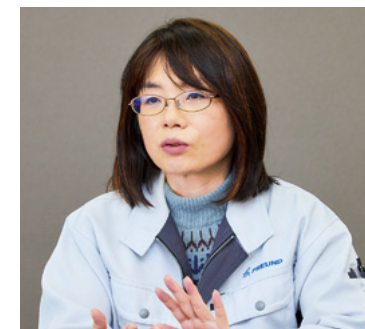
**Ebisawa** The Quality Assurance Division is responsible for coordinating global quality assurance not only within our Company but also across the entire Group. It works proactively to gather information, maintain a broad overview of the situation, participate and provide advice as necessary. The machinery, pharmaceutical excipients, and food preservatives



businesses operated by our Group are subject to different regulations and product supply systems, but all businesses comply with laws and regulations and develop and sell products that meet client needs. Also, since our domestic machinery business is fabless, it is necessary for us to build a comprehensive quality assurance system that covers both internal and external operations, while supporting quality assurance not only for our own company but also for our partner companies. As each Group company has different regional characteristics and areas of expertise, we aim to strengthen our global

quality assurance system while leveraging the unique characteristics of each company.

**Ishigai** Because pharmaceutical excipients are used in pharmaceuticals, they require the same level of manufacturing management and quality control as pharmaceuticals, including the prevention of contamination or mix-ups. In addition to quality of raw material and quality management systems for raw material manufacturers, it consists of a comprehensive process covering a wide range of areas, including our own manufacturing management, quality control, and employee training, and it is necessary to visit each site to confirm these processes in person. Recently, there has been a shift from the compliance-based approach to risk-based management, which manages risks according to their severity, and science-based quality assurance, which makes decisions based on scientific data and evidence. Regulatory science\* is constantly evolving, so it is important to continue acquiring the latest knowledge and skills. In order to improve the level of quality assurance at our Company, we aim to respond to changing laws, regulations, and standards through continuous learning.



\* Regulatory science is "the science of predicting, evaluating and judging quality, efficacy and safety based on scientific knowledge."

**Ebisawa** The food preservative business has diverse needs and standards compared to the pharmaceutical product field, as its main customers are food manufacturers. By providing products that cater to changing client needs driven by the growing awareness of food waste and SDGs, we can build trust and enhance brand value. Quality assurance systems are also key factors in building trust and brand value, and we have a quality management system in place to meet client expectations, including support for quality assurance at our partner companies.

We will continue to improve our quality management system while adhering to high quality standards and laws and regulations, by always taking the client's perspective and responding flexibly to changes in the business environment. Furthermore, we are committed to improving our quality assurance system to ensure customer satisfaction.



## We will contribute to improving the competitiveness of the Group as a whole through collaboration between each company toward the realization of our long-term vision, “ONE FREUND & BEYOND”.

In FY2024, Freund Inc. (U.S.) achieved record-high orders received and order backlog by capturing demand in North America, Central and South America, Europe, and the Middle East. We spoke with Jamie Frizzell, who oversees the Global Business Development team, about the current state of the company’s global network, its growth strategy in the global market, and the current status and future of collaboration between Group companies under the unified brand name.



### Jamie Frizzell

**Vice President  
Global Business Development  
Freund Inc.**

In 1994, Jamie joined FREUND-VECTOR CORPORATION, the predecessor of the current company, and worked as a control engineer responsible for the automation of machinery equipment. Subsequently, he served as an Engineering Project Manager and Technical Sales Manager before becoming Vice President of Global Business Development Division in 2023.

## Role and Market Coverage of Global Business Development

Our Global Business Development team is responsible for sales, after-sales service, and marketing in countries around the world. The organization I oversee includes global sales, technical sales, and marketing teams in the U.S., as well as sales teams outside the U.S. Under this structure, we have appointed sales managers in the U.S., Canada, Central and South America, Europe, the Middle East, and North Africa.

## Strengths and Competitive Advantages of Freund Inc.

I believe that our competitive advantage in the market lies in our product quality and comprehensive service capabilities. In the markets where we operate, there are emerging companies from countries such as India and China that compete with very low prices, but these companies cannot offer added value other than price. They are unable to demonstrate their

processes due to a lack of laboratory facilities. They do not have the personnel available to provide after-sales service after their products are delivered. This is the case in most instances.

In response to this, we deploy engineers and service bases not only in the U.S. but also in South America, Europe, and Asia, enabling us to support our corporate customers on a global scale. Our staff in each region can respond quickly and provide follow-up support from the proposal stage of the device through testing and demonstration, and even after delivery. I would say that this comprehensive support is one of our greatest strengths. Customers value not only the equipment itself but also long-term partnerships, so they tend to appreciate our reliable support capabilities. As a result, many customers choose to do business with us with these long-term partnerships in mind.

Although we are a global company, we are a relatively small organization with approximately 100 employees. In my team, sales and technical sales members in each region work closely together to quickly share information across time zones and language barriers. As a result, I feel that we are able to demonstrate competitiveness that is on par with other companies in terms of the speed of our client response and the detail of our proposals. Going forward, we plan to further refine our technical service capabilities and mobility, concentrate our management resources on high value-added projects that are less susceptible to price competition, and thoroughly implement a strategy of “beating the competition through quality.”

## FY2024: Review of Business Activities

In FY2024, demand for equipment in the U.S. and Central and South America was strong, and both orders received and order backlog reached record highs. Brazil, in particular, has demonstrated a strong presence with active government-led investment in pharmaceutical production. Looking at the Central and South American market as a whole, Brazil is emerging as a major center for generic drug production, and we expect this market to continue to be a key driver of growth for our business in FY2025 and beyond.

The European and Middle Eastern markets remained steady, although they did not show the



same momentum as North America and Central/South America. In Europe, excluding Germany, where major competitors are concentrated, we secured substantial orders in Italy, the UK, Poland, and other countries. In the Middle Eastern market, investment projects stagnated due to political instability among other factors, but we delivered several large projects and received inquiries that will lead to orders in FY2025.

In 2024, we made internal preparations in collaboration with Japan and Italy to unify the brands of all Group companies under the name "FREUND." As a result, I feel that the Group's collective efforts have been successful in terms of sales. In addition, as we have been working to secure new orders for FY2025 from an early stage, and as of the end of FY2024, we are confident that we will be able to achieve our net sales plan for FY2025.

## Strengthening Initiatives with a View to FY2025 and Beyond

Judging from the current status of orders, it is possible that we will achieve a high level of net sales in FY2025. The sales team is already actively working on securing orders for the next fiscal year. On the other hand, there is a risk that an extension of orders will delay delivery and cause delays for customers. In addition to enhancing our project management, we are also working to standardize our manufacturing schedules to ensure that we meet our delivery deadlines. Fortunately, no major delays have occurred at present, and suppliers are cooperating to increase production, so we expect to be able to steadily reduce the order backlog for FY2025.

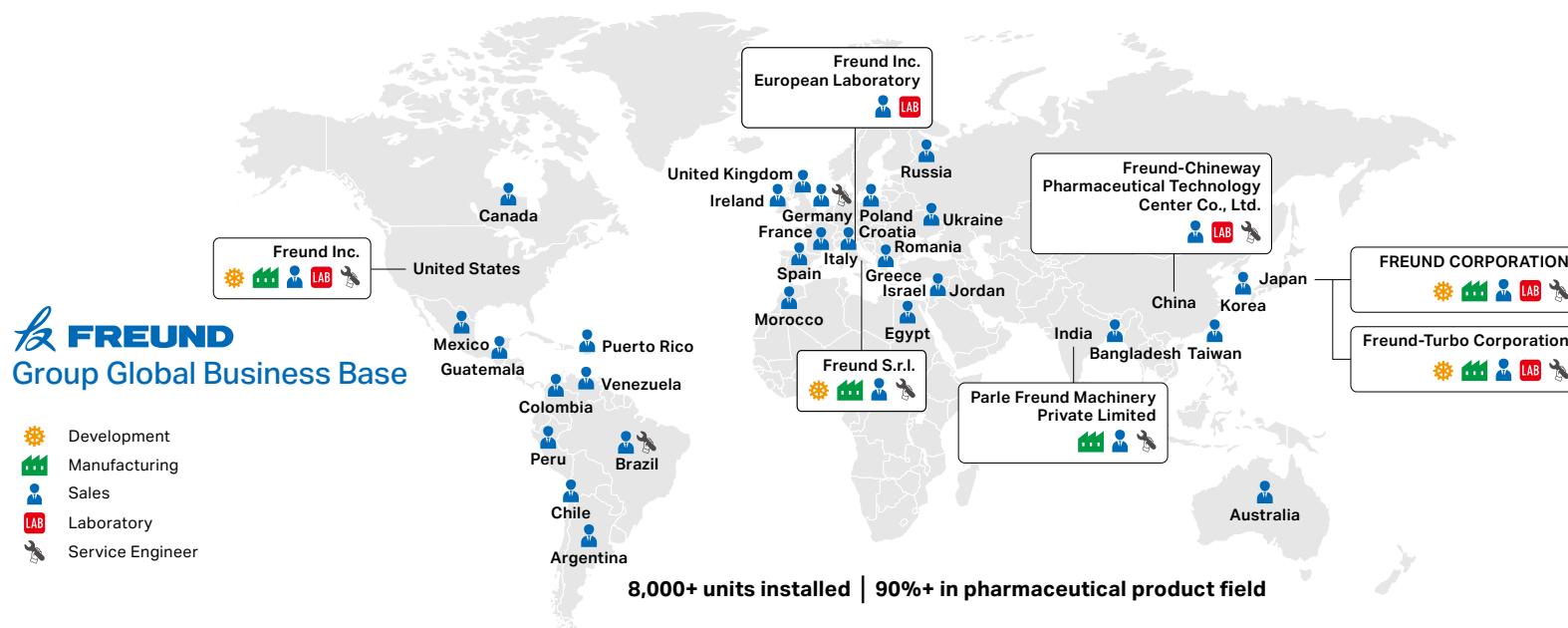
With regard to the external environment under the new Trump administration, we are closely monitoring the situation with caution due to increased uncertainty surrounding issues such as tariffs.

Even if material costs rise due to policy changes in FY2025, most projects are already in the manufacturing process, so cancellations or significant cost increases are likely to be avoided. Along with U.S. policies, it is important to pay attention to order trends from FY2026 onwards due to changes in the economic cycle. Taking this into consideration, we plan to closely monitor market trends over the medium to long term and adjust our strategy flexibly as necessary. We are focusing on maximizing current opportunities while taking into account various risk factors.

## Towards the Realization of "ONE FREUND & BEYOND"

Since the unification of the brand, we have consciously focused on strengthening sales collaboration under the "ONE FREUND" system. Specifically, the three companies in the U.S., Italy, and Japan are constantly collaborating and working to promote business across the Group as a whole. We exchange information closely with the sales team in Italy on a daily basis, sharing mutual prospects and customer needs. As a result, we have been able to secure orders by submitting proposals that incorporate equipment manufactured in Italy for large-scale projects in Europe and South America. For customers, proposals that combine the strengths of each Group company are attractive, and by complementing each other within the Group, we can secure orders that would not have been possible on our own.

By creating an environment within the Group where people, goods, and information can flow freely, I feel that the synergistic effects we expected from unifying our company brand are accelerating. Going forward, we hope that each of the Group's bases will work together, bringing together their strengths, to help improve the competitiveness of the entire Group in order to achieve our long-term vision of "ONE FREUND & BEYOND."



# Sustainable Management Foundation

## Board Members (As of May 29, 2025)

### Directors



**Iwao Fusejima**  
President and CEO



**Toshiaki Honda**  
Director



**Toshifumi Moriguchi**  
Director



**Hiroaki Sekiwa**  
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.



**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.



**Aya Miyake**  
External Director

#### Reason for Appointment

Aya Miyake was appointed as External Director as she was deemed to be able to perform the oversight of management from an objective and neutral perspective by having abundant experience in the securities markets and wide-ranging insight as a manager.

### 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.



**Kazumi Mikura**  
External Audit & Supervisory Board Member

#### Reason for Appointment

Kazumi Mikura was appointed as External Audit & Supervisory Board member as she was deemed to have considerable knowledge and experience and satisfy this role by leveraging on her extensive knowledge of finance and accounting as a certified public accountant.

\* Appointed as of July 1, 2025

### Skill Matrix

		Name	Tenure (years)	Attendance at Board of Directors and Audit & Supervisory Board (times)	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
Director	Re-appointed	<b>Iwao Fusejima</b>	17	16/16	Member of the Nominating and Remuneration Committee	●	●					●		
	Re-appointed	<b>Toshiaki Honda</b>	4	16/16			●					●	●	●
	Re-appointed	<b>Toshifumi Moriguchi</b>	2	16/16			●				●		●	●
	Newly appointed	<b>Hiroaki Sekiwa</b>	—	—				●	●	●	●			●
	Re-appointed	<b>Hisashi Tanaka</b>	4	16/16	Chairman of the Nominating and Remuneration Committee	●			●	●	●	●	●	
	Re-appointed	<b>Ryuichi Kume</b>	2	16/16	Member of the Nominating and Remuneration Committee	●	●					●	●	
	Newly appointed	<b>Aya Miyake</b>	—	—		●		●						●
Audit & Supervisory Board Members	Current position	<b>Sakae Hirano</b>	6	Board of Directors: 16/16 Audit & Supervisory Board: 13/13		●		●			●	●		●
	Current position	<b>Sayoko Izumoto</b>	8	Board of Directors: 16/16 Audit & Supervisory Board: 13/13	Observer of the Nomination and Remuneration Committee			●	●		●			
	Current position	<b>Kazunari Hamada</b>	4	Board of Directors: 16/16 Audit & Supervisory Board: 13/13	Observer of the Nomination and Remuneration Committee						●	●		
	Newly appointed	<b>Kazumi Mikura</b>	—	—				●			●			

**I will support the growth, appeal, and transparency of the company, and will contribute to further growth by utilizing capital markets.**



**Aya Miyake**  
External Director

I was mainly involved in domestic investment operations, capital policy formulation, and public offering operations at a venture capital firm, and was subsequently engaged in IR support and listing promotion operations for listed companies on multiple stock exchanges, including JASDAQ. Amidst the restructuring of securities exchanges, I was involved as one of the project leaders in the integration of exchanges. I was approached about serving as an External Director, and I decided to accept the offer because I believe that the knowledge I have accumulated in the capital markets and with investors will be useful for the growth of the Company.

I have the impression that the Company is facing head-on the various challenges associated with its globalization efforts and is working earnestly to overcome them. From an investor's perspective, the key elements I look for in a company are growth, appeal, and transparency. I recognize that the Group is committed to making improvements in these areas, so I am strongly motivated to contribute to further strengthening them.

I believe that the Group's technologies have ample potential for global expansion in the field of pharmaceutical manufacturing, but I recognize that determining what position to aim for in the global market is a challenge for the future, so I would like to leverage the experience I have gained thus far to address these challenges.

Although this is my first time serving as an External Director, I have extensive experience communicating with management teams at various companies, including investee companies, from the perspective of an investor. I will utilize this experience to support the company as it seeks further growth through the capital markets.

**In addition to strengthening internal controls and governance, I will strive to meet the expectations of our stakeholders by ensuring financial transparency.**



**Kazumi Mikura**  
External Audit & Supervisory  
Board Member

I have 35 years of experience working as a certified public accountant at an auditing firm. Right when I was thinking about starting a new career before retirement, I was approached by Ms. Izumoto, a fellow External Audit & Supervisory Board Member, and I accepted the position of External Audit & Supervisory Board Member as the first step in my new career.

I recognize the Company as one that continues to grow steadily and reliably by supporting essential fields such as pharmaceuticals and food through its proprietary technologies. As a long-term vision, we have set management targets of consolidated net sales of ¥40,000 million, operating profit of ¥3,200 million, and ROE of 10% or more for FY2033. Although it will be a long process, I would like to provide ongoing support to ensure that the plans for each fiscal year are successfully implemented.

This is my first experience as an External Audit & Supervisory Board Member, so I will take the time to thoroughly study the Company and the industry in which it operates. I will leverage my 35 years of experience in auditing various companies to fulfill the role expected of an External Audit & Supervisory Board Member. During internal audits, I will visit various business sites to observe them firsthand, communicate closely with everyone involved, and offer advice on any issues or potential problems I notice. By doing so, I hope to contribute to the establishment of a foundation for effective and efficient internal controls and the strengthening of governance.

As an External Audit & Supervisory Board Member, I will take an objective perspective, listen sincerely to the opinions and evaluations of shareholders and other stakeholders, and work with external auditing firms to ensure the transparency of financial reporting and meet the expectations of all stakeholders.



**Iwao Fusejima**  
President and CEO

**Sayoko Izumoto**  
External Audit & Supervisory Board Member

## About our Corporate Governance System

**Izumoto** I served as an External Audit & Supervisory Board Member for eight terms, from FY2017 to FY2024. When I first assumed my position, the Audit & Supervisory Board consisted of one internal auditor and three external auditors, including myself as a certified public accountant and other members with backgrounds in financial accounting.

Although I participated in the Board of Directors meeting as an observer, I recall that there were not many in-depth discussions about management initially. Subsequently, following changes in external directors, a number of members with diverse skills and backgrounds were added to the board, and today, we are engaged in lively discussions on management issues. There are cases where a proposal that has been submitted for deliberation is not approved and is carried over for further deliberation. I believe that our Company's corporate governance system has evolved over time in ways like this.

**Fusejima** Until Ms. Izumoto joined us as an auditor, there were no female directors at our Company, but since her appointment, I am grateful that the atmosphere of the Board of Directors has changed in a positive way. For example, there have been more opportunities to exchange opinions, such as

## Initiatives to strengthen corporate governance and future challenges

We spoke with President Fusejima and External Audit & Supervisory Board Member Izumoto, about the current state of corporate governance and future challenges, focusing on the management supervision system at FREUND CORPORATION.

receiving questions from Ms. Izumoto based on her expert perspective as an auditor, as well as questions to reconfirm our discussions. This has resulted in a deeper understanding among all directors, and I feel that there is now greater consensus among all board members.

**Izumoto** Since we also hire full-time auditors from outside the company, discussions among members of the Audit & Supervisory Board Members' Meeting are very open. I also maintain a positive view of our Company's approach of accepting this as the norm.

**Fusejima** As a member of our Company's founding family, I worry greatly about people becoming too familiar with each other within our Company. By inviting external parties to participate in our corporate governance, I hope that the Board of Directors will become a place where we can recognize that what we consider common sense within our Company is not necessarily so within the society at large, and I believe that this will contribute to the growth of our Company.

## Diversity Required for the Board of Directors

**Izumoto** Over the past few years, the biggest issue facing the Board of Directors has been delays in the construction and introduction of core systems. One of the reasons for this was that we were unable to assign personnel with IT-related skills to central positions on the project. We believe that personnel capable of taking on roles in areas such as DX and AI will become indispensable in the future, and will be required at the management level as well. We are also continuing to strengthen our overseas expansion. Currently, the president himself is conducting business overseas, so I feel that it is necessary to hire someone to take over his role in overseeing our overseas operations.





**Fusejima** I agree. Although I believe that improving the level of human resources is extremely important in all fields, DX, AI, and robot technology are particularly essential elements for improving productivity. In addition, we plan to accelerate our overseas expansion efforts under our global five-pillar structure, and we recognize that securing and developing human resources is an urgent priority.



## Effectiveness of the Board of Directors

**Izumoto** We conduct self-assessments of the effectiveness of the Board of Directors through questionnaires, and I believe that candid opinions are being expressed. At the Board of Directors' meetings, issues are clarified and lively discussions based on those issues are held. However, I would like to request that relevant materials be distributed a little earlier. We receive prior explanations

regarding M&A proposals, but for other matters as well, it would be helpful if materials could be shared well in advance and prior explanations provided as necessary, as this would allow us to supplement any missing information and ensure that it is reflected in the discussions of the Board of Directors, thereby enabling more high-level discussions.

**Fusejima** Thank you for your feedback. We will continue to make improvements to ensure that information is shared in a timely manner. By the way, do you think that important issues are being dealt with appropriately as agenda items for the Board of Directors' meetings?

**Izumoto** My understanding is that the Board of Directors' meetings share summarized information from management meetings as necessary and that the agenda items are also deemed appropriate. I also believe that ample time is being devoted to discussions.

**Fusejima** As Chairman of the Board, I do not cut off discussions due to time constraints, and I strive to ensure that appropriate discussions take place. In that sense, I would like to continue ensuring the effectiveness of the Board of Directors.

## Key Topics Discussed at the Board of Directors' Meetings for FY2024

**Izumoto** In FY2024, we discussed the progress of the 9th Medium-term Management Plan (hereinafter "9th Medium-term Plan"). Based on the summary prepared by the Medium-term Plan Promotion Committee, active discussions were held on how best to achieve the plan. In addition, we discussed the construction of a new pharmaceutical excipient plant, which was a key strategy in the 9th Medium-term Plan, but ultimately decided to cancel the project in consideration of the rising costs of construction materials and labor. In order to resolve the current issue of demand exceeding the production capacity of our existing factories, I believe that considering alternative measures will be a major theme going forward.

**Fusejima** In terms of global expansion, changes in the business environment in the United

States are a cause for concern. In addition, Freund S.r.l (Italy), which targets emerging markets, believes that it is important to accurately grasp relevant information, including political trends. The Board of Directors intends to discuss issues and potential risks while sharing information, and to promote business development in a focused manner.

It is also necessary to effectively manage delivery dates, both domestically and overseas, as well as to steadily increase net sales. In most cases, net sales are recognized based on product shipment due to the customer's circumstances, but in emerging countries, there are cases where things do not proceed as expected due to economic factors, so we would like to discuss how to deal with such cases as an important issue.

## Looking Ahead to the Future of the FREUND Group

**Izumoto** This is a sincere request based on our expectations for the future. There is a section titled "Business Risks" in the securities report, but how are risks perceived and what measures will be taken in the event of an emergency? Also, what is the estimated cost associated with these measures? I would like each department to organize items such as these. The frequency of natural disasters caused by climate change is also increasing, so we expect further efforts to expand upon risk management.

Our mission is defined as "bringing a healthy and prosperous future to the world." Although it is not particularly conspicuous, this is an important and meaningful task. I am truly excited to see our Group come together as one to generate even greater synergy and continue to grow.

**Fusejima** Thank you. While we sometimes receive praise from our clients saying that we are indispensable to them, we want our employees to always feel excited about their work and use that enthusiasm as motivation and contribute to the realization of our Group Management Vision "Creating essential technologies for a brighter tomorrow."





## We will conduct objective and independent audits from the perspective of all stakeholders and contribute to the strengthening of corporate governance that will contribute to the growth of the Group.



**Sakae Hirano** (Left)  
Full-time Audit & Supervisory  
Board Member

**Yumiko Narusawa**  
Officer, Internal Audit Office

Since assuming your position as a full-time Audit & Supervisory Board Member in 2019, please tell us about the changes in the corporate governance (hereinafter “CG”) system to date. What initiatives are being taken to improve the effectiveness of audits conducted by the Audit & Supervisory Board?

**Hirano** With regard to the CG system, even before I assumed my position, independent directors constituted a majority of the Board of Directors. However, I believe that efforts have been made to enhance the system through measures such as the appointment of female directors, the introduction of a skill matrix for directors, the introduction of an executive officer system, the establishment of a voluntary Nominating and Remuneration Committee, and the introduction of a survey to evaluate the effectiveness of the Board of Directors. Furthermore, we are currently discussing and preparing measures to further enhance the effectiveness of the Board of Directors, improve management with an awareness of capital costs, enhance information disclosure, and promote dialogue with shareholders.

I believe that communication between the Board of Directors, auditing firms, and executive departments is of utmost importance in improving the effectiveness of audits. We hold regular meetings with the CEO and External Directors to exchange opinions, and as the Audit & Supervisory Board, we place great importance on hearing directly from the executive departments. In addition, the Audit & Supervisory Board, the auditing firms, and the Internal Audit Office are of course working to enhance the three-tier audit system. We conduct an annual self-

assessment survey to evaluate the effectiveness of the Audit & Supervisory Board and strive to make improvements.

You transferred from a business division to the Internal Audit Office and were appointed as its Officer. How are you applying your previous career experience to your current position? Also, what perspectives do you prioritize in promoting the work of the Internal Audit Office?

**Narusawa** After joining the Company, I was assigned to the Administration Department, which includes accounting, and then worked in sales administration and sales management. Drawing on my many years of experience in audited departments, I aim to conduct internal audits that contribute to the growth of the Company by considering issues from the perspective of the execution side. Rather than conducting audits simply for the sake of pointing out problems, I always strive to identify areas for improvement and efficiency gains in business operations.

I believe that three things are essential for sound workplace management: an appropriate management system, Group Management Vision, and communication. Communication, in particular, is the foundation for creating an open workplace and fosters psychological stability and mutual trust. When conducting internal audits, I make sure to thoroughly check how well the Group Management Vision has been disseminated throughout the Company, as well as the state of communication in the workplace.

How would you like to contribute to the realization of the Group Management Vision and the growth of the next generation? What message would you like to convey to our stakeholders?

**Hirano** I intend to fulfill my duties from an objective and independent perspective, focusing on whether the Company is growing in a healthy manner. Rather than functioning as a conventional “brake” through traditional auditing, I would like to play a role that contributes to the growth of the Group by actively making suggestions and communicating early with management and the Internal Audit Office regarding any issues of concern.

**Narusawa** It is important for organizations and people to identify problems early and maintain a healthy state. As Officer of the Internal Audit Office, I would like to emphasize that audits serve as a health checkup for the organization. Going forward, we will work to strengthen our internal auditing system as a Group, including enhancing audits of our subsidiary companies. In addition, we will focus on conducting operational audits in line with J-SOX and strengthening the self-assessment functions of our subsidiaries.

## Group Management Vision: “Creating essential technologies for a brighter tomorrow.”

In FY2023 which marked the 60th anniversary of the Company's founding, we formulated a long-term vision for the next 10 years as well as the 9th Medium-term Management Plan based on that vision, and subsequently announced a new Group Management Vision. We spoke with members of FREUND CORPORATION and Freund Inc. (U.S.) about their sustainable initiatives related to human resource development and the creation of a working environment that will help them achieve their vision.



**We held “Next-Generation Leadership Training” program for mid-level employees.**

**Hideki Yona**  
General Manager, HR & GA Department,  
Corporate Administration Division

Based on the concept that “the growth of each and every employee leads to the development of the Company,” we have revamped our human resources system starting in FY2022. Through these practices, more young people are being promoted to management positions, and the seniority-based organizational culture is gradually fading. On the other hand, one issue that has become apparent is the need to establish systematic training opportunities for employees at all levels. In particular, the development of mid-level employees who will support the next generation of the Group has become a pressing issue.

Based on this understanding, we conducted the “Next-Generation Leadership Training” program in October and December 2024. Approximately 60 people participated in this training program, including employees from our fellow Group company, Freund-Turbo. For this training program, we invited Mr. Hisashi Tanaka, an External Director, to give lectures on the themes of “Fostering Leadership,” “Strengthening Problem-Solving Skills,” and “Understanding Human Resource Development and Team Management.” In addition, we focused on promoting communication across departments through business discussion sessions and group workshops.

When it comes to promoting the new management vision and achieving the Medium-term Management Plan, the contribution of mid-level employees who drive the organization forward is essential. We will continue our ongoing efforts and strive to further improve our training programs.



**We place the highest priority on communication and strive to ensure that all employees have a shared understanding of the direction of the company.**

**Greg Smith**  
President,  
Freund Inc.

I believe that communication is the most important factor in strengthening organizational capabilities and fostering a positive corporate culture. To speed up decision-making processes in our business activities and improve customer satisfaction, it is essential that managers are given authority and that the direction of the FREUND Group and our company is shared through communication, enabling employees to consider what needs to be done, make decisions, and take action. I believe that fostering such a corporate culture is also an important part of my role as a manager.

We hold town hall meetings three times a year to share the direction of the company with all employees. When the new Group Management Vision was formulated, President Fusejima himself explained the vision, and many positive responses were received from employees. Employees want to know what their business means to the FREUND Group as a whole and how they can contribute to it. I make a conscious effort to communicate and spread this awareness so that people can deepen their understanding of it.



We hold town hall meetings three times a year to strengthen organizational capabilities and foster corporate culture.



When the new Group Management Vision was being formulated, I had direct discussions with President Fusejima of FREUND CORPORATION.

# 10-Year Consolidated Financial Data of FREUND Group

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
(¥ million)										
<b>For the year</b>										
Net sales	19,027	21,164	19,801	18,408	16,772	16,765	17,632	19,658	22,903	23,397
Cost of sales	12,921	14,343	12,985	12,220	11,344	11,126	11,620	13,665	15,859	15,324
Selling, general and administrative expenses	4,759	4,779	4,845	4,964	4,870	4,528	5,030	5,541	5,773	6,871
Operating profit	1,346	2,041	1,971	1,223	558	1,111	981	451	1,270	1,201
Profit (loss) attributable to owners of parent	961	1,064	1,477	843	381	970	543	(538)	764	637
EBITDA* <sup>1</sup>	1,692	2,393	2,332	1,598	950	1,599	1,639	1,113	1,824	1,879
Orders received (Machinery)	13,112	16,358	11,513	11,839	10,227	12,386	15,621	14,630	18,600	17,851
Order backlog at end of period (Machinery)	7,086	8,561	5,822	5,428	4,695	6,615	10,574	12,826	15,842	17,076
Depreciation	321	338	344	344	386	461	570	565	539	662
R&D expenses	687	640	862	832	725	526	580	622	634	748
Cash flows from operating activities	290	3,605	594	435	(27)	2,280	701	(196)	2,368	1,750
Cash flows from investing activities	(432)	(351)	(493)	(566)	(852)	(1,726)	(680)	(666)	(739)	(459)
Cash flows from financing activities	(331)	(277)	(499)	(921)	(325)	(371)	(427)	451	(874)	(855)
<b>At end of period</b>										
Total assets	17,206	19,101	19,125	17,465	18,505	20,575	22,273	22,758	25,789	26,559
Net assets	11,529	12,185	13,242	13,250	13,243	13,858	14,354	14,117	15,023	15,437
(Equity)	11,529	12,185	13,242	13,250	13,243	13,858	14,354	14,117	15,023	15,437
<b>Per share data*<sup>2</sup></b>										
Earnings per share (EPS, ¥)	55.74	61.72	85.69	50.15	22.79	57.96	32.46	(32.15)	45.46	37.71
Book value per share (BPS, ¥)	668.57	706.62	767.91	791.34	790.94	827.67	857.28	843.09	889.03	912.56
Dividend* <sup>3</sup> per share (DPS, ¥)	25.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	25.00
<b>Major indicators</b>										
Operating profit margin (%)	7.1	9.6	10.0	6.6	3.3	6.6	5.6	2.3	5.5	5.1
Return on assets (ROA, %)	5.6	5.6	7.7	4.8	2.1	4.7	2.5	(2.4)	3.2	2.4
Return on equity (ROE, %)	8.5	9.0	11.6	6.4	2.9	7.2	3.9	(3.8)	5.3	4.2
Dividend payout ratio* <sup>4</sup> (%)	22.4	32.4	23.3	39.9	87.8	34.5	61.6	—	44.0	66.3
Equity ratio (%)	67.0	63.8	69.2	75.9	71.6	67.4	64.4	62.0	58.3	58.1

\*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 FY02/15.

\*3. Dividend per share includes commemorative dividends of ¥5.00 (for FY2016 and FY2024).

\*4. Consolidated dividend payout ratio for FY2022 is not available due to loss attributable to owners of parent.

### Corporate Profile

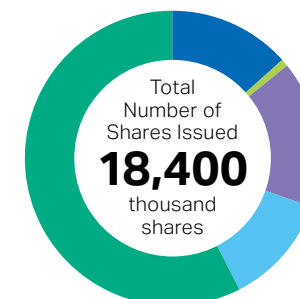
Company Name	FREUND CORPORATION
Established	April 22, 1964
Capital Stock	¥1,035,600,000
Employees	480 (Consolidated)
Head Office Location	FREUND Bldg. 6-25-13, Nishishinjuku, Shinjuku-ku, Tokyo 160-0023
Website	<a href="https://www.freund.co.jp/english/">https://www.freund.co.jp/english/</a>
Stock Listing	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	22,000

### Major Shareholders

	Shares owned (thousand shares)	Ownership ratio (%)
K. K. Fusejima Yokosha	1,648	9.74
PERSHING-DIV. OF DLJ SECS. CORP.	1,352	7.99
Yasutoyo Fusejima	1,217	7.20
MUFG Bank, Ltd.	836	4.94
Sumitomo Mitsui Banking Corporation	744	4.40
Okawara Mfg. Co., Ltd.	673	3.98
JAPAN ABSOLUTE VALUE FUND	555	3.28
Freund Employee Shareholding Circle	446	2.64
The Shizuoka Bank, Ltd.	368	2.18
Meiji Yasuda Life Insurance Company	360	2.13

The Company has 1,483,000 shares (8.06%) of treasury shares.  
Shareholding percentage stakes are calculated after excluding 1,483,000 shares of treasury shares.

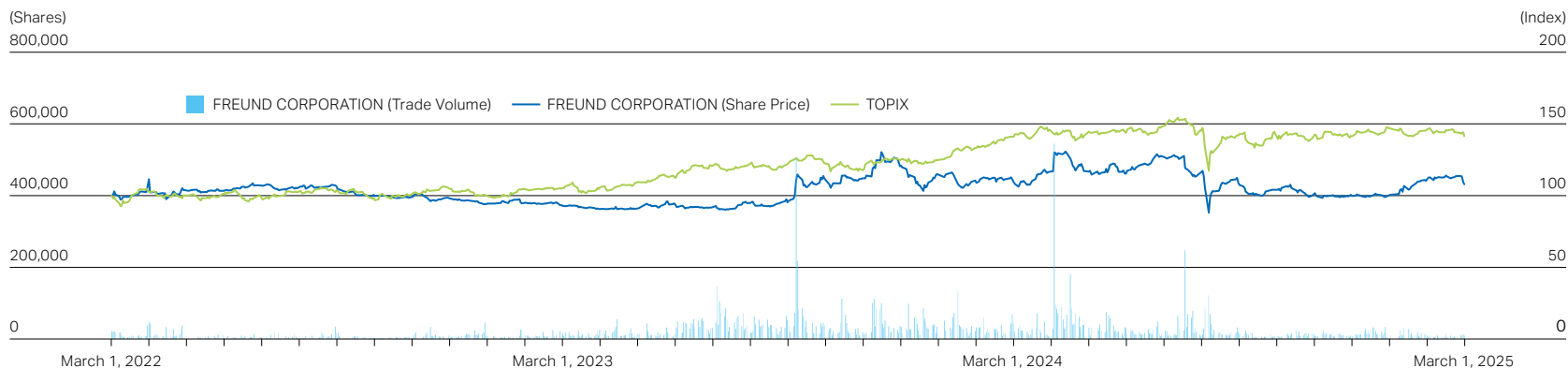
### Shareholder Distribution by Type of Shareholders



	No. of shares held (thousand shares)	Percentage
Financial Institutions	2,464	13.39%
Financial Instruments Firms	149	0.81%
Other Corporations	2,973	16.16%
Foreign Corporations	2,231	12.12%
Individuals, Others	10,583	57.52%

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. The values of FREUND and TOPIX are based on the closing price data of March 1, 2022 as 100.



# FREUND CORPORATION

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