

FREUND CORPORATION

**STANDARD**  
TOKYO

(Securities code: 6312)

# Results of Operations for the First Half of the Fiscal Year Ending February 29, 2024



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## Consolidated Financial Summary for 1H of FY2/24



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# Consolidated Financial Summary

## Net sales

- In the machinery business, sales in U.S. subsidiary Freund-Vector, which had been sluggish in the previous fiscal year, recovered.
- The chemicals business maintained a strong performance both in pharmaceutical excipients and food preservatives.

## Profit

- There was an operating profit in the first half, returning to profitability from the loss recorded one year earlier.
- The return to profitability was attributable mainly to the strong performance of the chemicals business and the earnings recovery of Freund-Vector.

(Millions of yen)	FY2/23 1H	FY2/24 1H	YoY change	
				%
Net sales	8,534	9,583	1,049	12.3%
Operating profit	(67)	177	245	—
Ordinary profit	32	195	163	499.9%
Profit	(17)	115	132	—
Earnings per share (yen)	(1.02)	6.91	7.93	—
Depreciation	275	262	(13)	(4.8)%
R&D expenses	301	325	24	8.2%

# Machinery Business: Overview

## Net sales

- In Japan, first half sales decreased because most FY2/24 major orders will generate sales during the second half.
- In other countries, Freund-Vector has consistently ramped up shipments, including those carried over from the previous fiscal year. Higher sales has compensated for the decline in domestic sales.

## Operating profit

- The machinery business returned to profitability as a result of the Freund-Vector's recovery after being in the red in the previous fiscal year.

## Orders received and order backlog

- Orders received remained strong, driven by the substantial investments in large-scale equipment by generic drug manufacturers in Japan.
- The order backlog increased significantly to a record-high.

(Millions of yen)	FY2/23 1H	FY2/24 1H	YoY change	
				%
Net sales	5,420	6,246	825	15.2%
Operating profit	(268)	45	313	–
Orders received	8,409	9,246	837	10.0%
Order backlog	14,275	16,179	1,903	13.3%

## Machinery Business: Group Company Performance (Sales/Operating Profit)

<b>Freund Corporation</b>	<ul style="list-style-type: none"> <li>Sales decreased primarily due to the prolonged procurement of some parts in Japan.</li> <li>Profit improved partly because of strong sales of parts and maintenance services.</li> </ul>
<b>Freund-Turbo</b>	<ul style="list-style-type: none"> <li>Became profitable after a loss one year earlier due to the receipt of large orders.</li> </ul>
<b>Freund-Vector</b>	<ul style="list-style-type: none"> <li>In the previous fiscal year, the company faced challenges, including delivery delays of components and materials, shipping delays, and declining profitability due to soaring raw material prices. However, in the current fiscal year, the company achieved profitability once again, thanks to improved profitability and steady completion of projects carried over from the previous fiscal year.</li> </ul>
<b>Cos.Mec</b>	<ul style="list-style-type: none"> <li>With major projects concentrated in the second half, the first half was challenging but showed signs of improvement.</li> </ul>

(Millions of yen)	FY2/23	FY2/24	YoY change	
Before elimination for consolidation	1H	1H		%
Net sales	5,420	6,246	825	15.2%
Freund Corporation	2,468	2,116	(351)	(14.2)%
Freund-Turbo	739	878	139	18.8%
Freund-Vector	2,165	3,033	868	40.1%
Cos.Mec	439	412	(27)	(6.2)%
Operating profit	(268)	45	313	—
Freund Corporation	62	64	1	3.0%
Freund-Turbo	(17)	38	55	—
Freund-Vector	(252)	26	278	—
Cos.Mec	(27)	(95)	(67)	—

## Machinery Business: Group Company Performance (Orders Received/Order Backlog)

<b>Freund Corporation</b>	Many investments in large-scale facilities by generic drug manufacturers in Japan accounted for a large share of orders. The order backlog increased to a record high.
<b>Freund-Turbo</b>	First half orders were lower than one year earlier when there were several large orders. The order backlog decreased as products were delivered to customers.
<b>Freund-Vector</b>	A significant downturn in orders because large orders expected in the first half were delayed.
<b>Cos.Mec</b>	Orders increased significantly from one year earlier and the order backlog remained at the level higher than one year earlier.

(Millions of yen)	FY2/23	FY2/24	YoY change	
Before elimination for consolidation	1H	1H		%
Orders received	8,409	9,246	837	10.0%
Freund Corporation	5,294	6,264	970	18.3%
Freund-Turbo	908	647	(261)	(28.7)%
Freund-Vector	1,993	1,684	(309)	(15.5)%
Cos.Mec	349	689	340	97.5%
Order backlog	14,275	16,179	1,903	13.3%
Freund Corporation	8,005	12,157	4,152	51.9%
Freund-Turbo	969	699	(270)	(27.9)%
Freund-Vector	4,248	2,022	(2,226)	(52.4)%
Cos.Mec	1,176	1,414	237	20.2%

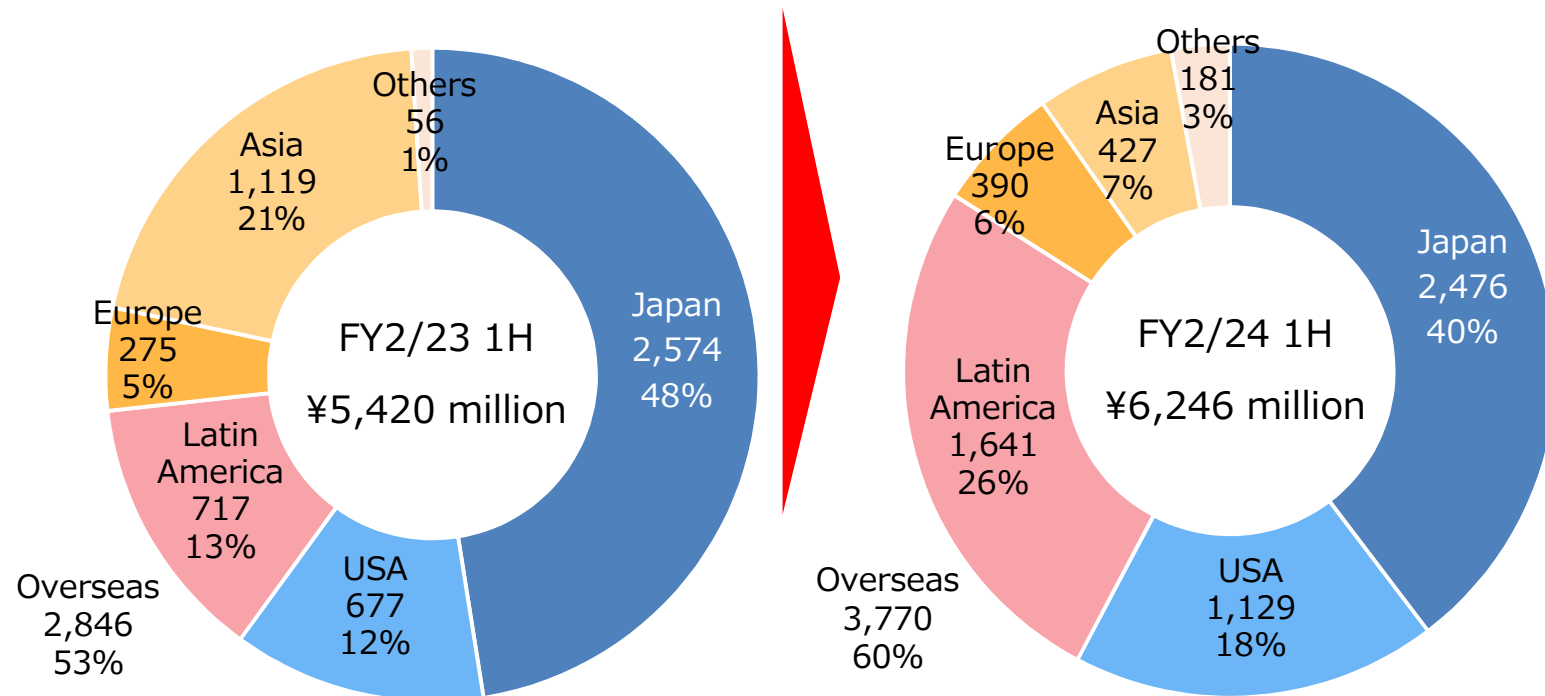
## Machinery Business: Sales by Region

### Japan

- Sales decreased because there are still delays in procuring certain parts and many major orders will generate sales in the second half.
- Sales ratio of in Japan decreased to 40% because of the sales recovery at the U.S. subsidiary.

### Overseas

- U.S. and Latin American sales growth at Freund-Vector made a big contribution to overseas sales growth.
- The overseas sales ratio of the machinery business surged to 60%, driven by the depreciation of the yen.

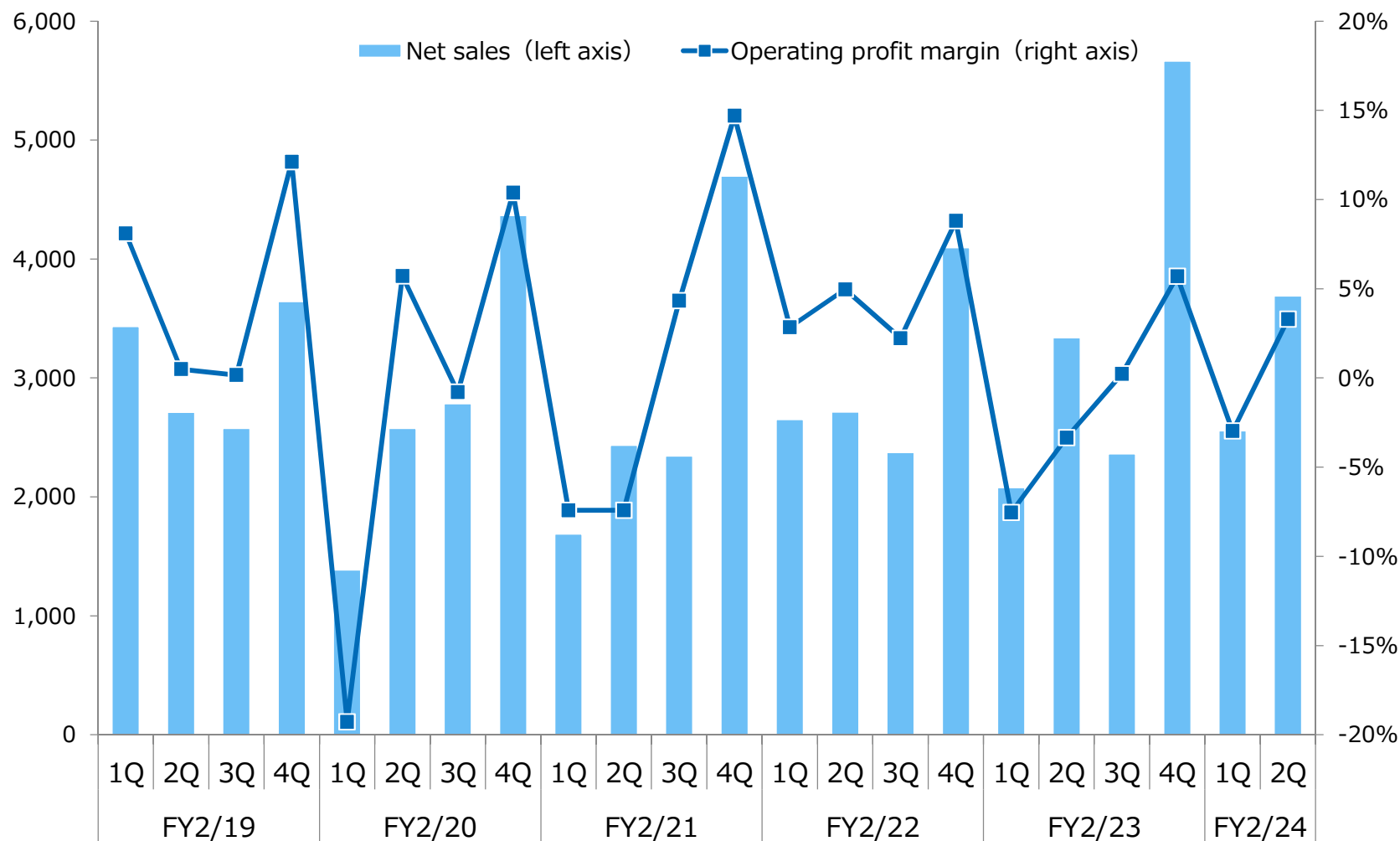




# Machinery Business: Quarterly Results

Net sales  
(Millions of yen)

Operating  
profit margin



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



## Chemicals Business: Overview

### Net sales

Sales remained steady surpassing the previous fiscal year's record high.

Pharmaceutical excipients : In the previous fiscal year, sales of major products were deferred to the following quarter. However, in the current fiscal year, those sales were on track, leading to an increase in overall sales.

Food preservatives : Sales continued to increase due to strong demand for preservatives in the online bread sales sector.

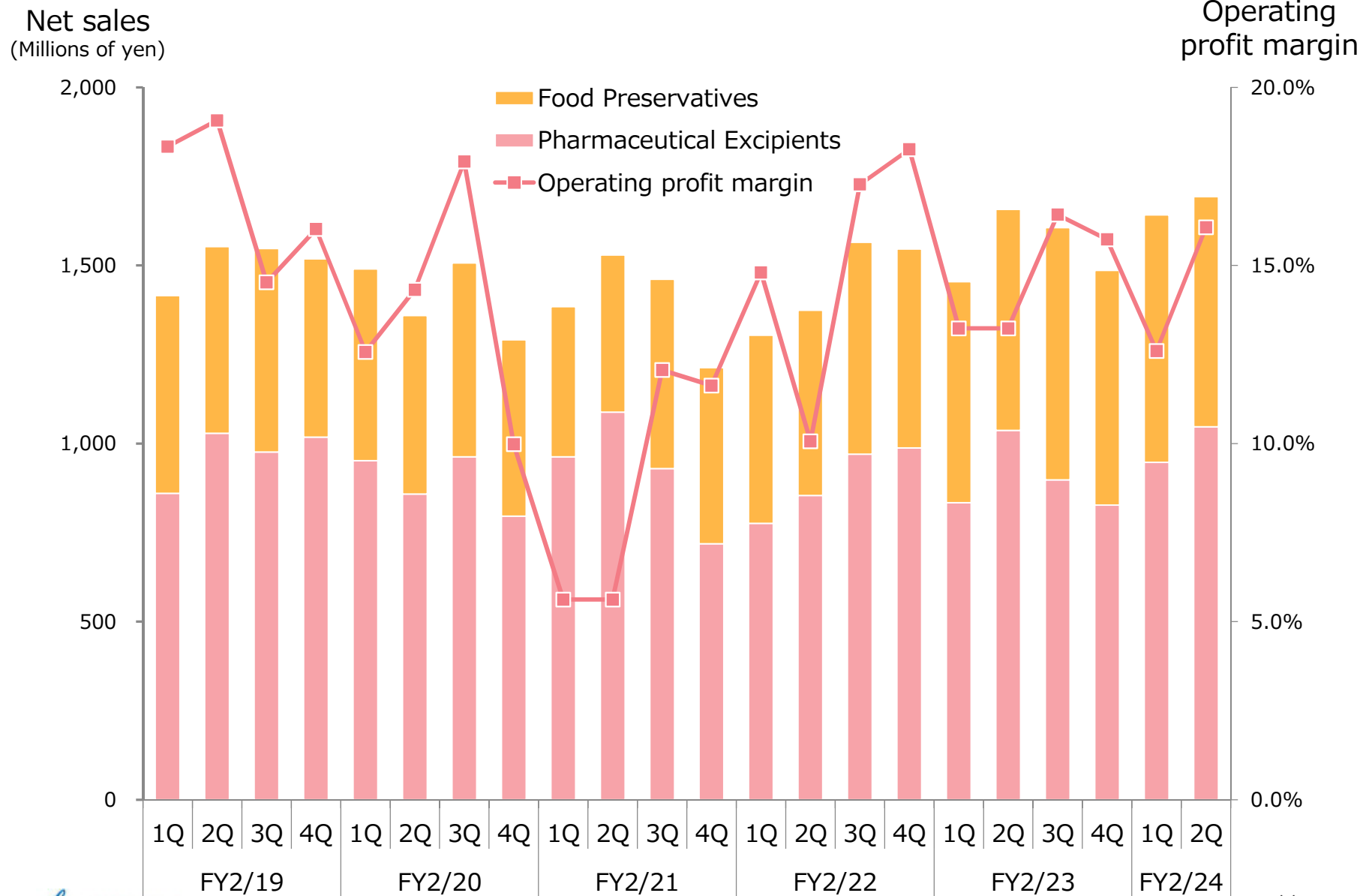
Export: Sales decreased due to lower production by customers for some products

### Operating profit

Although the gross profit increased as the gross profit margin remained almost the same as one year earlier, operating profit was unchanged due to an increase in common expenses.

(Millions of yen)	FY2/23 1H	FY2/24 1H	YoY change	
				%
Net sales	3,113	3,337	223	7.2%
Pharmaceutical Excipients	1,872	1,995	123	6.6%
Food Preservatives	1,241	1,341	100	8.1%
Dietary Supplement Products	171	131	(39)	(23.2)%
(Export sales)	478	479	1	0.2%
Operating profit				

# Chemicals Business: Quarterly Results (by Product Field)



## Summary of Consolidated Statement of Income

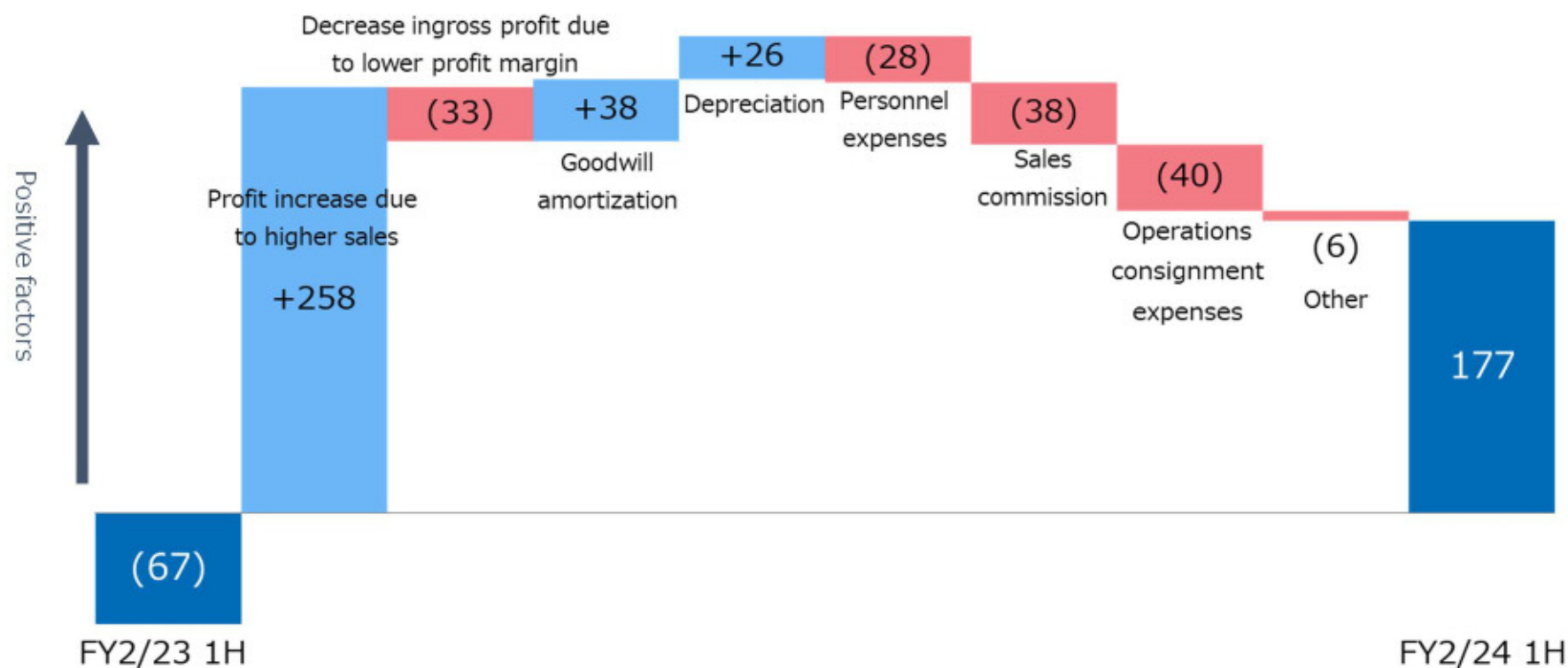
- Improvements in sales and earnings due to the performance recovery at Freund-Vector resulted in positive operating profit and profit for the quarter.
- Smaller net non-operating income because of the 95 million yen foreign exchange gain in the first half of FY2/23

(Millions of yen)	FY2/22		FY2/23		YoY change	
	Amount	Composition ratio	Amount	Composition ratio	Amount	%
Net sales	8,534	100.0	9,583	100.0	1,049	12.3%
Cost of sales	5,853	68.6	6,610	69.0	756	12.9%
Gross profit	2,681	31.4	2,973	31.0	292	10.9%
SG&A expenses	2,748	32.2	2,796	29.2	47	1.7%
Operation profit	(67)	(0.8)	177	1.8	245	—
Non-operating income and expenses	100	1.2	18	0.2	(81)	(81.8)%
Ordinary profit	32	0.4	195	2.0	163	499.9%
Extraordinary income and losses	8	0.1	(16)	(0.2)	(24)	—
Profit before income taxes	40	0.5	179	1.9	138	339.2%
Profit	(17)	(0.2)	115	1.2	132	—

## Analysis of Change in Consolidated Operating Profit

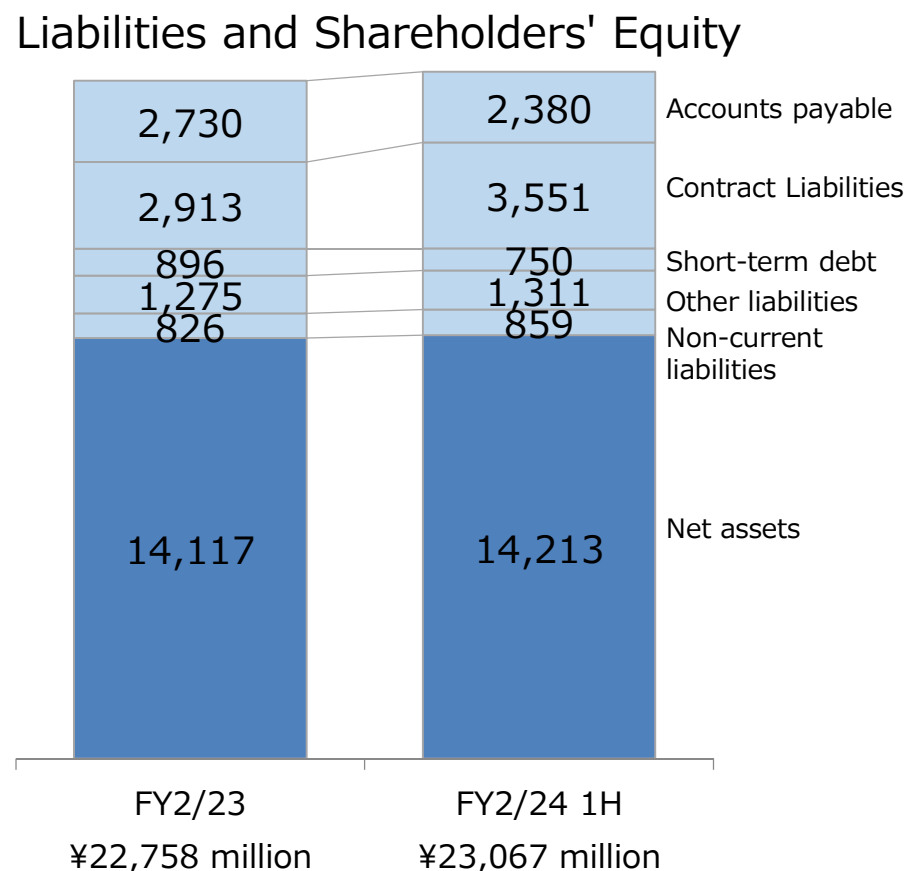
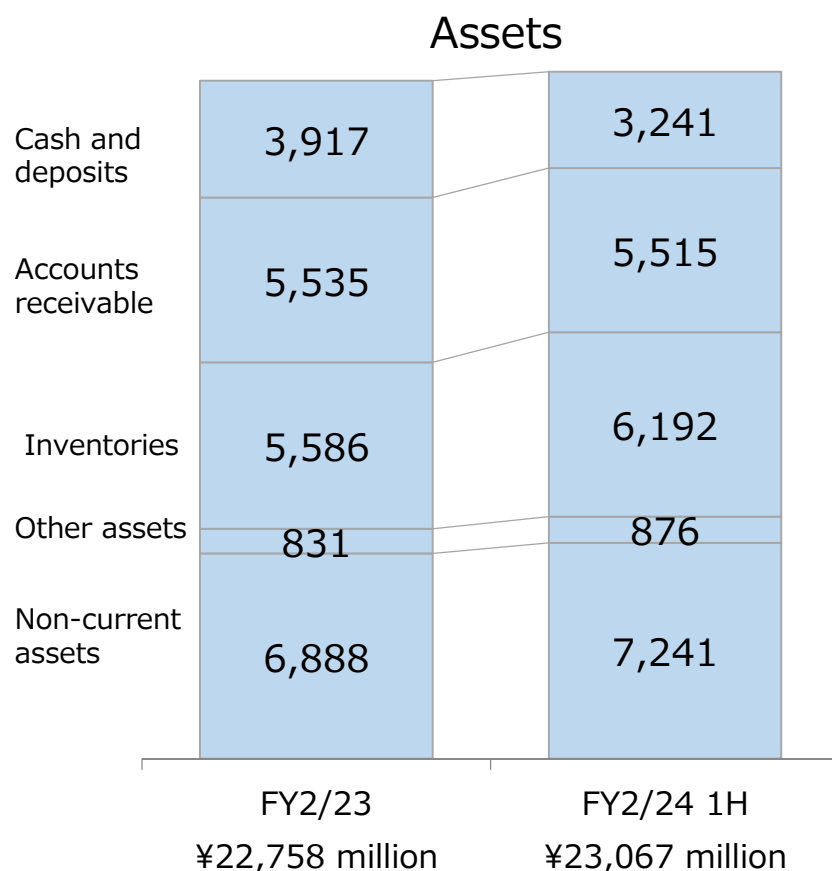
- There was a substantial year-on-year increase in gross profit, primarily driven by the revenue growth, mainly at Freund-Vector.
- Selling, general and administrative (SG&A) expenses rose due to higher office outsourcing expenses and personnel expenses at Freund Corporation and higher sales commissions, including those at overseas subsidiaries. However, higher sales offset the rise in expenses, leading to a return to operating profit.

(Millions of yen)



## Summary of Consolidated Balance Sheet

- Inventories (work in process) and contract liabilities increased, mainly at Freund Corporation, because of the large volume of new orders.
- Net assets increased only slightly, partly due to dividend payments, yet the equity ratio remains high at 61.6%.
- The total assets increased, significantly affected by the yen's depreciation.



## Summary of Consolidated Statement of Cash Flows

(Millions of yen)	FY2/23 1H	FY2/24 1H
<b>Cash flows from operating activities</b>	<b>(946)</b>	<b>225</b>
Profit before income taxes	40	179
Depreciation	275	262
Decrease (increase) in notes and accounts receivable - trade	884	131
Decrease (increase) in inventories	(717)	(348)
Increase (decrease) in notes and accounts payable - trade	(674)	(379)
Income taxes paid	(236)	(112)
<b>Cash flows from investing activities</b>	<b>(270)</b>	<b>(364)</b>
Purchase of property, plant and equipment	(130)	(180)
Purchase of intangible assets	(160)	(179)
<b>Cash flows from financing activities</b>	<b>541</b>	<b>(575)</b>
Short-term debt	900	(199)
Cash dividends paid	(334)	(332)
Net increase (decrease) in cash and cash equivalents	(506)	(675)
Cash and cash equivalents at end of period	3,638	3,241
<b>Free cash flow</b>	<b>(1,217)</b>	<b>(139)</b>



## Consolidated Earnings and Dividend Forecasts for FY2/24



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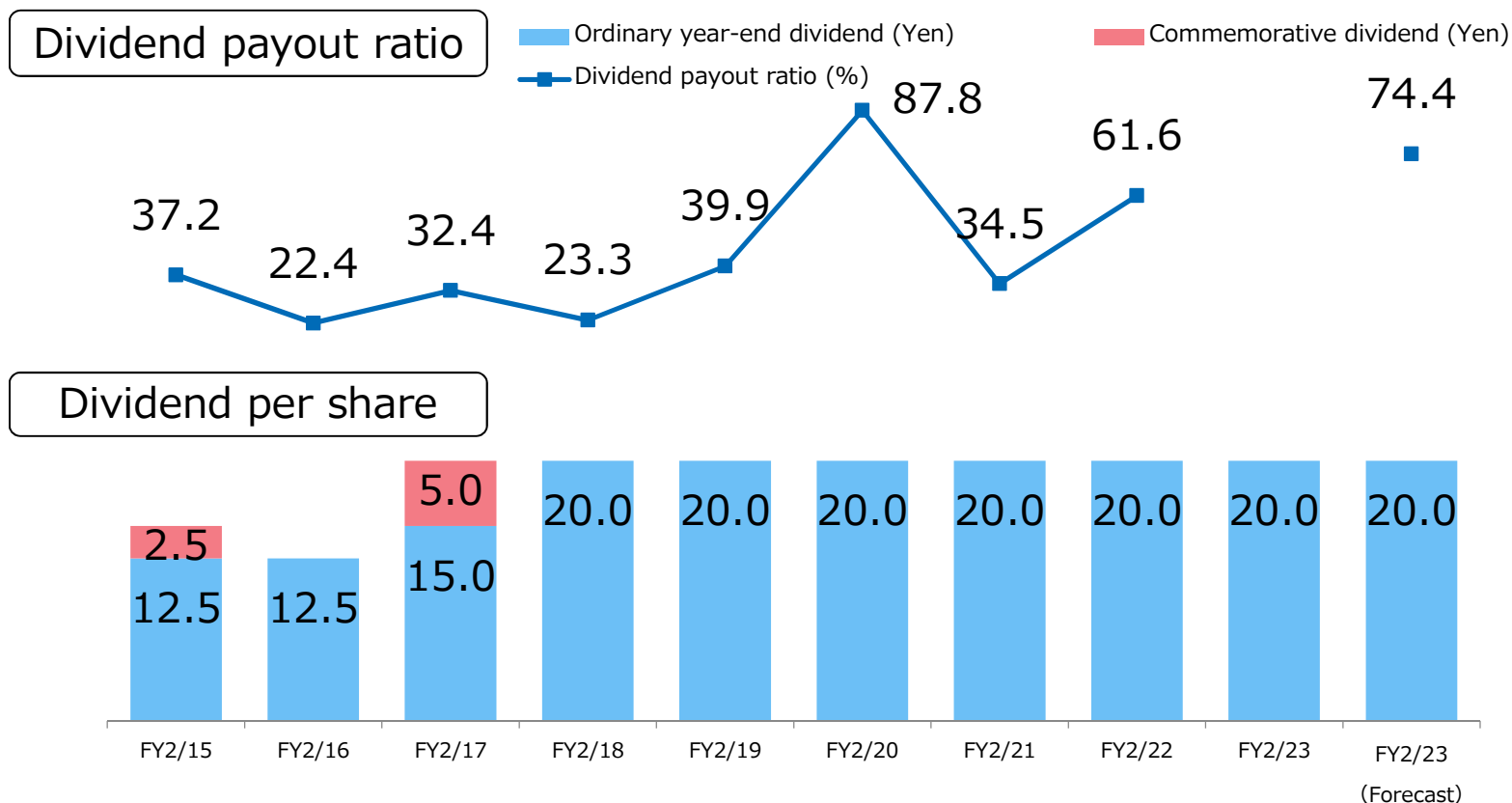
## Summary of Consolidated Forecasts

- The full year consolidated forecasts remain unchanged from the forecast announced at the beginning of the fiscal year.
- We will strive to maintain/expand the strong performance of the chemicals business. In addition, we will focus on the successful completion of the machinery business, as major projects both in Japan and other countries will be concentrated in the fiscal year's second half.

(Millions of yen)	FY2/23	FY2/24	YoY change	
	Actual	Forecast		%
Net sales	19,658	<b>20,000</b>	+342	+1.7%
Operating profit	451	<b>700</b>	+249	+55.2%
Ordinary profit	559	<b>650</b>	+91	+16.3%
Profit	(538)	<b>450</b>	+988	—
Earnings per share (yen)	(32.15)	<b>26.87</b>	+59.02	—

## Summary of Dividend Forecasts

No change in the 20 yen dividend forecast, which is the same as in the previous fiscal year, because of the basic policy of long-term dividend stability.



(Note: Dividend payout ratio for FY2/23 is not available due to loss attributable to owners of parent. Freund conducted a 2-for-1 common stock split on March 1, 2016. The dividends per share for FY2/16 and earlier have been adjusted to reflect the stock split. Commemorative dividends were paid in FY2/15 for Freund's 50th anniversary and in FY2/17 for the 20th anniversary of the exchange listing of Freund stock.)

# Topics



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## Restricted Stock Compensation Plan

- Freund established a restricted stock compensation plan for the purposes of providing an incentive for achieving the sustained growth of corporate value and aligning the interests of directors, executive officers and others with those of shareholders.
- Directors and executive officers as well as employees are eligible to receive restricted stock.
- In particular, distributing this stock to employees enables those to think like shareholders by using the same viewpoint and increases engagement with employees, which is a key element of human resource management.

<b>Individuals subject to the compensation plan</b>	(1) Directors and Executive Officers (excluding Outside Directors and Corporate Auditors) (2) 221 employees (including temporary employees and contract employees)
<b>Number of shares</b>	(1) 23,173 shares 4 Directors 18,673 shares 3 Executive Officers 4,500 shares (2) 133,500 shares (500 or 1,000 shares per person)
<b>Date of payment</b>	(1) June 30, 2023 (2) August 25, 2023
<b>Date of release of transfer restriction</b>	(1) Date of retirement as Director or Executive officer (2) June 10, 2026

## (Supplementary Materials)

- Company Overview
- Segment Information



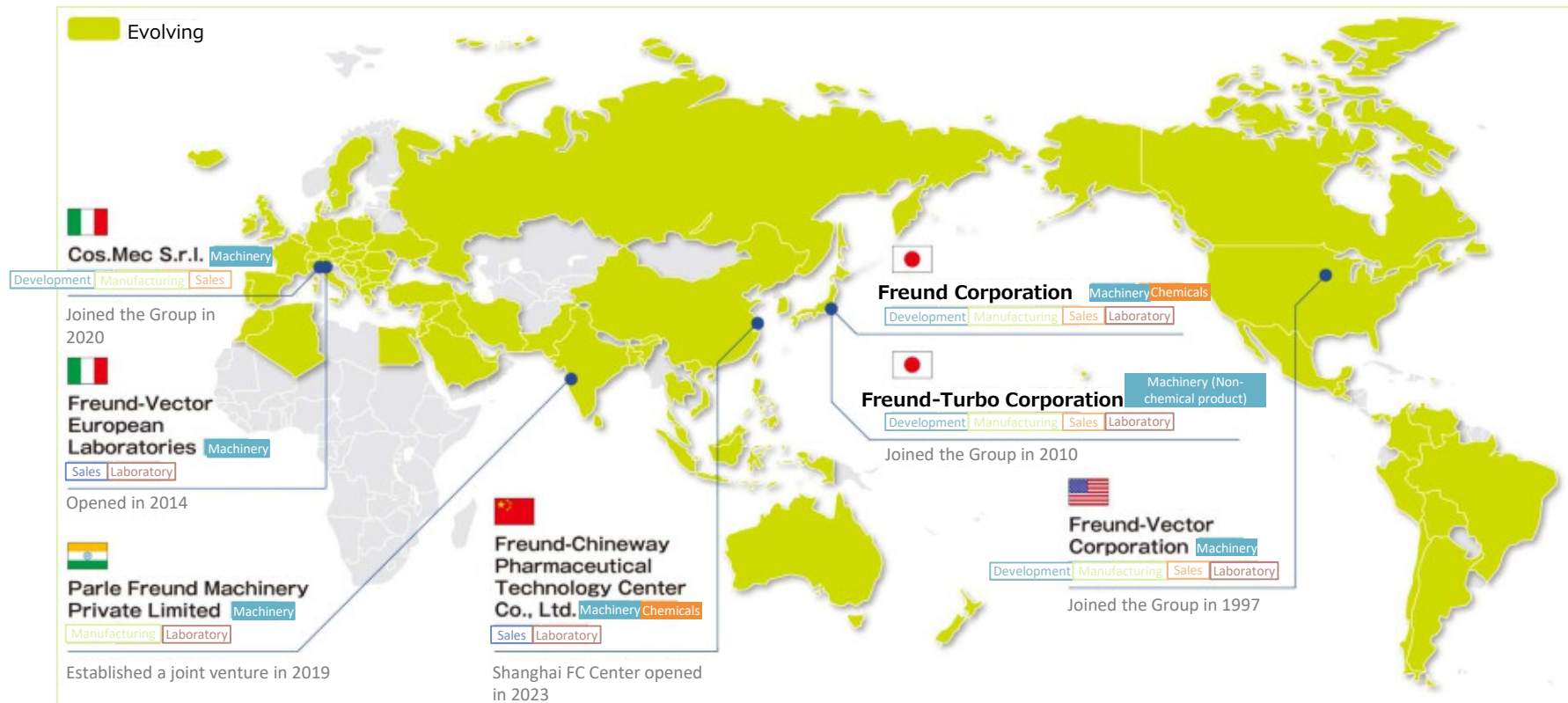
## Company Overview

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● Company name	: Freund Corporation
● Established	: April 1964
● Representative	: Iwao Fusejima, President & CEO
● Location	: 6-25-13 Nishi-shinjuku, Shinjuku-ku, Tokyo, Japan
● Paid-in capital	: 1,035,600,000 yen (Fiscal year ended February 28, 2023, consolidated)
● Sales	: 19,600 million yen (As of February 28, 2023)
● Number of employees	: 482 (As of February 28, 2023, consolidated)
● Business	: Machinery business- Manufacturing and sales of granulation and coating equipment and others Chemicals business- Manufacturing and sales of pharmaceutical excipients, food preservatives, and others
● Group companies	: Freund-Vector Corporation, Freund-Turbo Corporation, Cos.Mec s.r.l., Parle Freund Machinery Private Limited, Freund-Chineway Pharmaceutical Technology Center Co.,Ltd.

# The Freund Group and R&D Facilities

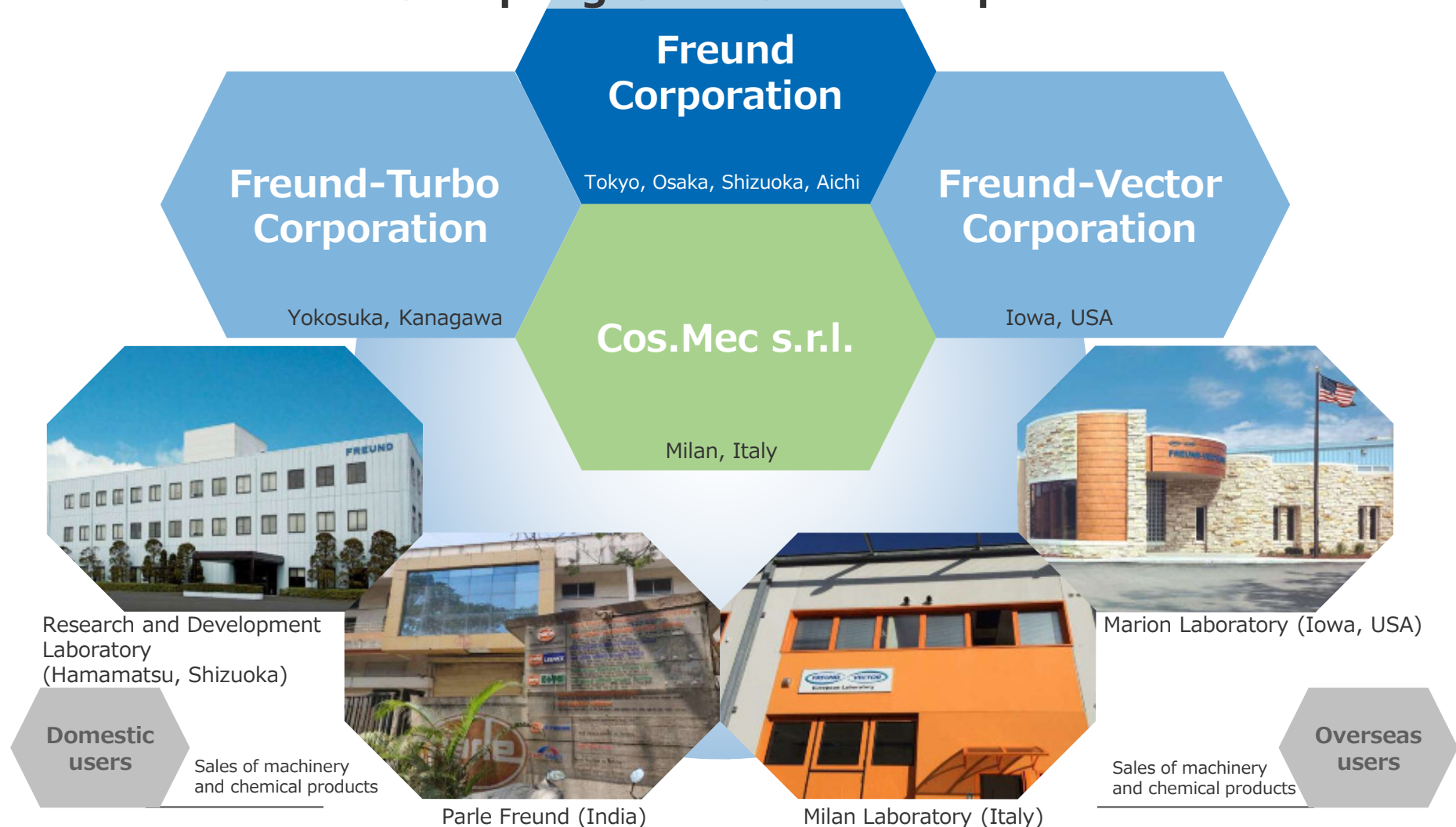
## Using innovative technologies for rapid growth outside Japan





## The Freund Group and R&D Facilities

**Using innovative technologies  
for rapid growth outside Japan**



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

## 1. Machinery Business Segment



Pen

- Manufacturing and sales of **granulation and coating equipment** for the pharmaceutical, food, and fine chemical industries.
- For coating equipment, Freund is ranked first in Japan and sales growth is accelerating in Asia and in Freund-Vector's US and European operations. Freund is the only company in the world that has expertise both in drug formulation technologies and the associated machinery.
- Aiming to increase sales of industrial machinery too by **integrating** granulating and coating technologies with **milling and sieving technologies**.

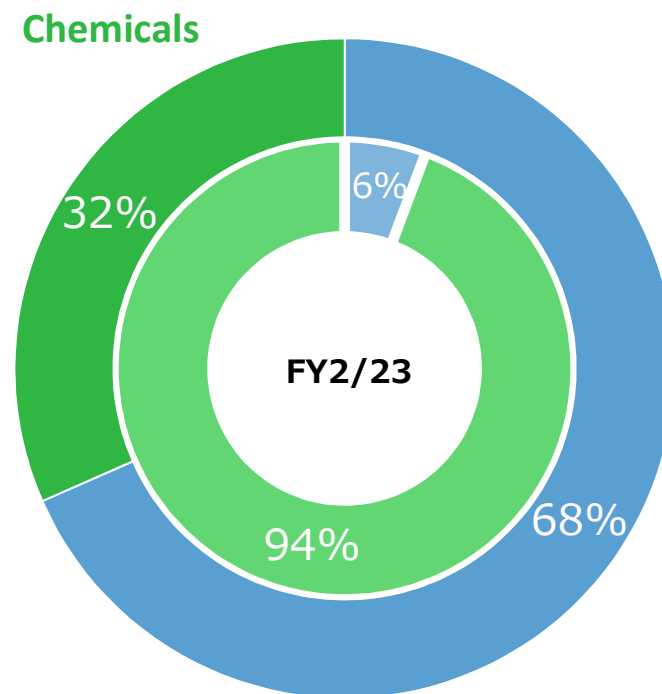
## 2. Chemicals Business Segment



Ink

- Manufacturing and sales of **pharmaceutical excipients, food preservatives, nutritional supplements**, and others.
- Freund uses **Good Manufacturing Practice (GMP) compliant equipment** for the production of pharmaceutical excipients.
- Freund's food preservatives contribute to ensuring the safety of food by maintaining the quality of various products.
- Through the utilization of its granulating and coating technologies, Freund collaborated with customers to develop and commercialize nutritional supplements and seamless mini-capsules.

## Composition of Net Sales and Profit by Segment

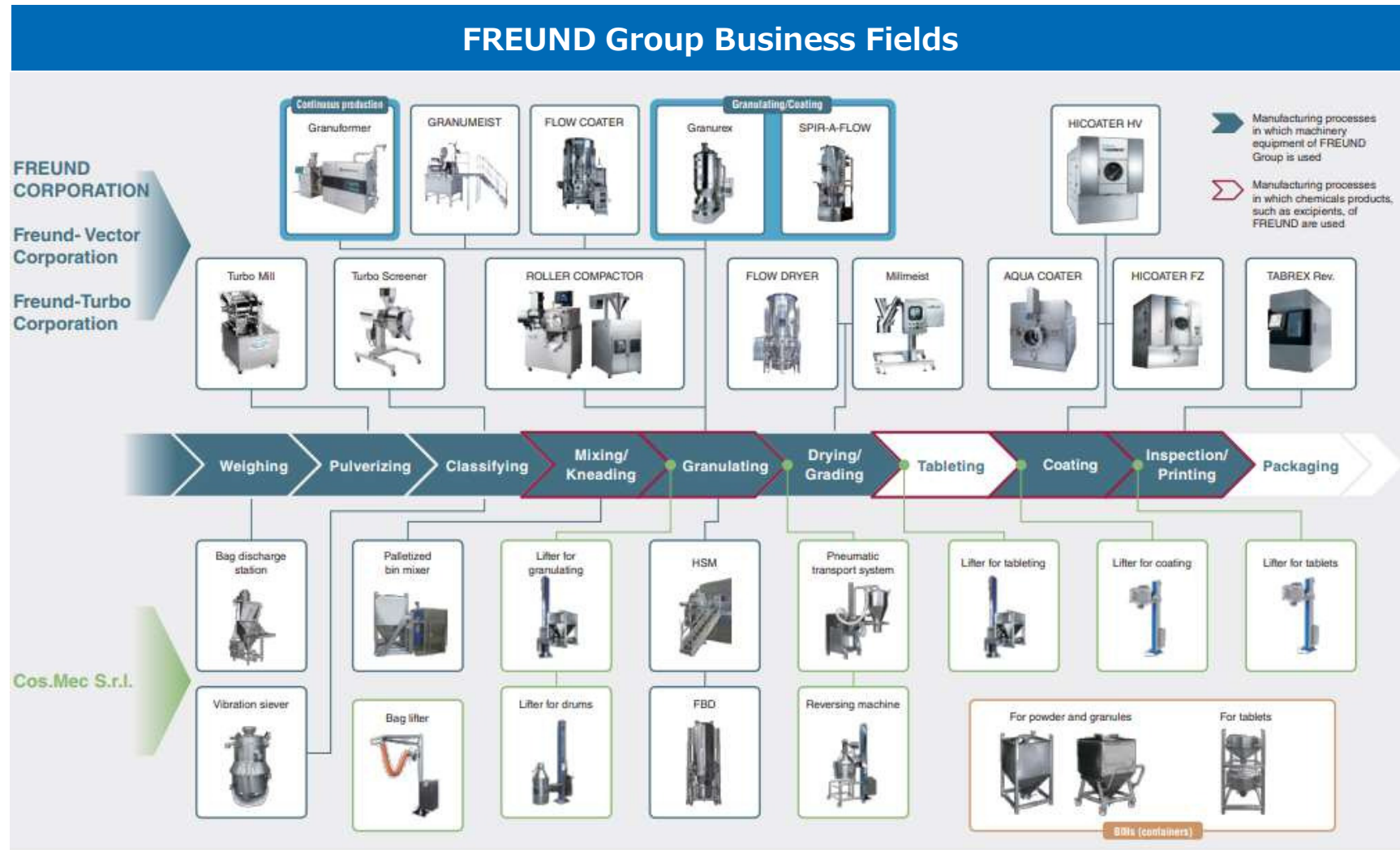


Machinery

**Consolidated sales:** ¥19.65 billion  
**Consolidated operating profit:** ¥0.45 billion

# Freund Group's Business Fields

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



# The Freund Group Disclosure Policy

## 1. Basic disclosure policy

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

## 2. Standard for disclosure

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

## 3. Disclosure methods

Freund discloses information by using the Timely Disclosure network (TDnet) of the Tokyo Stock Exchange. To ensure the timeliness and fairness of information announced using TDnet, this information is posted promptly on Freund's website.

In addition, press releases and other information are promptly posted on Freund's website and made available in other ways to ensure disclosure fairness and speed. Furthermore, information in Japanese is supplied in English as much as possible to make information available to a large number of stakeholders.

## 4. Prevention of insider trading

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

## 5. Silent period

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

## 6. Forward-looking statements

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

(Established on March 27, 2017)

# Investor Relations Policy

## Policy concerning constructive dialogues with shareholders and other investors

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

- 1. Investor relations framework** – The Corporate Planning Division responsible for investor relations oversees dialogues with shareholders and other investors under the direct supervision of the company's president. In addition, the president is assisted by a director who is in charge of investor relations.  
To support these dialogues, Freund departments involved with dialogues cooperate, such as by preparing and checking disclosure materials and, as needed, sharing information, so that information is disclosed with fairness and speed.
- 2. Stakeholder dialogues** – Freund holds information meetings about results of operations and other subjects following the end of the second quarter and fiscal year. Small meetings are held after the first and third quarters. Information provided at these meetings is posted on Freund's website. When a medium or long-term management plan is established, the company provides a clear explanation of strategic goals and business plans. In addition, Freund frequently visits institutional investors to explain its goals and performance. Freund also participates in investor forums held by securities companies, holds information meetings for individual investors, and conducts other activities for stakeholder dialogues.  
The FREUND Integrated Report and other IR documents are distributed to shareholders and posted on Freund's website. This publication contains business and financial information as well as about the company's strengths that do not appear in the financial statements. By providing more information about the Freund Group, this publication aims to help the public understand the true corporate value of the group.
- 3. Feedback of shareholder/investor opinions** – Opinions and other statements by shareholders and other investors at dialogues are passed on to the president, directors and others and the information is shared as needed.
- 4. Management of insider information** – There are no shareholder/investor dialogues during each silent period, which begins on the day following the end of each fiscal year quarter and ends on the day of the earnings announcement for that quarter. Freund handles insider information strictly in compliance with internal rules concerning the management of internal information and restrictions on transactions by Freund personnel.

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