

FREUND CORPORATION

STANDARD

TOKYO

(Securities code: 6312)

Results of Operations
for the Third Quarter of the Fiscal Year
Ending February 28, 2025

January 10, 2025



Topics

Cancelation of Plan for New Hamamatsu Factory

As was announced on December 24, 2024, Freund has decided to cancel the plan to build a new pharmaceutical excipient factory at the Hamamatsu Office.

Reason for cancelation

- The original plan was to build a new factory at a cost of about 5.9 billion yen, including a subsidy of about 1.7 billion yen. However, construction costs have risen significantly due to increases in the price of building materials, labor, and other items.

Alternate actions

- Originally, the plan was to add two production lines. Instead, studies are currently under way to add one production line at the existing factory. Freund plans to quickly increase output capacity to continue contributing to the reliable supply of pharmaceuticals.

Other information

- Freund plans to record design and other expenses for this new production line in the fourth quarter of FY2024. Although the exact amount has not been finalized, these expenses are not expected to have a significant effect on the financial results.
- Freund had planned to announce information about implementing management practices conscious of the cost of capital and stock prices in conjunction with the third-quarter financial results. However, to include the impact of the cancellation of this plan and for other reasons, this announcement has been postponed to the FY2024 full-year earnings release (April 2025).

Consolidated Financial Summary for the Third Quarter of FY2024

Consolidated Financial Summary

Sales increased compared to last year mainly because of the strong performance of the machinery business in Japan. Earnings were higher than last year despite one-time IT system expenses.

* There is no change in the FY2024 sales and earnings forecasts because sales from domestic business are expected to remain stable and sales from overseas business are expected to be higher in 4Q.

(Millions of yen)	FY2023 1Q-3Q	FY2024 1Q-3Q	YoY Change		FY2024 Forecasts
				%	
Net sales	14,170	14,920	749	5.3%	23,500
Operating profit	118	336	217	184.0%	1,100
Ordinary profit	125	373	247	197.0%	1,100
Profit attributable to owners of parent	54	114	59	110.3%	770
Earnings per share (yen)	3.24	6.77	3.53	109.0%	45.76

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

Freund Corporation	Sales and earnings increased significantly as products were shipped and delivered as planned. Higher sales of maintenance services, which have a high profit margin, also contributed to sales and earnings.
Freund-Turbo	Operating profit increased as performance is generally as planned.
FREUND Inc.	The third quarter was profitable, which reduced the loss in the first half of the year. Fiscal year performance is expected to be generally as planned because most major deliveries of products are in the fourth quarter.
FREUND S.r.l.	Sales and earnings remain sluggish. Due to delays in factory construction by customers and other factors, shipments for large projects are being postponed until the next fiscal year, making it difficult to achieve profitability for the full year.

(Millions of yen)	FY2023	FY2024	YoY change	
Before elimination for consolidation	1Q-3Q	1Q-3Q		%
Net sales	9,056	9,994	937	10.4%
Freund Corporation	2,982	6,046	3,063	102.7%
Freund-Turbo	1,160	1,095	(64)	(5.6)%
FREUND Inc.	4,289	2,853	(1,435)	(33.5)%
FREUND S.r.l.	873	336	(536)	(61.5)%
Operating profit	(76)	396	473	–
Freund Corporation	72	779	706	969.7%
Freund-Turbo	35	50	15	43.3%
FREUND Inc.	(139)	(117)	22	–
FREUND S.r.l.	(56)	(379)	(323)	–

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

Freund Corporation	Orders decreased in the first half but third quarter orders of 2.3 billion yen were higher than one year earlier. The order backlog remains high.
Freund-Turbo	Orders received and order backlog increased YoY and were as planned.
FREUND Inc.	A large volume of orders, mainly in the U.S. and Latin America. Third quarter orders were 2.7 billion yen. Order backlog increased significantly YoY.
FREUND S.r.l.	Actions are needed for increasing orders and the order backlog. Orders for powder handling machinery increased due to group synergies .

(Millions of yen)	FY2023 1Q-3Q	FY2024 1Q-3Q	YoY change	
				%
Orders received	13,747	13,448	(299)	(2.2)%
Freund Corporation	7,775	5,861	(1,914)	(24.6)%
Freund-Turbo	919	1,319	400	43.5%
FREUND Inc.	3,903	5,493	1,589	40.7%
FREUND S.r.l.	1,207	773	(434)	(36.0)%
Order backlog	18,012	19,412	1,400	7.8%
Freund Corporation	12,803	10,905	(1,897)	(14.8)%
Freund-Turbo	738	1,062	323	43.8%
FREUND Inc.	3,085	6,110	3,024	98.0%
FREUND S.r.l.	1,515	1,334	(181)	(11.9)%

**Record high
order backlog**

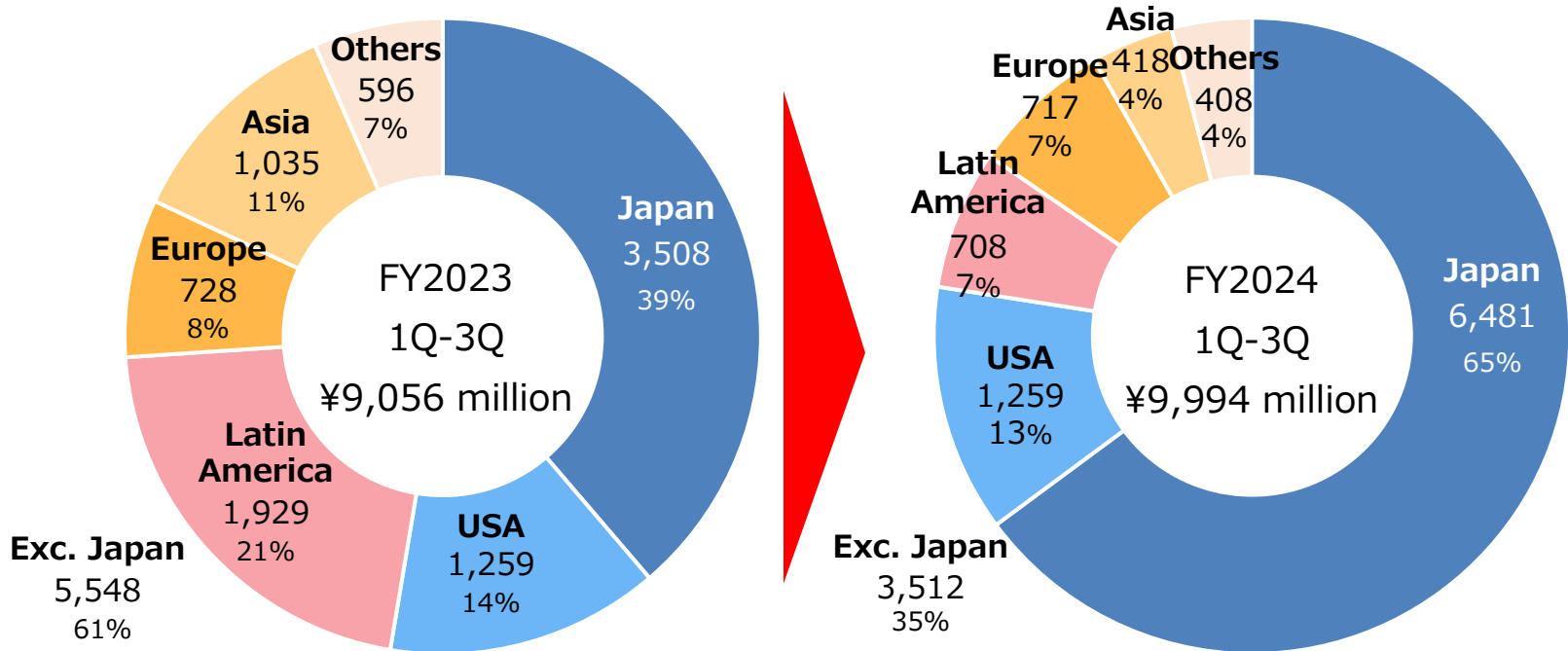
Machinery Business: Sales by Region

Japan

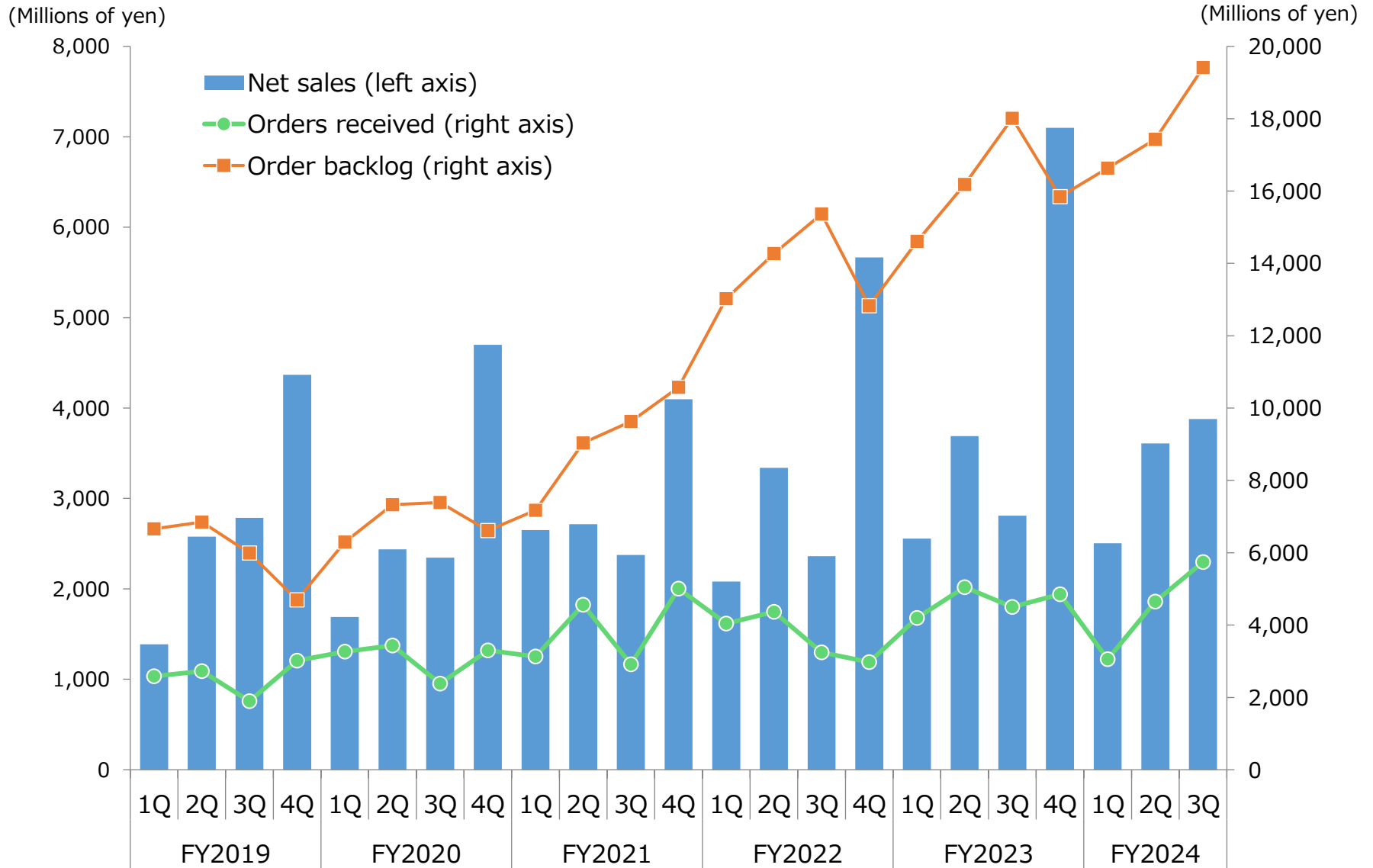
A big increase in sales due to consistent shipments for the orders received. Sales are expected to increase steadily towards the end of the fiscal year.

Overseas

Planning to record sales in the fourth quarter for major orders in the U.S. and Latin America.



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



Chemicals Business: Overview

Net sales

Pharmaceutical excipients:

Similar to the second quarter, sales slightly decreased YoY because of shipment adjustments for some products by a customer.

FY2024 sales are expected to be generally in line with the previous fiscal year.

Food preservatives:

Sales decreased YoY but performance is generally as planned.

Operating profit

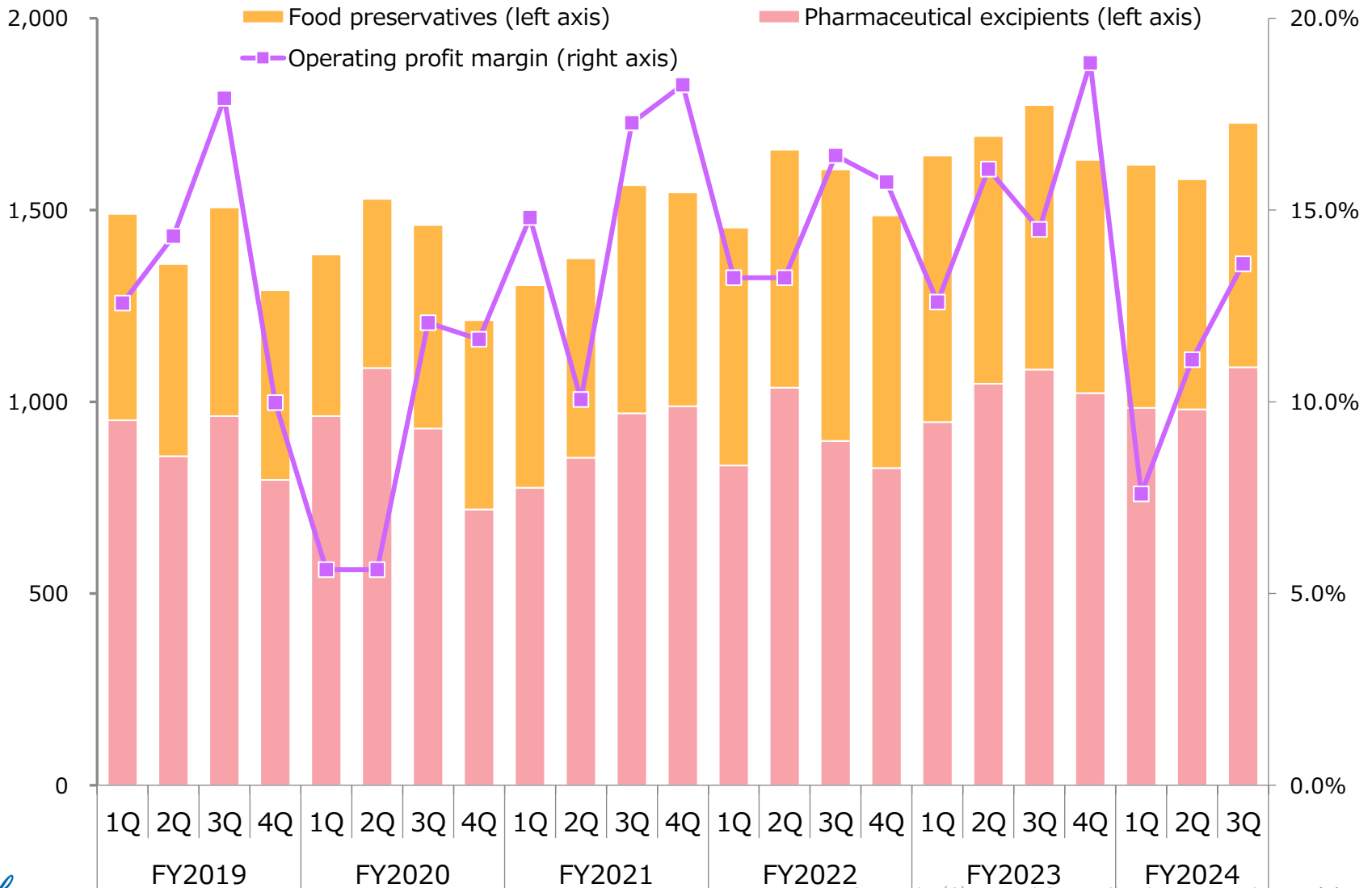
Down YoY because of a one-time expense for the core IT system update and a lower percentage of sales from Freund products in the pharmaceutical excipient category.

(Millions of yen)	FY2023 1Q-3Q	FY2024 1Q-3Q	YoY change	
				%
Net sales	5,113	4,925	(187)	(3.7)%
Pharmaceutical excipients	3,081	3,054	(26)	(0.9)%
Food preservatives	2,032	1,871	(161)	(7.9)%
Operating profit	736	547	(189)	(25.7)%

Chemicals Business: Quarterly Results (by Product Field)

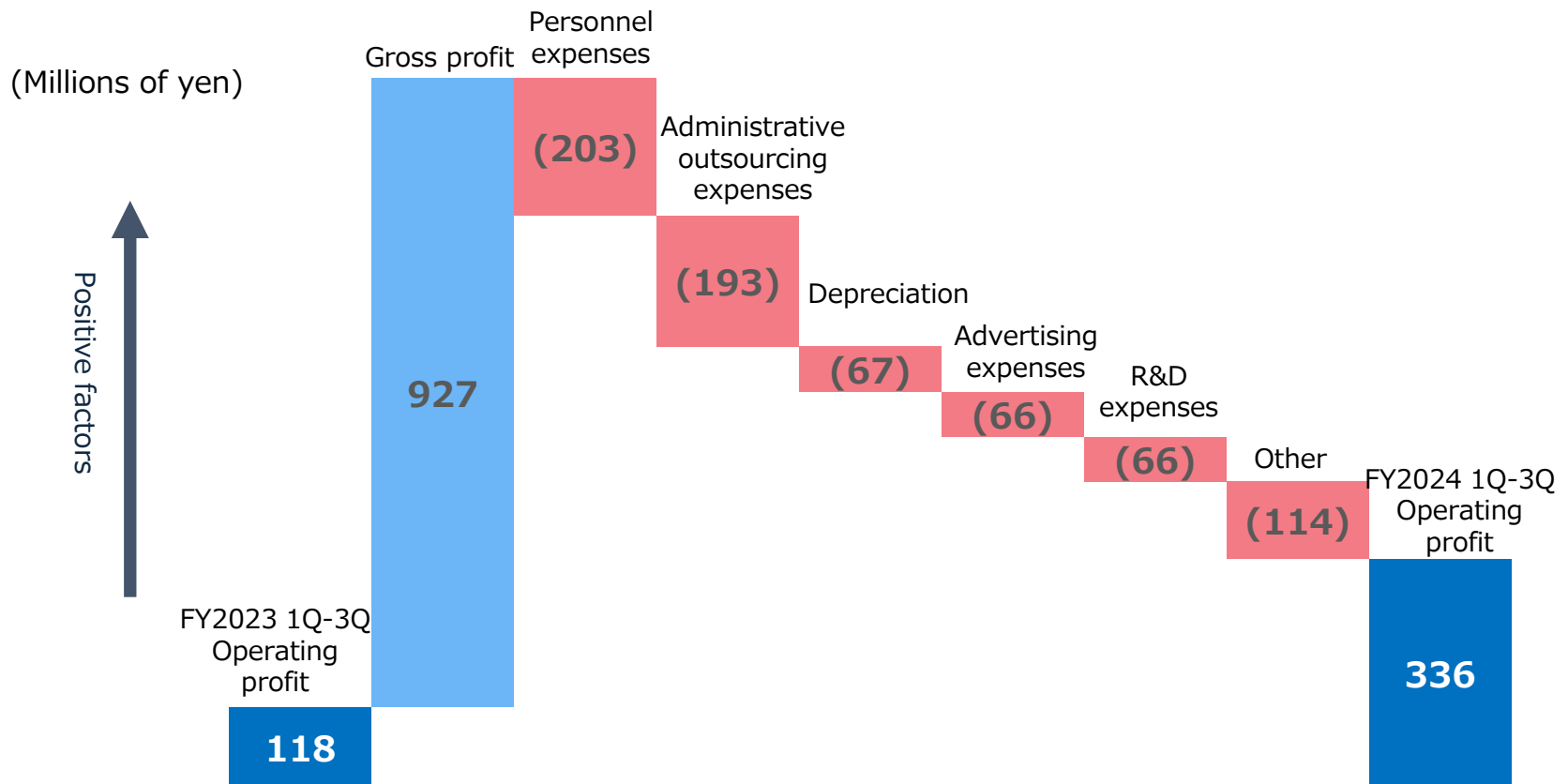
Net sales
(Millions of yen)

Operating
profit margin



Analysis of Change in Consolidated Operating Profit

- Gross profit increased significantly YoY mainly because of higher machinery sales in Japan.
- SG&A expenses increased by 700 million yen YoY, mainly due to the yen's depreciation, which raised the yen-equivalent costs at overseas subsidiaries, one-time expenses (administrative outsourcing expenses) and depreciation related to the IT system update, advertising expenses for Freund Group's joint participation in overseas trade shows, and higher personnel expenses.



Summary of Consolidated Balance Sheet

- Inventories (work in process) increased for shipments in the fourth quarter, mainly in the U.S. subsidiaries.
- The equity ratio remains high at 56.6%.

Assets				Liabilities and Shareholders' Equity			
(Millions of yen)	Feb. 29, 2024	Nov. 30, 2024	Change	(Millions of yen)	Feb. 29, 2024	Nov. 30, 2024	Change
Current assets	18,537	19,439	901	Current liabilities	9,920	10,657	737
Cash and deposits	4,736	4,326	(410)	Trade payables	3,881	3,895	14
Trade receivables	7,058	5,537	(1,520)	Short-term borrowings	515	560	45
Inventories	5,815	8,618	2,802	Contract liabilities	3,932	4,903	971
Other assets	926	956	30	Other liabilities	1,592	1,297	(294)
Non-current assets	7,252	6,824	(427)	Non-current liabilities	845	753	(91)
				Total net assets	15,023	14,852	(171)
Total assets	25,789	26,263	474	Total liabilities and net assets	25,789	26,263	474

Consolidated Earnings and Dividend Forecasts for FY2024

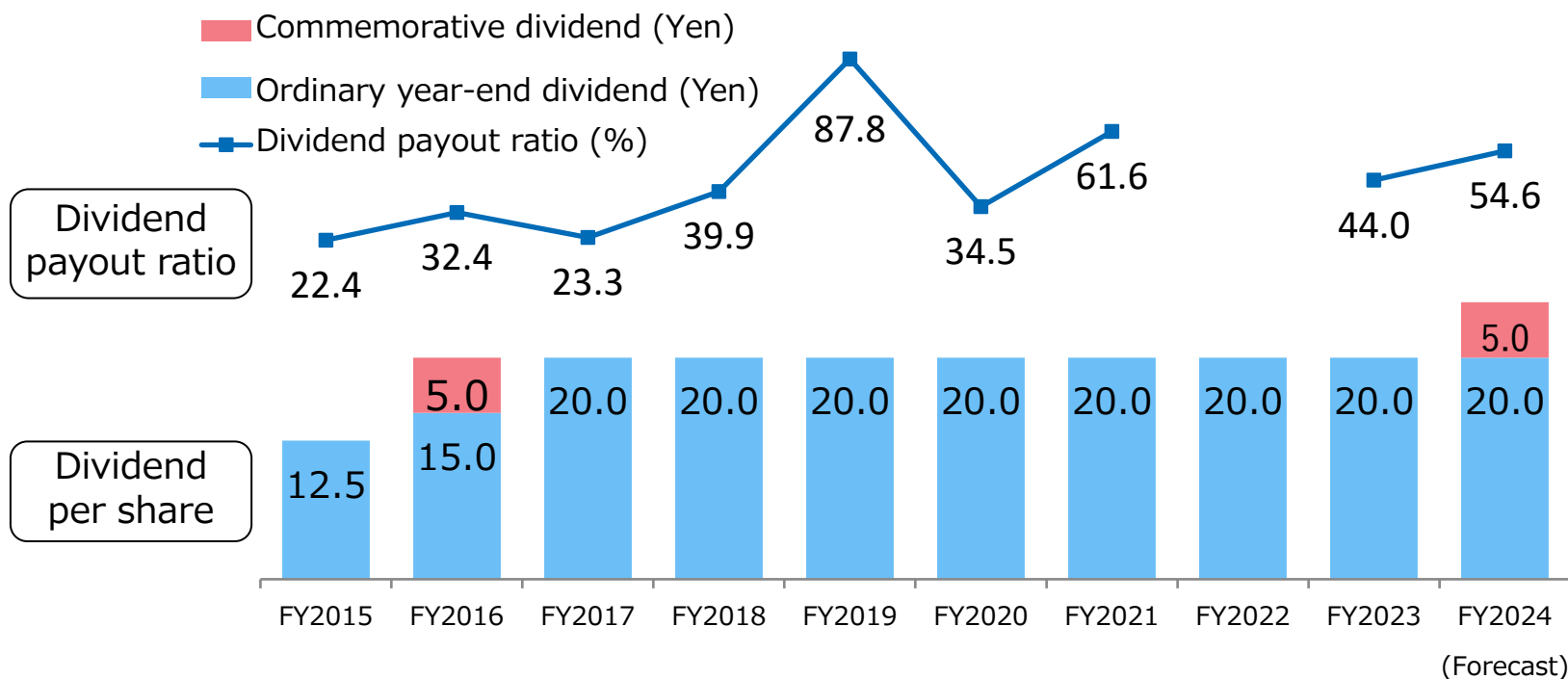
Summary of Consolidated Forecasts

- The full year consolidated forecasts remain unchanged from the forecast announced at the beginning of the fiscal year and are expected to be achieved.
- The Freund Group is focusing on the closing of major orders in the machinery business. This business is performing well, mainly in Japan, and most major deliveries are expected outside Japan in the fourth quarter of FY2024.

(Millions of yen)	FY2023	FY2024	YoY change	
	Actual	Forecast		%
Net sales	22,903	23,500	596	2.6%
Operating profit	1,270	1,100	(170)	(13.4)%
Ordinary profit	1,285	1,100	(185)	(14.4)%
Profit attributable to owners of parent	764	770	5	0.7%
Earnings per share (yen)	45.46	45.76	0.30	0.7%

Summary of Dividend Forecasts

- The FY2024 dividend will continue to be based on the policy of maintaining the long-term stability of dividend payments. This forecast includes a special dividend to commemorate the 60th anniversary of Freund's establishment.
- Regarding actions to implement management conscious of the cost of capital and stock price, which is requested by the Tokyo Stock Exchange, will be announced at the time of the earnings announcement for FY2024.



Note: Dividend payout ratio for FY2022 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 dividend per share for FY2015 has been adjusted to reflect the stock split.

Commemorative dividends were paid in FY2016 for the 20th anniversary of the exchange listing of Freund stock and planned to be paid in FY2024 for the 60th anniversary of Freund's establishment.

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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.