

FREUND CORPORATION

Selected by the Japanese Ministry of Economy, Trade  
and Industry as a Global Niche Top 100 Company



(Securities code: 6312)

# Results of Operations for the Fiscal Year Ended February 29, 2020

May 1, 2020

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# Consolidated Financial Summary for FY2/20



## Consolidated Financial Summary

- Consolidated sales: down 9% YoY
- Consolidated operating profit: down 54% YoY
- Capital investments: up 52% YoY
- R&D expenses: down 13% YoY

(Millions of yen)

	FY2/19	FY2/20		YoY change	
	Actual	Actual	Forecast (revised on Jan. 9 2020)	Amount	%
Net sales	18,408	16,772	17,000	(1,635)	(8.9)%
Operating profit	1,223	558	600	(664)	(54.3)%
Ordinary profit	1,326	582	600	(743)	(56.1)%
Profit	843	381	350	(462)	-
Earnings per share (yen)	50.15	22.79	20.90	(27.36)	-
Orders received	12,574	11,006	-	(1,568)	(12.5)%
Order backlog	5,555	4,897	-	(658)	(11.8)%
Capital investment	627	951	700	+323	+51.6%
Depreciation	344	386	350	+41	+12.1%
R&D expenses	832	725	750	(106)	(12.8)%
ROA	4.8%	2.1%	-	-	-
ROE	6.4%	2.9%	-	-	-

## Machinery Business: Overview

### ● Sales by Product Field

- Pharmaceutical products: Demand of GE manufacturers for equipment continued to be weak after the post-GE80%; Slow sales growth of new products
- Industrial products: Sales decreased partly due to the stagnant battery market in China

### ● Orders received by Product Field

- Pharmaceutical products: Orders received decreased 13% YoY
- Industrial products: Orders received were higher due to strong demand except for batteries

(Millions of yen)

	FY2/19		FY2/20	
	Amount	YoY change (%)	Amount	YoY change (%)
<b>Net sales</b>	<b>12,368</b>	<b>(14.1)</b>	<b>11,118</b>	<b>(10.1)</b>
Pharmaceutical Products	10,160	(17.4)	9,357	(7.9)
Industrial Products	2,207	+5.0	1,760	(20.2)
<b>Operating profit</b>	<b>737</b>	<b>(54.8)</b>	<b>311</b>	<b>(57.8)</b>
<b>Orders received</b>	<b>11,839</b>	<b>+2.8</b>	<b>10,227</b>	<b>(13.6)</b>
Pharmaceutical Products	10,204	+6.8	8,478	(16.9)
Industrial Products	1,634	(16.4)	1,749	+7.0
<b>Order backlog</b>	<b>5,428</b>	<b>(6.8)</b>	<b>4,695</b>	<b>(13.5)</b>
Pharmaceutical Products	5,039	+0.3	4,156	(17.5)
Industrial Products	388	(51.2)	538	+38.6
<b>Yen/dollar rate (+ is yen depreciation)</b>	<b>110.5</b>	<b>-1.0 yen/dollar</b>	<b>109.0</b>	<b>-1.5 yen/dollar</b>

## Machinery Business: Group Company Performance

- Freund Corporation: The business climate remained challenging because companies in Japan have largely completed major GE-related investments
- Freund-Vector: Lower sales and earnings due to delay in recognition of sales to a large customer
- Freund-Turbo: Sales declined but orders received were higher

(Millions of yen)

	FY2/19		FY2/20	
	Amount	YoY change (%)	Amount	YoY change (%)
<b>Net sales</b>	<b>12,368</b>	<b>(14.1)</b>	<b>11,118</b>	<b>(10.1)</b>
FREUND CORPORATION *	7,075	(20.4)	6,254	(11.6)
FREUND-VECTOR *	4,132	(5.1)	3,994	(3.3)
FREUND-TURBO *	1,866	+8.3	1,522	(18.4)
<b>Operating profit</b>	<b>737</b>	<b>(54.8)</b>	<b>311</b>	<b>(57.8)</b>
FREUND CORPORATION	732	(48.6)	308	(57.9)
FREUND-VECTOR	30	(64.4)	(53)	-
FREUND-TURBO	(25)	-	56	-
<b>Orders received</b>	<b>11,839</b>	<b>+2.8</b>	<b>10,227</b>	<b>(13.6)</b>
FREUND CORPORATION	6,671	+7.6	5,920	(11.3)
FREUND-VECTOR	3,989	+4.6	2,955	(25.9)
FREUND-TURBO	1,177	(21.3)	1,351	+14.7
<b>Order backlog</b>	<b>5,428</b>	<b>(6.8)</b>	<b>4,695</b>	<b>(13.5)</b>
FREUND CORPORATION	3,989	(0.3)	3,863	(3.1)
FREUND-VECTOR	1,233	+1.3	436	(64.6)
FREUND-TURBO	205	(66.0)	395	+92.0

\* Before elimination for consolidation

## Machinery Business: Sales by Region

- **Japan:** Sales decreased due to lower demand for equipment by GE manufacturers and delays in launching new products
- **North and South Americas:** Sales decreased due to lower sales in US despite strong sales in Brazil
- **Europe and Africa:** Sales increased but remained weak
- **Middle East, Asia and Pacific:** Sales decreased, the result of higher sales involving China but lower sales in other regions

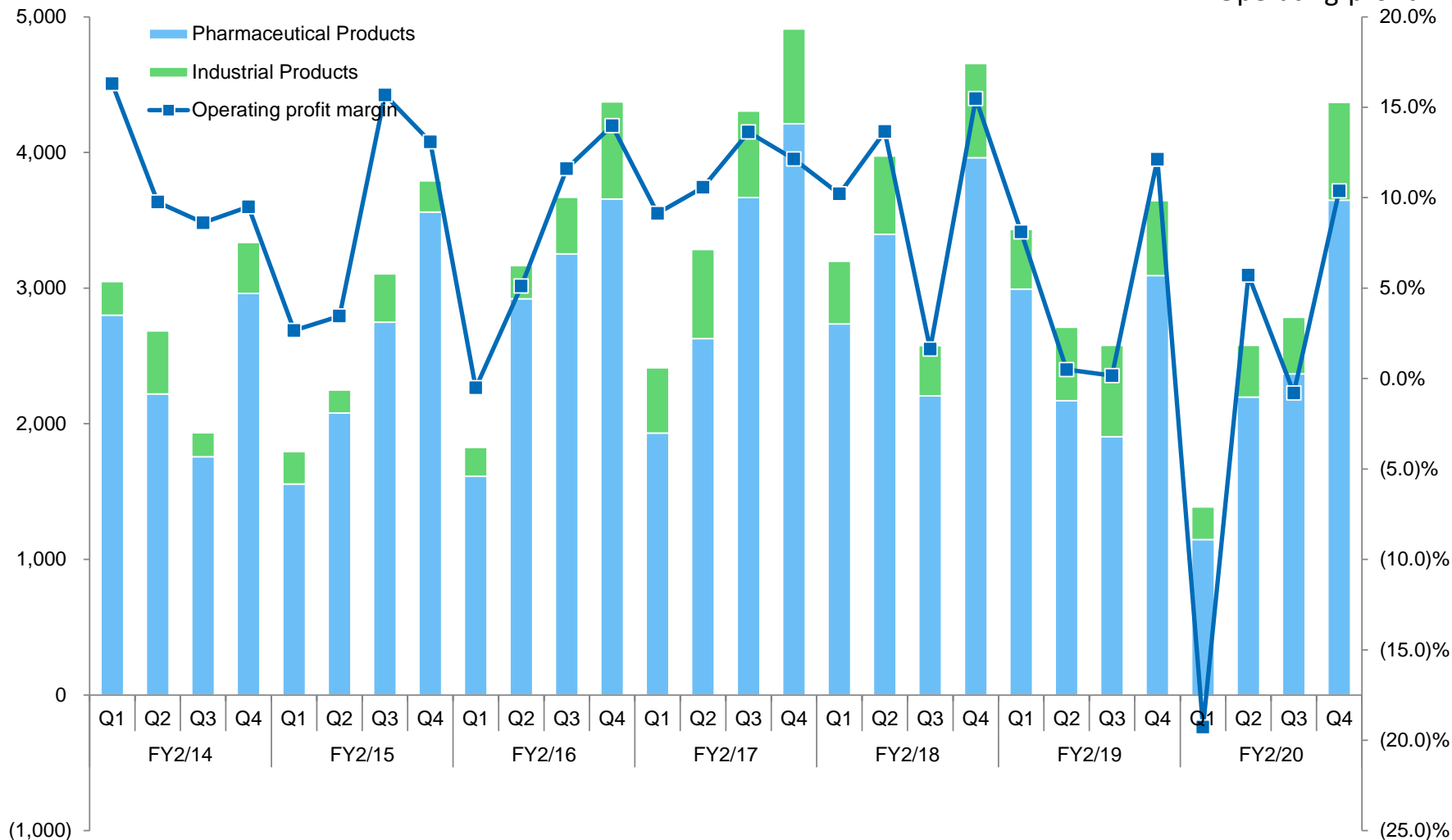
(Millions of yen)

	FY2/19		FY2/20	
	Amount	YoY change (%)	Amount	YoY change (%)
<b>Net sales</b>	<b>12,368</b>	<b>(14.1)%</b>	<b>11,118</b>	<b>(10.1)%</b>
<b>Japan</b>	<b>7,312</b>	<b>(13.9)%</b>	<b>6,696</b>	<b>(8.4)%</b>
<b>Overseas</b>	<b>5,055</b>	<b>(14.5)%</b>	<b>4,422</b>	<b>(12.5)%</b>
North and South Americas	3,352	+12.5%	2,915	(13.0)%
Europe and Africa	397	(77.7)%	452	+13.8%
Middle East, Asia and Pacific	1,306	+13.8%	1,054	(19.2)%

# Machinery Business: Quarterly Results (by Product Field)

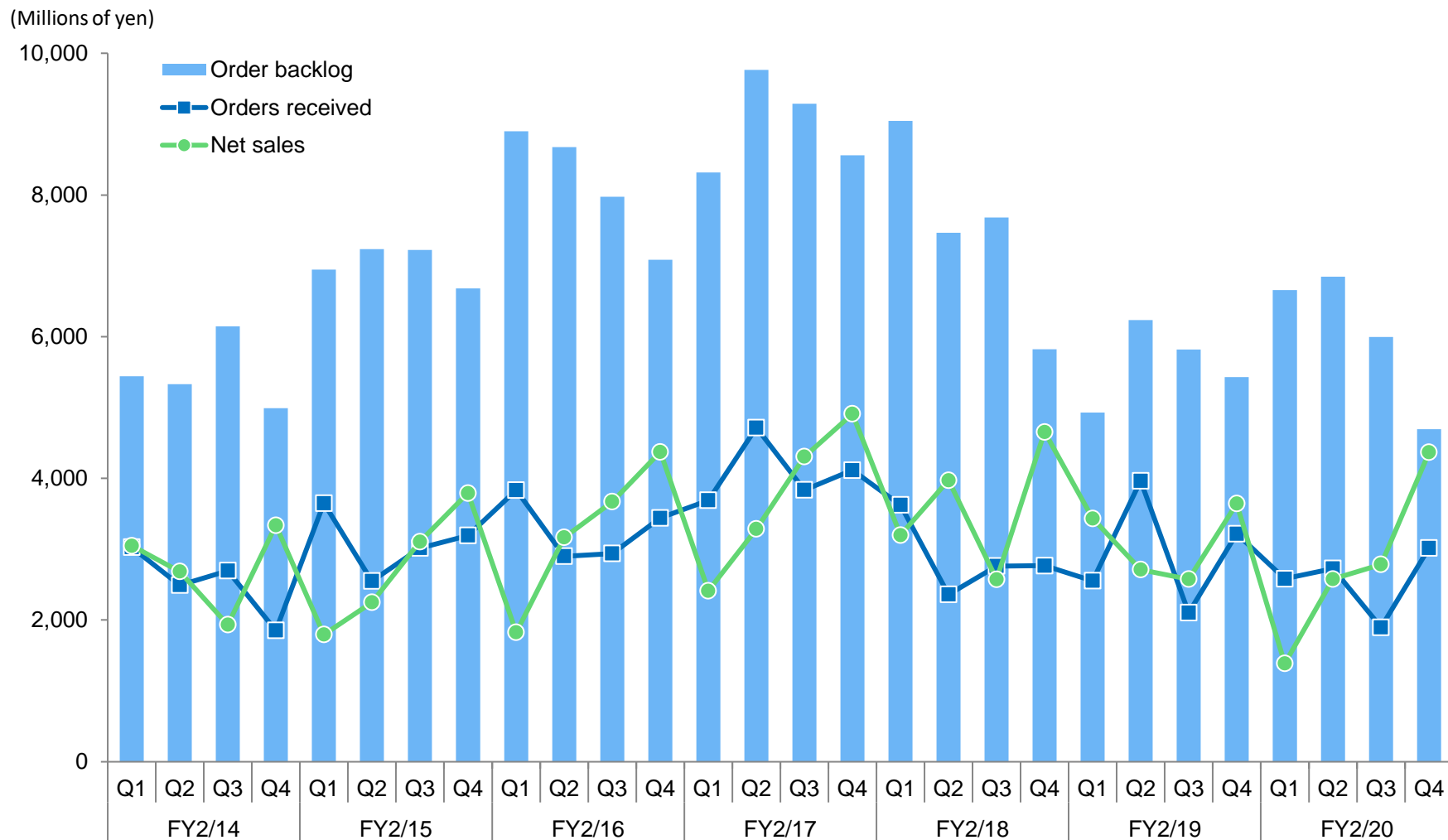
Net sales  
(Millions of yen)

Operating profit margin





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



## Chemicals Business: Overview

### ● Net Sales

- ❑ Pharmaceutical excipients: Sales were strong in Japan but overseas sales decreased due to inventory adjustment for specific users
- ❑ Food preservatives: Sales decreased slightly
- ❑ Dietary supplement products: Sales increased slightly
- ❑ Export: A big decline in sales due to inventory adjustment for overseas specific users

- Segment Profit: 24% lower than the previous fiscal year due to a decline in net sales and lower sales of products with high profitability

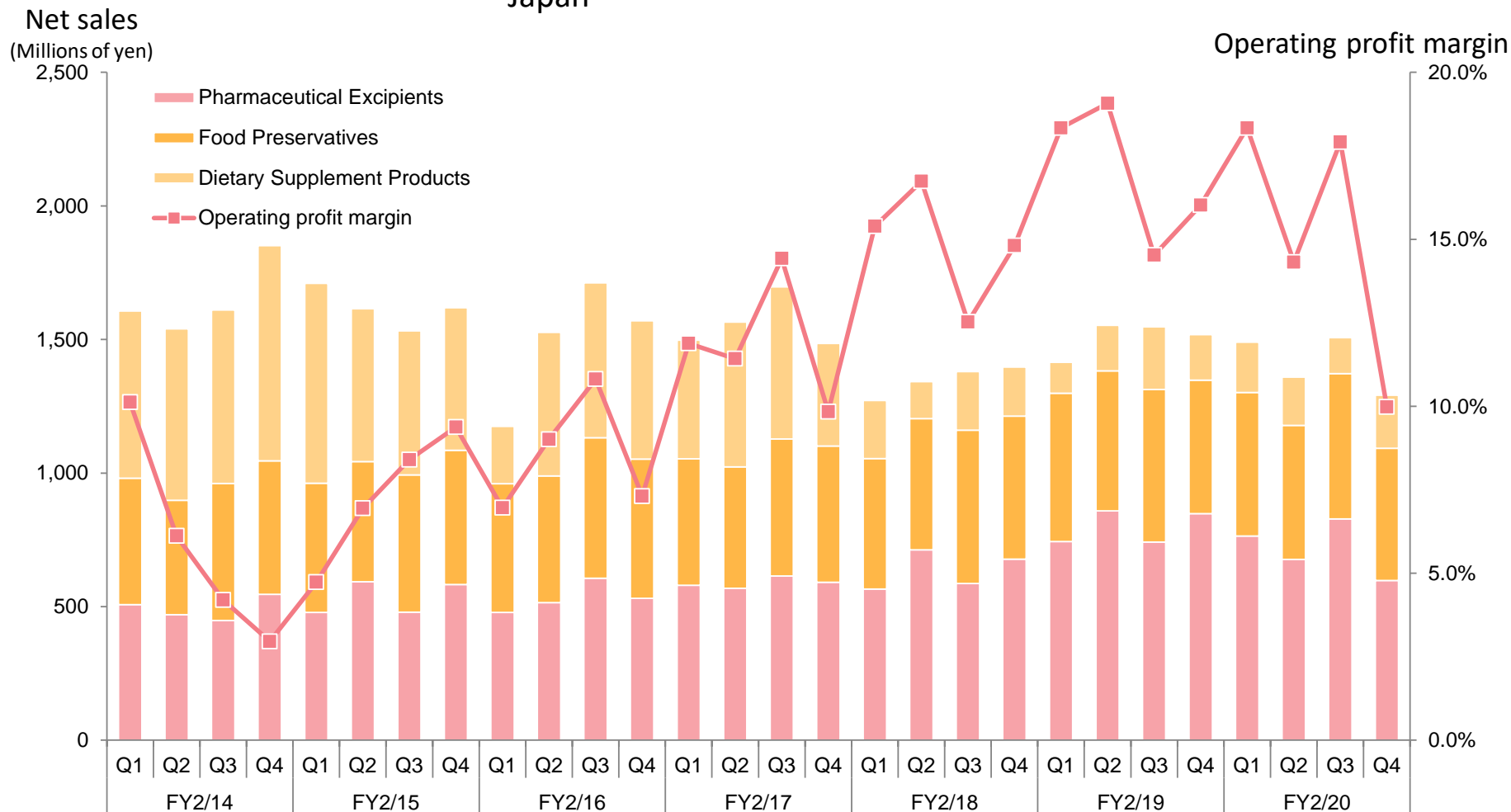
(Millions of yen)

	FY2/19		FY2/20	
	Amount	YoY change (%)	Amount	YoY change (%)
<b>Net sales</b>	<b>6,040</b>	<b>+ 11.9</b>	<b>5,654</b>	<b>(6.4)</b>
Pharmaceutical Excipients	3,195	+ 25.5	2,869	(10.2)
Food Preservatives	2,151	+ 2.9	2,079	(3.4)
Dietary Supplement Products	693	(8.9)	704	+ 1.6
(Export sales)*1	353	+ 64.1	155	(55.9)
<b>Operating profit</b>	<b>1,024</b>	<b>+ 27.9</b>	<b>781</b>	<b>(23.7)</b>

\*1: Sales to India, South Korea, China, Taiwan, etc.

## Chemicals Business: Quarterly Results (by Product Field)

- **Pharmaceutical excipients:** Sales were strong mainly for GE manufacturers but lower for overseas customers
- **Food preservatives:** Sales were lower mainly due to lower demand of foreign tourists in Japan



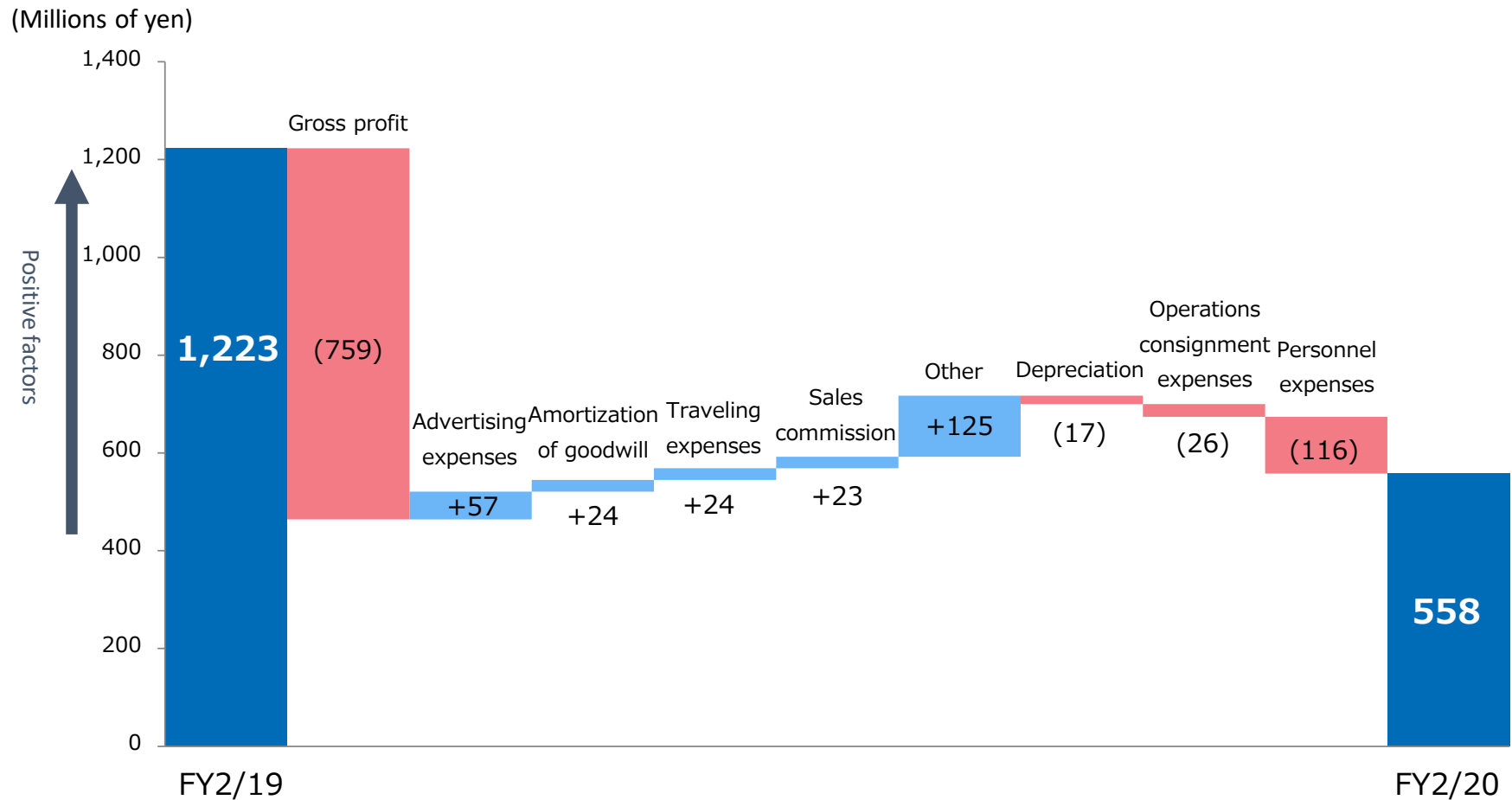
## Summary of Consolidated Statement of Income

(Millions of yen)

	FY2/19		FY2/20		YoY change	
	Amount	Composition ratio	Amount	Composition ratio	Amount	%
Net sales	18,408	100.0%	16,772	100.0%	(1,635)	(8.9)%
Cost of sales	12,220	66.4%	11,344	67.6%	(875)	(7.2)%
Gross profit	6,188	33.6%	5,428	32.4%	(759)	(12.3)%
SG&A expenses	4,964	27.0%	4,870	29.0%	(94)	(1.9)%
Operation profit	1,223	6.6%	558	3.3%	(664)	(54.3)%
Non-operating income and expenses	103	0.6%	24	0.1%	(78)	(76.3)%
Ordinary profit	1,326	7.2%	582	3.5%	(743)	(56.1)%
Extraordinary income and losses	(70)	-	(14)	-	+56	-
Profit before income taxes	1,255	6.8%	568	3.4%	(687)	(54.7)%
Profit	843	4.6%	381	2.3%	(462)	(54.8)%

# Change in Consolidated Operating Profit

- Cost reductions unable to compensate for the decrease in the top line



## Summary of Consolidated Balance Sheet

(Millions of yen)

	FY2/19-End	FY2/20-End	YoY change Amount
Current assets	12,711	13,193	+482
Cash and deposits	5,534	4,314	(1,220)
Accounts receivable *1	4,332	5,431	+1,098
Inventories	2,475	3,051	+576
Non-current assets	4,736	5,311	+575
Property, plant and equipment	3,769	4,209	+440
Intangible assets	16	96	+79
Investments and other assets	951	1,006	+54
Total assets	17,448	18,505	+1,057
Current liabilities	3,938	5,023	+1,085
Accounts payable *1	2,169	3,121	+952
Advances received	666	775	+108
Non-current liabilities	258	237	(21)
Retirement benefit liability	162	165	+2
Total liabilities	4,197	5,261	+1,063
Total net assets	13,250	13,243	(6)

### Inventories

- Delay in recognition of sales at Freund Vector ...371
- Increased inventories to a suitable level...209

### Property, plant and equipment

- Renovation of Freund Vector's laboratory

\*1 Includes electronically recorded monetary claims-operating and obligations-operating

## Summary of Consolidated Statement of Cash Flows

	(Millions of yen)	
	FY2/19	FY2/20
<b>Cash flows from operating activities</b>	<b>435</b>	<b>(27)</b>
Profit before income taxes	1,255	568
Depreciation	344	386
Decrease (increase) in notes and accounts receivable - trade	138	(1,106)
Decrease (increase) in inventories	615	(590)
Increase (decrease) in advances received	(843)	114
Increase (decrease) in notes and accounts payable - trade	(700)	921
Income taxes paid	(610)	(324)
<b>Cash flows from investing activities</b>	<b>(566)</b>	<b>(852)</b>
Purchase of property, plant and equipment	(569)	(835)
<b>Cash flows from financing activities</b>	<b>(921)</b>	<b>(325)</b>
Repayments of lease obligations	(5)	(3)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(25)
Cash dividends paid	(343)	(333)
Net increase (decrease) in cash and cash equivalents	(1,033)	(1,220)
Cash and cash equivalents at end of period	5,534	4,314

# Consolidated Earnings and Dividend Forecasts for FY2/21





## Summary of Consolidated Forecasts

- Gross profit: Reduce costs to raise the gross margin
- SG&A expenses: Cut costs at Freund and group companies
- Using all group resources to aim for higher earnings, including measures to raise sales in non pharmaceutical sector (in the chemicals, food and dietary supplement sectors)

(Millions of yen)

	FY2/20	FY2/21	YoY change	
	(Actual)	(Forecast)	Amount	%
Net sales	16,772	17,800	+1,027	+6.1
Operating profit	558	1,000	+441	+79.1
Ordinary profit	582	1,000	+417	+71.6
Profit	381	700	+318	+83.5
Earnings per share (yen)	22.79	41.80	+19.01	+83.4
Yen/dollar rate (+ is yen depreciation)	109.03	105.00	-	-
Capital investment	951	-	-	-
Depreciation	386	-	-	-
R&D expenses	725	-	-	-

## Summary of Segment Forecasts

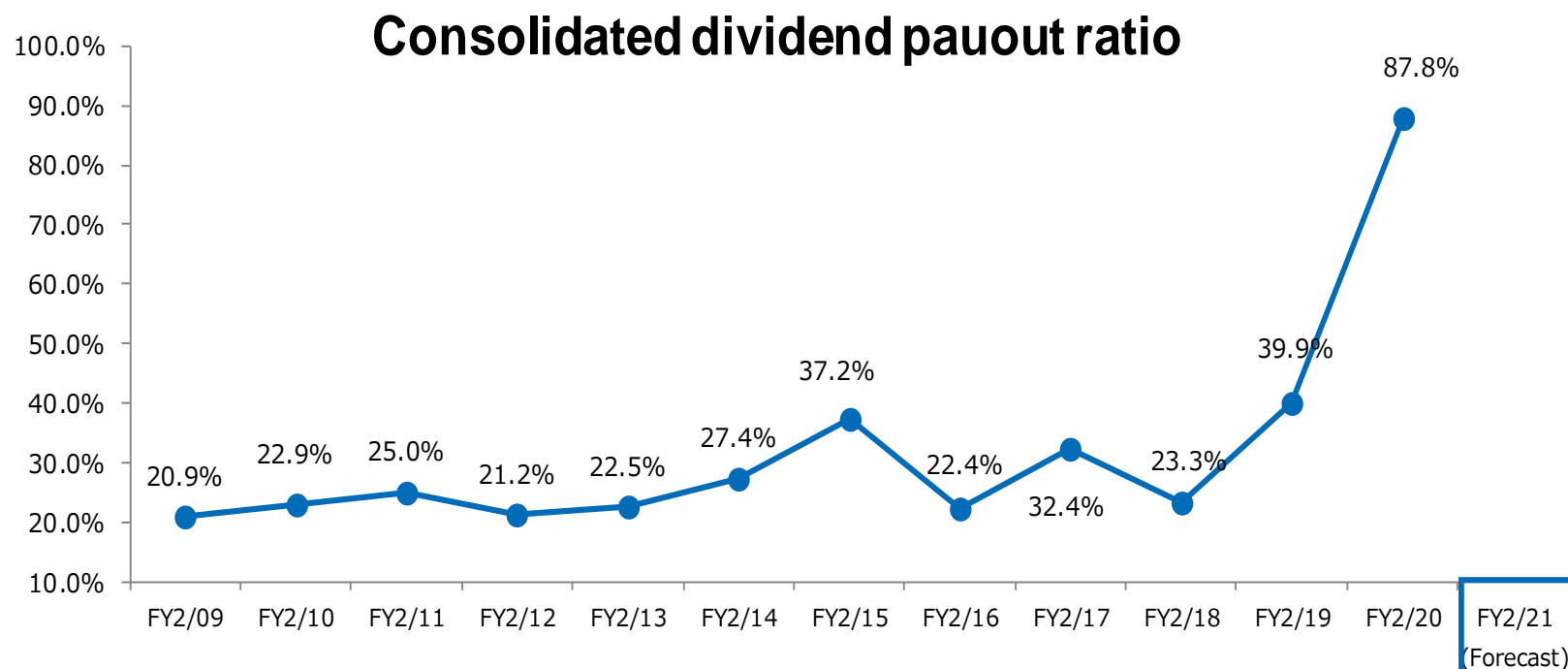
- Machinery: Goals are improving accuracy for new orders, expanding the maintenance business and increasing overseas sales
- Chemicals: Goals are increasing sales of pharmaceutical excipients in Japan and receiving new orders involving other countries

(Millions of yen)

	FY2/20		FY2/21 (Forecast)		YoY change	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	%
Consolidated net sales	16,772	100.0	17,800	100.0	+1,027	+6.1
Machinery Business Segment	11,118	66.3	12,000	67.4	+881	+7.9
Chemicals Business Segment	5,654	33.7	5,800	32.6	+145	+2.6
Segment profit	558	100.0	1,000	100.0	+441	+79.1
Machinery Business Segment	311	55.7	-	-	-	-
Chemicals Business Segment	781	140.0	-	-	-	-
Adjustments	(534)	(95.7)	-	-	-	-
Yen/dollar rate (+ is yen depreciation)	109.03	-	105.00	-	-	-

## Summary of Dividend Forecasts

- Consolidated dividend payout ratio target is 30%; FY2/20 payout ratio was 87.8%
- Dividend forecast and payout ratio for FY2/21 have not been determined at this time



Profit (¥ million)	619	563	516	608	765	787	695	961	1,064	1,477	843	381	-
Dividend per share (yen)	7.5	7.5	7.5	7.5	10.0	12.5	15.0	12.5	20.0	20.0	20.0	20.0	-
Number of shares outstanding (Thousand shares)	4,600	9,200	9,200	9,200	9,200	9,200	9,200	9,200	18,400	18,400	18,400	18,400	-

Note: Freund conducted a 2-for-1 common stock split on June 1, 2009 and March 1, 2016. The dividends per share for FY2/16 and earlier have been adjusted to reflect the stock split.

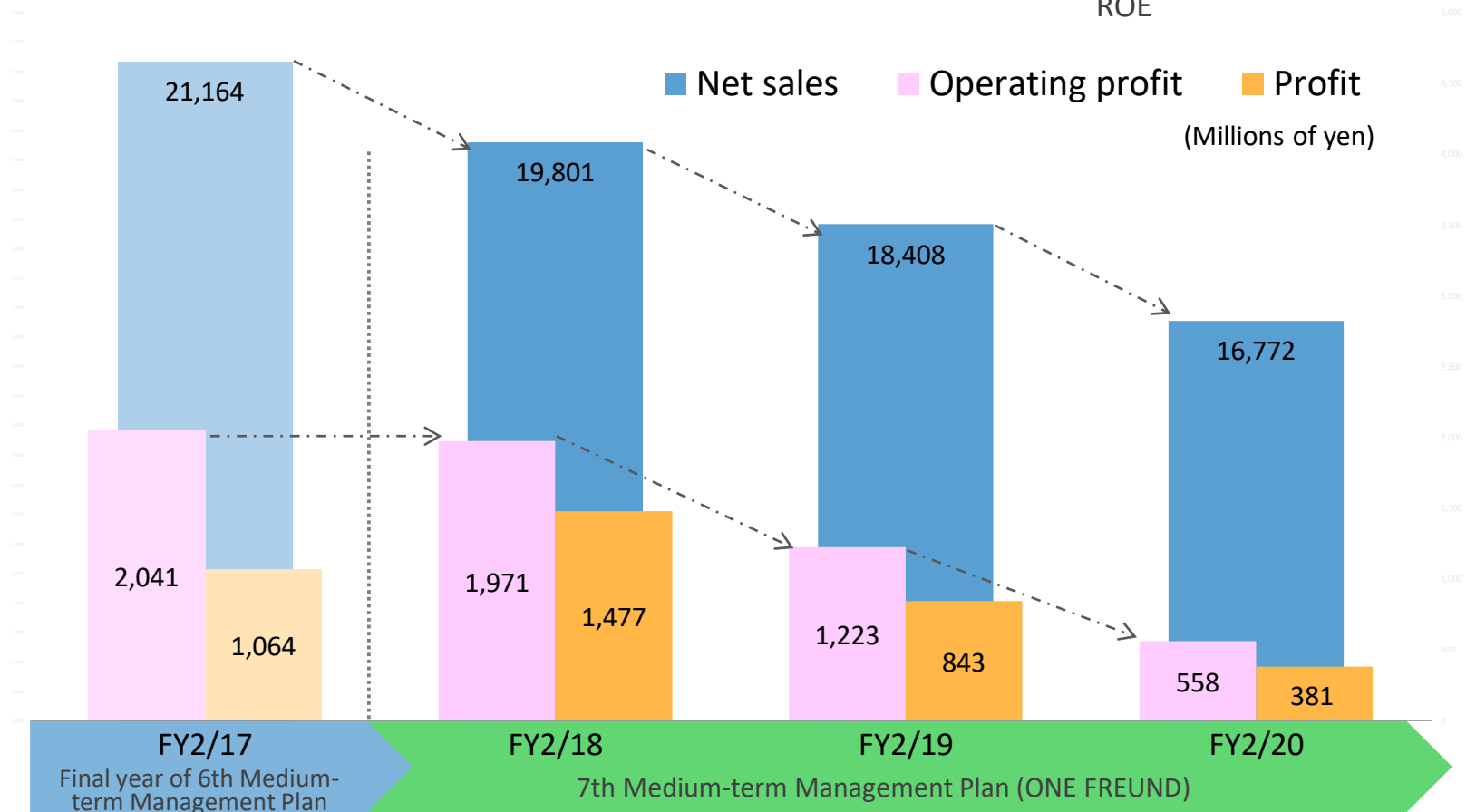
# 8th Medium-term Management Plan

# Assessment of the 7th Medium-term Management Plan (Sales and Earnings)

- Lower demand for equipment by GE manufacturers in Japan
- Delays in launching new products and intense competition
- Slow pace of growth of overseas operations

## ■ Target ■

Net sales	¥30.0 billion
Operating profit	¥3.0 billion
Operating margin	10%
ROE	8%



- Japan is 7.1% of the global pharmaceutical market (US dollar basis)

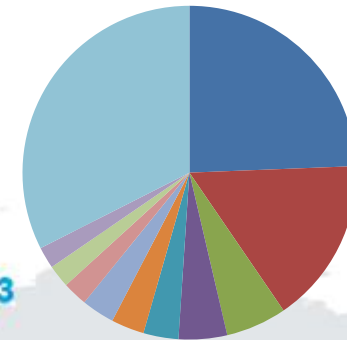
**Exhibit 2:**  
**Global Medicine Spending and Growth in Selected Regions, 2018-2023**



Source: IQVIA Market Prognosis, Sep 2018; IQVIA Institute, Dec 2018

Notes: Market sizes shown in US\$ with actual and forecast exchange rates; growth shown in constant dollars at Q2 2018 exchange rates; Japan growth decline on constant dollar basis is due to exchange rate dynamics

Global GDP  
(2019 IMF forecast)



- US – 24.4%
- China – 16.1%
- Japan – 5.9%
- Germany – 4.7%
- India – 3.4%
- France – 3.2%
- UK – 3.2%
- Italy – 2.4%
- Brazil – 2.2%
- Canada – 2.1%
- Other – 32.5%

## OTC

By 2025, Japan wants to make the OTC pharmaceutical industry part of an infrastructure for a longer healthy life expectancy

Vision for OTC pharmaceuticals

1. Self-medication and self-care for a longer life in good health
2. Increase use of OTC drugs to support self-medication and self-care
3. Increase the use of Japanese OTC drugs in other Asian countries

	2015	2025
Total	¥1,305 billion	¥2,150 billion (CAGR 5.05%)
Japan	¥1,100 billion	¥1,800 billion
Overseas	¥205 billion	¥350 billion (CAGR 5.5%)

Data: Grand Design of the Japan Self-Medication Industry

## Dietary Supplements

Sales of functional food products continue to grow and sales of food for specified health uses have started to decline

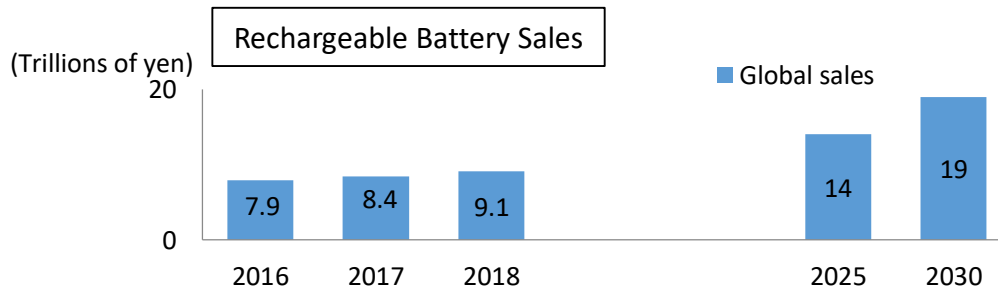
Sales in 2018

Functional food: ¥242.0 billion (up 23.7% YoY)

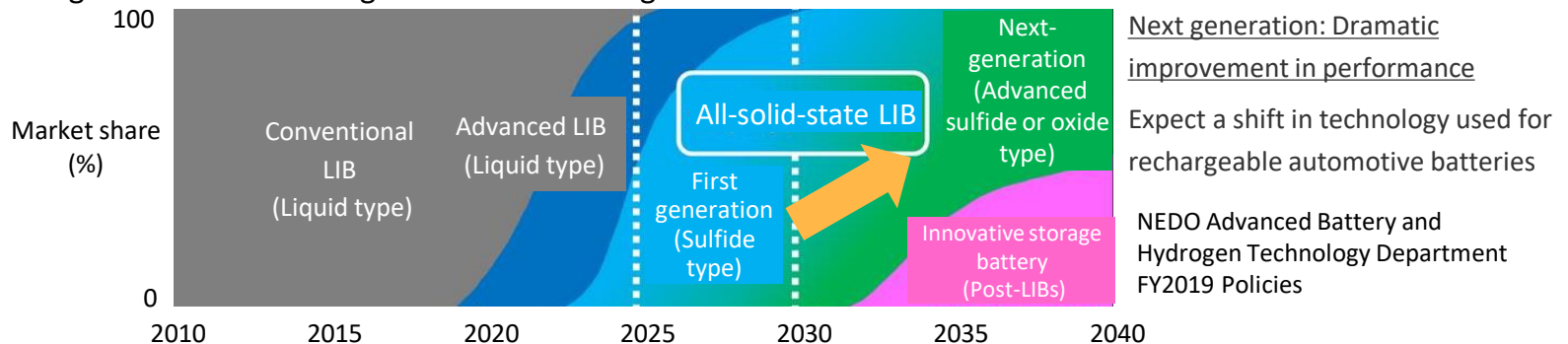
Specified health use food: ¥378.1 billion (down 1.8% YoY)

# Business Climate      Lithium-ion Batteries

- In the early 2000s, Japanese companies supplied about 90% of lithium-ion batteries for mobile devices. But now this share is 20% because of the growth of battery production in China and South Korea backed by government support and enormous capital expenditures.  
Japan supplies more than 40% of lithium-ion batteries for automobiles. This was a ¥1 trillion market in 2017 and is forecast to grow to ¥9 trillion by 2030.  
China has been raising battery production, mainly for internal use, and its global market share is now 50%.



- To reinvigorate the solid-state battery industry in Japan, the Ministry of Economy, Trade and Industry, public-sector agencies and companies in the battery industry are working together to drive innovation. Projects are under way for both first-generation and next-generation technologies.





# 8th Medium-term Management Plan

Corporate  
Philosophy

**Develop the Future through Creativity**

Management  
Vision

**Freund Group will contribute to better medical care and health for people worldwide and creating and utilizing technologies for fulfilling lives and food safety**

Values which the FREUND  
Group holds precious

**ONE**  
FREUND



**Create special forms of value**

Aim to be the leader in all of the group's business sectors



**Always use the customer's perspective**

Be a company like no other for customers and society



**Networking**

Solidify the group to create a unified organization

## Core Strategy

**Create a structure for business operations that can use technologies to meet the true needs of customers and achieve consistent growth in earnings**

## Seven Goals

1. Group solidarity
2. Always use the customer's perspective
3. Constant innovation
4. Global management
5. Strategy for growth
6. Business process and working-style reform
7. A firm commitment to compliance and governance

## 8th Medium-term Management Plan: Seven Goals

### 1. Group solidarity

Make all three group companies a unified organization and use this cohesiveness for collaboration for sales and R&D in order to achieve consolidated performance targets.

### 2. Always use the customer's perspective

Supply products with outstanding quality in every respect along with prices and speed that meet customers' expectations.

### 3. Constant innovation

Channel substantial resources to creating new products, as an organization specializing in developing technologies and other ideas, and rigorously manage progress concerning development plans.

### 4. Global management

While capturing market share in Japan, operations of all group companies must reflect the shift of customers' activities to other countries and the growing importance of quality in overseas markets.

### 5. Strategy for growth

Use M&A, business alliances and other activities to create businesses that can be the foundation of the next medium-term management plan and step up measures to achieve non-organic growth in existing businesses.

### 6. Business process and working-style reform

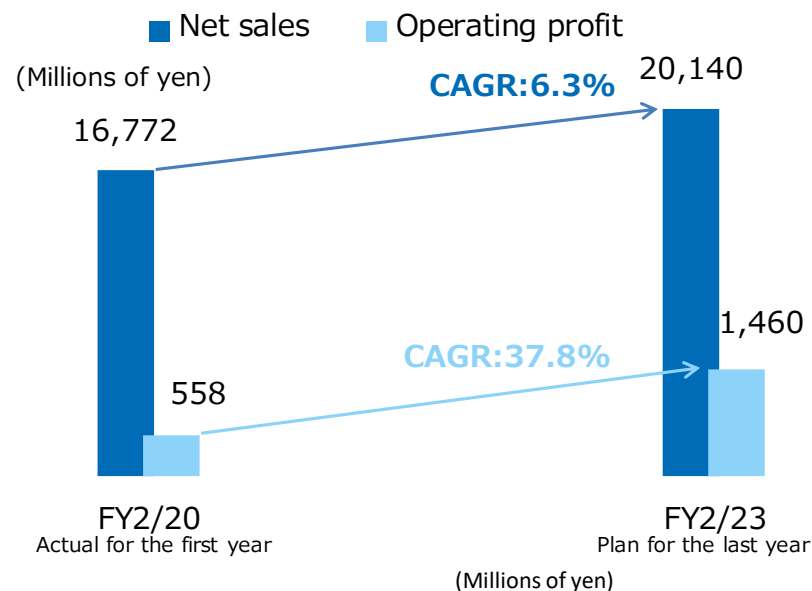
Eliminate inefficient tasks and jobs and become a highly efficient organization with pleasant and productive workplaces.

### 7. A firm commitment to compliance and governance

Improve production and quality management structure, upgrade internal controls, and take other actions to develop the sound operation of businesses in order to earn the trust of customers and society.

## 8th Medium-term Management Plan: Numerical Targets

- Unified business operations with subsidiaries
- Increase customer satisfaction from the standpoint of users
- Create innovative products
- Achieve growth on a global scale



	FY2/21	FY2/22	FY2/23
<b>Net sales</b>	<b>17,800</b>	<b>19,050</b>	<b>20,140</b>
FREUND CORPORATION	12,680	13,240	14,070
FREUND-VECTOR	4,040	4,560	4,720
FREUND-TURBO	1,800	1,900	2,000
<b>Operating profit</b>	<b>1,000</b>	<b>1,220</b>	<b>1,460</b>
FREUND CORPORATION	850	900	1,050
FREUND-VECTOR	70	150	220
FREUND-TURBO	100	130	160

## (Reference) Business Climate: The Global Pharmaceutical Market

- Global Markets: ¥130.5 trillion in 2018  
Expected to exceed ¥160.0 trillion in 2023

Global spending on medicines reached \$1.2 trillion in 2018, up from \$1.1 trillion in 2017, and is set to be just under \$1.3 trillion by 2019, with 4-5% growth globally. Global spending is expected to exceed \$1.5 trillion by 2023 as the market grows in mid-single digits (see Exhibit 1).

**Exhibit 1: Global Medicine Spending and Growth 2009-2023**

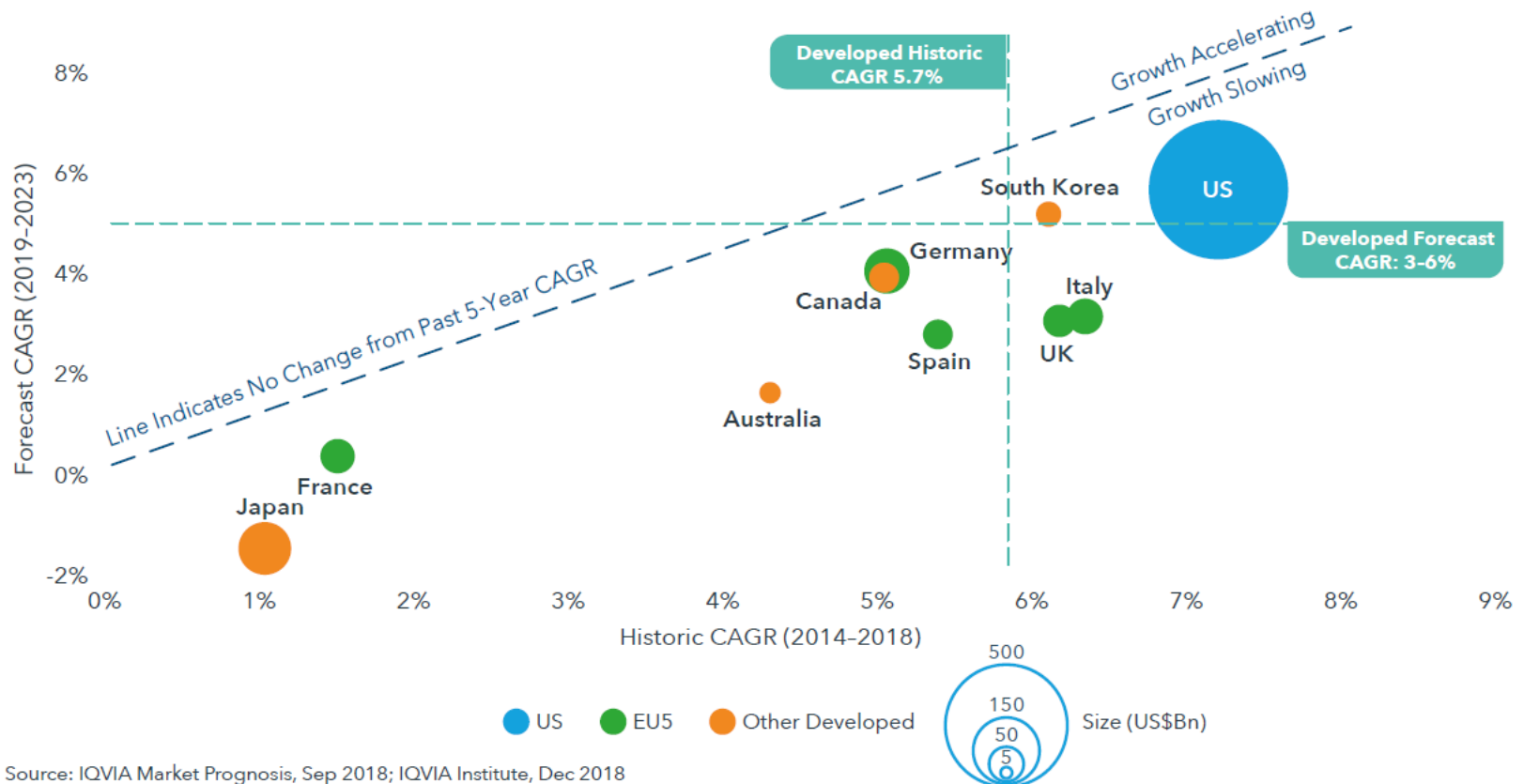


Source: IQVIA Market Prognosis, Sep 2018; IQVIA Institute, Dec 2018

# (Reference) Business Climate: The Global Pharmaceutical Market

- Overview: US/EU/Japan 2019 - 2023 growth will be slower than 2014 - 2018 growth

**Exhibit 3: Developed Markets Historic and Forecast Spending Growth by Country**

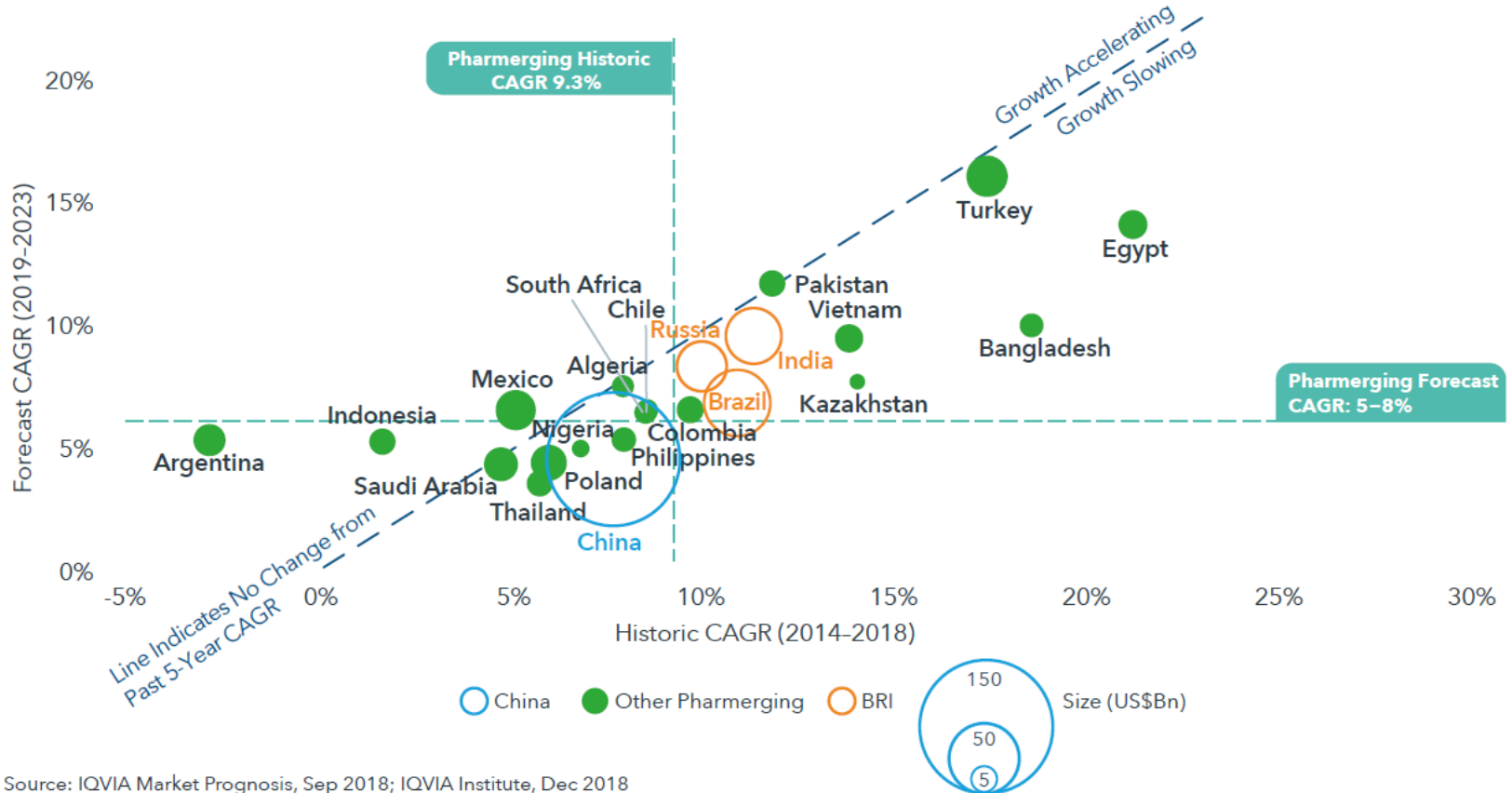


Source: IQVIA Market Prognosis, Sep 2018; IQVIA Institute, Dec 2018

# (Reference) Business Climate: The Global Pharmaceutical Market

- Overview: US/EU/Japan 2019 - 2023 growth will be slower than 2014 - 2018 growth

**Exhibit 4: Pharmerging Markets Historic and Forecast Spending Growth by Country**

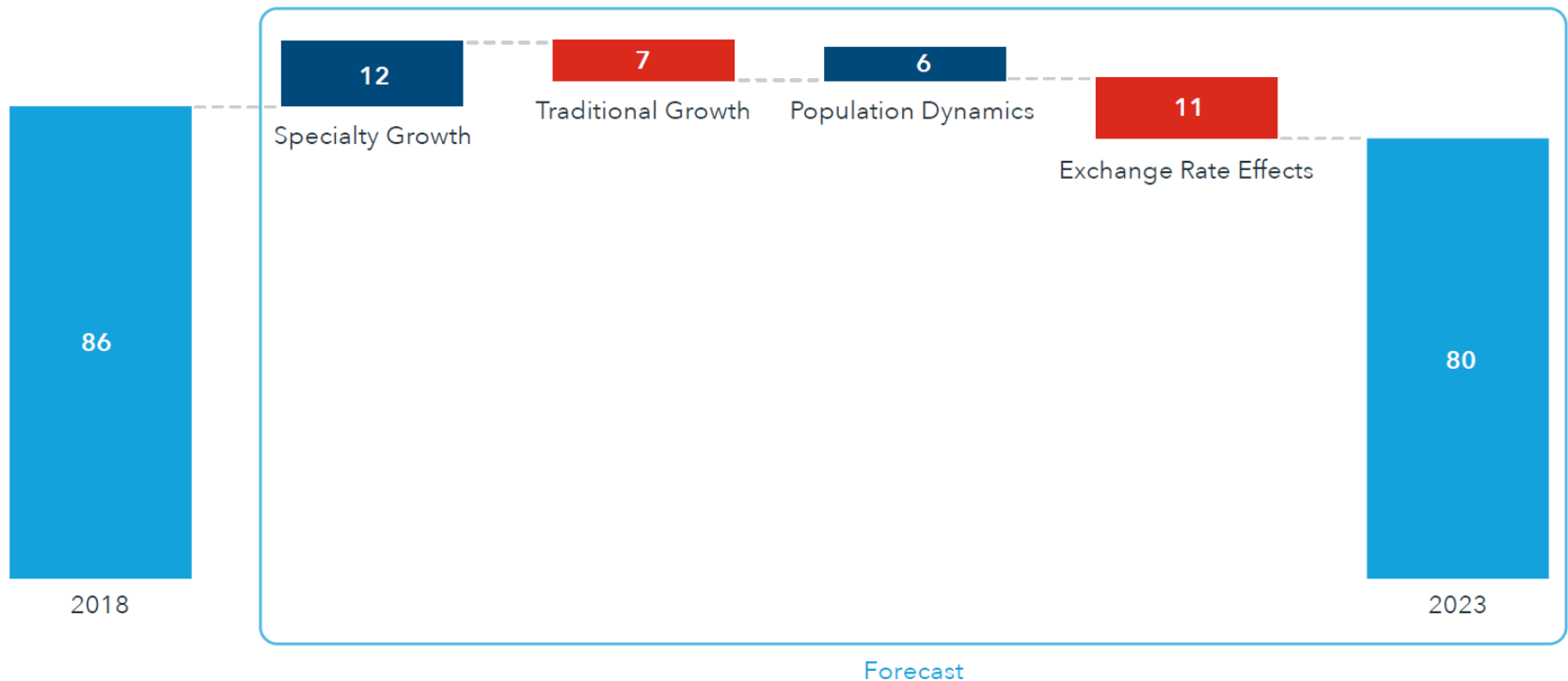


Source: IQVIA Market Prognosis, Sep 2018; IQVIA Institute, Dec 2018  
 Notes: BRI = Brazil, Russia, India; Argentina is plotted in U.S. dollars

## (Reference) Business Climate: Pharmaceutical Market Growth in Japan

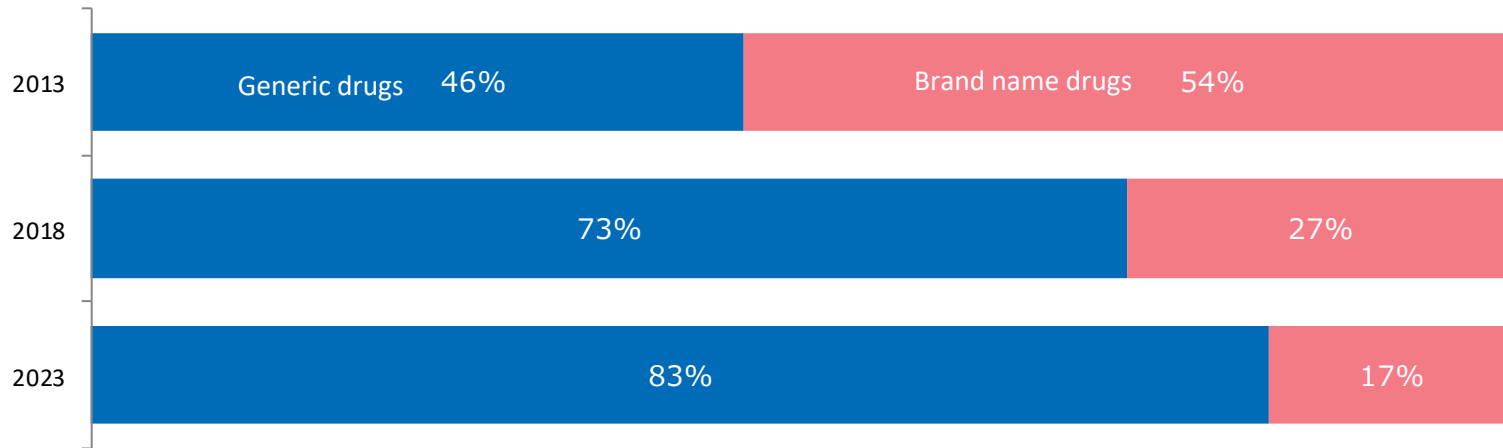
- Outlook for Japan: Change of between -3% and 0%
  - ▣ Drug price reductions and more use of generic drugs (83% in 2023)
  - ▣ Decline from 41% to 17% in market share of brand-name drugs
  - ▣ Higher share (increase to 41%) of cancer and other specialty drugs

**Exhibit 12: Japan Spending Growth Dynamics 2018-2023 Constant US\$Bn**

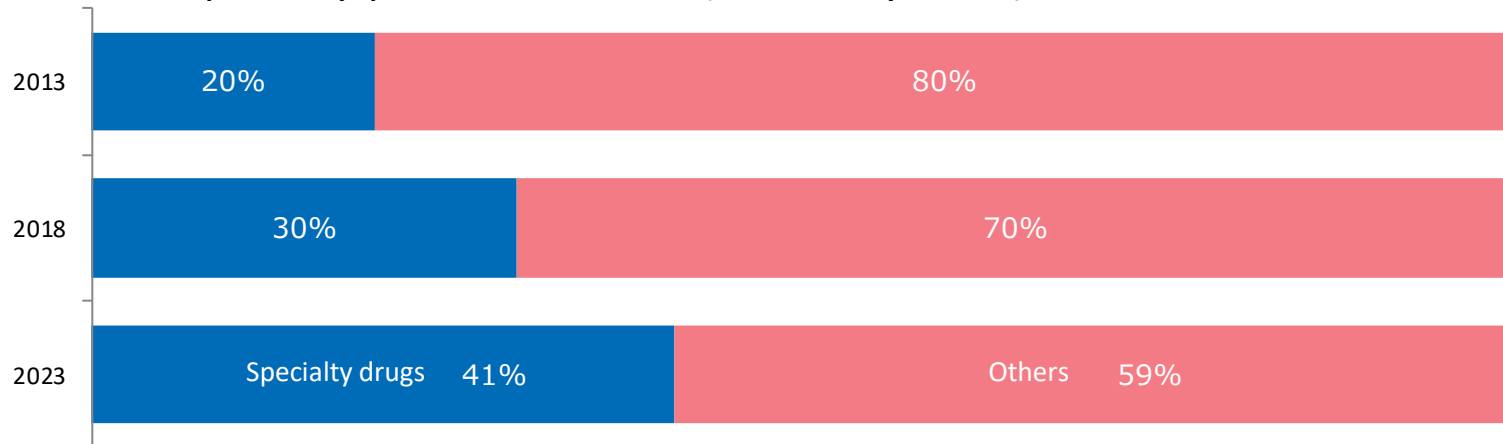


## (Reference) Business Climate: Pharmaceutical Market in Japan

### Share of generic drugs and brand name drugs (volume basis)



### Share of specialty pharmaceuticals (monetary basis)



※IQVIA The Global Use of Medicine in 2019 and Outlook to 2023



Basic policy for major revisions to the drug pricing system

Lower the cost of drugs and improve the quality of health care while ensuring the financial viability of the national health insurance system and promoting innovation.

Reflect growth of markets for drugs after initial listings

Examine and revise drug prices every year

Reflect drug industry innovation in prices



Upcoming actions accompanying revisions

- Shift from model centered on brand name drugs to a pharmaceutical industry structure with even greater drug creation capabilities
- Increase support measures, such as backing for R&D for revolutionary biologics and biosimilars
- Support for start-up companies and measures for the competitiveness of generic drug companies

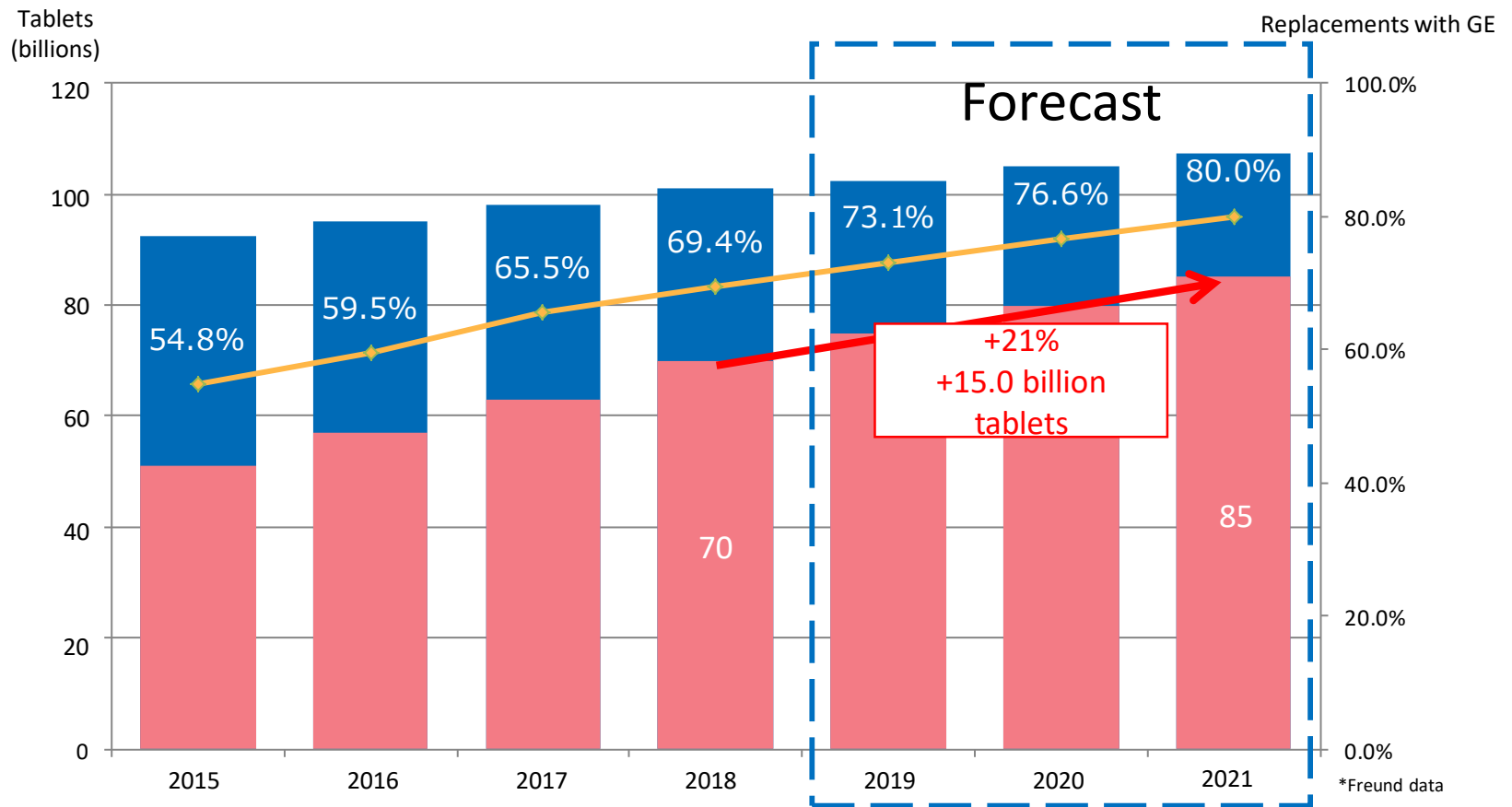
● Background

In 2017, health care expenditures in Japan were more than ¥43 trillion, including ¥9 trillion for drugs. Japan's national health insurance system cannot survive without changes.

Raising the share of generic drugs to 80% is expected to cut expenditures by about ¥1.6 trillion.

## (Reference) Business Climate: Generic Drug Sales Volume in Japan

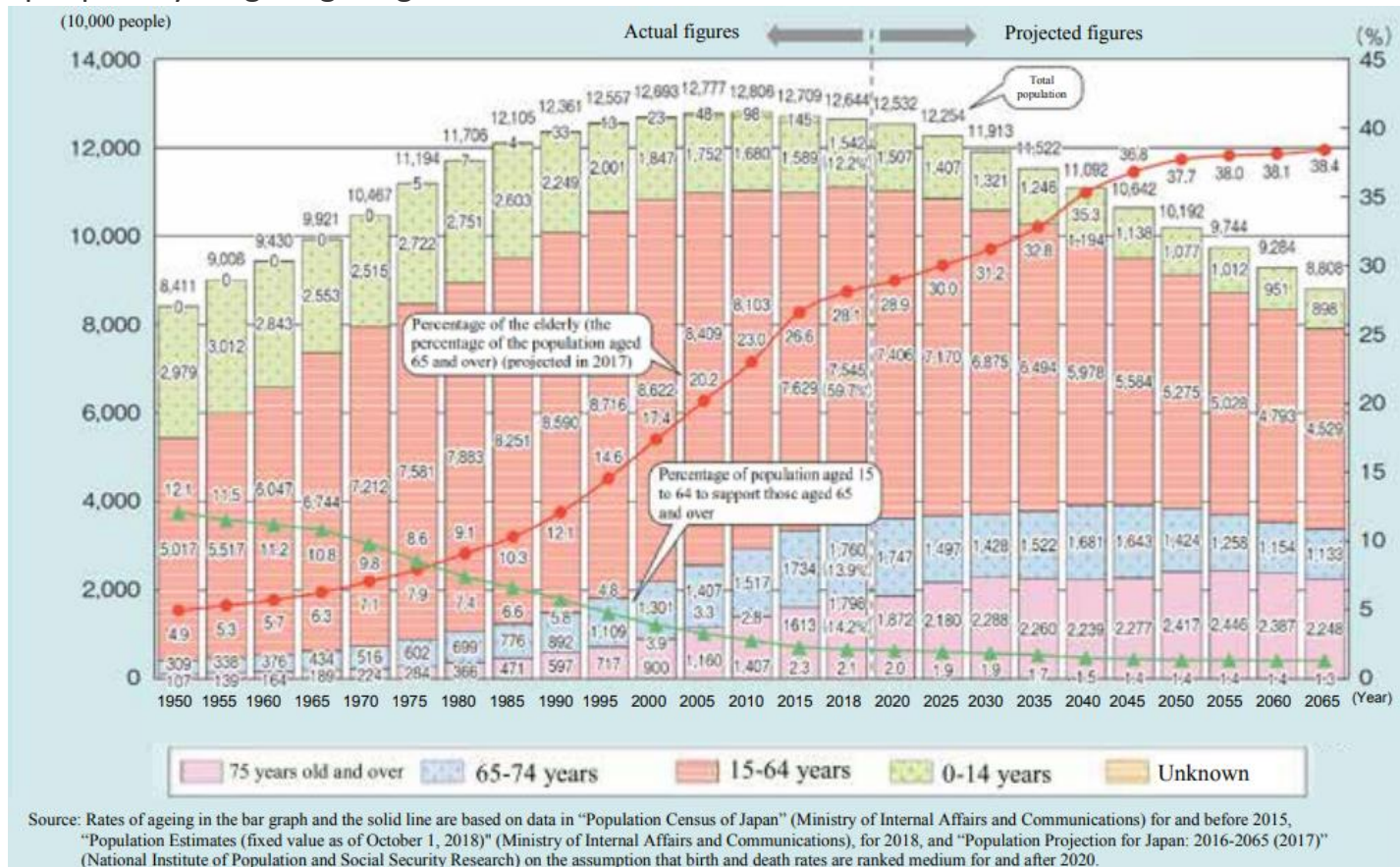
- Generic drug market is expanding to raise the generic drug share to 80% by September 2020
- Forecast 85 billion tablets in FY3/21 because of measures for the proper use of pharmaceuticals



- Forecast sales of 125-130 billion generic drug tablets in Japan in 2021, based on the Freund Corporate Planning Dept. estimate

## (Reference) Business Climate: Aging of Japan's Population (Super-aging Society)

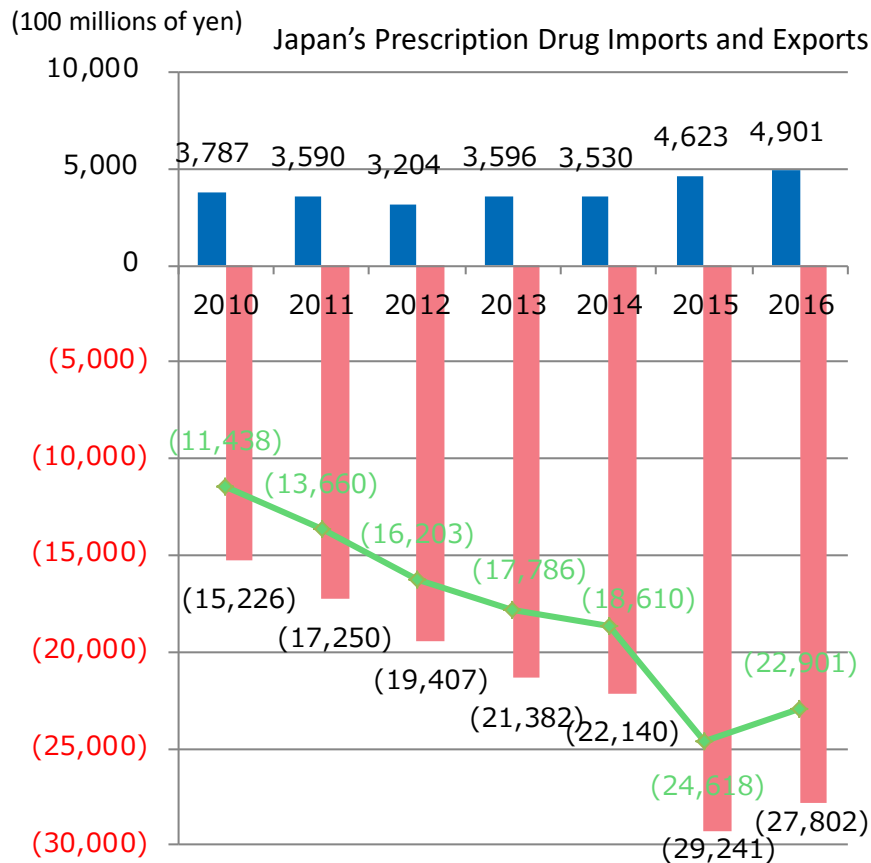
- As Japan's population rapidly ages, growing social security expenditures will exert increasing pressure on government budgets. At the same time, the falling working-age population is holding down the growth of economic activity
- The age 65+ population will remain generally level; Japan's rapid aging is due to a decline in the number of people in younger age segments



Source: "Trends in Ageing population and Projection for the Future," Annual Report on the Ageing Society FY2019, Cabinet Office of Japan

## (Reference) Business Climate: Growth of Prescription Drug Imports

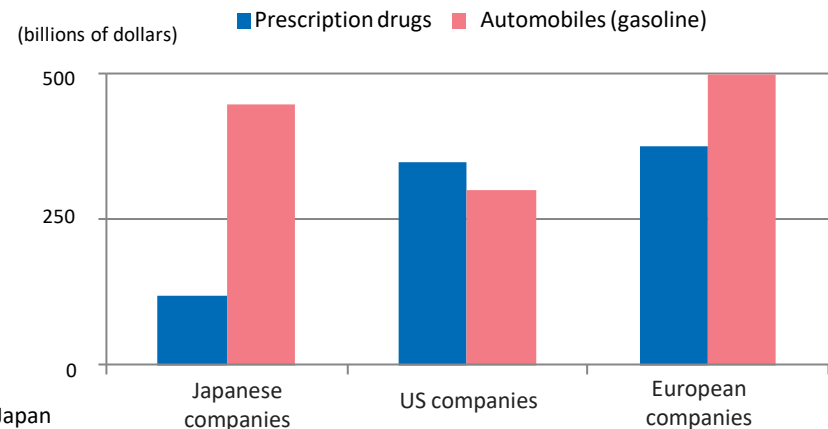
- Japan's exports of prescription drugs have not changed significantly during the past decade, while imports are about three times higher
- The result is a trade deficit of about ¥2.3 trillion



Source: Trade Statistics of Japan

	2001 Total ¥5,411.9 bln	2007 Total ¥7,662.7 bln	2013 Total ¥7,648.9 bln	2016 Total ¥8,151.7 bln
1st	Automobiles ¥599.8 bln	Automobiles ¥723.3 bln	Pharmaceuticals ¥1,198.2 bln	Pharmaceuticals ¥1,550.5 bln
2nd	Organic compounds ¥423.5 bln	Pharmaceuticals ¥634.4 bln	Automobiles ¥834.7 bln	Automobiles ¥949.7 bln
3rd	Pharmaceuticals ¥377.0 bln	Organic compounds ¥585.8 bln	Organic compounds ¥480.3 bln	Organic compounds ¥421.4 bln

■ Reference ■  
Comparison of sales in drug development industry and automobile industry



## (Supplementary Materials)

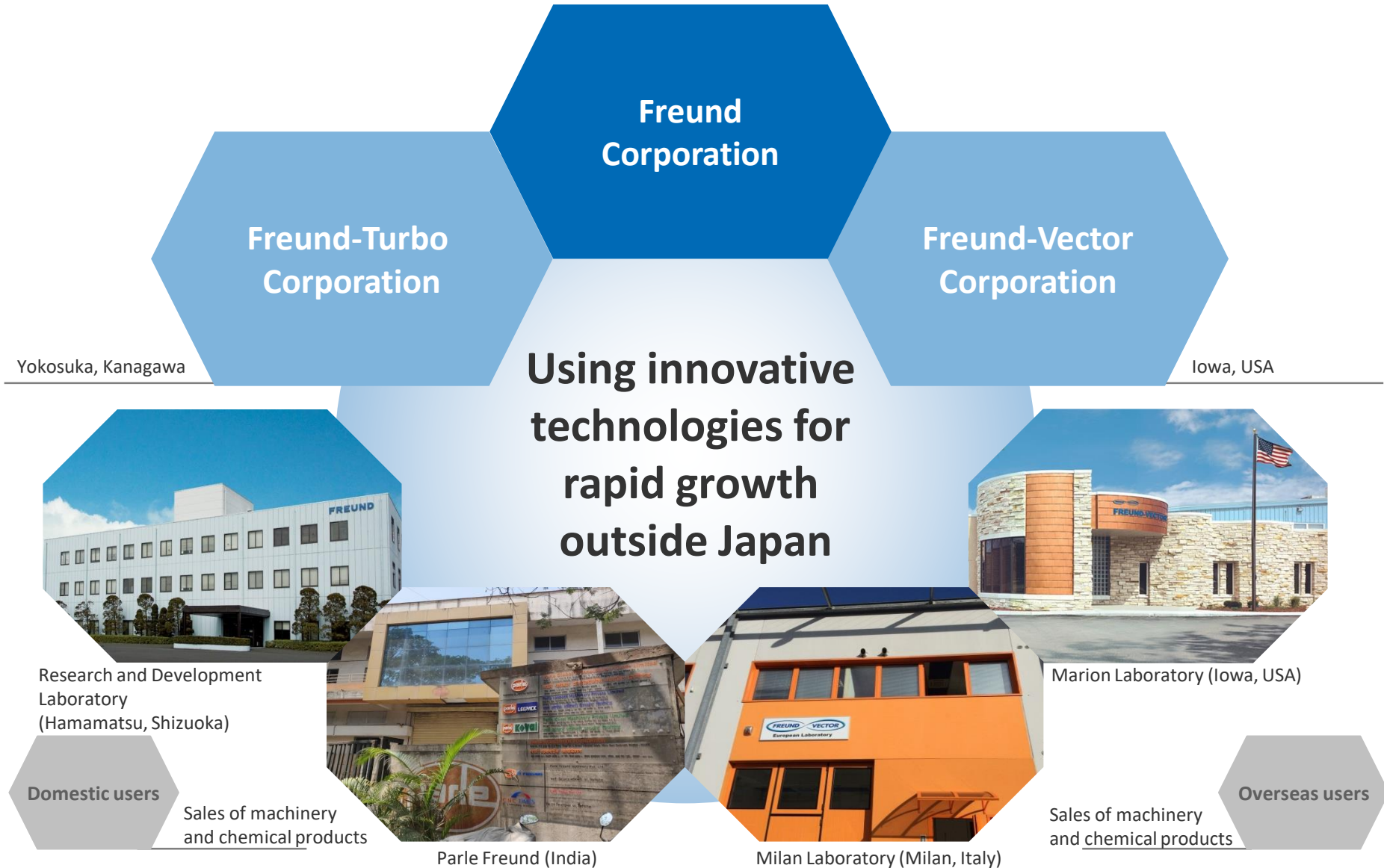
- Company Overview
- Segment Information

## 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 (As of February 29, 2020)
  - **Sales** : 16,700 million yen (Fiscal year ended February 2020, consolidated)
  - **Number of employees** : 383 (As of February 29, 2020, 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, Parle Freund Machinery Private Limited
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# The Freund Group and R&D Facilities





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

## 1. Machinery Business Segment



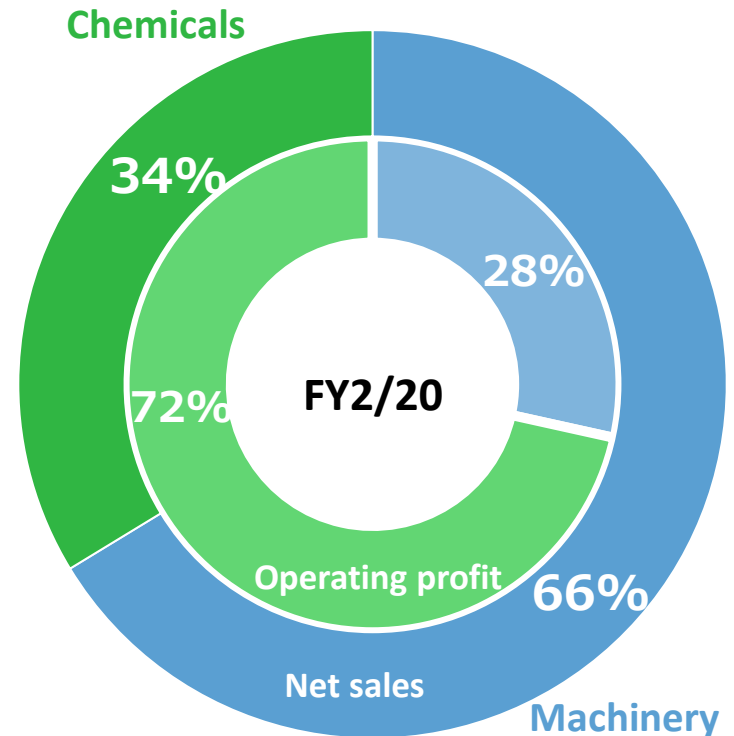
- Manufacturing and sales of **granulation and coating equipment** for the pharmaceutical, food, and fine chemical industries.
- For coating equipment, Freund **ranks first in Japan** and sales growth is accelerating in Asian market and in Freund-Vector’s US and European operations. **No other company in the world has expertise in both drug formulation technologies and the associated machinery.**
- Aiming to increase sales of machinery for industrial applications too by **combining granulating and coating technologies with milling and sieving technologies.**

## 2. Chemicals Business Segment



- Manufacturing and sales of **pharmaceutical excipients, food preservatives, nutritional supplements, and others.**
- Freund uses **Good Manufacturing Practice (GMP) compliant equipment** to produce pharmaceutical excipients.
- Food preservatives made by Freund help ensure the safety of food by maintaining the quality of many types of products.
- By using its granulating and coating technologies, Freund has worked with customers to develop and commercialize nutritional supplements and seamless mini-capsules.

## Composition of Net Sales and Profit by Segment

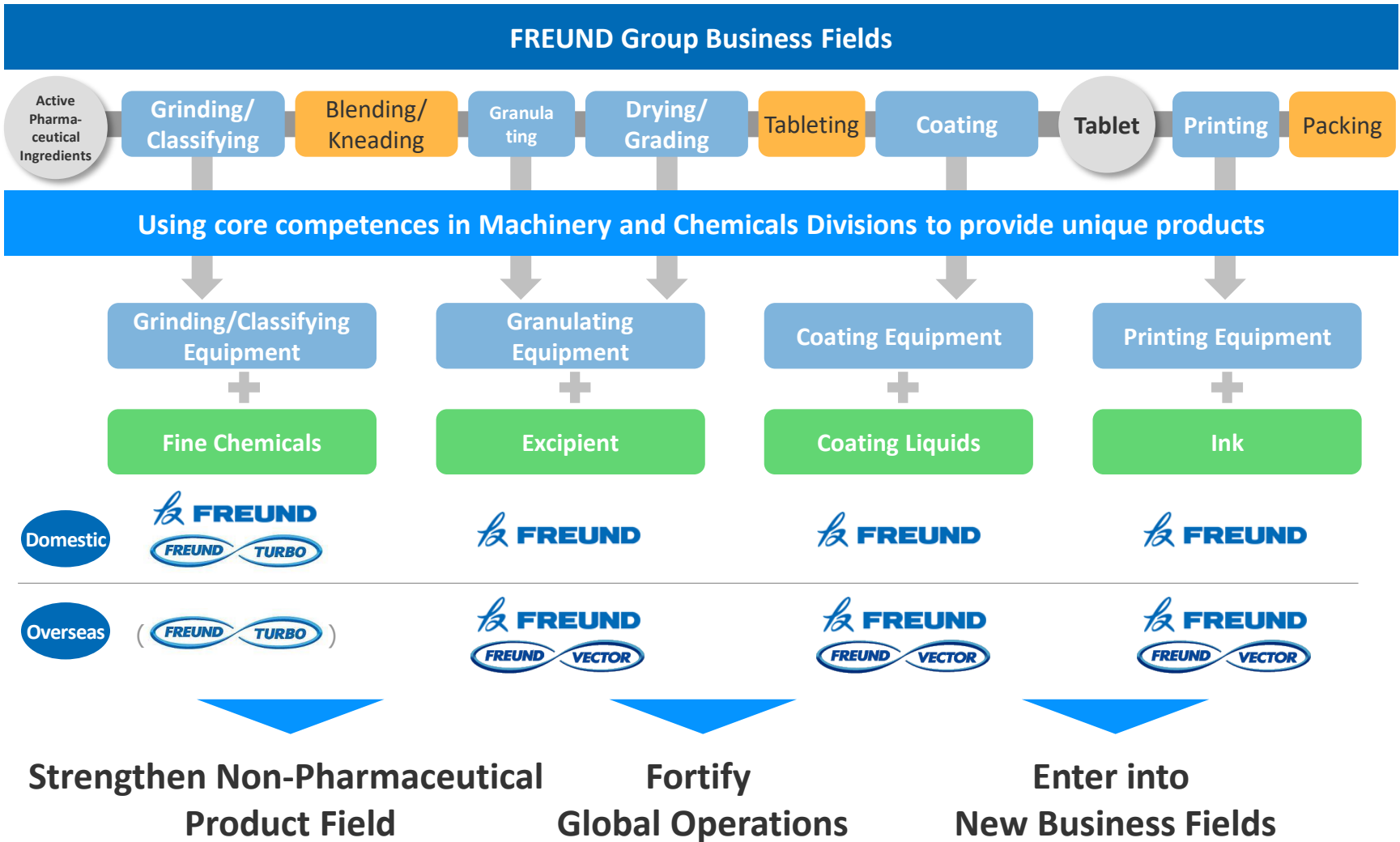


**Consolidated sales:** ¥16.77 billion  
**Consolidated operating profit:** ¥0.55 billion



# 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

The Freund Board of Directors approved the following policy for investor relations activities on March 27, 2017.

## 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.