

FREUND CORPORATION

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

JASDAQ

(Securities code: 6312)

Results of Operations for the Third Quarter of the Fiscal Year Ending February 29, 2021

January 8, 2021

Consolidated Financial Summary for 3Q of FY2/21

Consolidated Financial Summary

- Net sales slightly decreased 2.3% YoY
- Operating profit increased 320.4% YoY, as the top line sales decrease was offset by lower SG&A expenses
- Profit sharply increased 634.0% YoY
- Revised the annual dividend forecast from "Undecided" to "20 yen per share"

(Millions of yen)

	FY2/20 Q3 Actual	FY2/21 Q3 Actual	YoY Change		FY2/21 Forecasts
			Amount	%	
Net sales	11,110	10,852	(258)	(2.3)	17,800
Operating profit	93	391	+298	+320.4	1,000
Ordinary profit	111	435	+324	+290.9	1,000
Profit	37	277	+239	+634.0	700
Earnings per share (yen)	2.25	16.55	+14.30	+635.6	41.8
Depreciation	278	300	+21	+7.7	—
R&D expenses	595	382	(212)	(35.6)	—
Dividend	—	—	—	—	20.00

Machinery Business: Overview

- Sales by Product Field

- ▣ Pharmaceutical products: Domestic sales were firm, but the U.S. subsidiary struggled due to delays in shipments and other factors
 - ▣ Industrial products: Sales declined slightly as some export shipments were delayed

- Segment Profit

- ▣ Profit increased significantly as the U.S. subsidiary received a subsidy of about \$2.1 million and the entire group focused on cost reduction

- Orders Received

- ▣ Orders received as well as the order backlog were firm compared to FY2/20 Q3

(Millions of yen)

	FY2/20	FY2/21	YoY change		FY2/21 Forecasts
	Q3 Actual	Q3 Actual	Amount	%	
Net sales	6,749	6,472	(277)	(4.1)	12,000
Pharmaceutical Products	5,710	5,487	(223)	(3.9)	—
Industrial Products	1,039	985	(54)	(5.2)	—
Operating profit	(142)	357	+499	-	—
Orders received	7,208	9,084	+1,875	+26.0	—
Pharmaceutical Products	5,924	7,874	+1,950	+32.9	—
Industrial Products	1,284	1,209	(74)	(5.8)	—
Order backlog	5,994	7,389	+ 1,395	+ 23.3	—
Pharmaceutical Products	5,228	6,534	+ 1,306	+ 25.0	—
Industrial Products	765	854	+88	+11.6	—
Yen/dollar rate (+ is yen depreciation)	108.87	106.53	-2.34 yen/dollar	(2.1)	105.00

Machinery Business: Group Company Performance

- Freund Corporation: Sales and earnings increased
- Freund-Vector: Although the top line sales were weak, subsidies received helped the company to stay in the black
- Freund-Turbo: Posted a loss despite improved sales and profits compared to FY2/20 Q3
- As deliveries tend to be concentrated in the 4Q of the fiscal year, both subsidiaries are expected to remain profitable net of the subsidies received

(Millions of yen)

	FY2/20	FY2/21	YoY change		FY2/21 Forecasts
	Q3 Amount	Q3 Amount	Amount	%	
Net sales	6,749	6,472	(277)	(4.1)	12,000
FREUND CORPORATION	4,130	4,400	+270	+6.5	—
FREUND-VECTOR	2,126	1,642	(484)	(22.8)	—
FREUND-TURBO	823	906	+83	+10.1	—
Operating profit	(142)	357	+499	-	—
FREUND CORPORATION	134	384	+250	+185.4	—
FREUND-VECTOR	(195)	27	+222	-	—
FREUND-TURBO	(81)	(54)	+26	-	—
Orders received	7,208	9,084	+1,875	+26.0	—
FREUND CORPORATION	3,771	5,166	+1,394	+37.0	—
FREUND-VECTOR	2,404	3,059	+655	+27.3	—
FREUND-TURBO	1,032	858	(174)	(16.9)	—
Order backlog	5,994	7,389	+1,395	+23.3	—
FREUND CORPORATION	3,685	4,707	+1,021	+27.7	—
FREUND-VECTOR	1,604	2,148	+543	+33.9	—
FREUND-TURBO	704	533	(170)	(24.2)	—

Machinery Business: Sales by Region

- Japan: Sales slightly decreased YoY
- Overseas: Sales sharply decreased in South America because of COVID-19
Sales increased in Asia because of higher sales involving China

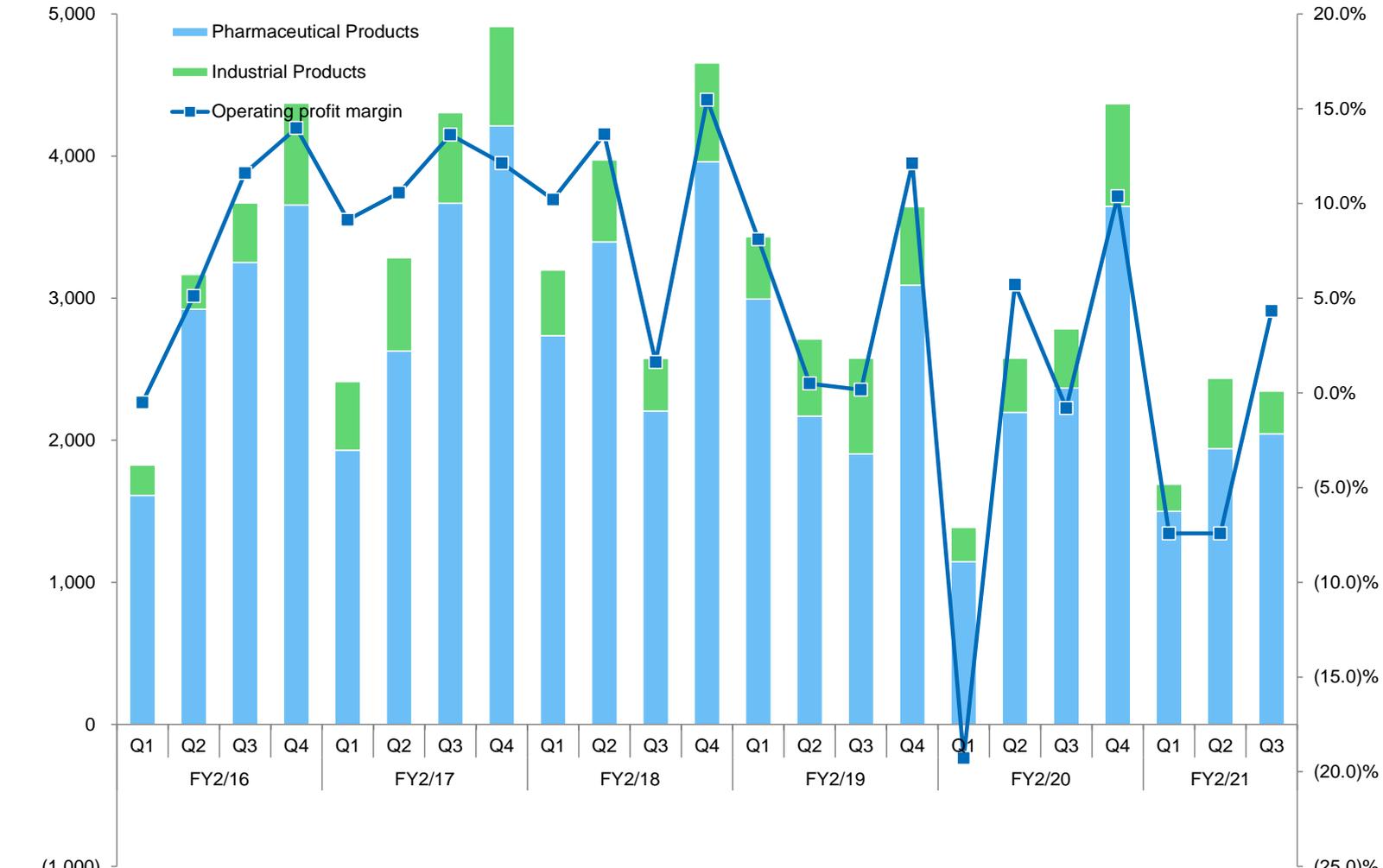
(Millions of yen)

	FY2/20	FY2/21	YoY change		FY2/21 Forecasts
	Q3 Amount	Q3 Amount	Amount	%	
Net sales	7,080	6,472	(608)	(8.6)	12,000
Japan	4,265	4,232	(32)	(0.8)	—
Overseas	2,489	2,240	(248)	(10.0)	—
North and South Americas	1,743	1,014	(728)	(41.8)	—
Europe and Africa	236	258	+22	+9.5	—
Middle East, Asia and Pacific	509	966	+457	+89.7	—

Machinery Business: Quarterly Results (by Product Field)

Net sales

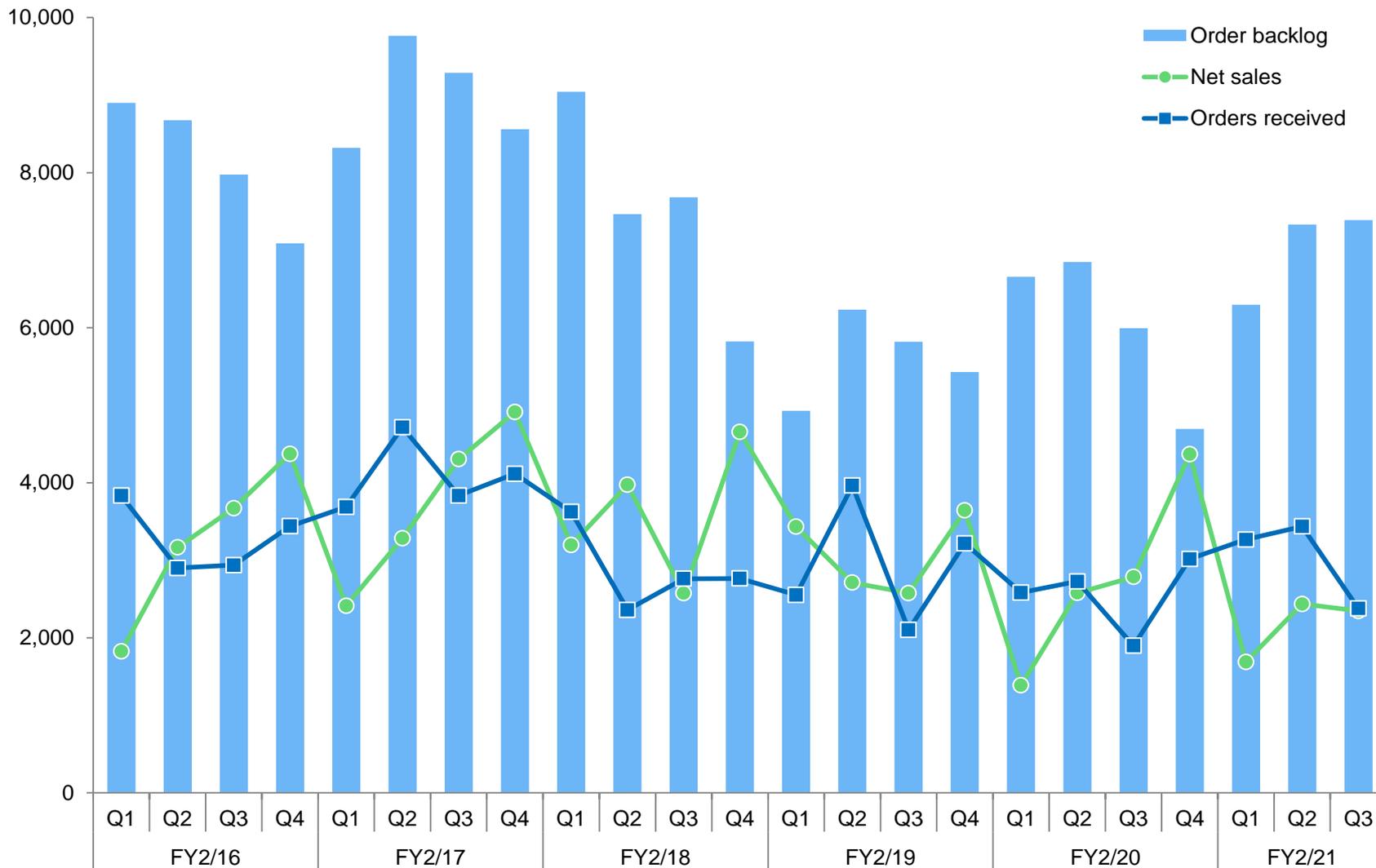
(Millions of yen)



Operating profit margin

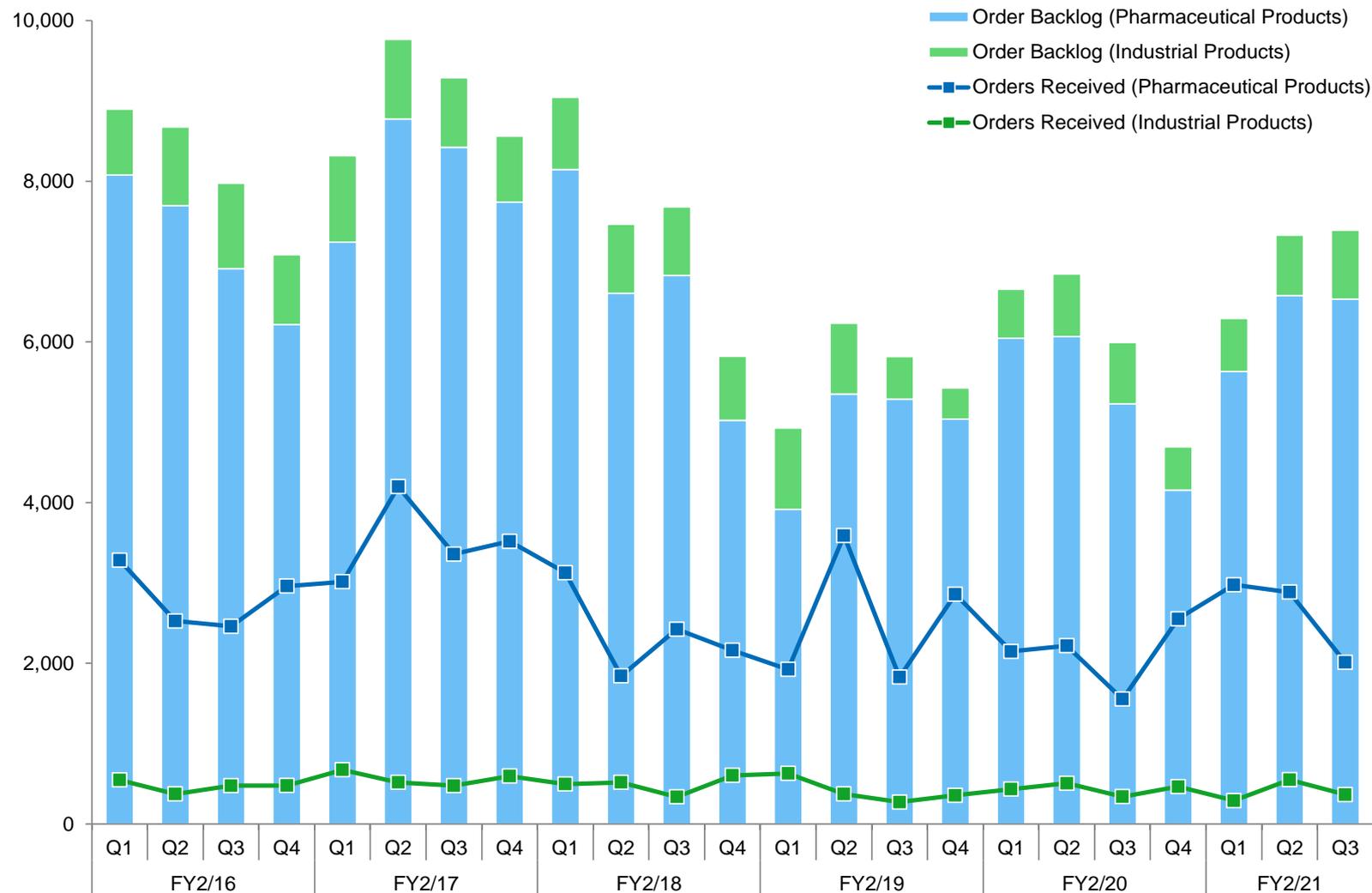
Machinery Business: Quarterly Results (Net Sales/Orders Received/Order Backlog)

(Millions of yen)



Machinery Business: Quarterly Results (Orders Received and Order Backlog by Product Field)

(Millions of yen)



Chemicals Business: Overview

● Net Sales

- Pharmaceutical excipients: Sales decreased mainly due to lower production by customers in Japan
- Food preservatives: Sales decreased as COVID-19 impacted confectionery sales
- Dietary supplements: Big increase in sales as customers increased inventories of supplements
- Export: Increased due to the expansion of overseas sales activities for pharmaceutical excipients

- Segment Profit: Down because of higher sales of products with low profit margins

(Millions of yen)

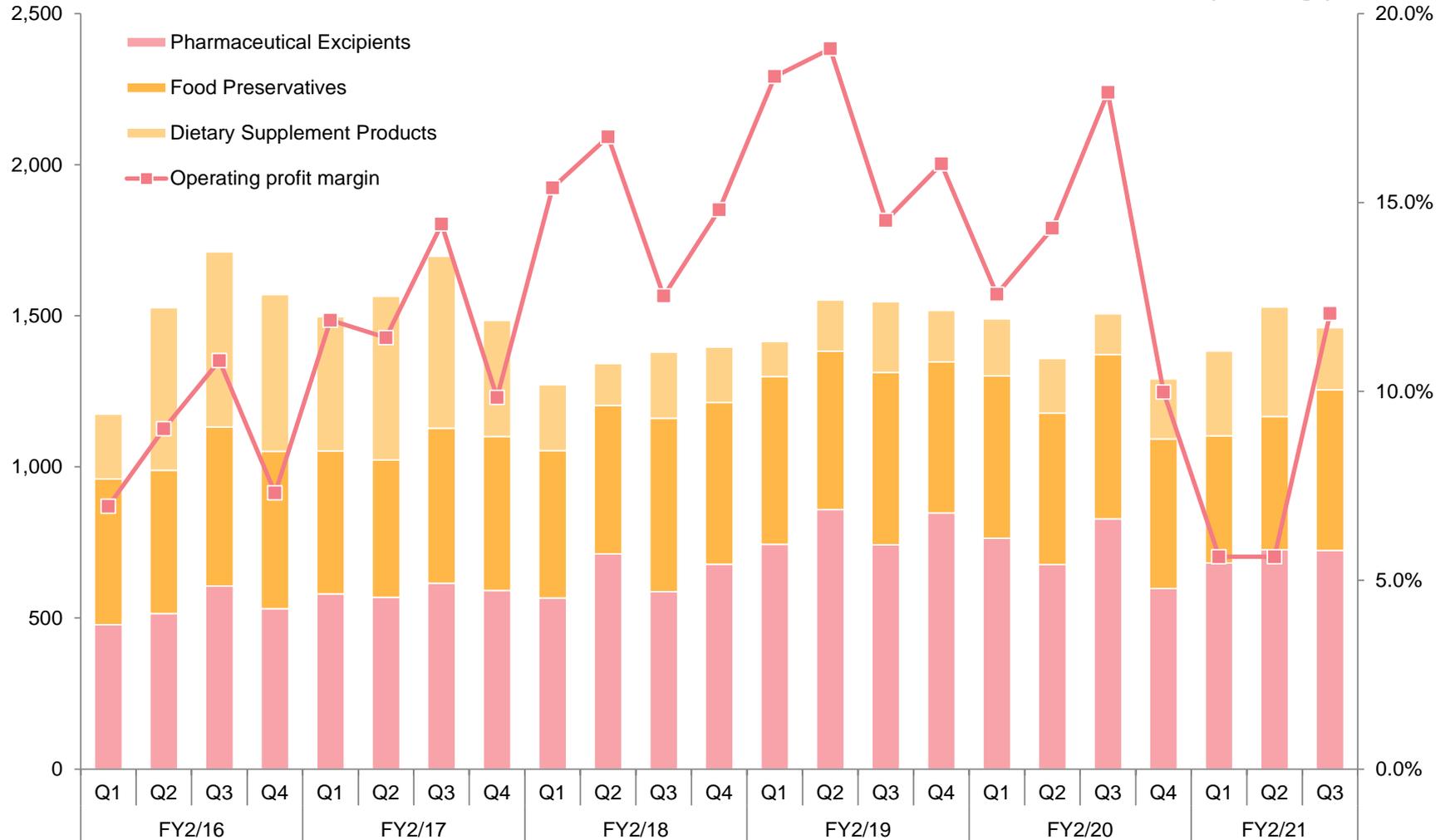
	FY2/20	FY2/21	YoY change		FY2/21 Forecasts
	Q3 Amount	Q3 Amount	Amount	%	
Net sales	4,360	4,379	+ 19	+ 0.4	5,800
Pharmaceutical Excipients	2,271	2,133	(137)	(6.1)	—
Food Preservatives	1583	1395	(188)	(11.9)	—
Dietary Supplement Products	506	851	+344	+68.1	—
(Export sales)*1	111	157	+45	+40.8	—
Operating profit	652	404	(247)	(38.0)	—

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

Chemicals Business: Quarterly Results (by Product Field)

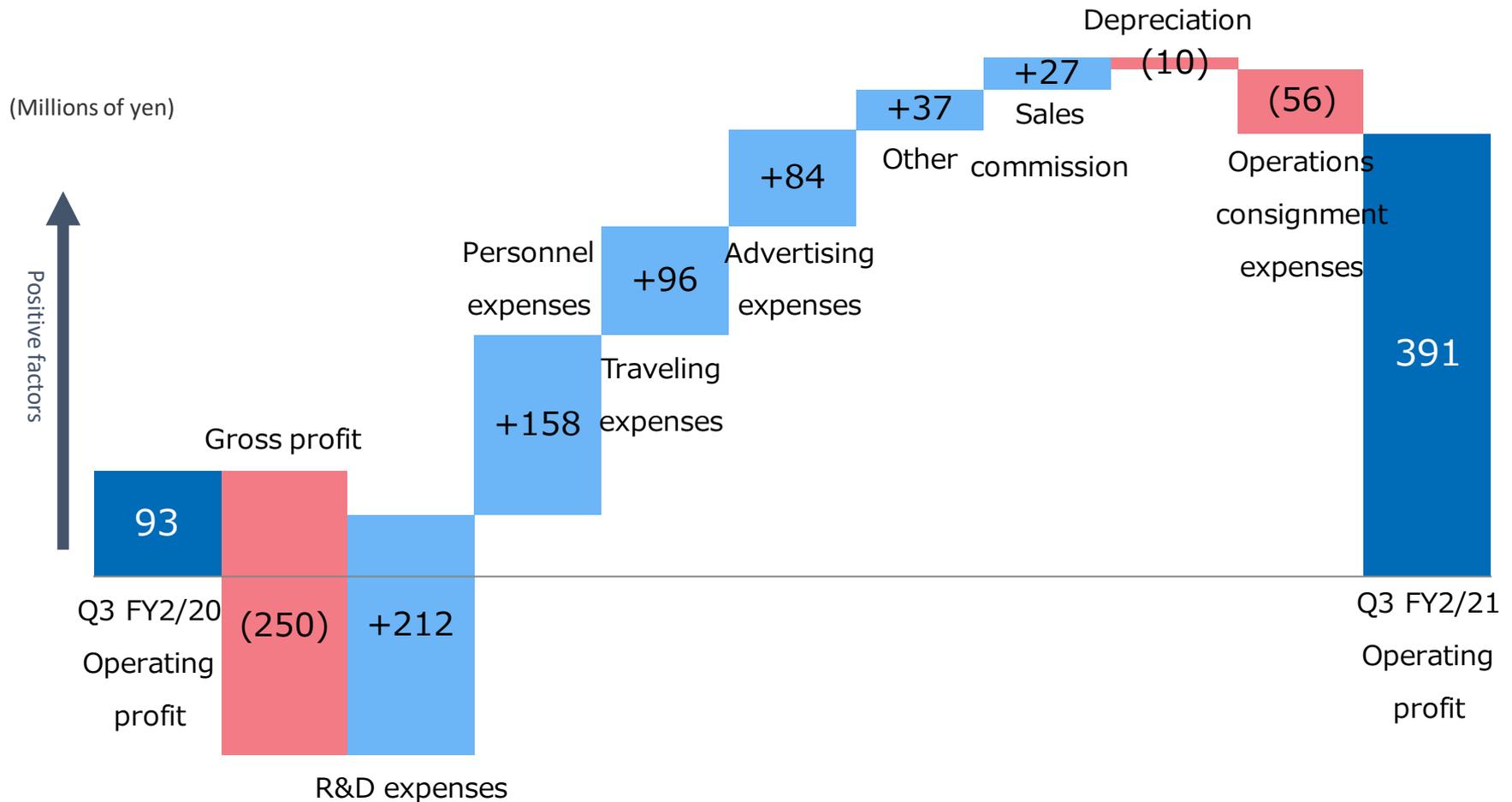
Net sales

(Millions of yen)



Change in Consolidated Operating Profit

- Operating profit increased because cost reductions more than offset the decrease in the gross profit
- Freund-Vector earnings benefited from a U.S. government COVID-19 subsidy



Acquisition of Cos.Mec S.r.l. in Italy (Make This Company a Wholly Owned Subsidiary)

- Freund has acquired all equity in Cos.Mec S.r.l., an unlisted company based in Milan, on November 5, 2020. Acquiring Cos.Mec gives the Freund Group sound positions in Japan (Freund Corporation), the United States (Freund-Vector Corporation), Europe (Cos.Mec) and India (Parle-Freund Machinery). With these four poles, the Freund Group is even better positioned to sell products worldwide, including emerging countries.



Cos.Mec's Corporate Profile, Products and Markets

■ Corporate Profile

Number of employees: 51 (Consolidated – Includes manufacturing subsidiaries)

Sales: EUR 10.0 million (FY12/19, non-consolidated)

Profit: EUR 492,000 (FY12/19, non-consolidated)

Net assets: EUR 1.9 million (FY12/19, non-consolidated)

■ Products

Conveyance and processing equipment: Material Handling System
Bin, Vibrating sieve, Pneumatic conveyor, Cone mill, Bin & Drum mixer, Column lift, Washing station

Granulation: Granulation & Drying System
Fluid bed dryer, High shear mixer

■ Market Structure:

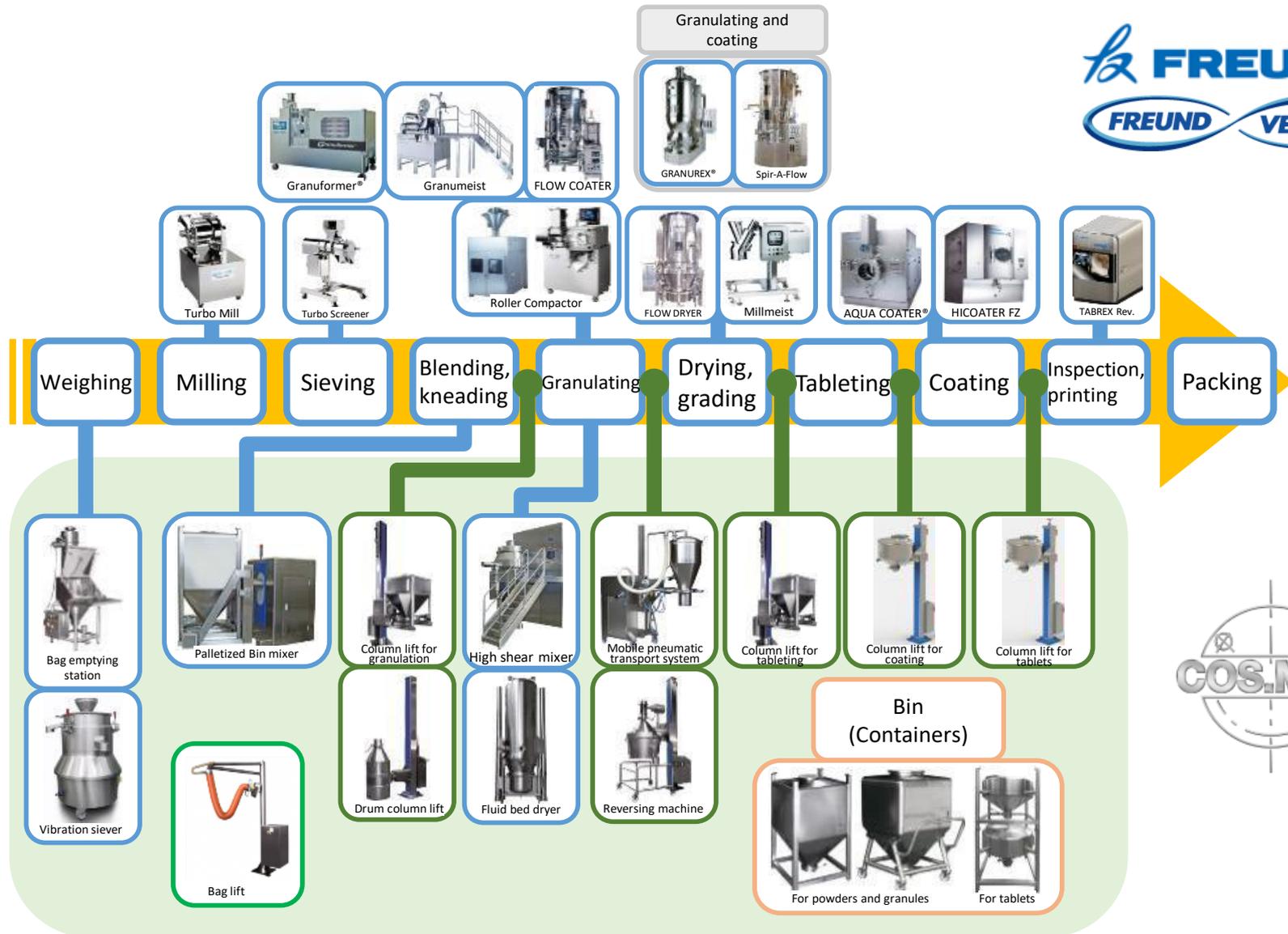
Geographical breakdown

Europe 41%, Latin America 35%, Asia 13%, Middle East 6%, Africa 5%

Key Markets

Italy, Spain, Russia, Mexico, Colombia, Bangladesh, Saudi Arabia, UAE, Egypt, etc.

Product Lineup of the Freund Group after Converting Cos.Mec into a Wholly Owned Subsidiary



Establishment of Freund-Chineway Pharmaceutical Technology Center

- On December 1, 2020, Freund signed an agreement with Shanghai Chineway Pharmaceutical Technology Co., Ltd. to establish a joint venture in China.

By establishing a formulation research facility that handles both our pharmaceutical manufacturing equipment and excipient in China, we are able to strengthen product development support for Chinese pharmaceutical companies, and by collectively testing both of our equipment and excipient products, product recognition can be further increased.

- Name

Freund-Chineway Pharmaceutical Technology Center Co., Ltd.

- Location

Shanghai, China

- Shareholdings

Chineway Pharmaceutical Technology 51% Freund 49%

- Capital stock RMB 50 million

- Business

Technical support services to Chinese pharmaceutical companies

- Scheduled opening of the technology center

Planned in May 2021



Interior view of the technology center (illustration)

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