

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 First Half of the Fiscal Year Ending February 28, 2022

October 21, 2021

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Consolidated Financial Summary for 1H of FY2/22

Consolidated Financial Summary

- Sales and earnings increased YoY.
- A big increase in machinery business sales as sales were higher at group companies and the consolidation of Cos.Mec contributed to sales.
- FY2/21 1H earnings include a subsidy of more than 200 million yen received by a U.S. subsidiary. Operating and ordinary profit were up about 300 million yen after adjusting for this one-time income.
- Machinery orders received and order backlog both exceeded the previous year's results.

(Millions of yen)

	FY2/21 1H	FY2/22 1H	YoY change	
	Actual	Actual	Amount	%
Net sales	7,043	8,048	+1,004	+14.3%
Operating profit	251	329	+78	+31.2%
Ordinary profit	271	350	+78	+29.1%
Profit	183	226	+42	+23.2%
Earnings per share (yen)	10.98	13.52	+2.54	-
Orders received	6,705	7,695	+989	+14.8%
Order backlog	7,330	9,034	+1,704	+23.2%
Capital investment	171	239	+68	+39.8%
Depreciation	196	241	+45	+23.2%
R&D expenses	267	308	+40	+15.2%
ROA	1.0%	1.1%	-	-
ROE	1.4%	1.6%	-	-

Machinery Business: Group Company Performance

- Consolidated: Sales increased and earnings were higher after adjusting for subsidy income one year earlier. Orders received and order backlog both exceeded the previous year.
- Freund Corporation: Sales increased despite a delay in some export sales. Orders from customers in China were sluggish.
- Freund-Vector: Sales increased and earnings were higher after adjusting for subsidy income one year earlier. Orders are recovering from customers in the U.S., Brazil and other countries.
- Freund-Turbo: Sales and earnings increased YoY. The chemical and battery machinery sectors are recovering.
- Cos.Mec: First half sales were held down by the impact of the pandemic in emerging countries, the primary market for this company.

(Millions of yen)

	FY2/21 1H		FY2/22 1H	
	Amount	YoY change (%)	Amount	YoY change (%)
Net sales	4,125	+4.1	5,366	+30.1
FREUND CORPORATION	2,838	+17.7	2,903	+2.3
FREUND-VECTOR	1,018	(16.0)	1,514	+48.7
FREUND-TURBO	629	+19.8	773	+23.0
Cos.Mec	–	–	422	–
Operating profit	255	(313.3)	245	(4.0)
FREUND CORPORATION	228	+142.5	253	+10.8
FREUND-VECTOR	30	–	(3)	–
FREUND-TURBO	(3)	–	56	–
Cos.Mec	–	–	(61)	–
Orders received	6,705	+26.3	7,695	+14.8
FREUND CORPORATION	4,156	+47.0	3,454	(16.9)
FREUND-VECTOR	2,019	+14.8	3,382	+67.5
FREUND-TURBO	529	(26.9)	659	+24.4
Cos.Mec	–	–	365	–
Order backlog	7,330	+7.1	9,034	+23.2
FREUND CORPORATION	5,228	+18.1	5,212	(0.3)
FREUND-VECTOR	1,685	(5.9)	2,838	+68.4
FREUND-TURBO	415	(33.7)	518	+24.8
Cos.Mec	–	–	619	–

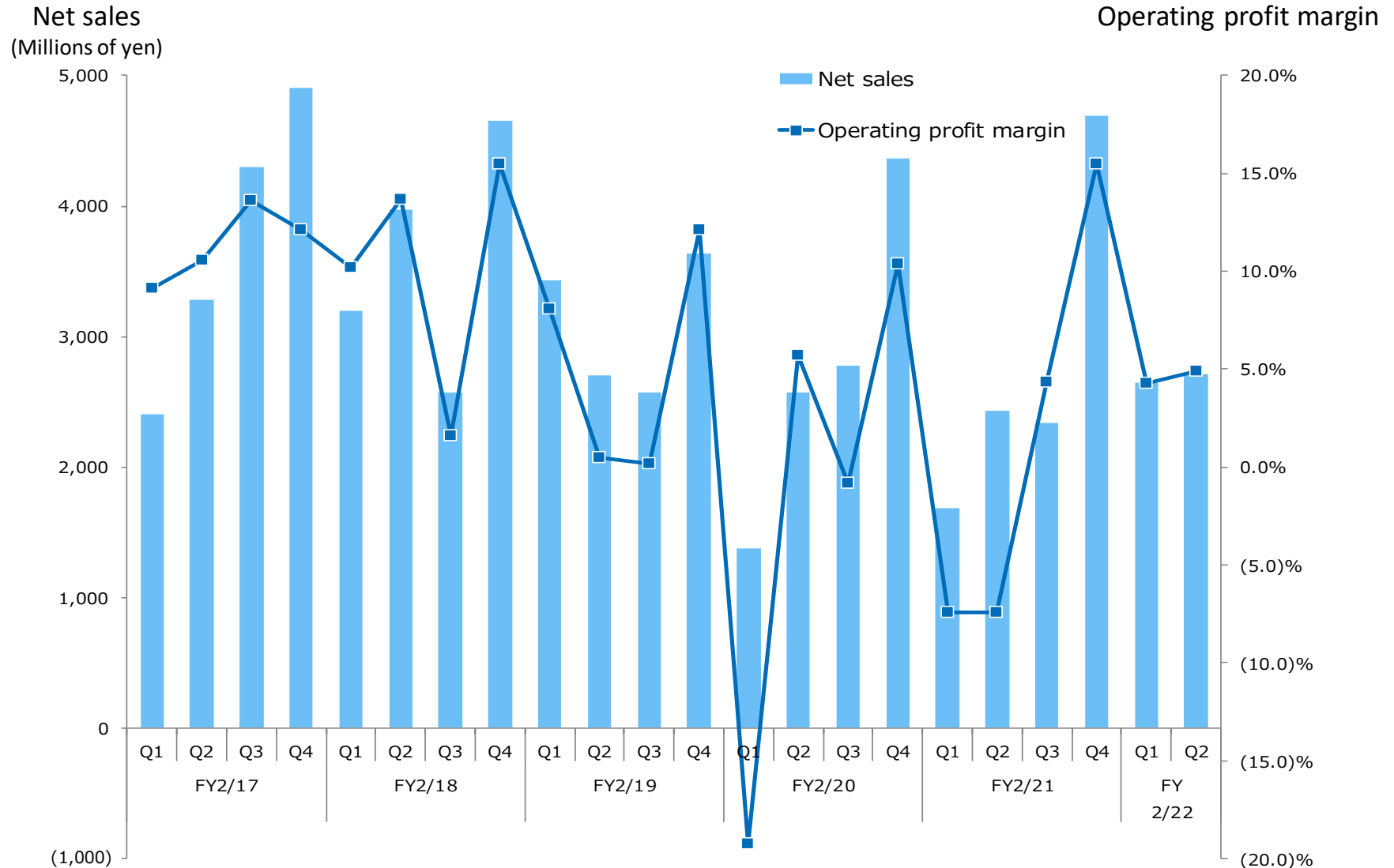
Machinery Business: Sales by Region

- Small sales increase in Japan but overseas sales doubled.
- USA: Sales increased compared to the first half of the previous fiscal year as the effects of COVID-19 are gradually declining.
- Latin America: Sales are recovering from the pandemic downturn one year earlier. The consolidation of Cos.Mec. contributed to sales.
- Europe: Sales benefited from a large order in Ireland and the consolidation of Cos.Mec.
- Asia: Increase in sales to India and Bangladesh

(Millions of yen)

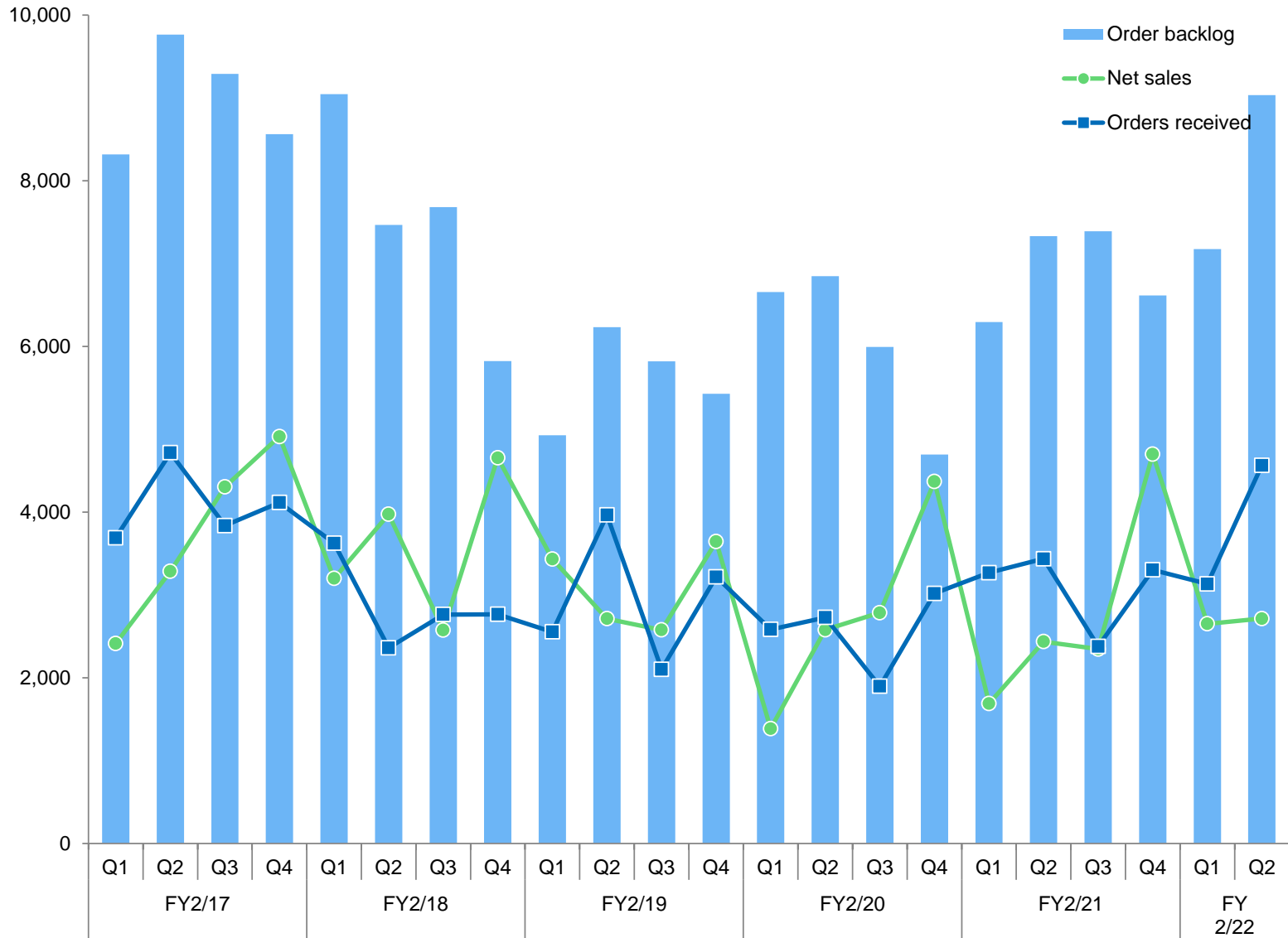
	FY2/21 1H		FY2/22 1H	
	Amount	YoY change (%)	Amount	YoY change (%)
Net sales	4,125	+4.1%	5,366	+30.1%
Japan	2,989	+16.9%	3,095	+3.5%
Overseas	1,136	(19.3)%	2,270	+99.8%
USA	400	(47.1)%	777	+94.1%
Latin America	119	(49.2)%	442	+269.5%
Europe	139	(7.4)%	396	+185.2%
Asia	344	+75.0%	513	+49.2%
Others	132	+97.5%	139	+5.6%

Machinery Business: Quarterly Results



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

(Millions of yen)



Chemicals Business: Overview

● Net Sales

- ▣ Pharmaceutical excipients: Sales increased despite the negative effects of quality and supply problems in the generic drug industry.
- ▣ Food preservatives: Year-on-year increase in sales due to an increase in confectionery sales at supermarkets and convenience stores
- ▣ Dietary supplement products: Significant sales decline due to the termination of orders from high-volume customers
- ▣ Export: Almost as planned

● Segment Profit:

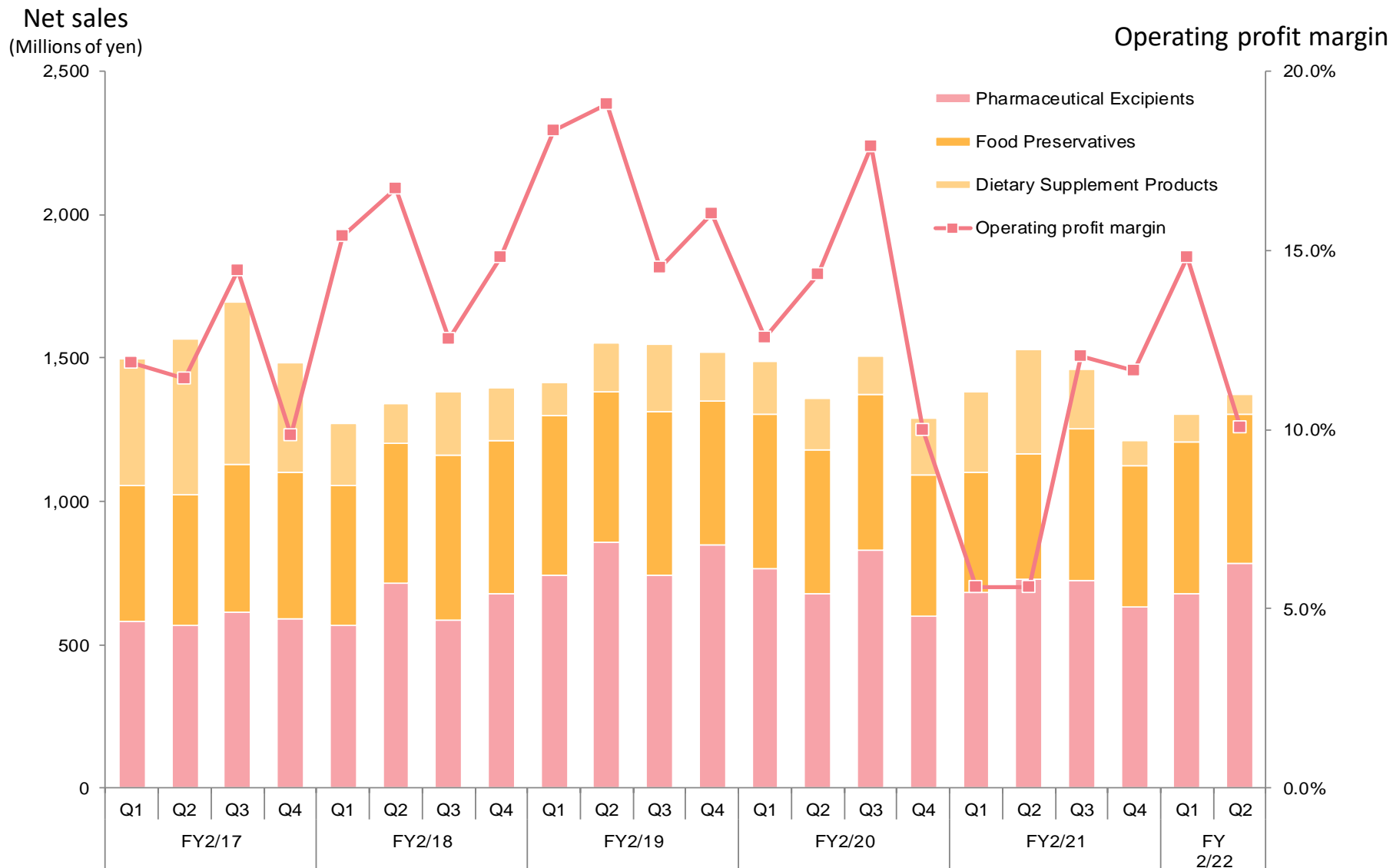
Earnings increased because of higher sales of pharmaceutical excipients and preservatives, and cost cutting measures. Lower dietary supplement sales had a minor effect on earnings because of the low profit margins of these products.

(Millions of yen)

	FY2/21 1H		FY2/22 1H	
	Amount	YoY change (%)	Amount	YoY change (%)
Net sales	2,917	+2.3	2,682	(8.1)
Pharmaceutical Excipients	1,409	(2.3)	1,461	+3.7
Food Preservatives	863	(16.9)	1,049	+21.5
Dietary Supplement Products	644	+73.8	171	(73.4)
(Export sales)*1	104	+29.5	123	+18.2
Operating profit	228	(40.2)	331	+45.2

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

Chemicals Business: Quarterly Results (by Product Field)



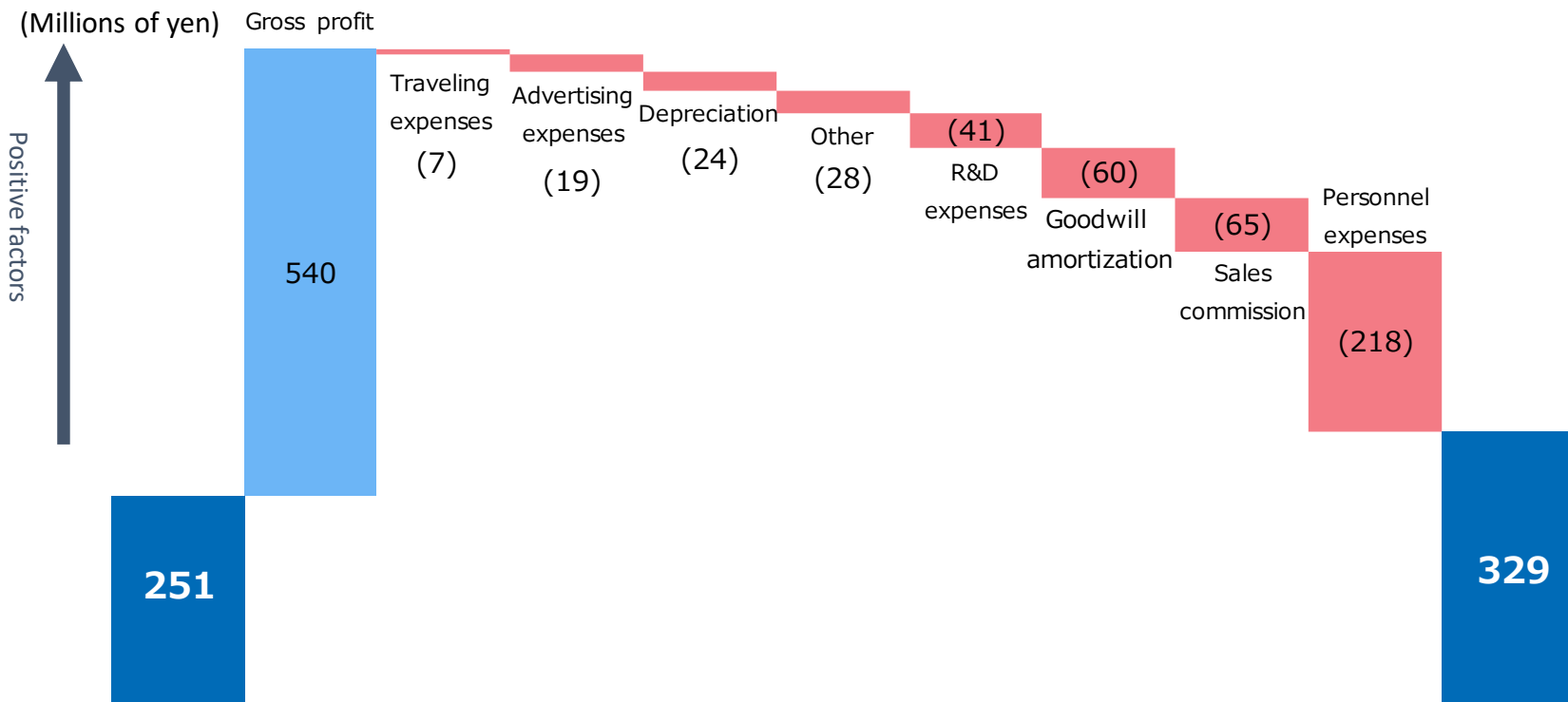
Summary of Consolidated Statement of Income

(Millions of yen)

	FY2/21 1H		FY2/22 1H		YoY change	
	Amount	Composition ratio	Amount	Composition ratio	Amount	%
Net sales	7,043	100.0%	8,048	100.0%	+1,004	+14.3%
Cost of sales	4,779	67.9%	5,243	65.2%	+463	+9.7%
Gross profit	2,263	32.1%	2,804	34.8%	+540	+23.9%
SG&A expenses	2,012	28.6%	2,475	30.8%	+462	+23.0%
Operation profit	251	3.6%	329	4.1%	+78	+31.2%
Non-operating income and expenses	20	0.3%	20	0.3%	+0	+2.6%
Ordinary profit	271	3.9%	350	4.4%	+78	+29.1%
Extraordinary income and losses	(4)	-	(2)	0.0%	+2	-
Profit before income taxes	266	3.8%	347	4.3%	+81	+30.6%
Profit	183	2.6%	226	2.8%	+42	+23.2%

Change in Consolidated Operating Profit

- Higher gross profit due to sales growth was the primary component of the increase in operating profit
- SG&A expenses increased 460 million yen because (1) these expenses were reduced by 230 million yen one year earlier by a subsidy received by a U.S. subsidiary and (2) these expenses include newly consolidated Cos.Mec.
- After excluding the effect of the subsidy at a U.S. subsidiary, operating profit was about 300 million yen higher than one year earlier.



Summary of Consolidated Balance Sheet

(Millions of yen)

	FY2/21-End	FY2/22-1H	Change
Current assets	13,558	13,204	(354)
Cash and deposits	4,498	4,258	(239)
Accounts receivable	4,870	4,077	(793)
Inventories	3,473	4,209	+736
Non-current assets	6,941	7,002	+61
Property, plant and equipment	4,734	4,690	(44)
Intangible assets	1,189	1,268	+79
Investments and other assets	1,017	1,043	+26
Total assets	20,499	20,206	(293)
Current liabilities	5,817	5,464	(353)
Accounts payable	2,966	2,140	(825)
Advances received	1,170	2,011	+841
Non-current liabilities	797	797	+0
Retirement benefit liability	280	284	+4
Total liabilities	6,614	6,262	(352)
Total net assets	13,884	13,944	+59

Summary of Consolidated Statement of Cash Flows

(Millions of yen)

	FY2/21	FY2/22 1H
Cash flows from operating activities	2,280	504
Profit before income taxes	1,323	347
Depreciation	414	241
Decrease (increase) in notes and accounts receivable - trade	674	824
Decrease (increase) in inventories	(112)	(680)
Increase (decrease) in notes and accounts payable - trade	(340)	(762)
Income taxes paid	(174)	(196)
Cash flows from investing activities	(1,726)	(351)
Purchase of property, plant and equipment	(469)	(310)
Purchase of intangible assets	(8)	(67)
Cash flows from financing activities	(371)	(416)
Repayments of lease obligations	(9)	(19)
Cash dividends paid	(333)	(334)
Net increase (decrease) in cash and cash equivalents	184	(239)
Cash and cash equivalents at end of period	4,498	4,258
Free cash flow	554	153

Consolidated Earnings and Dividend Forecasts for FY2/22



Summary of Consolidated Forecasts

- The full year consolidated forecasts remain unchanged from the forecast announced at the beginning of the fiscal year
- First half earnings were in line with the fiscal year forecast
- Forecasting higher earnings after adjusting for the subsidiary received by a U.S. subsidiary in FY2/21.

(Millions of yen)

	FY2/21 (Actual)	FY2/22 (Forecast)	YoY change	
			Amount	%
Net sales	16,765	18,500	+1,734	+10.3
Operating profit	1,147	1,100	(47)	(4.2)
Ordinary profit	1,344	1,130	(214)	(16.0)
Profit	995	790	(205)	(20.7)
Earnings per share (yen)	59.47	47.18	(12.29)	(20.7)
Yen/dollar rate (+ is yen depreciation)	105.98	105.00	-	-
Capital investment	637	-	-	-
Depreciation	414	-	-	-
R&D expenses	526	-	-	-

Summary of Segment Forecasts

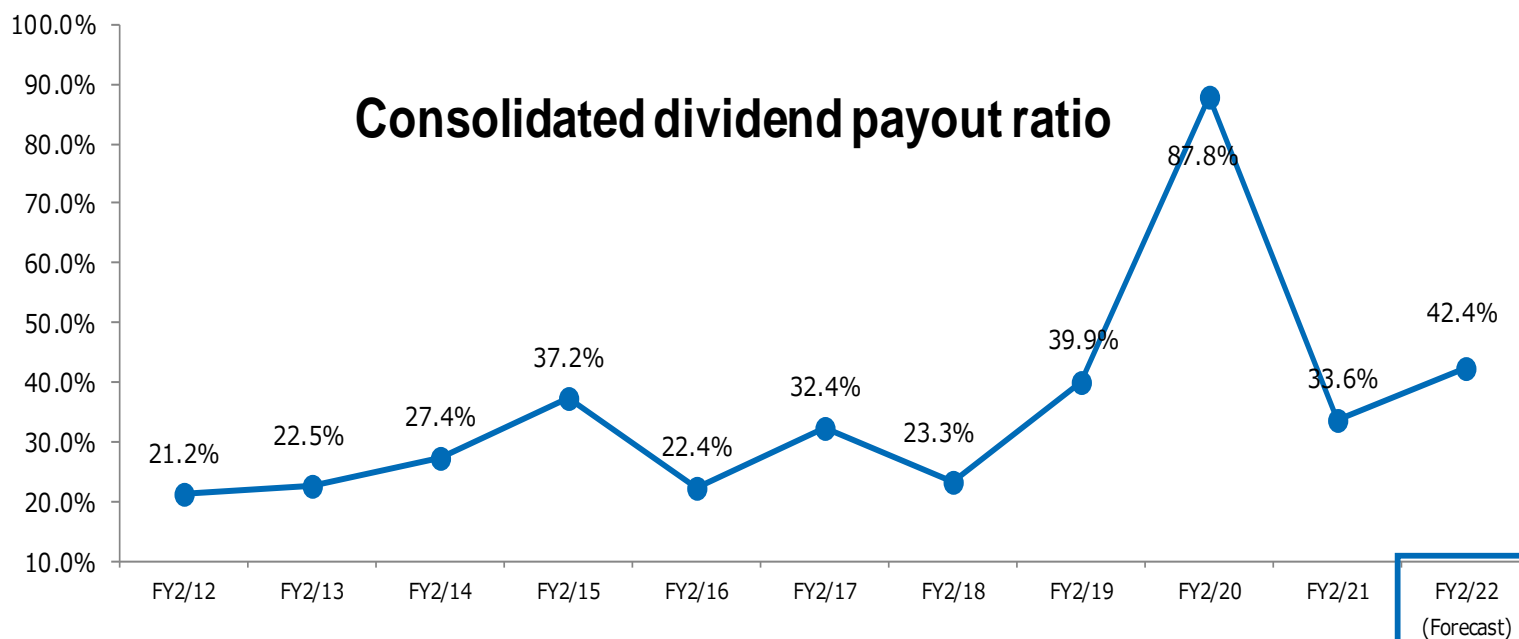
- Machinery: Strengthen activities for capturing new orders and enhance global coverage, including emerging countries, with a four-pole system comprising Japan, the U.S., Italy, and India
- Chemicals: Growth in sales of pharmaceutical excipients and food preservatives offsets a decline in dietary supplements sales due to the termination of orders from high-volume customers

(Millions of yen)

	FY2/21		FY2/22 (Forecast)		YoY change	
	Amount	Composition ratio (%)	Amount	Composition ratio (%)	Amount	%
Consolidated net sales	16,765	100.0	18,500	100.0	+1,734	+10.3
Machinery Business Segment	11,171	66.6	13,100	70.8	+1,928	+17.3
Chemicals Business Segment	5,593	33.4	5,400	29.2	(193)	(3.5)
Segment profit	1,147	100.0	1,100	100.0	(47)	(4.2)
Machinery Business Segment	1,084	94.5	-	-	-	-
Chemicals Business Segment	546	47.6	-	-	-	-
Adjustments	(482)	(42.1)	-	-	-	-
Yen/dollar rate (+ is yen depreciation)	105.98	-	105.00	-	-	-

Summary of Dividend Forecasts

- FY2/21 dividend: 20 yen per share
- FY2/22 dividend forecast: 20 yen per share



Profit (¥ million)	608	765	787	695	961	1,064	1,477	843	381	995	790
Dividend per share (yen)	7.5	10.0	12.5	15.0	12.5	20.0	20.0	20.0	20.0	20.0	20.0
Number of shares outstanding (Thousand shares)	9,200	9,200	9,200	9,200	9,200	18,400	18,400	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.

Topics

The New HICOATER V Automated Tablet Coater *Patent pending

- HICOATER V, Freund's fifth-generation automated tablet coater, launched in September 2021.
 - ❑ Labor-saving coating process with an innovative mechanism and software, both developed by Freund
 - ❑ Faster than the previous model and maintains consistent quality
 - ❑ Much less time workload required for replacement, cleansing and other tasks involving the coater's components
 - ❑ Designed for even greater ease of use

FM-2型 | 1964



ハイコーター | 1971



アクアコーター | 1988



ハイコーターFZ | 2008



ハイコーターV | 2021



半世紀以上を経てコーティング装置は新たな世代へ、「ハイコーターV」が誕生しました。

(Supplementary Materials)

- Company Overview
- Segment Information

Company Overview

● 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 August 31, 2021)
● Sales	:	16,700 million yen (Fiscal year ended February 2021, consolidated)
● Number of employees	:	475 (As of August 31, 2021, 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

The Freund Group and R&D Facilities

Using innovative technologies for rapid growth outside Japan

**Freund
Corporation**

Tokyo, Osaka, Shizuoka, Aichi

**Freund-Turbo
Corporation**

Yokosuka, Kanagawa

**Freund-Vector
Corporation**

Iowa, USA

Cos.Mec s.r.l.

Milan, Italy



Research and Development
Laboratory
(Hamamatsu, Shizuoka)



Marion Laboratory (Iowa, USA)

**Domestic
users**

Sales of machinery
and chemical products



Parle Freund (India)



Milan Laboratory (Milan, Italy)

Sales of machinery
and chemical products

**Overseas
users**

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

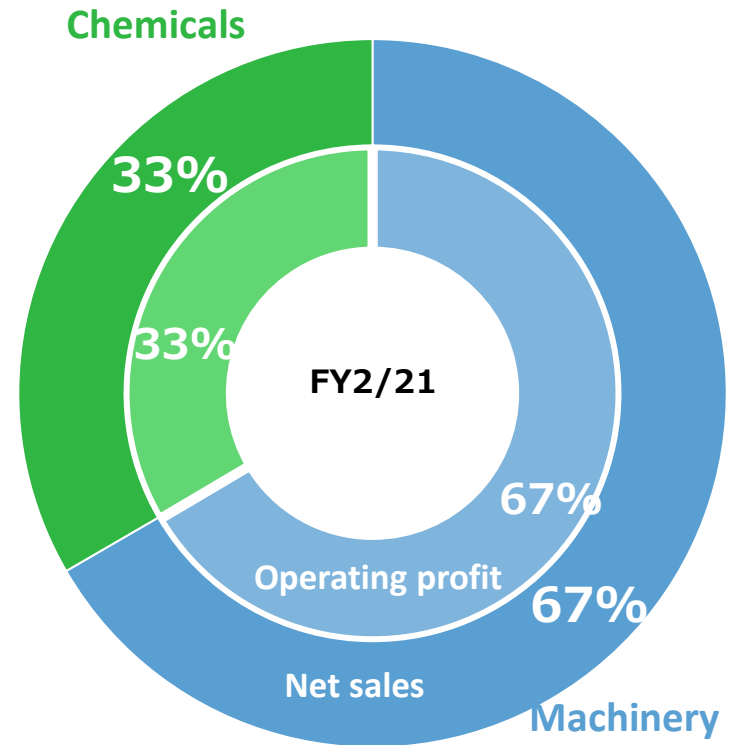
1. Machinery Business Segment

- 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.

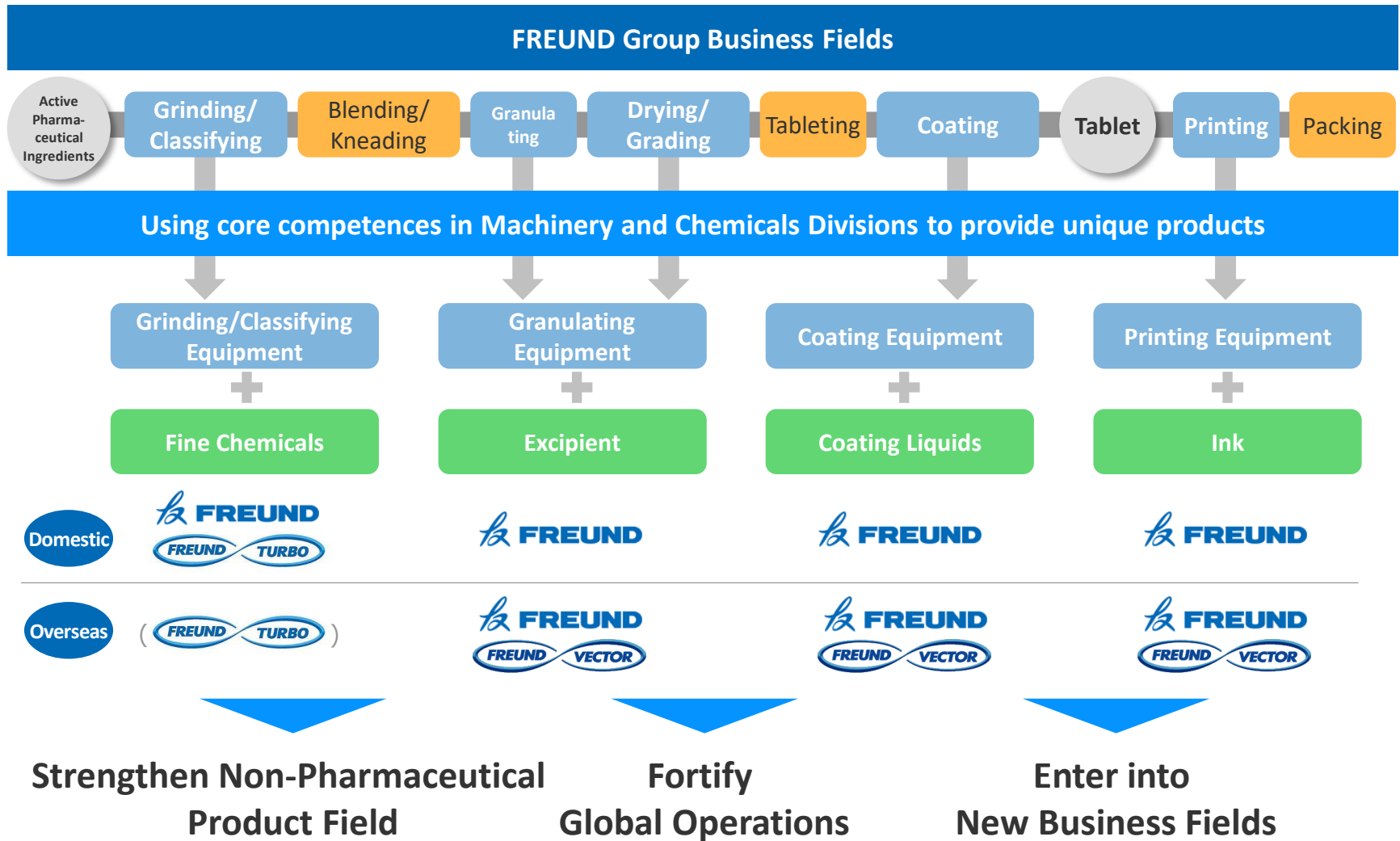
Composition of Net Sales and Profit by Segment



Consolidated sales: ¥16.76 billion
Consolidated operating profit: ¥1.14 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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