

FREUND CORPORATION

STANDARD
TOKYO

(Securities code: 6312)

Results of Operations
for the First Quarter of the Fiscal Year
Ending February 28, 2023

July 15, 2022

 **FREUND**

Consolidated Financial Summary for the First Quarter of FY2/23



Consolidated Financial Summary

- Sales and earnings down YoY with losses at all levels.
- The chemicals business performed well but the machinery business was impacted by delays in the recognition of certain sales due to prolonged procurement of parts and materials, mainly in the U.S.
- There were losses in 1Q FY2/20 and 1Q FY2/21. Although there was a profit in 1Q FY2/22, the 1Q FY2/23 returned to a loss.

(Millions of yen)	FY2/22 Q1	FY2/23 Q1	YoY Change		FY2/23 Forecasts
				%	
Net sales	3,957	3,535	(421)	(10.6)	18,500
Operating profit	157	(104)	(261)	—	700
Ordinary profit	168	(43)	(212)	—	720
Profit	119	(45)	(165)	—	450
Earnings per share (yen)	7.15	(2.73)	(9.88)	—	26.87
Depreciation	167	133	(33)	(20.2)	—
R&D expenses	152	143	(8.0)	(5.9)	—
Dividend	—	—	—	—	20.00

Machinery Business: Overview

- Net Sales
 - ▣ Sales were down because of the recognition of some sales in Japan was delayed. The long time needed to procure semiconductors and other parts also affected sales.
 - ▣ Outside Japan, there was a big decrease in sales at the U.S. subsidiary because of the U.S. labor shortage and the effect of supply chain disruption on procuring parts.
- Operating profit
 - ▣ There was an operating loss mainly because of the sluggish sales and loss at a U.S. subsidiary.
- Orders received and order backlog
 - ▣ Orders were strong, mainly in Japan, and the order backlog increased to an all-time high.

(Millions of yen)	FY2/22	FY2/23	YoY change	
	Q1	Q1		%
Net sales	2,651	2,080	(570)	(21.5)
Operating profit	75	(156)	(232)	–
Orders received	3,132	4,043	+910	+29.1
Order backlog	7,175	13,026	+5,850	+81.5

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

- **Freund Corporation:** Sales and earnings in Japan were down resulting from delays in some projects.
- **Freund-Vector:** The loss increased as sales declined significantly due to prolonged lead time caused by shortages of parts and late deliveries of the parts from vendors; sales were insufficient to cover fixed expenses.
- **Freund-Turbo:** Sales were the same as one year earlier and operating profit increased due to higher sales of high-margin products; the loss decreased as a result.
- **Cos.Mec:** Sales increased. Turned into profitable led by improved profit margins mainly by better capacity utilization.

(Millions of yen)	FY2/22	FY2/23	YoY change		FY2/23 Forecasts
	Q1	Q1		%	
Net sales	2,651	2,080	(570)	(21.5)	12,700
FREUND CORPORATION	1,645	1,189	(455)	(27.7)	–
FREUND-VECTOR	605	446	(158)	(26.2)	–
FREUND-TURBO	311	323	+12	+3.9	–
Cos.Mec	165	269	+104	+62.9	–
Operating profit	75	(156)	(232)	–	–
FREUND CORPORATION	170	(13)	(183)	–	–
FREUND-VECTOR	(25)	(185)	(159)	–	–
FREUND-TURBO	(11)	(1)	+10	–	–
Cos.Mec	(20)	47	+67	–	–

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

- Freund Corporation: Large order backlog as generic drug companies increase production capacity.
- Freund-Vector: Strong orders from customers in North and South American countries, especially Brazil.
- Freund-Turbo: Large volume of orders and order backlog, mainly for the chemical and pharmaceutical industries.
- Cos.Mec: Big increase in the order backlog to the level exceeding sales in the previous fiscal year.

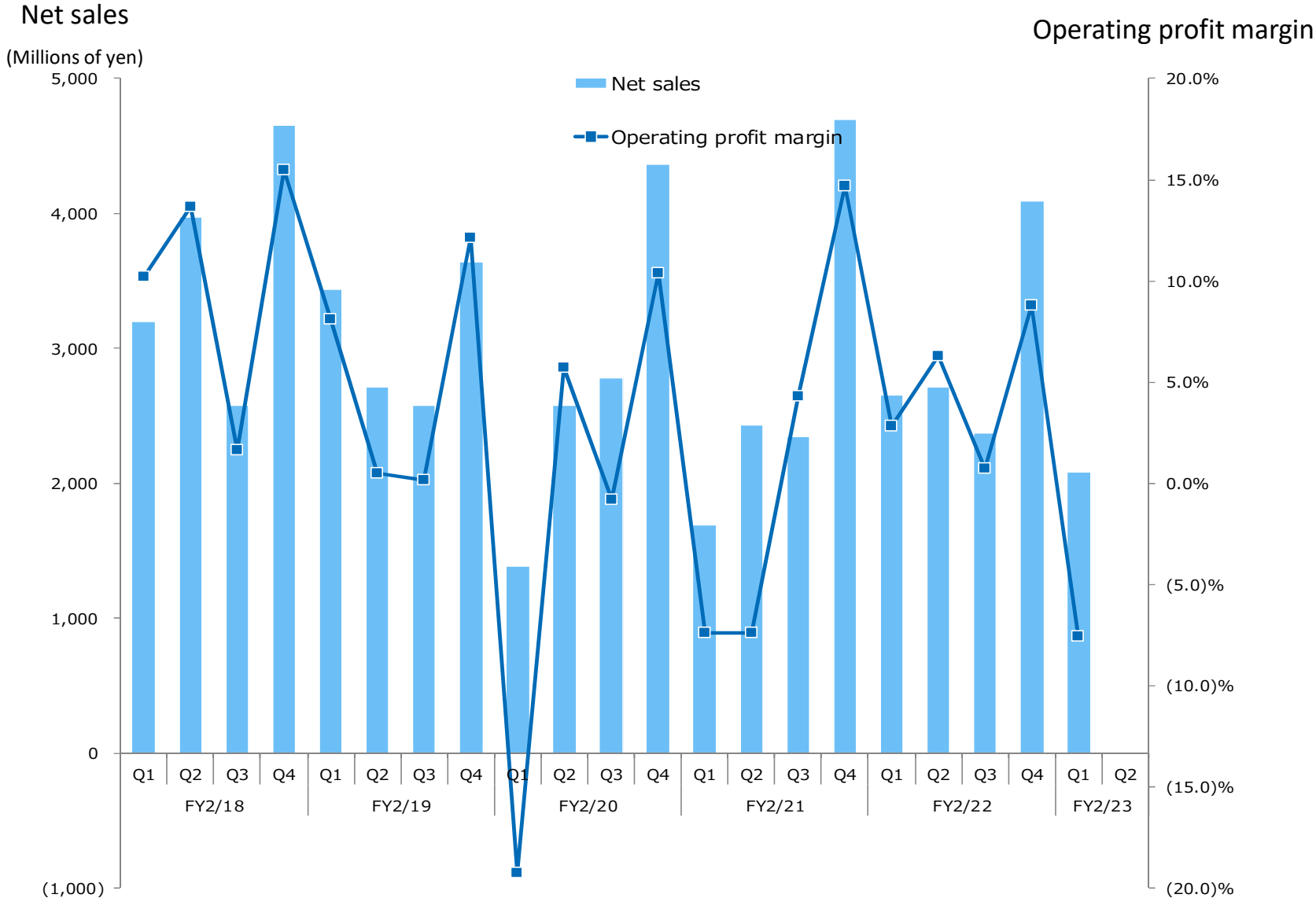
(Millions of yen)	FY2/22	FY2/23	YoY change	
	Q1	Q1		%
Orders received	3,132	4,043	+910	+29.1
FREUND CORPORATION	1,688	2,359	+670	+39.7
FREUND-VECTOR	973	1,005	+31	+3.3
FREUND-TURBO	251	613	+362	+144.0
Cos.Mec	228	191	(37)	(16.3)
Order backlog	7,175	13,026	+5,850	+81.5
FREUND CORPORATION	4,704	6,399	+1,694	+36.0
FREUND-VECTOR	1,300	4,712	+3,411	+262.2
FREUND-TURBO	489	1,024	+534	+109.3
Cos.Mec	727	1,152	+424	+58.4

Machinery Business: Sales by Region

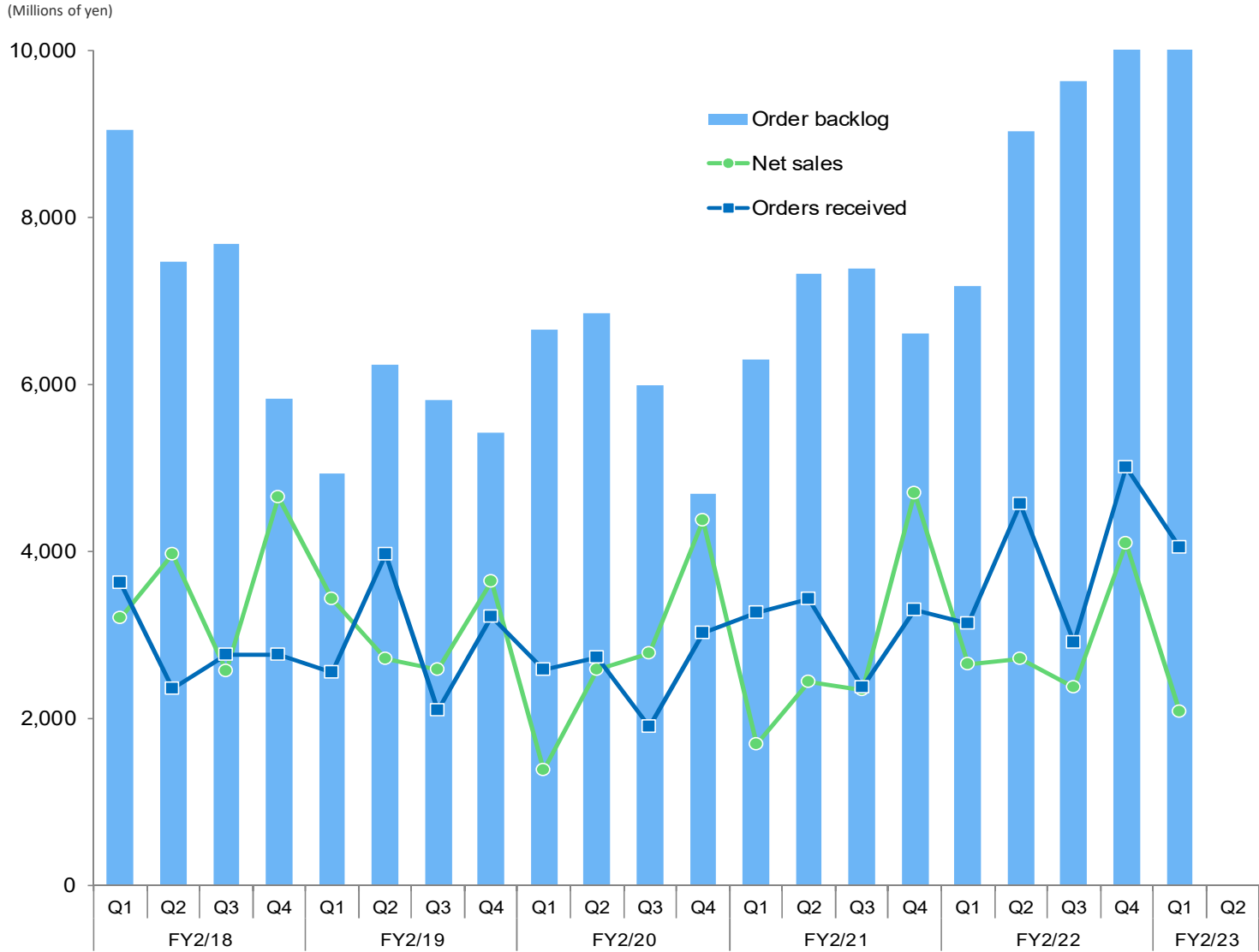
- Japan: Sales down mainly because of a delay in the recognition of some sales.
- Overseas: Sales in the U.S. decreased because shipment delayed at Freund-Vector due to the prolonged procurement of parts and materials caused by supply chain disruptions. Slight decrease in overseas sales as a whole, although Cos.Mec sales in Europe and South America recovered.

(Millions of yen)	FY2/22	FY2/23	YoY change	
	Q1	Q1		%
Net sales	2,651	2,080	(570)	(21.5)
Japan	1,684	1,175	(508)	(30.2)
Overseas	966	905	(61)	(6.4)
USA	412	89	(322)	(78.2)
Latin America	99	363	+263	+263.5
Europe	80	133	+53	+66.8
Asia	297	289	(7)	(2.6)
Others	77	29	(48)	(62.5)

Machinery Business: Quarterly Results



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



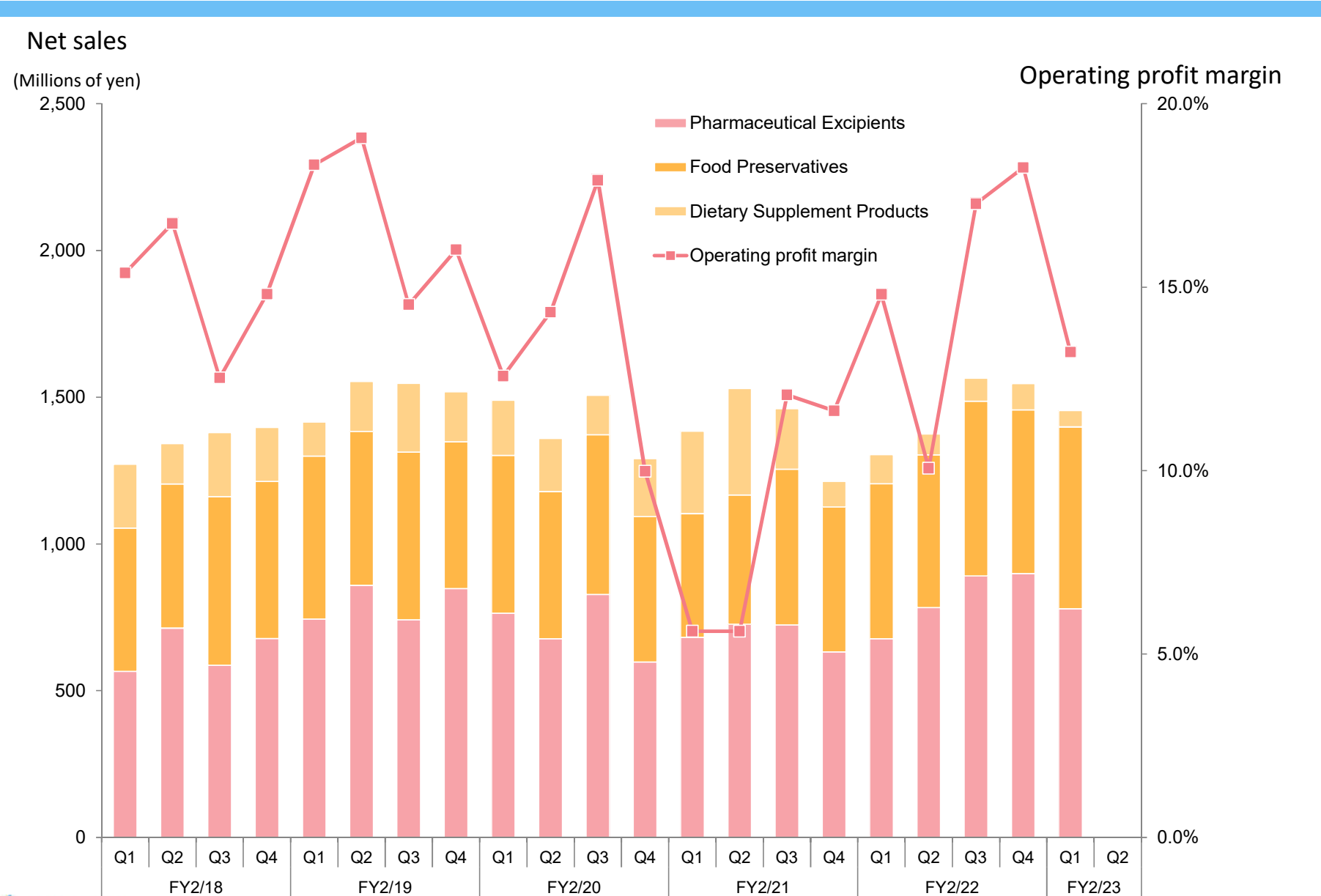
Chemicals Business: Overview

- Net Sales
 - ▣ Pharmaceutical excipients: Sales increased both in Japan and overseas.
 - ▣ Food preservatives: Higher sales driven by increasing demand in the confectionery and e-commerce bread sales categories.
 - ▣ Dietary supplement: The size of this business declined following the the termination of a contract from a major customer.
 - ▣ Export: Strong sales to customers in Europe and India.
- Segment Profit: No change from one year earlier because of delays in the recognition of sales of high-margin products in the field of pharmaceutical excipient.

(Millions of yen)	FY2/22	FY2/23	YoY change		FY2/23
	Q1	Q1		%	Forecasts
Net sales	1,305	1,455	+149	+11.4	5,800
Pharmaceutical Excipients	677	779	+101	+15.0	—
Food Preservatives	528	620	+92	+17.5	—
Dietary Supplement Products	99	55	(44)	(44.8)	—
(Export sales)*1	37	107	+70	+188.7	—
Operating profit	193	192	+0	(0.4)	—

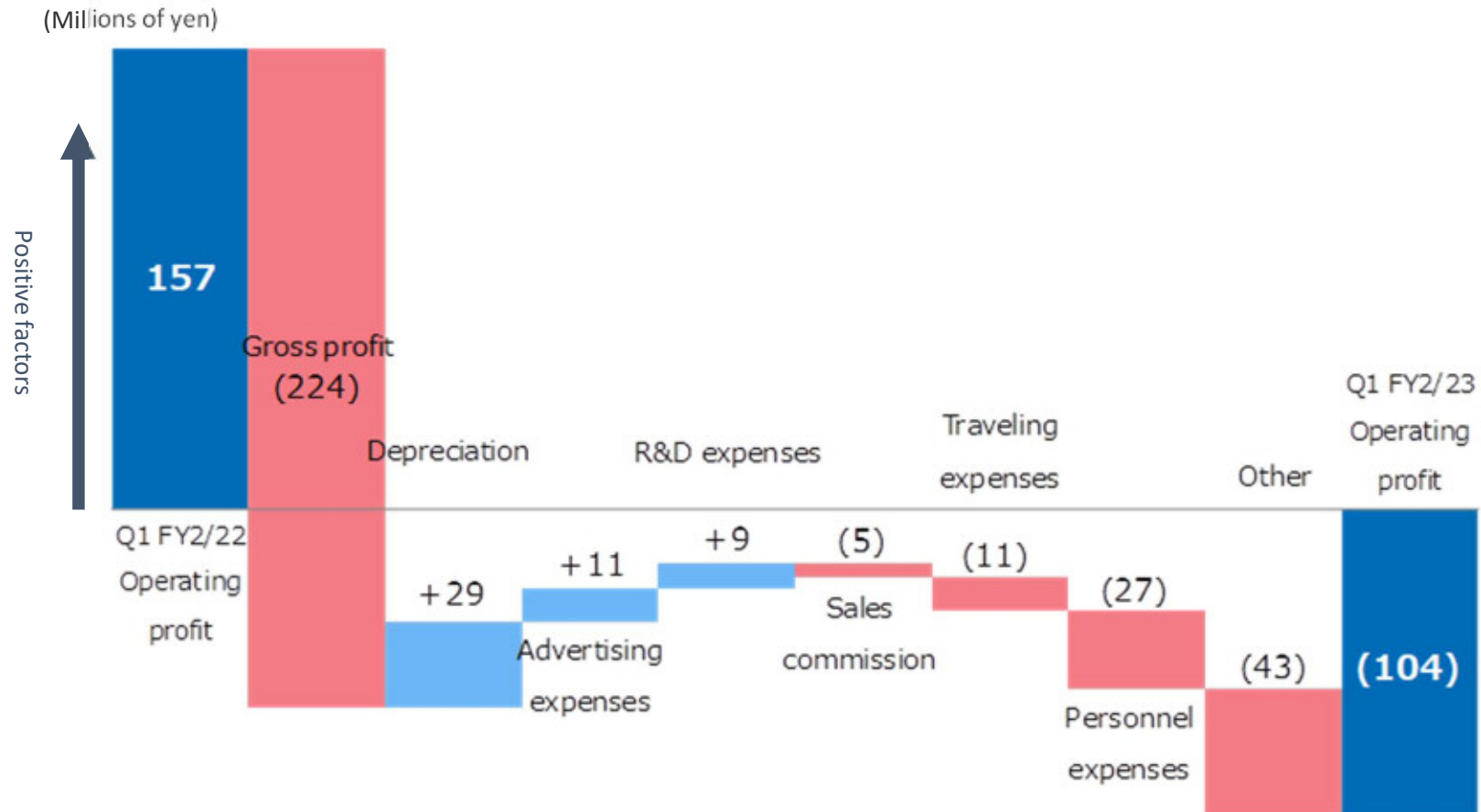
*1: Sales to India, South Korea, China, Europe, etc.

Chemicals Business: Quarterly Results (by Product Field)



Analysis of Change in Consolidated Operating Profit

- The lower gross profit caused by lower sales was the primary reason for the decrease in operating profit.
- Higher SG&A expenses e.g., increases in personnel expenses and traveling expenses further depressed operating profit.



Inquiries:
Freund Corporation
Corporate Planning Department
Corporate Planning Division

Tel: +81-3-6890-0767

Fax: +81-3-6890-0870

Email: ir@freund.co.jp

IR website: <https://www.freund.co.jp>

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.