

FREUND CORPORATION

**STANDARD**  
TOKYO

(Securities code: 6312)

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

January 18, 2023

 **FREUND**

# Consolidated Financial Summary for Q3 of FY2/23



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## Consolidated Financial Summary

- Sales increased while earnings decreased YoY. Turned into profit from deficit in Q2.
- Net sales increased YoY, mainly driven by the chemicals business where both pharmaceutical excipients and food preservatives sales were favorable; sales of the machinery business grew slightly too.
- Operating profit decreased YoY, mainly affected by a decline in the machinery business; at the U.S. subsidiary, significant delays in shipments of machinery continued due to the prolonged procurement of parts/materials and the increasing cost of raw materials caused by rapid inflation. The ordinary profit and profit dropped as well, but by a smaller margin than that of operating profit due to a foreign exchange gain.

(Millions of yen)	FY2/22	FY2/23	YoY Change	
	Q3 Actual	Q3 Actual	Amount	%
Net sales	11,988	12,504	+516	+4.3
Operating profit	459	45	(413)	(90.1)
Ordinary profit	492	132	(360)	(73.1)
Profit	270	1	(269)	(99.6)
Earnings per share (yen)	16.13	0.06	(16.07)	(99.6)
Depreciation	436	410	(25)	(5.8)
R&D expenses	455	463	+8	+1.8

## Machinery Business: Overview

- Net sales
  - ▣ Basically no change in net sales YoY.
  - ▣ Net sales in Japan decreased YoY because shipments of products continued to be delayed by the prolonged lead times for procurement of parts/materials including semiconductors.
  - ▣ Net sales at the U.S. subsidiary increased YoY partly due to the yen's depreciation, offsetting the sales decline in Japan.
- Operating profit
  - ▣ The U.S. subsidiary remained to be in deficit because of:
    - ✓ Continuing delays in the procurement of parts/materials caused by tight labor supply and supply chain disruptions; and
    - ✓ Decrease in profit margin due to higher cost of raw materials caused by rapid inflation.
- Orders received and order backlog
  - ▣ Orders remained strong, mainly in Japan, and the order backlog increased to an all-time high.

(Millions of yen)	FY2/22	FY2/23	YoY change	
	Q3	Q3		%
<b>Net sales</b>	<b>7,740</b>	<b>7,783</b>	<b>+43</b>	<b>+0.6</b>
<b>Operating profit</b>	<b>262</b>	<b>(263)</b>	<b>(526)</b>	<b>–</b>
<b>Orders received</b>	<b>10,612</b>	<b>11,655</b>	<b>+1,043</b>	<b>+9.8</b>
<b>Order backlog</b>	<b>9,626</b>	<b>15,365</b>	<b>+5,738</b>	<b>+59.6</b>

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

- Freund Corporation: Sales and earnings in Japan were down as a result of delays in shipments and sluggish overseas sales.
- Freund-Vector: Despite the year-on-year increase in sales, big operating loss was recorded due to a decline in profit margin caused mainly by delayed shipments and soaring raw material prices.
- Freund-Turbo: Big increase in sales but only a small change in operating profit because of lower sales of products with high profit margins.
- Cos.Mec: Sales and earnings increased significantly as this company continues to grow.

(Millions of yen)	FY2/22	FY2/23	YoY change	
	Q3	Q3		%
<b>Net sales</b>	<b>7,740</b>	<b>7,783</b>	<b>+43</b>	<b>+0.6</b>
FREUND CORPORATION	4,431	3,354	(1,077)	(24.3)
FREUND-VECTOR	2,021	2,843	+821	+40.6
FREUND-TURBO	1,066	1,229	+163	+15.3
Cos.Mec	561	791	+230	+41.0
<b>Operating profit</b>	<b>262</b>	<b>(263)</b>	<b>(526)</b>	<b>—</b>
FREUND CORPORATION	459	66	(392)	(85.5)
FREUND-VECTOR	(113)	(343)	(229)	—
FREUND-TURBO	50	49	(1)	(2.7)
Cos.Mec	(70)	9	+79	—

\* Machinery sales and operating profit by group companies are before elimination of intracompany transactions.

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

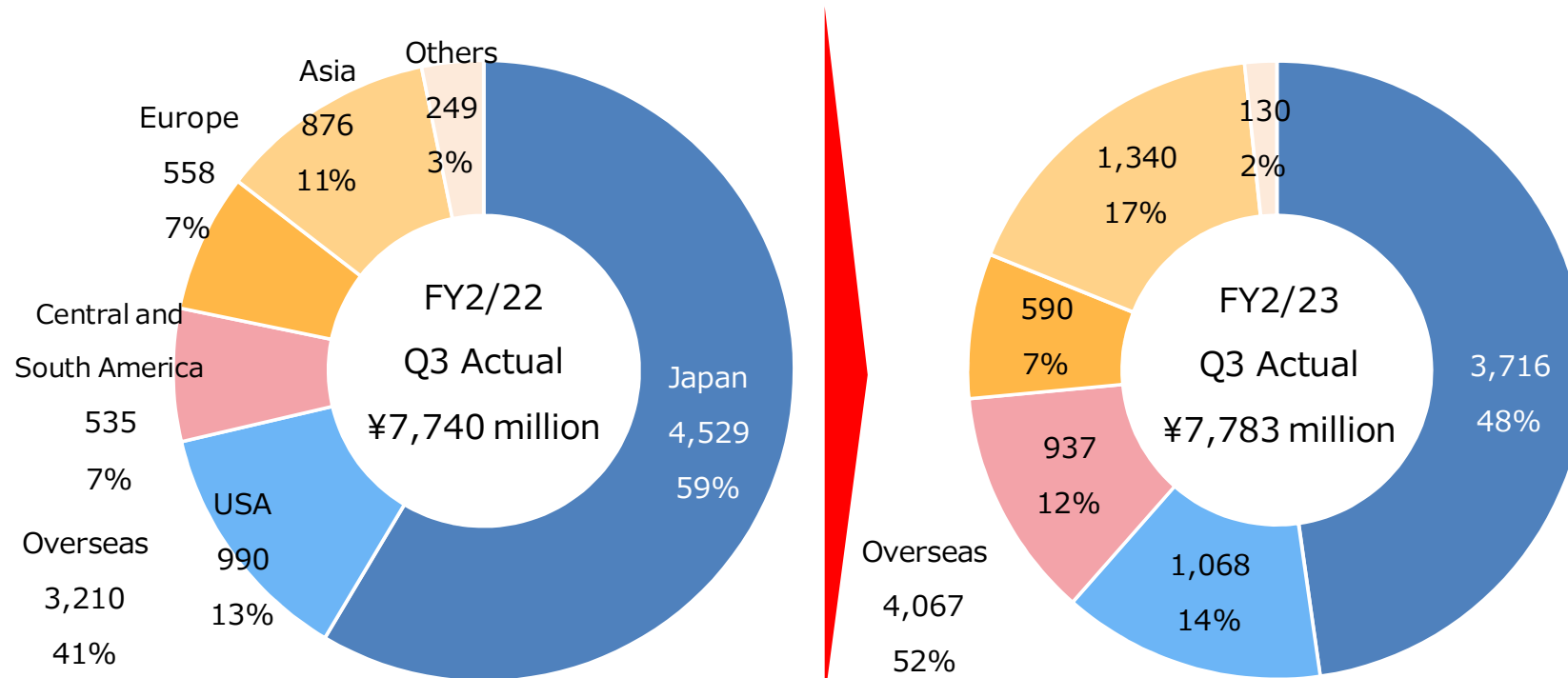
- Freund Corporation: The order backlog increased to an all-time high due to the receipt of large orders from generic drug companies.
- Freund-Vector: A big decline in orders compared to one year earlier, in which a large order was received, but the order backlog remains high.
- Freund-Turbo: Large volume of orders and order backlog, mainly for the chemical industries.
- Cos.Mec: Orders received and order backlog increased to the level exceeding the previous fiscal year.

(Millions of yen)	FY2/22	FY2/23	YoY change	
	Q3	Q3		%
<b>Orders received</b>	<b>10,612</b>	<b>11,655</b>	<b>+1,043</b>	<b>+9.8</b>
FREUND CORPORATION	4,750	7,252	+2,501	+52.7
FREUND-VECTOR	4,748	2,988	(1,760)	(37.1)
FREUND-TURBO	908	1,147	+239	+26.3
Cos.Mec	390	421	+30	+7.8
<b>Order backlog</b>	<b>9,626</b>	<b>15,365</b>	<b>+5,738</b>	<b>+59.6</b>
FREUND CORPORATION	4,980	9,084	+4,104	+82.4
FREUND-VECTOR	3,768	4,725	+956	+25.4
FREUND-TURBO	524	756	+231	+44.2
Cos.Mec	506	924	+417	+82.4

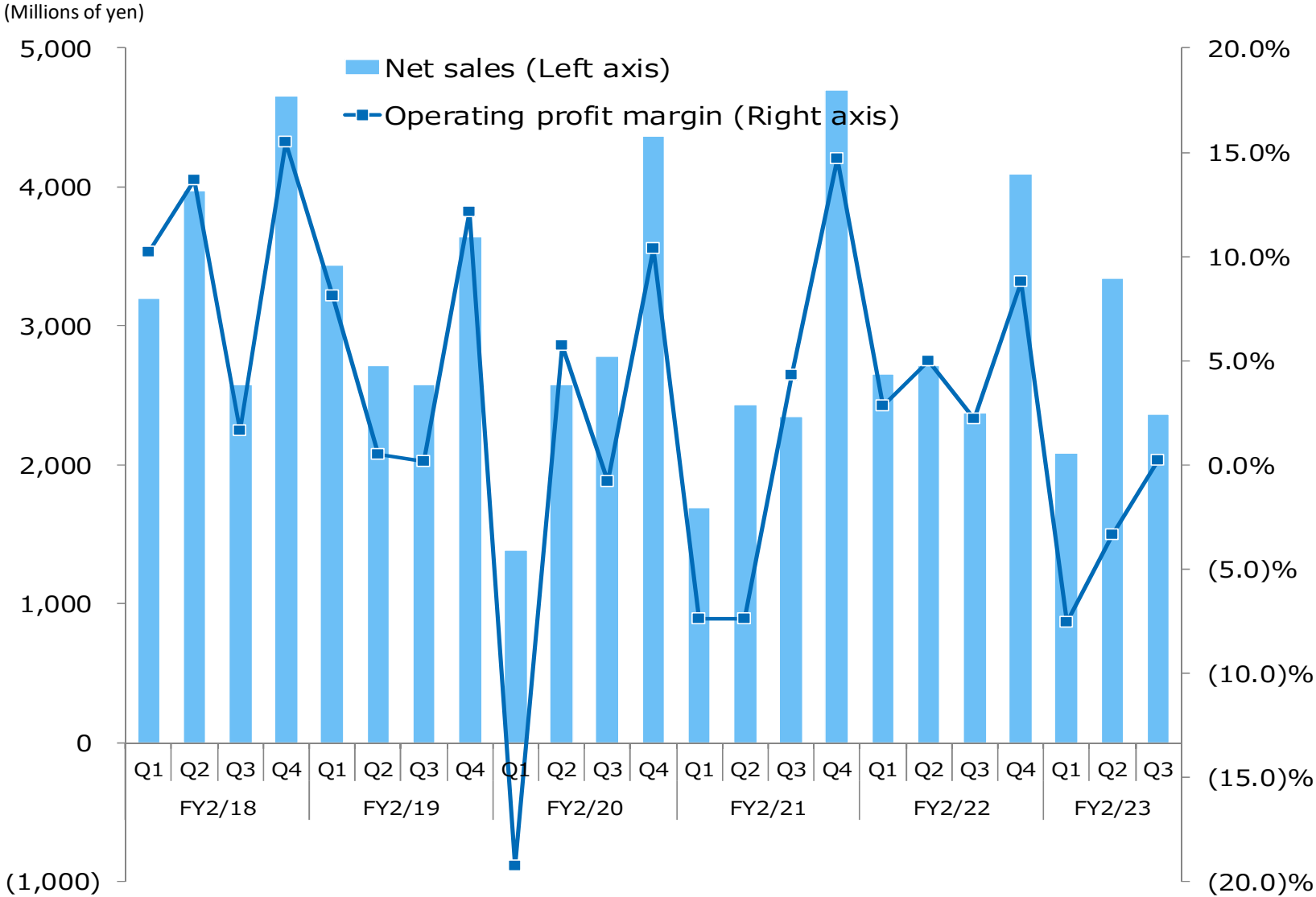
\* Orders received and order backlog by group companies are before elimination of intracompany transactions.

## Machinery Business: Sales by Region

- Japan: Sales decreased YoY as the prolonged lead times for procurement and shipment, and other situations remains unchanged.
- Overseas: Sales increased driven by higher sales in the U.S. subsidiary to Central and South America and Asia. In Central and South America, sales in Brazil were strong. And, in Asia, sales in China and India were strong. Also benefited from the yen's depreciation, recorded a big YoY increase.

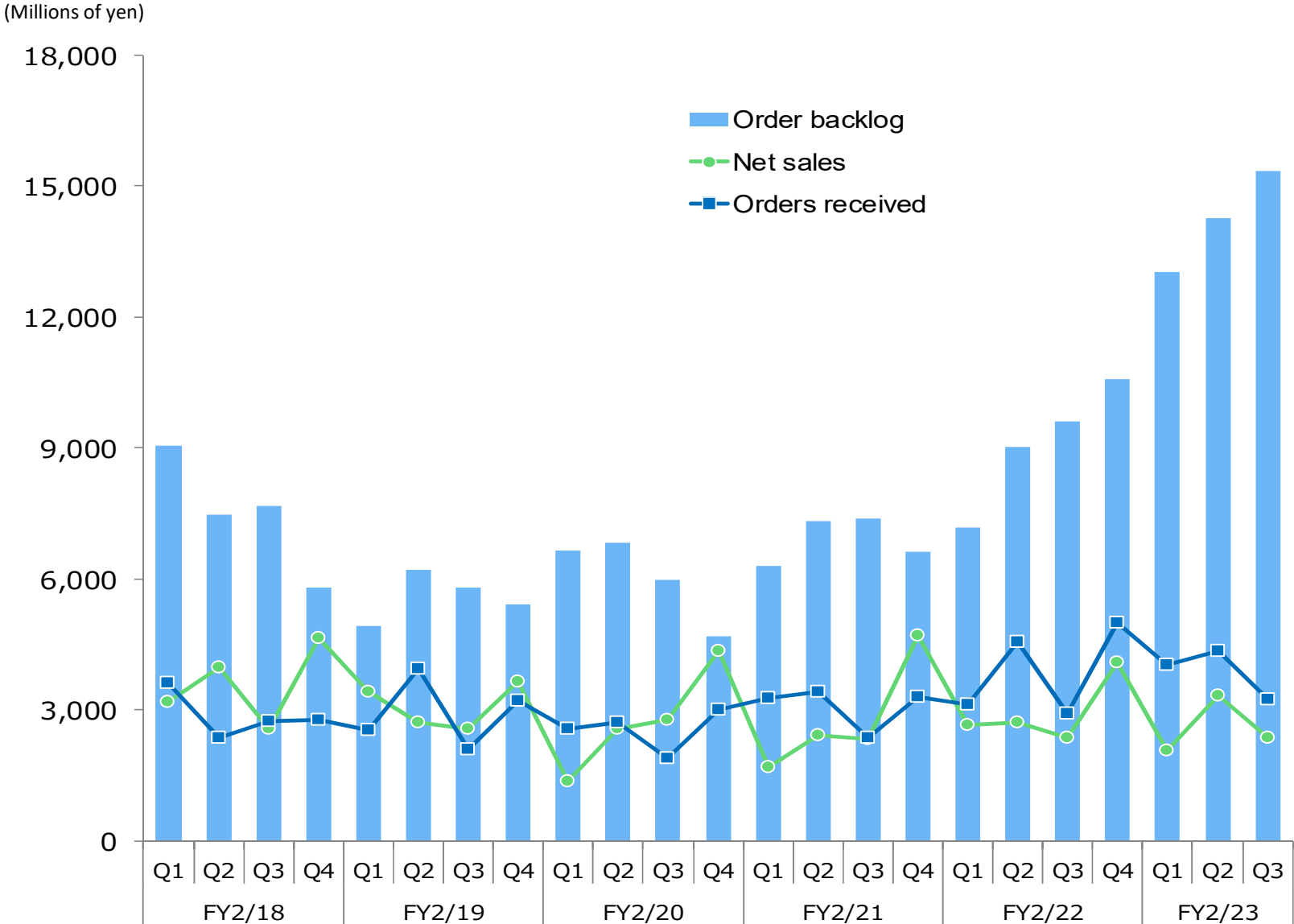


# Machinery Business: Quarterly Results





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



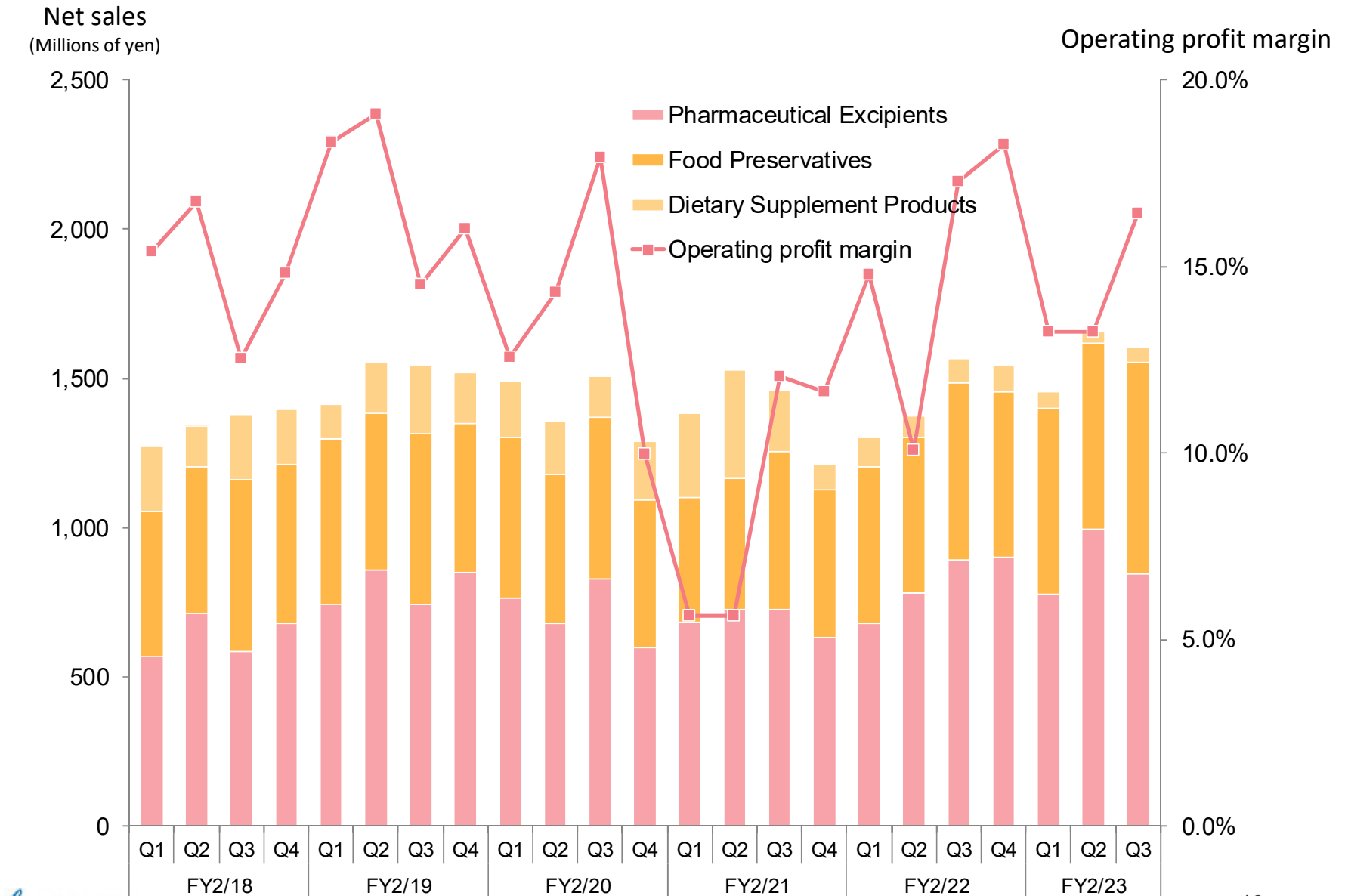
## Chemicals Business: Overview

- Net sales
  - ▣ Pharmaceutical excipients: Sales remained strong in Japan and other countries and are growing at a pace that is expected to result in fiscal year sales that surpass the prior fiscal year's all-time high.
  - ▣ Food preservatives: Higher sales driven by increasing demand in the confectionery and e-commerce bread sales categories. As well as pharmaceutical excipients, sales at a level that is expected to exceed the prior fiscal year's all-time high.
  - ▣ Dietary supplement: Sales declined following the termination of a contract from a major customer.
  - ▣ Export: Strong sales to customers in Europe and India.
- Operating profit: Increased because of sales growth and higher profitability as measures to raise efficiency offset the rising cost of raw materials

(Millions of yen)	FY2/22 Q3		FY2/23 Q3	
	Amount	YoY change (%)	Amount	YoY change (%)
<b>Net sales</b>	<b>4,248</b>	<b>(3.0)</b>	<b>4,721</b>	<b>+11.1</b>
Pharmaceutical Excipients	2,352	+10.3	2,623	+11.5
Food Preservatives	1,645	+17.9	1,950	+18.5
Dietary Supplement Products	250	(70.6)	147	(41.1)
(Export sales)*1	227	+44.6	269	+18.5
<b>Operating profit</b>	<b>602</b>	<b>+48.7</b>	<b>742</b>	<b>+23.2</b>

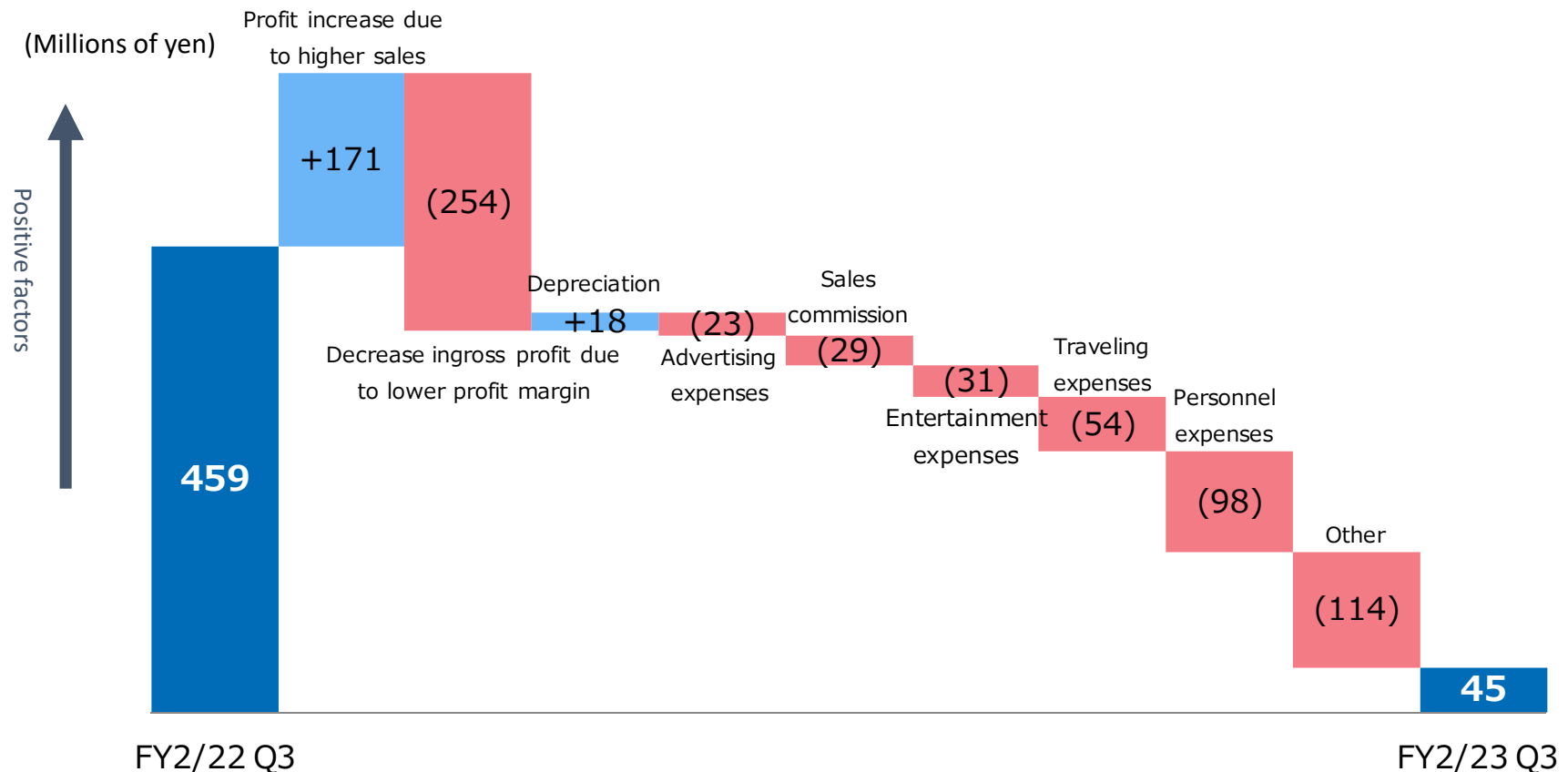
\*1: Sales to Europe, India, South Korea, China and Taiwan, etc.

# Chemicals Business: Quarterly Results (by Product Field)



# Analysis of Change in Consolidated Operating Profit

- Big negative impact of lower gross profit caused by rising cost of raw materials and other expenses.
- SG&A expenses increased 330 million yen primarily because of higher overseas expenses due to the yen's depreciation and an increase in promotional expenses as the pandemic continues.



## Summary of Consolidated Balance Sheet

- Inventories and short-term loans payable increased mainly because of delays in shipments at the U.S. subsidiary caused by the prolonged procurement of parts/materials.
- Contract liabilities (advances received) increased at Freund Corporation and the U.S. subsidiary because of the large volume of orders, especially at Freund Corporation.

(Millions of yen)	FY2/22-End	FY2/23 Q3	Change	(Millions of yen)	FY2/22-End	FY2/23 Q3	Change
Current assets	15,004	15,818	+813	Current liabilities	7,035	7,861	+825
Cash and deposits	4,145	3,370	(774)	Accounts payable	2,743	2,164	(578)
Accounts receivable	5,228	4,251	(977)	Short-term loans payable	27	813	+786
Inventories	5,090	7,323	+2,233	Contract liabilities (Advances received)	2,805	3,779	+973
Non-current assets	7,269	7,686	+417	Non-current liabilities	883	884	+1
Property, plant and equipment	4,562	4,616	+53	Total liabilities	7,919	8,746	+827
Intangible assets	1,434	1,681	+246	Total net assets	14,354	14,758	+403
Investments and other assets	1,271	1,388	+116	Total liabilities and net assets	22,273	23,504	+1,230
Total assets	22,273	23,504	+1,230				

# Consolidated Earnings and Dividend Forecasts for FY2/23



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## Summary of Consolidated Forecasts

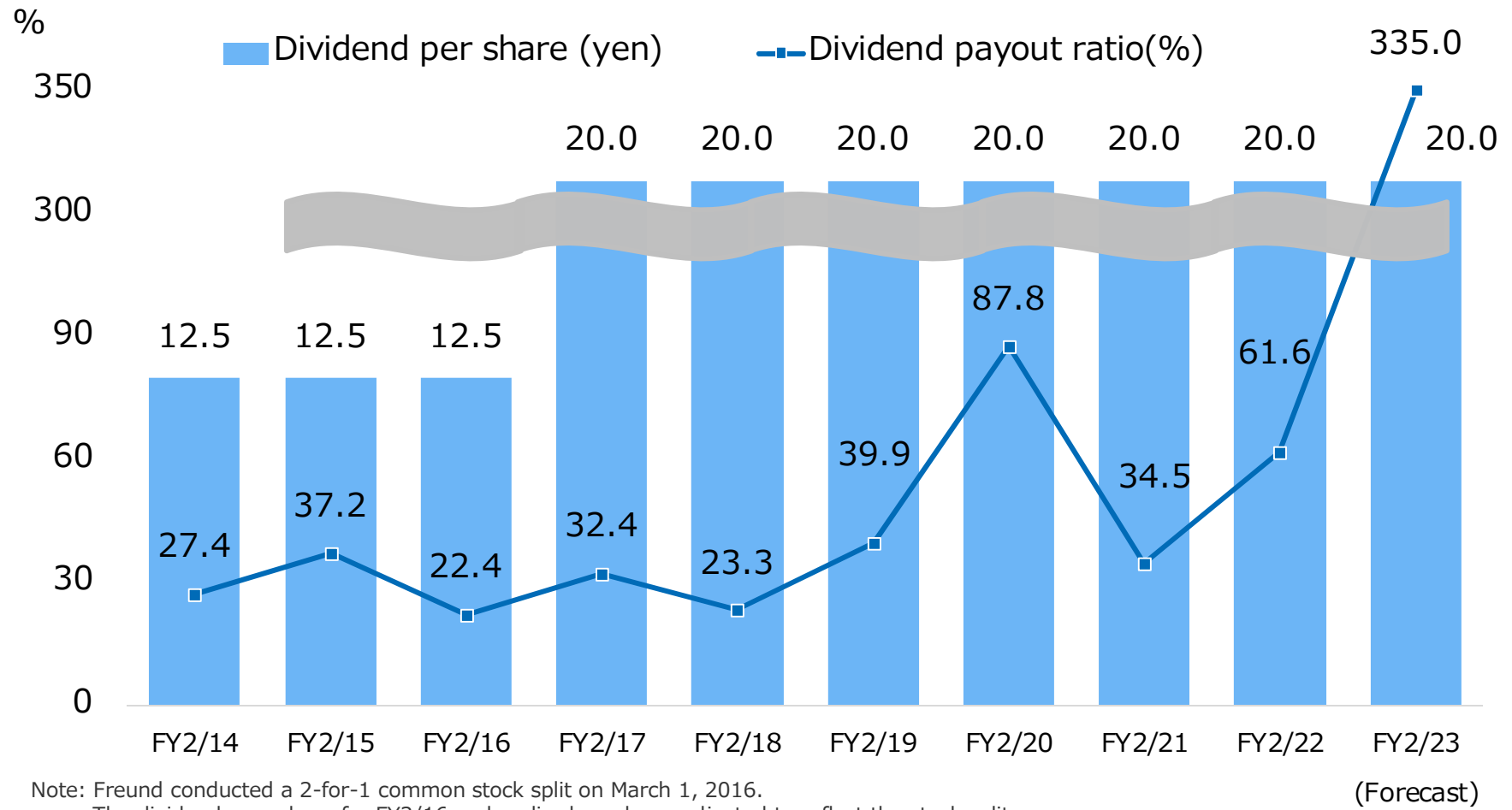
Upward revision for sales forecast and downward revision for profit forecast because of the current economic situation and the business environment (announced January 12, 2023)

- Sales: Upward revision to sales due to higher-than-planned sales in the chemicals business and the positive effect of the yen's depreciation on sales at overseas subsidiaries
- Profit: Downward revision to profit due to significant delays in shipments at the U.S. subsidiary, lower profit margin caused by higher cost of raw materials due to rapid inflation, difficult operating environment in Japan because of the sharp rise in raw material prices, prolonged lead times for procurement of parts/materials and shipment

	FY2/22 (Actual)	FY2/23			YoY change
		Forecast (4/13/22)	Revised Forecast (1/12/23)	Amount	
Net sales	17,632	18,500	19,500	+1,000	+1,867
Operating profit	981	700	150	(550)	(831)
Ordinary profit	1,032	720	200	(520)	(832)
Profit (loss) attributable to owners of parent	543	450	100	(350)	(443)
Earnings per share (yen)	32	27	6	(21)	(26)

## Summary of Dividend Forecasts

- No change in the 20 yen dividend forecast because of the basic policy of long-term dividend stability.





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