FREUND CORPORATION

STANDARD TOKYO

(Securities code: 6312)

Results of Operations for the First Quarter of the Fiscal Year Ending February 29, 2024

July 14, 2023

Consolidated Financial Summary for the First Quarter of FY2/24

Consolidated Financial Summary

Net sales

Net sales increased significantly compared to the previous fiscal year.

- In the machinery business, Freund－Vector sales recovered.
- The chemicals business maintained a strong performance both in pharmaceutical excipients and food preservatives.

Profit

- Following the previous fiscal year, a loss was recorded in the 1st quarter, but there was an improvement in the deficit.
- The primary reason is the return to profitability and earnings recovery at the U.S. subsidiary, which had been sluggish in the previous fiscal year.

(Millions of yen)	FY2/23 1Q	FY2/24 1Q	YoY change	%	FY2/24 Forecasts
Net sales	3,535	4,200	664	18.8%	20,000
Operating profit	(104)	(29)	74	–	700
Ordinary profit	(43)	(17)	26	–	650
Profit	(45)	(18)	26	–	450
Earnings per share (yen)	(2.73)	(1.12)	1.61	–	26.87
Depreciation	133	120	(13)	(9.5)%	–
R&D expenses	143	156	13	9.1%	–

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Machinery Business: Overview

Net sales

- In Japan, the business environment remained challenging as the delivery delays for certain parts did not improve. Furthermore, some projects were carried over to the next quarter.
- In other countries, our U.S. subsidiary has consistently ramped up shipments, including those carried over from the previous fiscal year. The substantial increase in sales has compensated for the decline in domestic sales.

Operating profit

- The deficit narrowed significantly as a result of the U.S. subsidiary's recovery and return to profitability, after being in the red in the previous fiscal year.

Orders received and order backlog

- Orders received remained strong, driven by the substantial investments in large-scale equipment by generic drug manufacturers in Japan.
- The order backlog increased significantly compared to the previous fiscal year and remains high.

(Millions of yen)	FY2/23 1Q	FY2/24 1Q	YoY change	
				%
Net sales	2,080	2,556	475	22.9%
Operating profit	(156)	(76)	80	–
Orders received	4,043	4,200	156	3.9%
Order backlog	13,026	14,607	1,581	12.1%

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

Freund Corporation	Despite a decrease in sales primarily due to the prolonged procurement of some parts in Japan, profitability showed a notable increase from the previous fiscal year, leading to an overall improvement in profit.
Freund-Turbo	Both sales and profits declined sharply as recording of a scheduled project was carried forward to the next quarter as a result of a delay in acceptance inspection.
Freund-Vector	In the previous fiscal year, the company faced significant challenges, including delivery delays of components and materials, shipping delays, and declining profitability due to soaring raw material prices. However, in the current fiscal year, the company achieved profitability once again, thanks to steady completion of projects and improved profitability on projects carried over from the previous fiscal year.
Cos.Mec	Apart from the reactionary decline in sales from the previous year's record-high, there will be a significant concentration of major projects in the second half of the year, with the 1st quarter experiencing sluggish growth.

(Millions of yen) Before elimination for consolidation	FY2/23 1Q	FY2/24 1Q	YoY change	
				%
Net sales	2,080	2,556	475	22.9%
Freund Corporation	1,146	1,107	(39)	(3.4)%
Freund-Turbo	323	214	(108)	(33.7)%
Freund-Vector	446	1,155	708	159.0%
Cos.Mec	269	162	(106)	(39.5)%
Operating profit	(156)	(76)	80	–
Freund Corporation	12	27	15	125.0%
Freund-Turbo	(1)	(34)	(33)	–
Freund-Vector	(185)	30	215	–
Cos.Mec	47	(98)	(145)	–

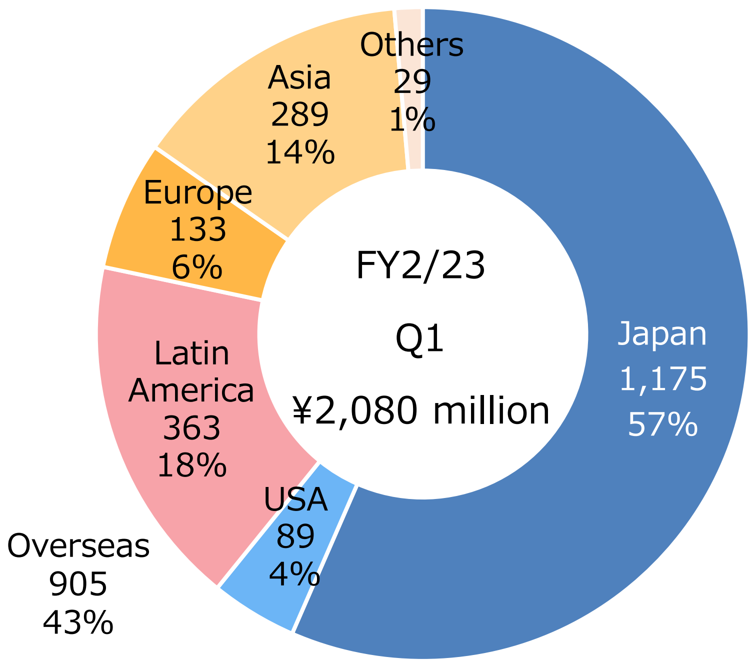
Machinery Business: Group Company Performance (Orders Received/Order Backlog)

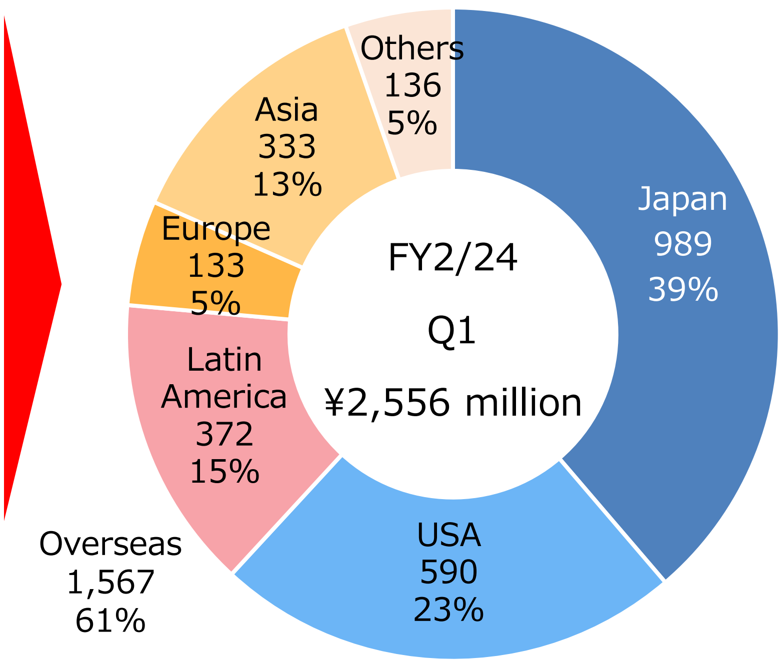
Freund Corporation	Order volume was almost the same level as the previous fiscal year, and the order backlog achieved record-high due to many investments in large-scale facilities by generic drug companies in Japan.
Freund-Turbo	In the current quarter, orders experienced a significant decrease compared to the previous fiscal year, which had included large orders. However, the order backlog remained nearly at the same level as the previous fiscal year.
Freund-Vector	Despite progress in sales, there was a significant decline in order backlogs from the previous fiscal year.
Cos.Mec	There was a significant increase in orders received compared to the previous fiscal year, while the order backlogs remained nearly at the same level as the previous fiscal year.

(Millions of yen) Before elimination for consolidation	FY2/23 1Q	FY2/24 1Q	YoY change	
				%
Orders received	4,043	4,200	156	3.9%
Freund Corporation	2,359	2,395	36	1.5%
Freund-Turbo	613	337	(276)	(45.1)%
Freund-Vector	1,005	1,091	86	8.6%
Cos.Mec	191	376	185	97.0%
Order backlog	13,026	14,607	1,581	12.1%
Freund Corporation	6,399	9,133	2,733	42.7%
Freund-Turbo	1,024	1,016	(7)	(0.7)%
Freund-Vector	4,712	3,205	(1,506)	(32.0)%
Cos.Mec	1,152	1,252	99	8.6%

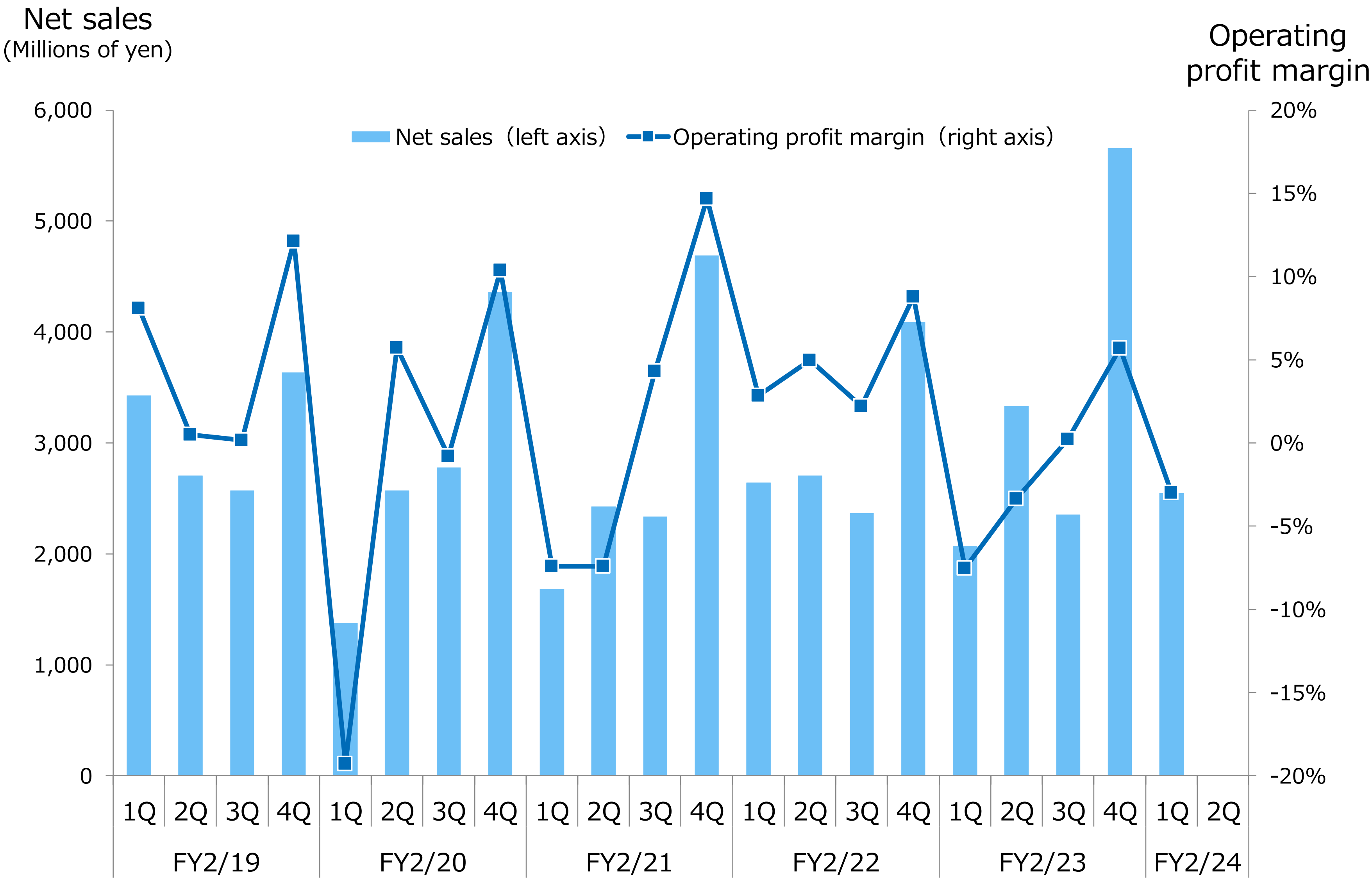
Machinery Business: Sales by Region

Japan	Sales revenue has been adversely impacted by both the lingering long lead time for procuring certain parts and the postponement of projects to the next quarter.
Overseas	• The increase in sales was significantly attributed to the sales growth of U.S. subsidiaries both domestically and in regions like Africa and the Middle East. • The overseas sales ratio of the Machinery Business surged to approximately 60%, driven by the depreciation of the yen.

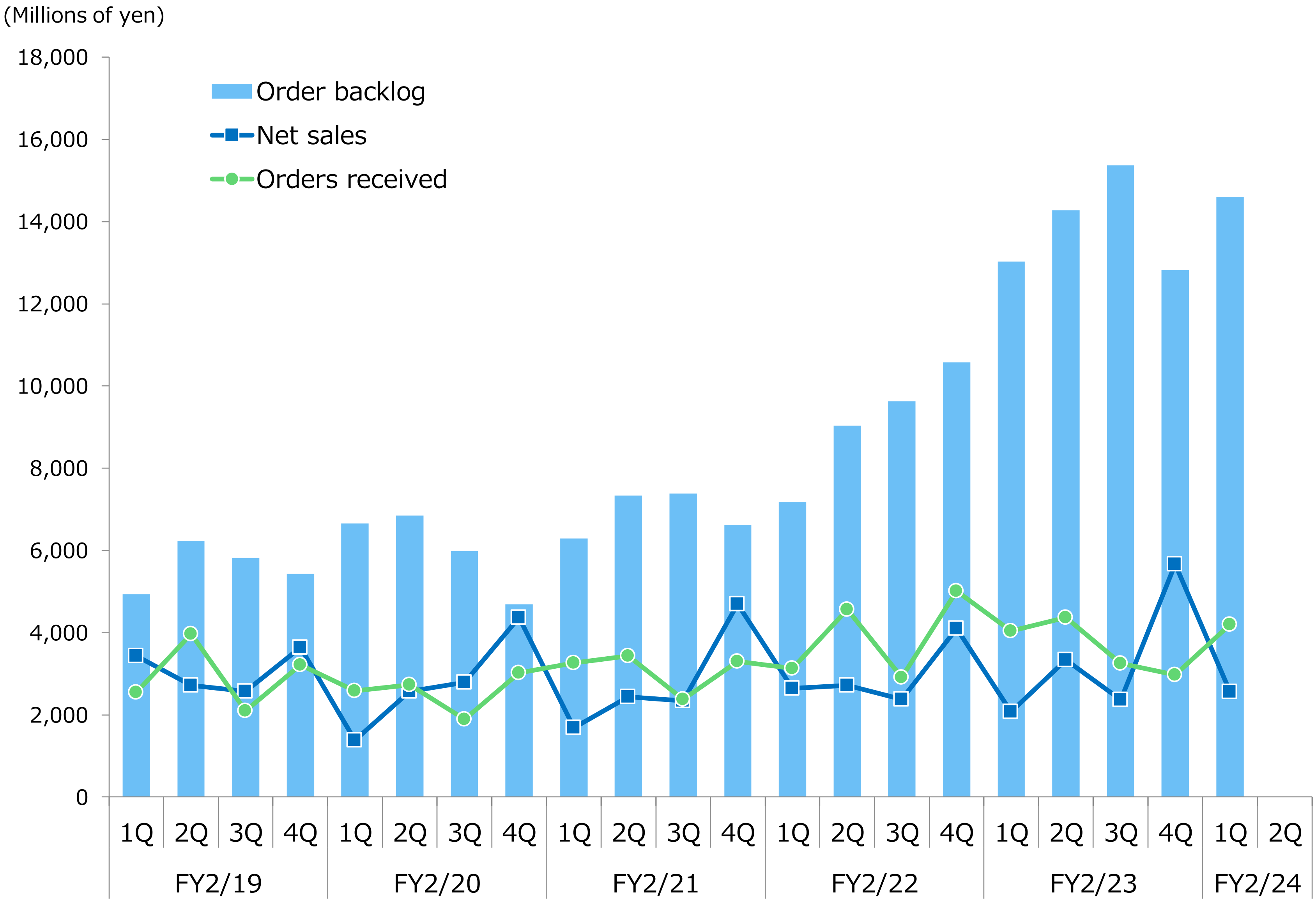




Machinery Business: Quarterly Results



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



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Chemicals Business: Overview

Net sales

Sales were steady surpassing the previous fiscal year's record high.

Pharmaceutical excipients : In the previous fiscal year, sales of major products were deferred to the following quarter. However, in the current fiscal year, those sales were on track, leading to a substantial increase in overall sales.

Food preservatives : Sales remained strong due to increased demand in the on-line bread sales sector.

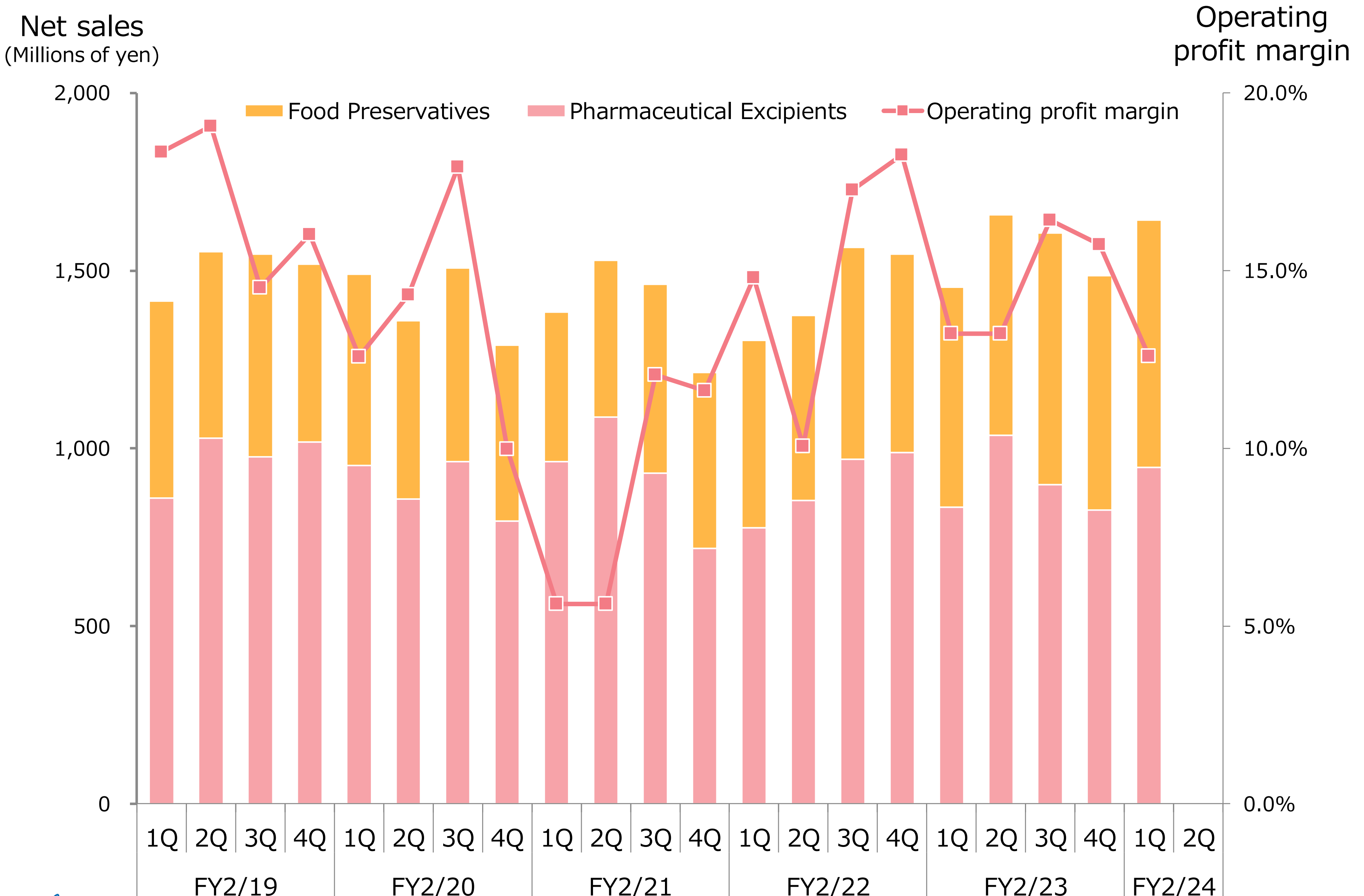
Export: Sales decreased due to lower production by customers for some products

Operating profit:

Consistent year-on-year growth in both sales and profits.

(Millions of yen)	FY2/23 1Q	FY2/24 1Q	YoY change	
				%
Net sales	1,455	1,643	188	13.0%
Pharmaceutical Excipients	834	948	114	13.7%
Food Preservatives	620	695	75	12.1%
(Export sales)	107	76	(31)	(29.0)%
Operating profit	192	207	14	7.6%

Chemicals Business: Quarterly Results (by Product Field)



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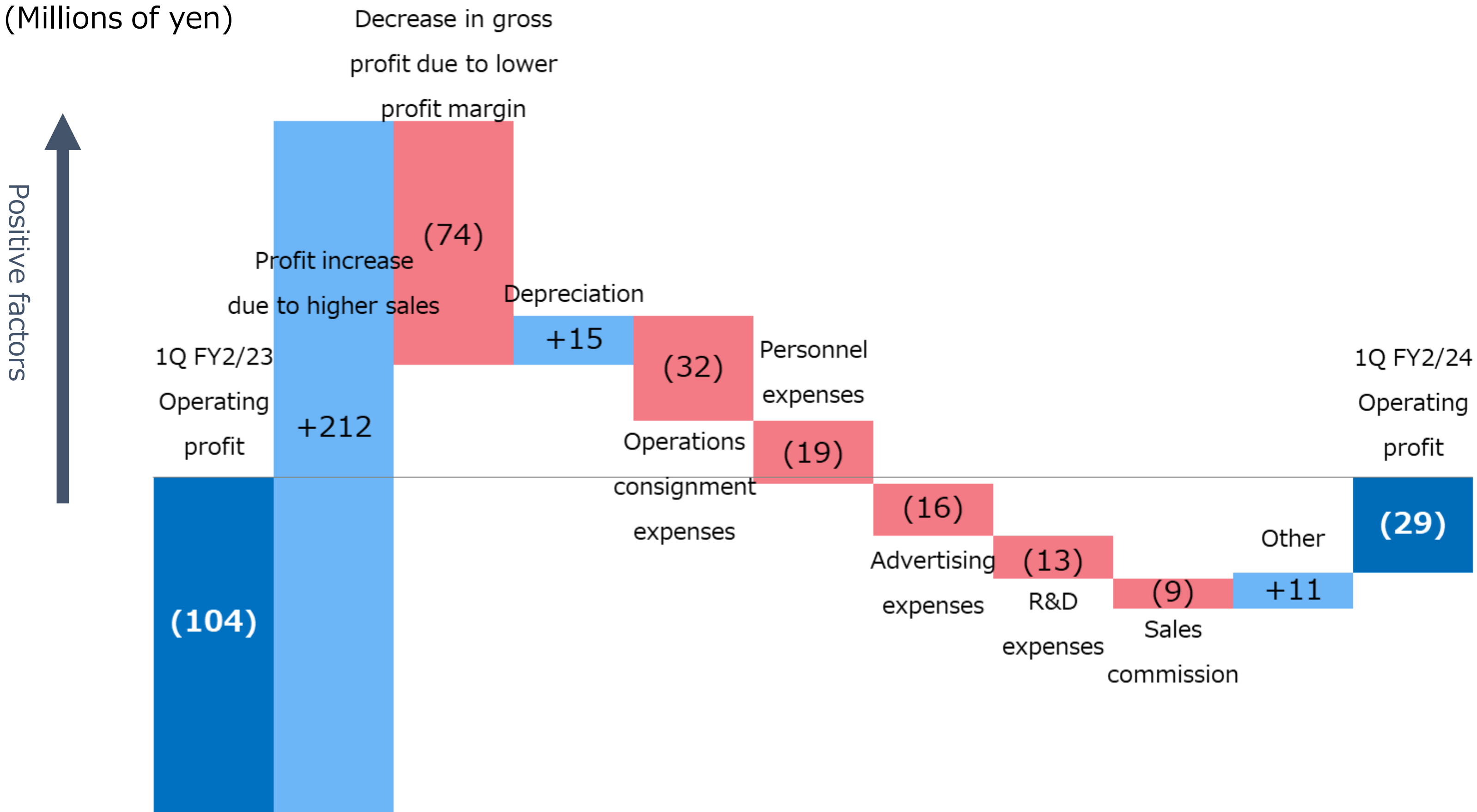
Analysis of Change in Consolidated Operating Profit

- There was a substantial year-on-year increase in gross profit, primarily driven by the revenue growth, mainly at the U.S. subsidiary.
- Selling, General, and Administrative (SG&A) expenses rose due to increased office outsourcing expenses and personnel expenses at Freund Corporation. The increase in gross profit successfully absorbed the rise in SG&A expenses, leading to an improvement in the operating loss.

(Millions of yen)



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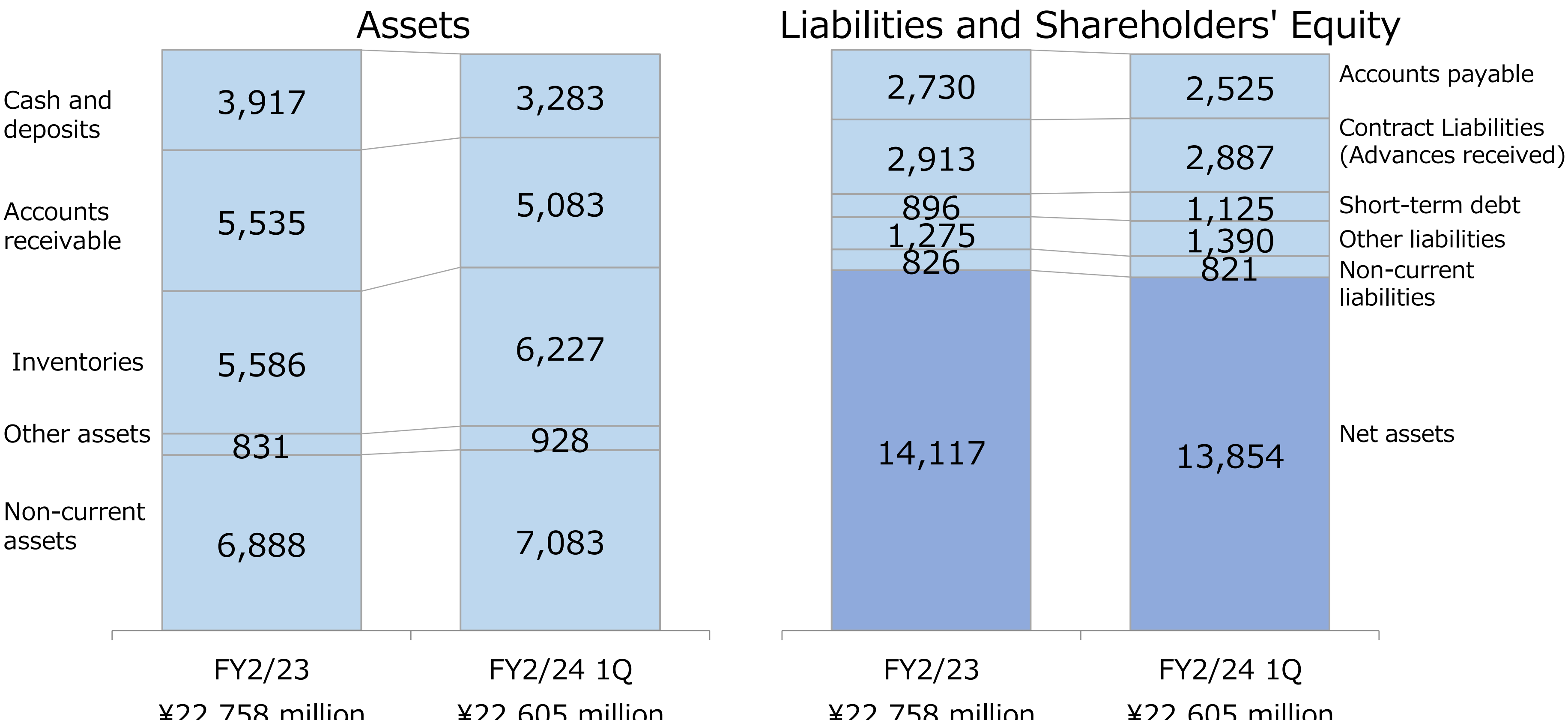
Summary of Consolidated Balance Sheet

- Work in progress inventories (work in process) increased across all group companies, while trade receivables were successfully collected.
- In Japan, there was a reversal in cash and deposits, while short-term borrowings were obtained and utilized overseas.
- The decrease in net assets was primarily due to dividend payments, yet the equity ratio remained high at 61.3%.



The inauguration took place on June 6-7, 2023, at the Shanghai FC Center.

In China, the world's second-largest pharmaceutical market, adherence to GMP (Good Manufacturing Practice) and the incorporation of highly functional additives have become vital requirements as part of the Chinese government's pharmaceutical system reform initiated in 2015. Consequently, Chinese pharmaceutical manufacturers are experiencing a growing demand for new machinery.

In response to this trend, we founded the Shanghai FC Center in 2021 in collaboration with Chineway ("CW"), a local company boasting blue-chip Chinese pharmaceutical clients.

Functioning as a research facility for both our machinery and pharmaceutical additives, our objective is to enhance the recognition and visibility of our products.

Top: Exterior view of Shanghai FC Center
Bottom: Commemorative Opening Ceremony
(Center: Sherry Fang, Managing Director of Shanghai FC Center)

Key Features of the Shanghai FC Center

1. Shanghai, a hub for numerous Chinese pharmaceutical companies, now offers local testing facilities, eliminating the need for them to travel to Japan. Additionally, testing can be conducted in compliance with local regulations.
2. Equipped for prototype testing and performance evaluation of both formulation machinery and pharmaceutical additives
3. Expanding the pen and ink business model that has been developed since the Company’s founding into China, with support from the formulation technology cultivated over the past 60 years.

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