

FREUND CORPORATION

**STANDARD**  
TOKYO

(Securities code: 6312)

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

January 19, 2024

# Consolidated Financial Summary for Q3 of FY2/24



# Consolidated Financial Summary

## Net sales

Sales were generally in line with the plan.

- In the machinery business, sales increased as U.S. subsidiary Freund-Vector recovered from the negative effects of the pandemic and associated delays in deliveries of products.
- In the chemicals business, sales of pharmaceutical excipients and food preservatives exceeded the previous year.

## Profit

- While earnings in the chemicals business were solid, a third quarter loss was incurred because of declining profitability caused by delivery delays of machinery for orders received at Freund-Vector.

(Millions of yen)	FY2/23 Q3 Actual	FY2/24 Q3 Actual	YoY Change		FY2/24 Forecasts
				%	
Net sales	12,504	14,170	1,666	13.3%	20,000
Operating profit	45	118	73	161.5%	700
Ordinary profit	132	125	(7)	(5.1)%	650
Profit	1	54	53	–	450
Earnings per share (yen)	0.06	3.24	3.18	–	26.87
Depreciation	410	404	(6)	(1.6)%	–
R&D expenses	463	491	28	6.1%	–

# Machinery Business: Overview

## Net sales

- Sales in Japan during the first nine months were somewhat slow and, as in prior fiscal years, the largest percentage of sales will be in the fourth quarter.
- Total sales are higher than one year earlier because sales growth outside Japan, mainly due to the ongoing recovery of the Freund Vector's performance, compensated for the decline in domestic sales.

## Operating profit

- Following the second quarter profit, there was a third quarter operating loss because of unprofitable projects at Freund-Vector.

## 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 receipt of large orders outside Japan also contributed to YoY growth of orders.
- A big YoY increase in the order backlog, which remains high.

(Millions of yen)	FY2/23 Q3 Actual	FY2/24 Q3 Actual	YoY Change	
				%
Net sales	7,783	9,056	1,273	16.4%
Operating profit	(263)	(76)	186	—
Orders received	11,655	13,747	2,092	18.0%
Order backlog	15,365	18,012	2,647	17.2%

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

<b>Freund Corporation</b>	Somewhat slow sales in Japan in the first nine months but planning on substantial fourth quarter sales. Earnings are improving due to higher sales of maintenance services and parts, which have relatively high margins.
<b>Freund-Turbo</b>	A small sales decrease but earnings remain firm.
<b>Freund-Vector</b>	A third quarter operating loss due to losses on sales of some products, although profitability is recovering from the negative impact in FY2/23 of delays in procuring parts and in shipments of finished products and of the high cost of raw materials.
<b>Cos.Mec</b>	Sales up and earnings down YoY as performance is generally as planned.

(Millions of yen)	FY2/23	FY2/24	YoY change	
Before elimination for consolidation	Q3	Q3		%
Net sales	7,783	9,056	1,273	16.4%
Freund Corporation	3,354	2,982	(371)	(11.1)%
Freund-Turbo	1,229	1,160	(69)	(5.7)%
Freund-Vector	2,843	4,289	1,446	50.9%
Cos.Mec	791	873	81	10.3%
Operating profit	(263)	(76)	186	–
Freund Corporation	66	72	6	9.5%
Freund-Turbo	49	35	(14)	(29.2)%
Freund-Vector	(343)	(139)	203	–
Cos.Mec	9	(56)	(66)	–

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

<b>Freund Corporation</b>	Orders increased YoY with the support of the substantial investments in large-scale equipment by generic drug manufacturers in Japan and the order backlog was a record-high 12.8 billion yen at the end of the third quarter.
<b>Freund-Turbo</b>	Orders in the first nine months were lower than one year earlier when there were several large orders. The order backlog remained nearly at the same level as the previous fiscal year.
<b>Freund-Vector</b>	A big downturn in the order backlog as machinery was delivered but third quarter orders were strong at 2.2 billion yen.
<b>Cos.Mec</b>	Sales and earnings remain strong with big YoY increases in orders and the order backlog due mainly to new orders in emerging countries.

(Millions of yen)	FY2/23 Q3	FY2/24 Q3	YoY change	
				%
Before elimination for cons				
Net sales	11,655	13,747	2,092	18.0%
Freund Corporation	7,252	7,775	523	7.2%
Freund-Turbo	1,147	919	(228)	(19.9)%
Freund-Vector	2,988	3,903	915	30.6%
Cos.Mec	421	1,207	786	186.7%
Operating profit	15,365	18,012	2,647	17.2%
Freund Corporation	9,084	12,803	3,719	40.9%
Freund-Turbo	756	738	(17)	(2.4)%
Freund-Vector	4,725	3,085	(1,639)	(34.7)%
Cos.Mec	924	1,515	591	64.0%

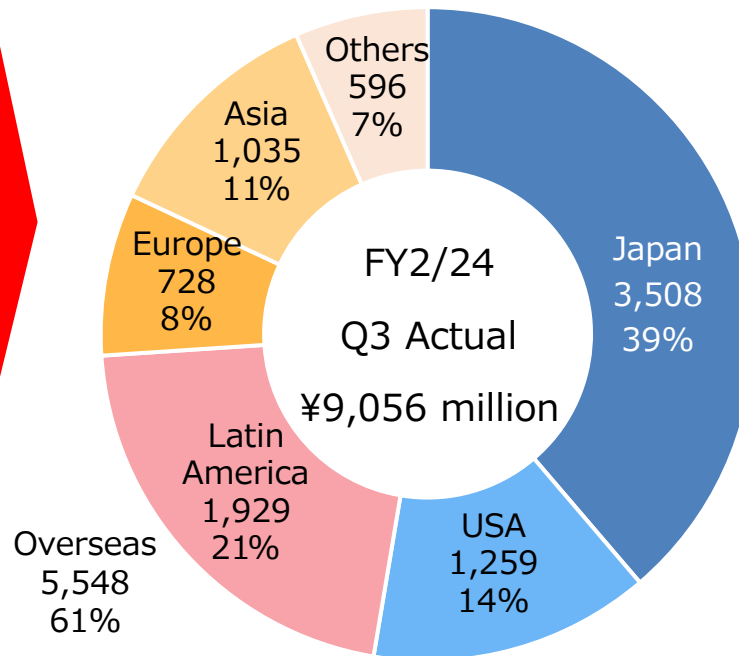
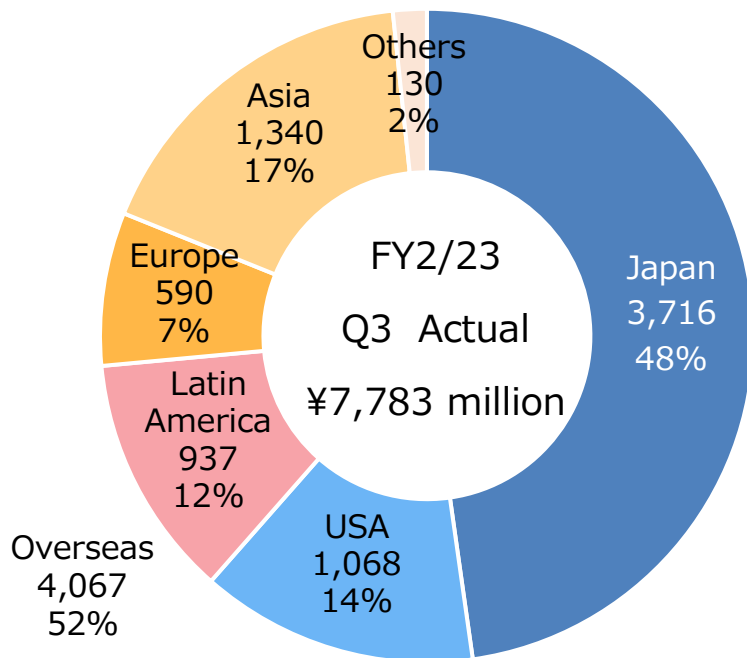
# Machinery Business: Sales by Region

## Japan

Sales down YoY but mostly as planned with the largest percentage of sales in the fourth quarter.

## Overseas

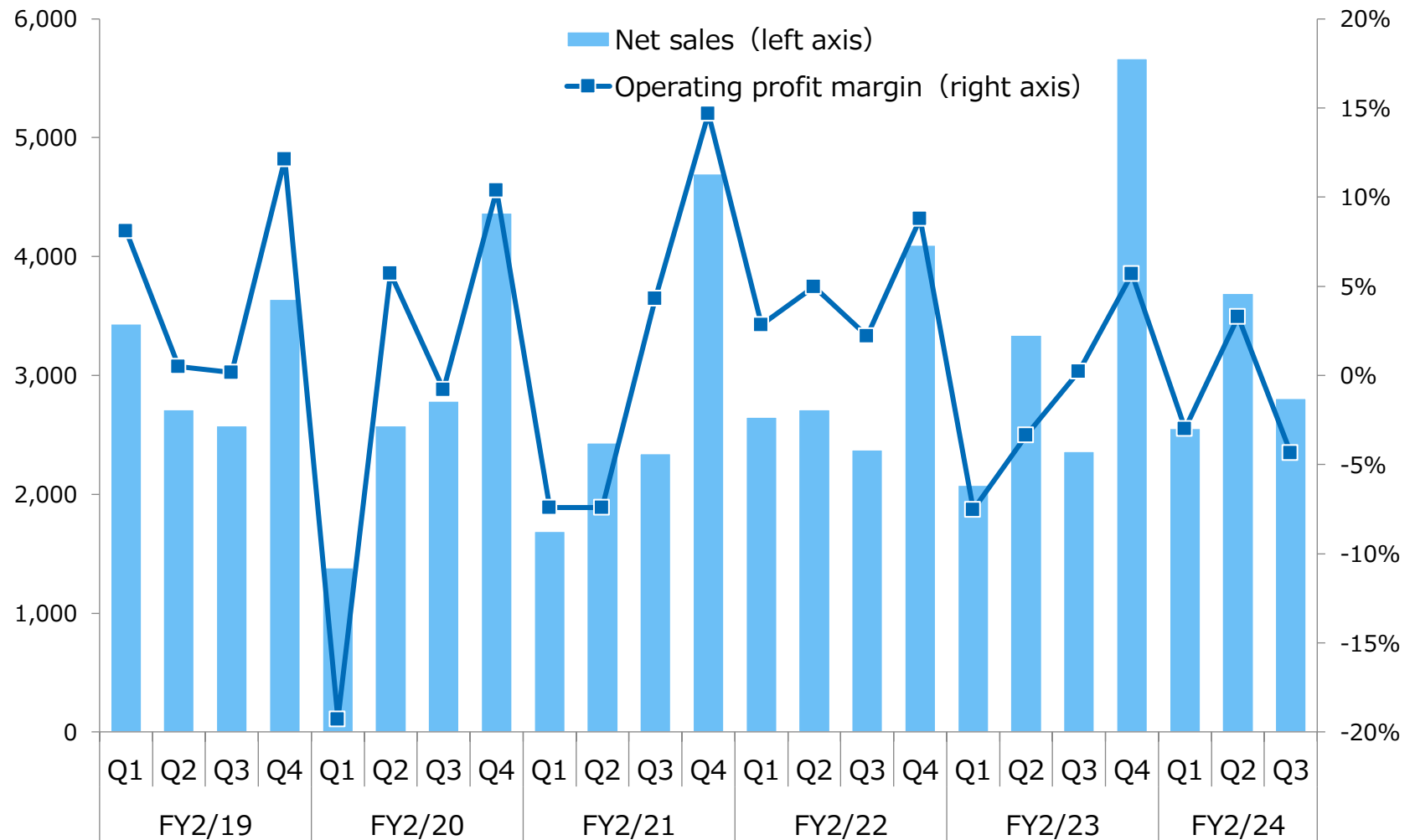
- Sales increased 36% YoY to 5.5 billion yen, with overseas sales accounting for over 60% of the total, similar to the second quarter, partly due to the weak yen.
- Sales growth was driven by Latin America, with contributions from other regions (Middle East/Africa).



# Machinery Business: Quarterly Results

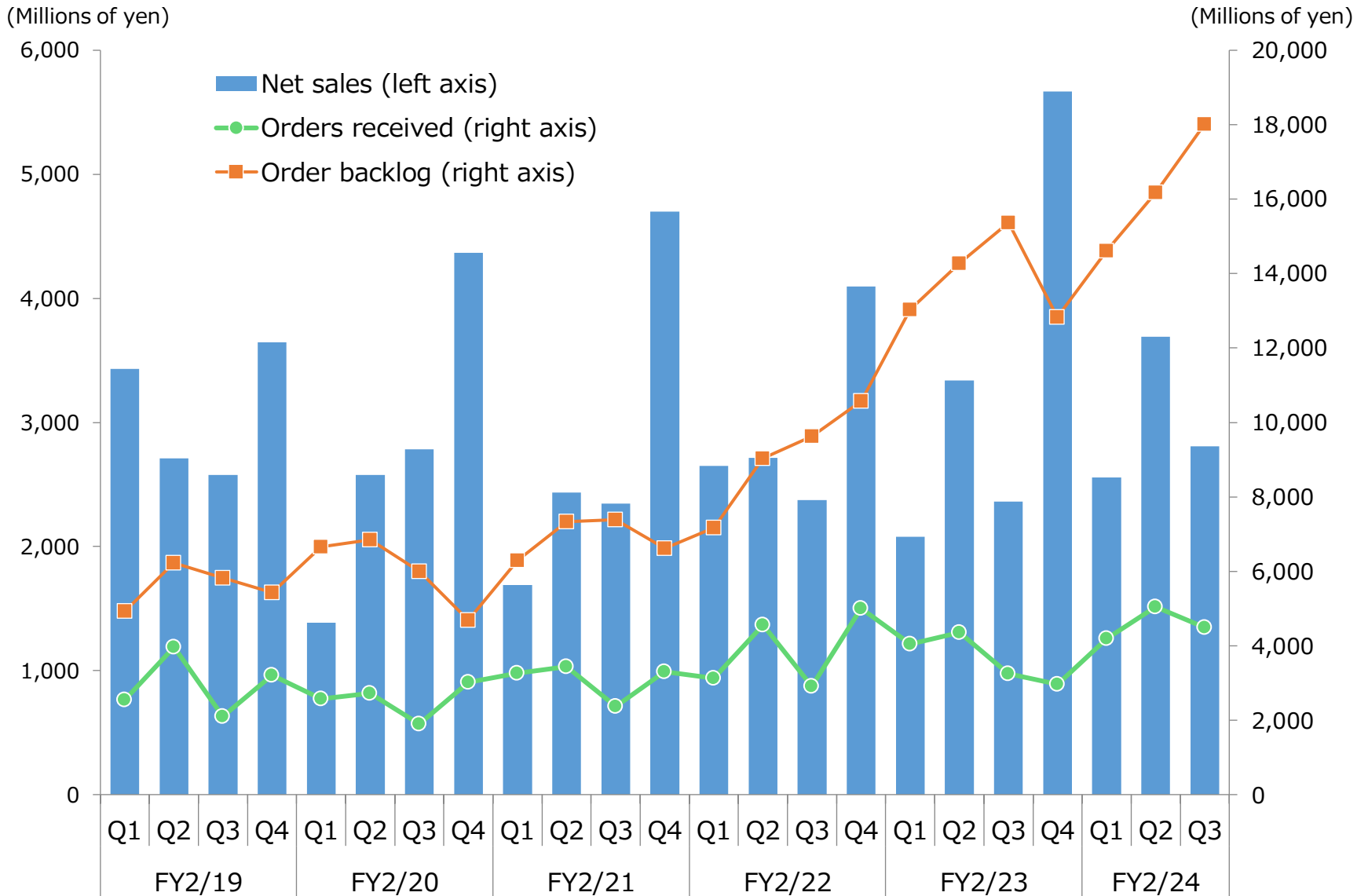
Net sales  
(Millions of yen)

Operating  
profit margin





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



# Chemicals Business: Overview

## Net sales

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

Pharmaceutical excipients: Sales increased as sales of major products remain strong.

Food preservatives: Sales increased despite a slowdown in the growth of demand for bread preservatives in online sales.

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

## Operating profit

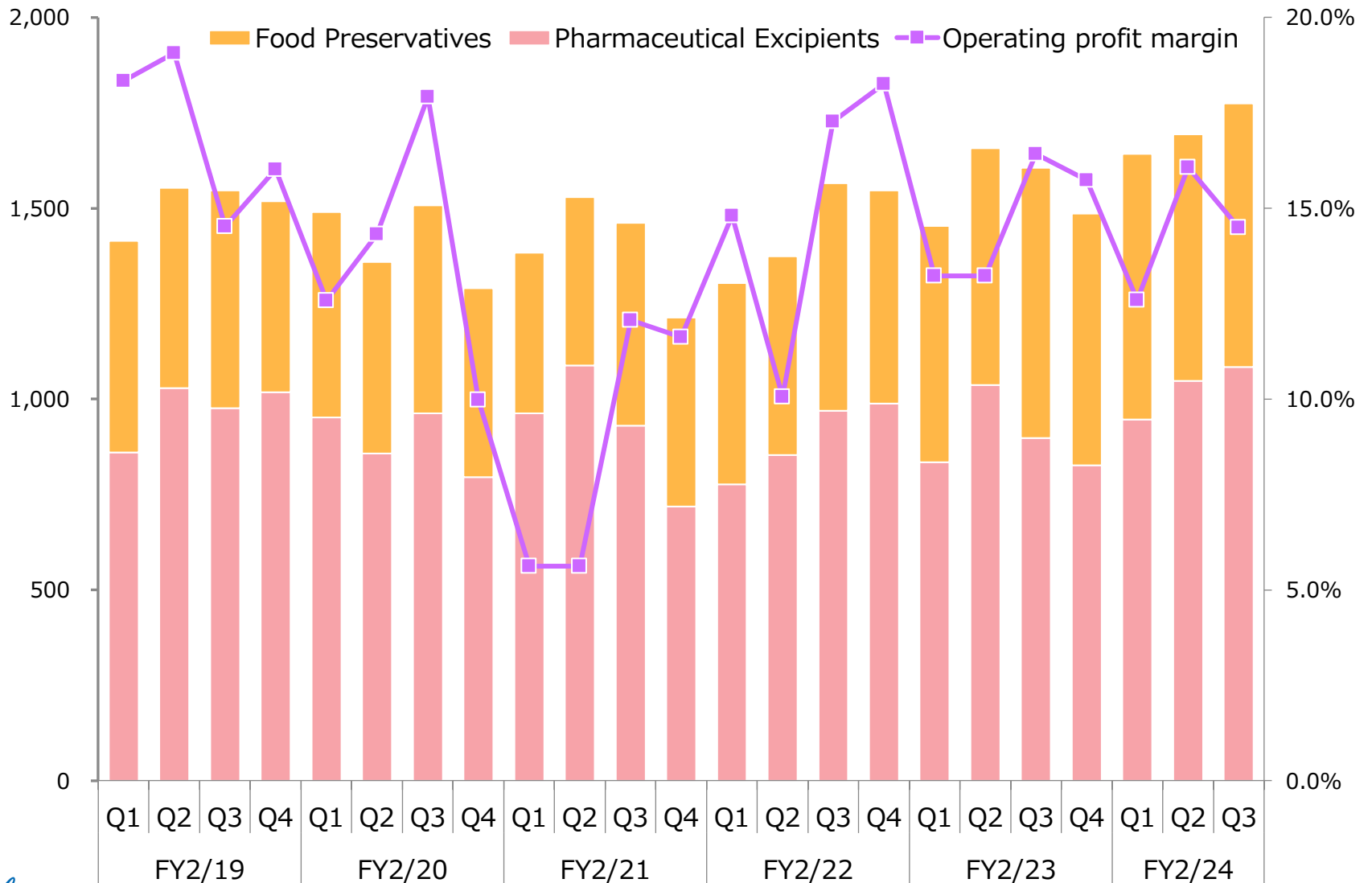
While gross profit increased, with the gross profit margin nearly unchanged from the previous fiscal year, operating profit remained flat due to an increase in common expenses.

(Millions of yen)	FY2/23 Q3 Amount	FY2/24 Q3 Amount	YoY change	
				%
Net sales	4,721	5,113	391	8.3%
Pharmaceutical Excipient	2,771	3,081	309	11.2%
Food Preservatives	1,950	2,032	82	4.2%
(Export sales)	269	202	(67)	(24.9)%
Operating profit	742	736	(5)	(0.7)%

# Chemicals Business: Quarterly Results (by Product Field)

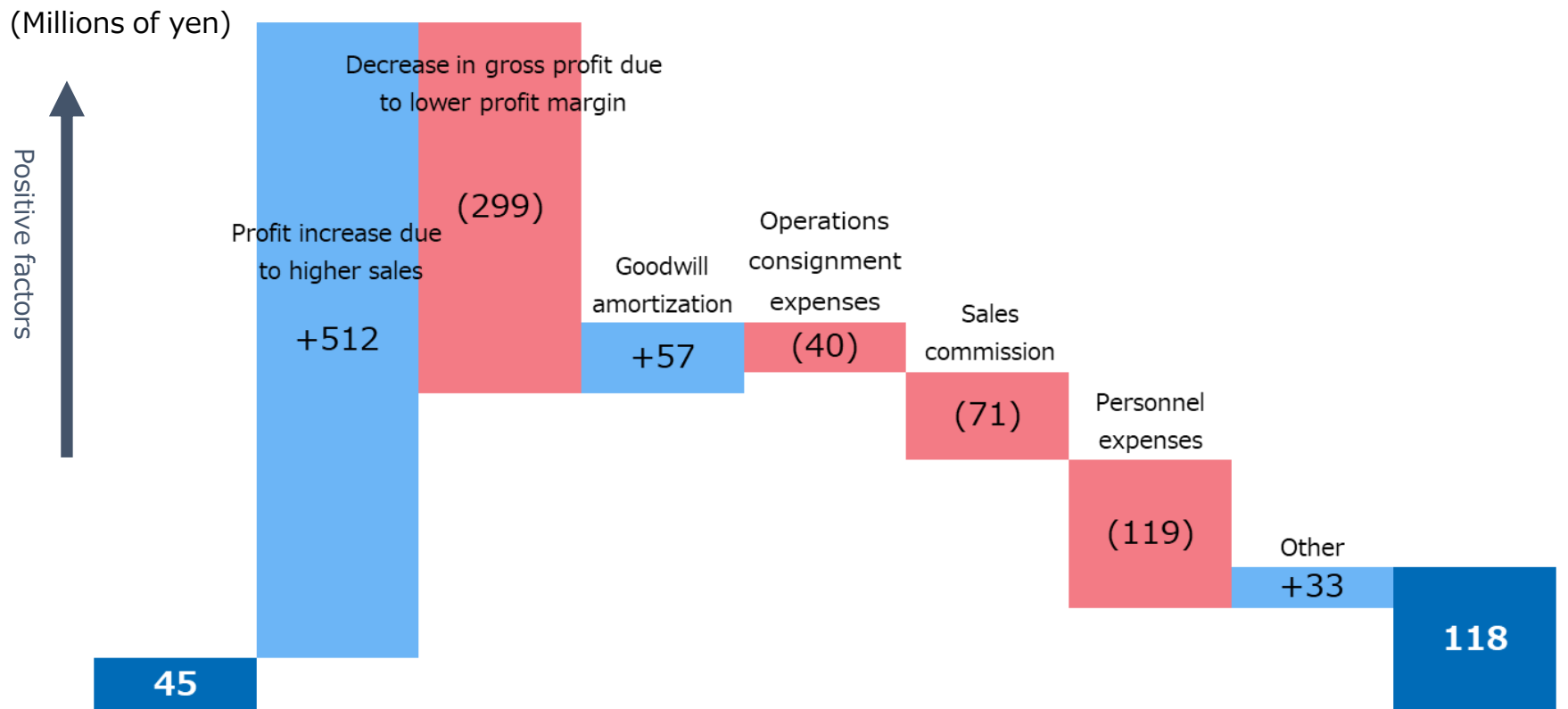
Net sales  
(Millions of yen)

Operating profit margin



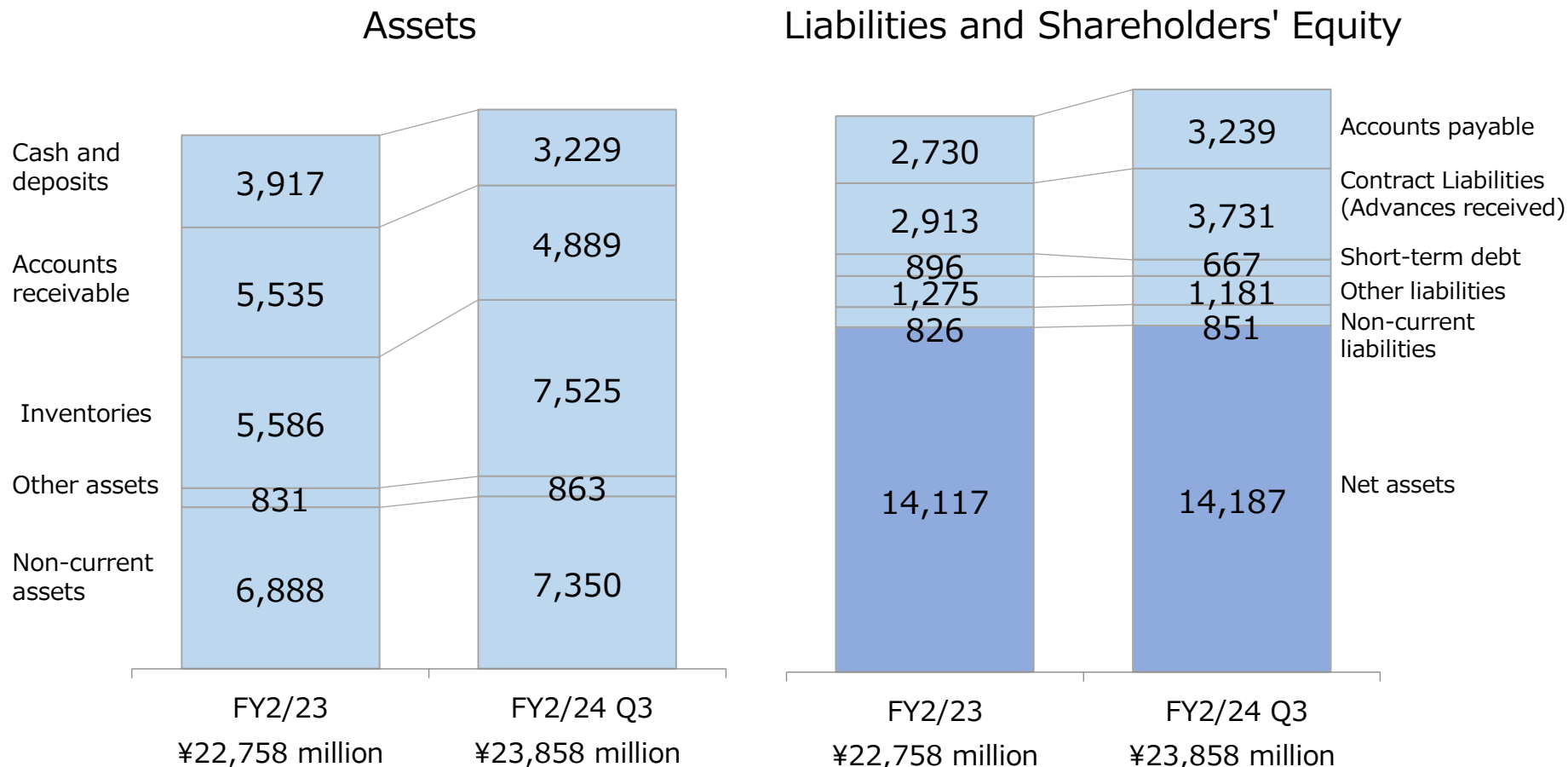
# Analysis of Change in Consolidated Operating Profit

- There was a substantial year-on-year increase in operating profit, primarily driven by sales growth, mainly at Freund-Vector.
- Selling, general and administrative (SG&A) expenses rose due to higher operations consignment expenses and personnel expenses at Freund Corporation and higher sales commissions, including those at overseas subsidiaries. However, the operating profit increased YoY because of sales growth.
- Third quarter earnings were lower than in the second quarter because of losses on sales of some products at Freund-Vector.



# Summary of Consolidated Balance Sheet

- Inventories (work in process) increased significantly across all group companies, while trade receivables were successfully collected.
- Net assets increased ~~only~~ slightly, partly due to dividend payments, yet the equity ratio remains high at 59.5%.



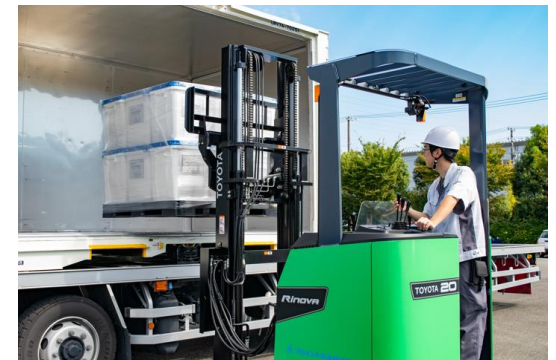
## Start of a joint project with MEDICEO

Freund has started a modal shift for the transport of pharmaceutical excipients from the factory in the city of Hamamatsu to the distribution center in Okayama prefecture, a distance of more than 400 kilometers. With the start of this joint project with MEDICEO Corporation, excipients are shipped in containers by rail to Okayama with the support of several partners for packing containers, placing containers on rail cars and other logistics tasks. The partners are Japan Oil Transportation Co., Ltd., Japan Freight Railway Company, and Japan Freight Liner Company. Rail transport lowers greenhouse gas emissions and helps deal with the impact on logistics in Japan of overtime work restrictions beginning in 2024.

### Benefits of the modal shift

1. Lower greenhouse gas emissions  
Transporting excipients by truck generates about 8.2 tons of greenhouse gases every year. Shifting to rail transport is expected to lower this figure by 70%, which is approximately 5.8 tons of emissions.
2. Better working environment for drivers  
Driving time between Hamamatsu and Okayama is long. Overtime restrictions starting in 2024 will prevent using a single driver for the entire trip. The shift to rail transport for long distance cargo movements gives drivers a better working environment and lowers the cost of transporting excipients.
3. Prevents accidents and delays  
Shifting from trucks to trains greatly reduces risk involving traffic accidents and delivery delays. The result is better safety and reliability for transport.

Freund is guided by the management vision of contributing to better medical care and health for people worldwide and creating and utilizing technologies for fulfilling lives and food safety. This modal shift is one of sustainability initiatives at the Freund Group based on this vision. More activities are planned for achieving more reductions in greenhouse gas emissions associated with the business operations of the Freund Group.



Top: Loading a container  
Bottom: A container at the Hamamatsu Factory

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