

FREUND CORPORATION

**STANDARD**  
TOKYO

(Securities code: 6312)

Results of Operations  
for the First Half of the Fiscal Year  
Ending February 28, 2025

October 11, 2024



# Consolidated Financial Summary for the First Half of FY2024

\*FY2024=Fiscal Year ending February 2025



## Consolidated Financial Summary

- Net sales decreased YoY.  
Significant YoY increase in machinery sales in Japan but a sharp decline in sales at overseas subsidiaries, as shipments are concentrated in the second half of FY2024.
- Substantial YoY decline in operating profit.  
Earnings growth in Japan was insufficient to offset the decline in overseas subsidiaries' performance. Although the first quarter posted a significant loss due in part to one-time IT system expenses of 160 million yen, the second quarter returned to profitability, narrowing the loss for the first quarter.

\* No change in the FY2024 sales and earnings forecasts because of the stable performance in Japan and the outlook for overseas operations to become profitable in the second half.

(Millions of yen)	FY2023 1H	FY2024 1H	YoY Change		FY2024 Forecasts
				%	
Net sales	9,583	9,313	(270)	(2.8)%	23,500
Operating profit	177	(131)	(309)	–	1,100
Ordinary profit	195	(96)	(292)	–	1,100
Profit attributable to owners of parent	115	(118)	(234)	–	770
Earnings per share (yen)	6.91	(7.00)	(13.91)	–	45.76

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

<b>Freund Corporation</b>	A big sales increase as products were shipped and delivered as planned. Earnings up sharply despite one-time IT system expenses.
<b>Freund-Turbo</b>	A small sales decrease but earnings increased because Freund products were a higher percentage of sales.
<b>FREUND Inc.</b>	Sales and earnings in the first half of FY2024 were sluggish. Fiscal year performance is expected to be generally as planned because most major deliveries of products are in the second half.
<b>FREUND S.r.l.</b>	Lower sales and earnings in the first half of FY2024. Expect a smaller loss due to major product shipments in the second half.

(Millions of yen)	FY2023	FY2024	YoY change	
Before elimination for consolidation	1H	1H		%
Net sales	6,246	6,115	(131)	(2.1)%
Freund Corporation	2,116	3,746	1,629	77.0%
Freund-Turbo	878	790	(87)	(10.0)%
FREUND Inc.	3,033	1,617	(1,416)	(46.7)%
FREUND S.r.l.	412	200	(211)	(51.3)%
Operating profit	45	(75)	(120)	—
Freund Corporation	64	390	325	501.3%
Freund-Turbo	38	47	8	23.5%
FREUND Inc.	26	(248)	(275)	—
FREUND S.r.l.	(95)	(287)	(191)	—

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

<b>Freund Corporation</b>	Orders were down from the high level one year earlier but are still strong. The order backlog remains high.
<b>Freund-Turbo</b>	Orders received and order backlog increased YoY and were as planned.
<b>FREUND Inc.</b>	Orders were generally as planned. The order backlog remains high.
<b>FREUND S.r.l.</b>	Actions are needed for increasing orders and the order backlog. Orders for powder handling machinery increased due to synergies.

(Millions of yen)	FY2023 1H	FY2024 1H	YoY change	
				%
Orders received	9,246	7,704	(1,542)	(16.7)%
Freund Corporation	6,225	3,548	(2,676)	(43.0)%
Freund-Turbo	647	785	138	21.3%
FREUND Inc.	1,684	2,778	1,094	65.0%
FREUND S.r.l.	689	591	(98)	(14.3)%
Order backlog	16,179	17,430	1,251	7.7%
Freund Corporation	12,043	10,860	(1,182)	(9.8)%
Freund-Turbo	699	773	74	10.6%
FREUND Inc.	2,022	4,447	2,425	120.0%
FREUND S.r.l.	1,414	1,348	(66)	(4.7)%

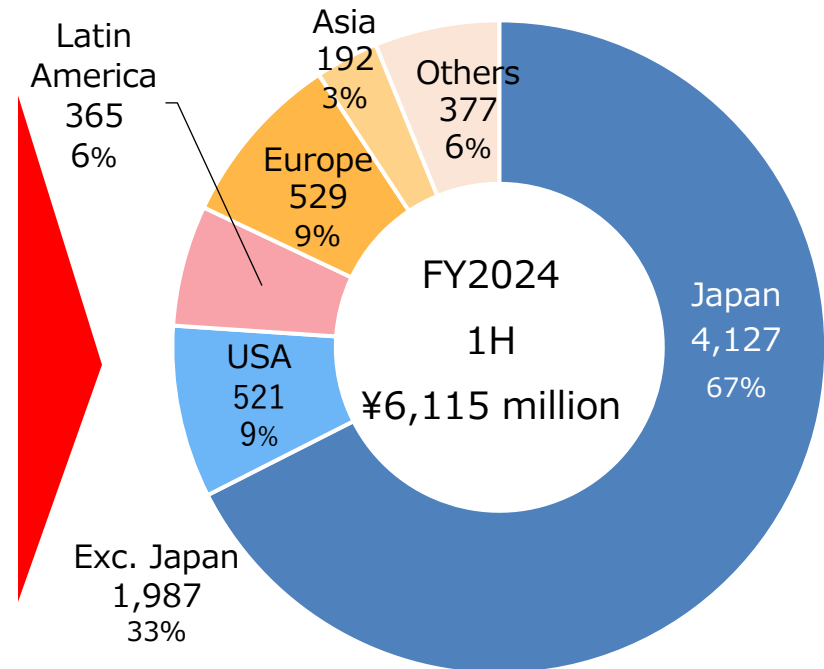
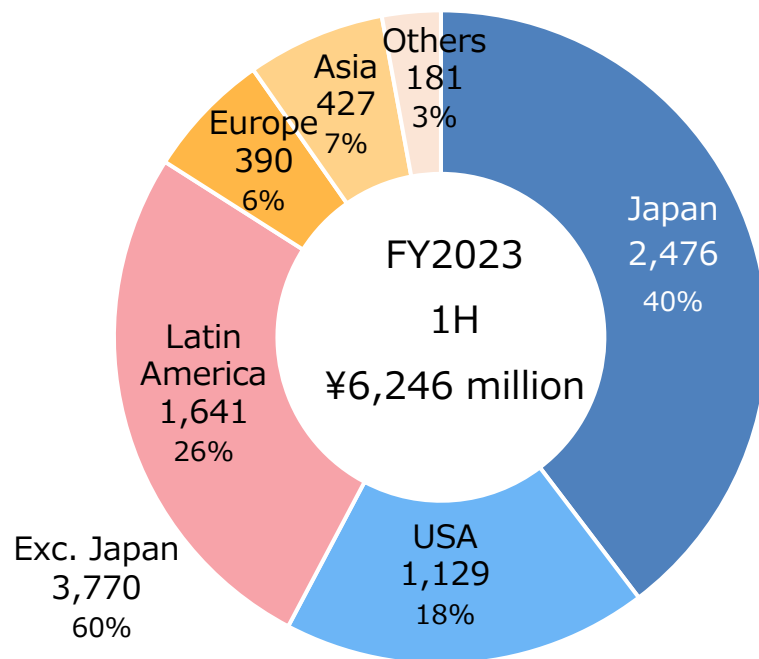
# Machinery Business: Sales by Region

## Japan

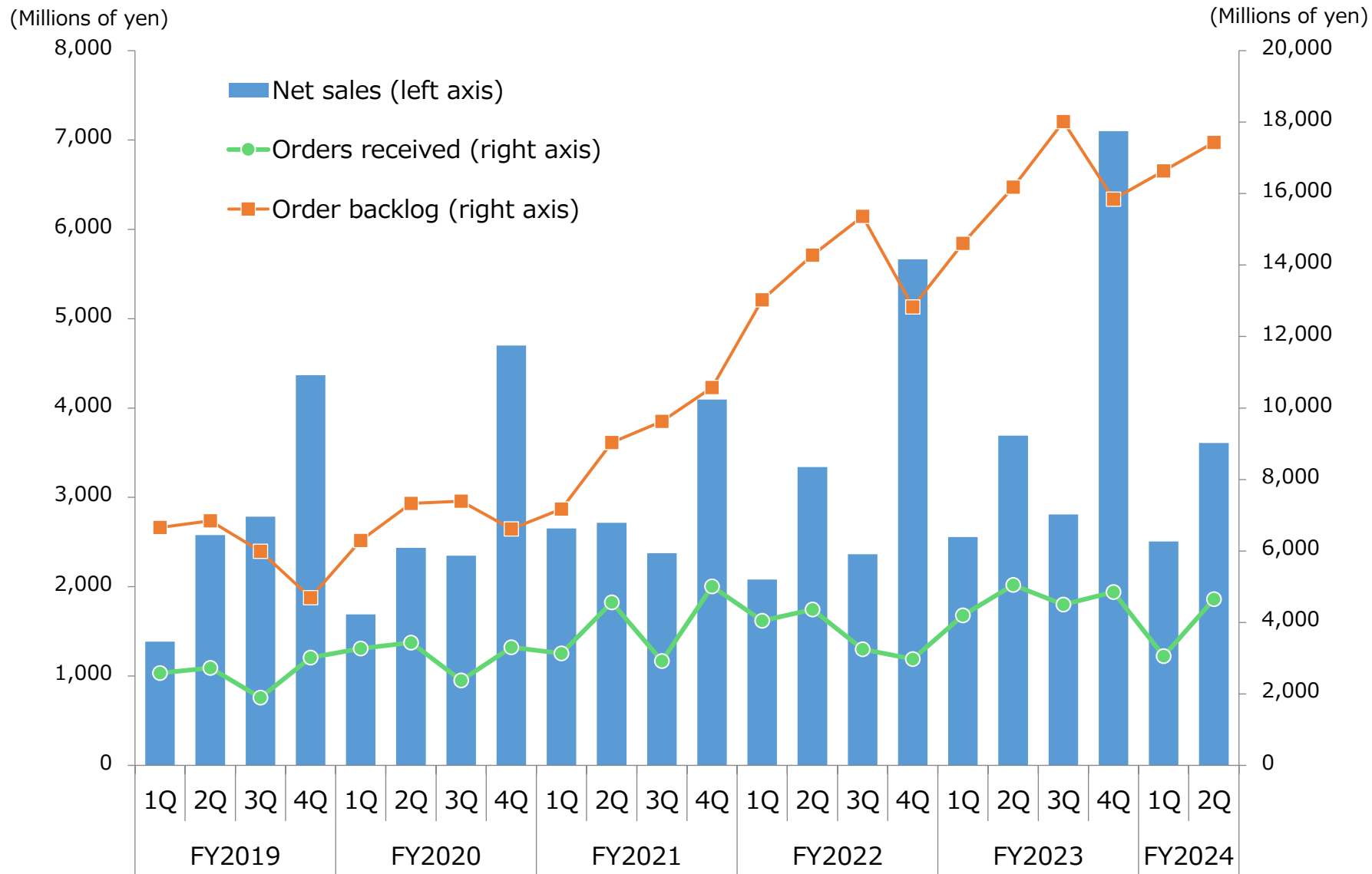
A big increase in sales due to consistent shipments for the orders received. Sales are expected to remain strong in the second half.

## Overseas

Overseas sales fell to 33% of total sales in the first half, but are expected to rise to about 50% of FY2024 sales due to the large number of deliveries of machinery in the U.S. and Latin America in the second half.



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



# Chemicals Business: Overview

## Net sales

Pharmaceutical excipients:

Sales were down YoY because of a decline in shipments of some products by a major customer.

Food preservatives:

First half sales decreased YoY but performance is generally as planned.

## Operating profit

Down YoY because of a one-time expense for the core IT system update and a lower percentage of sales from Freund products.

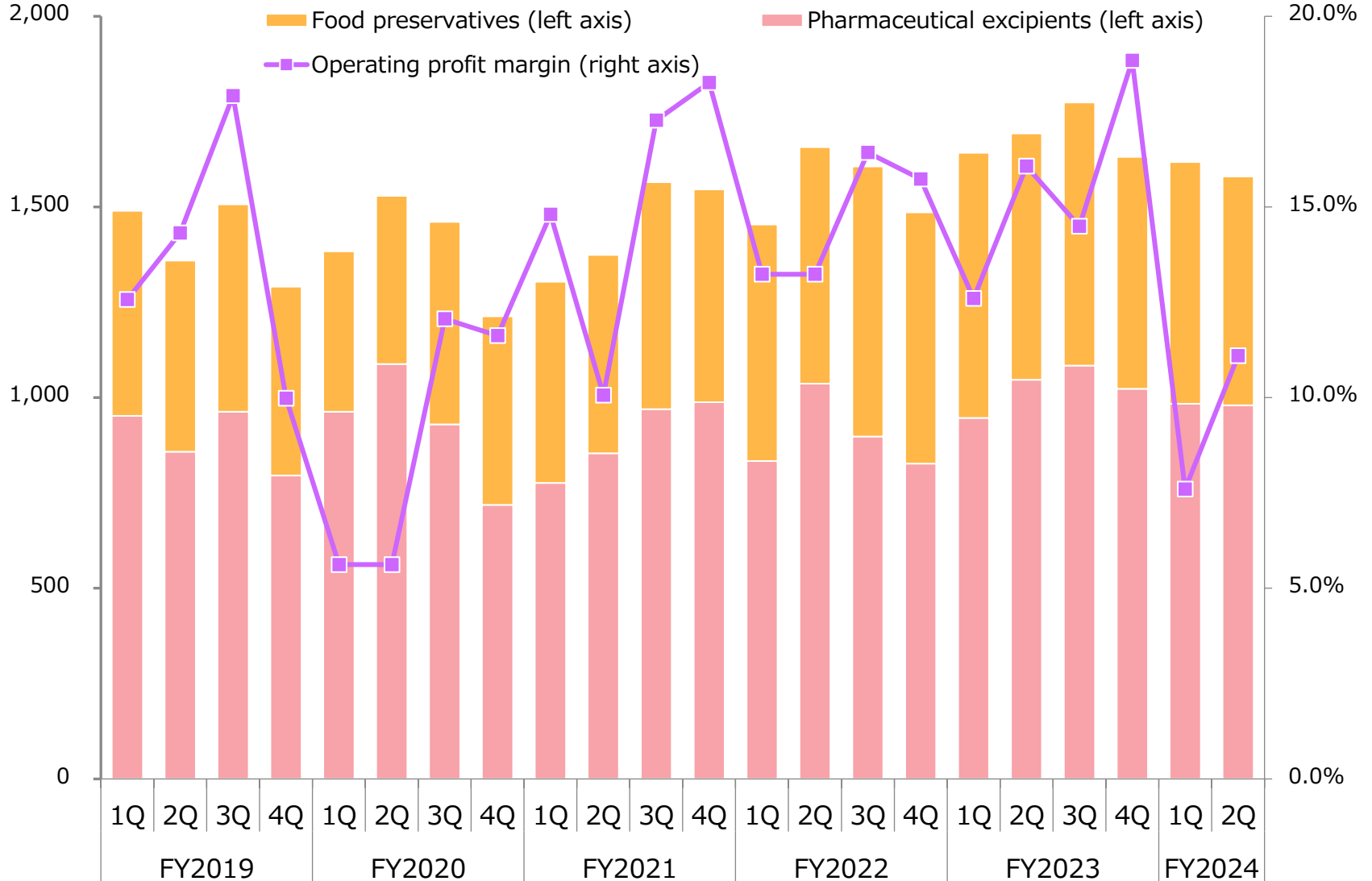
(Millions of yen)	FY2023 1H	FY2024 1H	YoY change	
				%
Net sales	3,337	3,198	(138)	(4.1)%
Pharmaceutical excipients	1,995	1,964	(31)	(1.6)%
Food preservatives	1,341	1,234	(107)	(8.7)%
Operating profit	479	299	(180)	(37.6)%



# Chemicals Business: Quarterly Results (by Product Field)

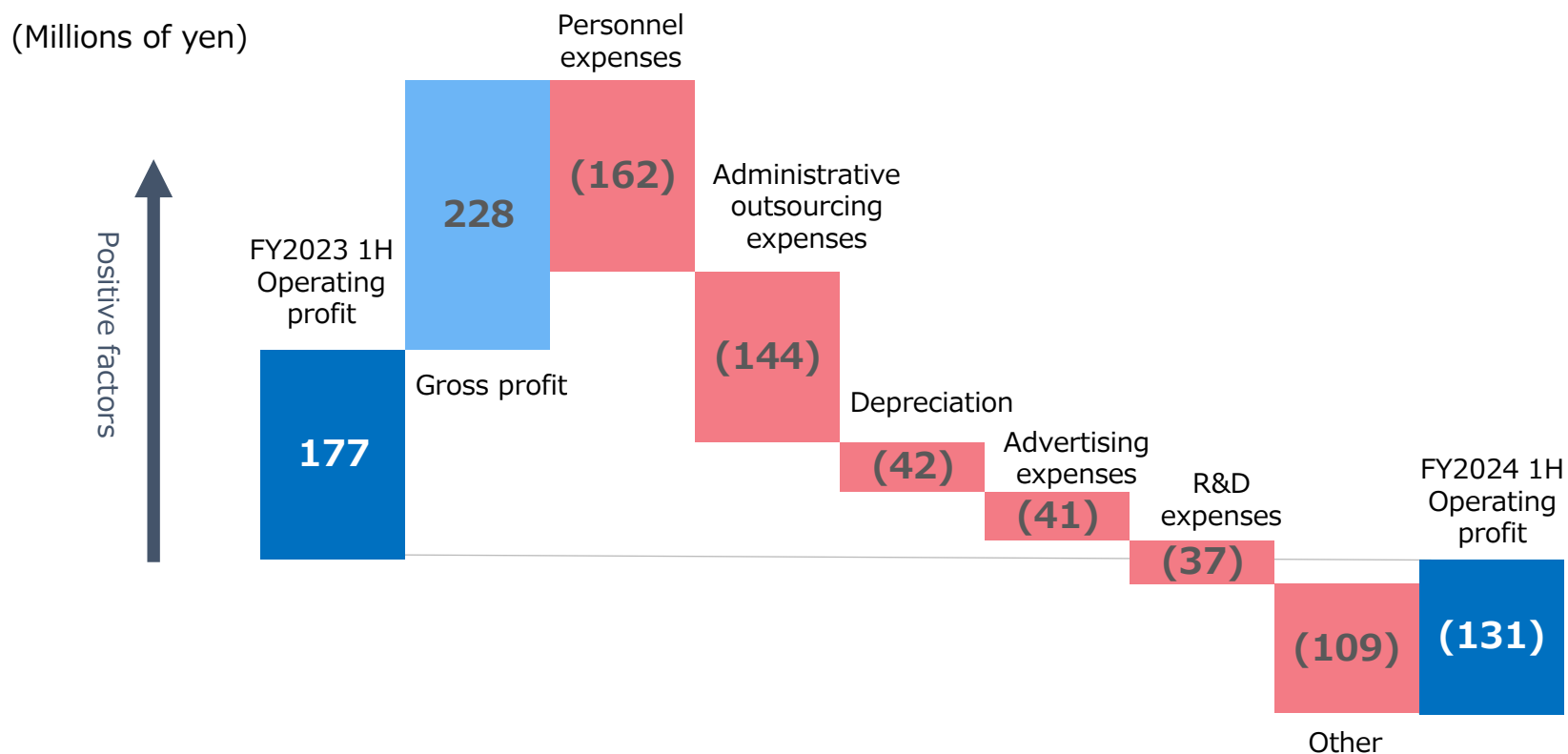
Net sales  
(Millions of yen)

Operating  
profit margin



# Analysis of Change in Consolidated Operating Profit

- Gross profit increased YoY mainly because of higher machinery sales in Japan.
- SG&A expenses increased by 530 million yen, mainly due to the yen's depreciation, which raised the yen-equivalent costs at overseas subsidiaries, administrative outsourcing expenses and depreciation related to the IT system update, advertising expenses for Freund Group's joint participation in overseas trade shows, and higher personnel expenses.



## Summary of Consolidated Balance Sheet

- Inventories (work in process) increased mainly in the U.S. subsidiaries, while trade receivables were successfully collected.
- The equity ratio remains high at 56.4% despite a decline in net assets primarily due to dividend payment.

Assets				Liabilities and Shareholders' Equity			
(Millions of yen)	Feb. 29, 2024	Aug. 31, 2024	Change	(Millions of yen)	Feb. 29, 2024	Aug. 31, 2024	Change
Current assets	18,537	18,767	229	Current liabilities	9,920	10,412	491
Cash and deposits	4,736	5,020	283	Trade payables	3,881	3,474	(407)
Trade receivables	7,058	5,397	(1,660)	Short-term borrowings	515	506	(8)
Inventories	5,815	7,431	1,616	Contract liabilities	3,932	5,061	1,129
Other assets	926	917	(9)	Other liabilities	1,592	1,370	(222)
Non-current assets	7,252	6,982	(269)	Non-current liabilities	845	805	(39)
				Total net assets	15,023	14,531	(491)
Total assets	25,789	25,749	(39)	Total liabilities and net assets	25,789	25,749	(39)

# Summary of Consolidated Statement of Cash Flows

(Millions of yen)	FY2023 1H	FY2024 1H
<b>Cash flows from operating activities</b>	<b>225</b>	<b>875</b>
Profit before income taxes	179	(100)
Depreciation	262	318
Decrease (increase) in trade receivables	131	1,672
Decrease (increase) in inventories	(348)	(1,702)
Increase (decrease) in trade payables	(379)	(405)
Increase (decrease) in contract liabilities	509	1,149
Income taxes paid	(112)	(292)
<b>Cash flows from investing activities</b>	<b>(364)</b>	<b>(170)</b>
Purchase of property, plant and equipment	(180)	(144)
Purchase of intangible assets	(179)	(17)
<b>Cash flows from financing activities</b>	<b>(575)</b>	<b>(389)</b>
Short-term borrowings	(199)	(3)
Cash dividends paid	(332)	(335)
Net increase (decrease) in cash and cash equivalents	(675)	283
Cash and cash equivalents at end of period	3,241	5,020
<b>Free cash flow</b>	<b>(139)</b>	<b>705</b>

# Consolidated Earnings and Dividend Forecasts for FY2024



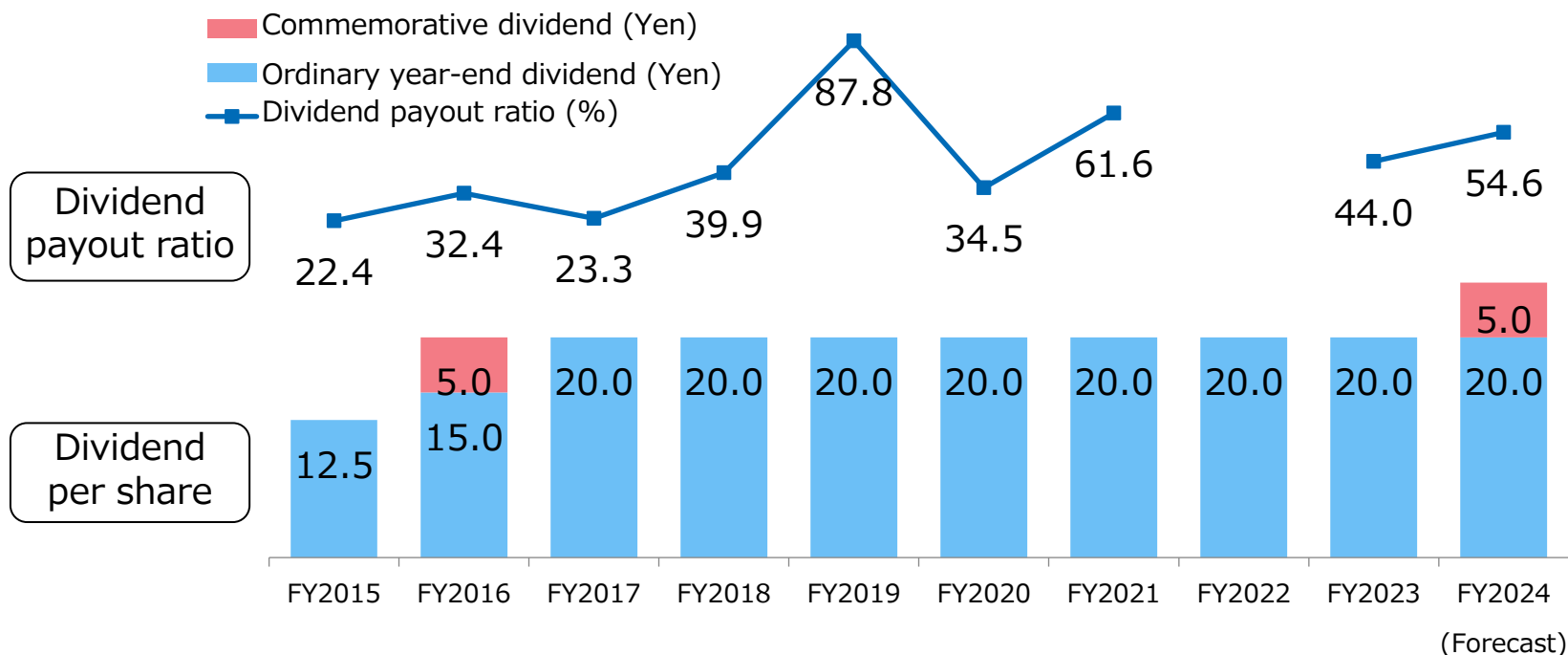
## Summary of Consolidated Forecasts

- The full year consolidated forecasts remain unchanged from the forecast announced at the beginning of the fiscal year.
- The Freund Group is focusing on the closing of major orders in the machinery business. This business is performing well, mainly in Japan, and many large deliveries are expected outside Japan during the second half of FY2024.

(Millions of yen)	FY2023	FY2024	YoY change	
	Actual	Forecast		%
Net sales	22,903	<b>23,500</b>	596	2.6%
Operating profit	1,270	<b>1,100</b>	(170)	(13.4)%
Ordinary profit	1,285	<b>1,100</b>	(185)	(14.4)%
Profit	764	<b>770</b>	5	0.7%
Earnings per share (yen)	45.46	<b>45.76</b>	0.30	0.7%

# Summary of Dividend Forecasts

- The FY2024 dividend will continue to be based on the policy of maintaining the long-term stability of dividend payments. This forecast includes a special dividend to commemorate the 60th anniversary of Freund's establishment.
- Work is under way to make an announcement, currently expected when third quarter results are announced, regarding actions to implement management conscious of the cost of capital and stock price, which is requested by the Tokyo Stock Exchange.



Note: Dividend payout ratio for FY2022 is not available due to loss attributable to owners of parent.

Freund conducted a 2-for-1 common stock split on March 1, 2016. The dividend per share for FY2015 has been adjusted to reflect the stock split.

Commemorative dividends were paid in FY2016 for the 20th anniversary of the exchange listing of Freund stock and planned to be paid in FY2024 for the 60th anniversary of Freund's establishment.

# Topics



## New Factory at the Hamamatsu Office

Strengthening and expanding core businesses is a central goal of the 9th Medium-term Management Plan. In addition, Freund is committed to increasing production capacity and maintaining a reliable supply of products to help end shortages of drugs in Japan. As one step to accomplish these goals, Freund will build a new factory on the premises of the Hamamatsu Office.

<b>Facilities</b>	New factory, office building, excipient manufacturing machinery and associated equipment
<b>Planned cost</b>	About 5,900 million yen
<b>Expected subsidy</b>	About 1,700 million yen
<b>Planned start</b>	April 2025
<b>Planned completion</b>	October 2026

The Freund Group will continue to take on new challenges to develop essential technologies and create added value, aiming for further business growth and enhancing corporate value. All group companies are determined to contribute to the success of the group's customers and to the healthy and fulfilling lives of people who use the drugs and other products of these customers.

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