

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending February 28, 2022
(Three Months Ended May 31, 2021)

[Japanese GAAP]

Company name: Freund Corporation

Listing: Tokyo (JASDAQ)

Securities code: 6312

URL: <https://www.freund.co.jp>

Representative: Iwao Fusejima, President & CEO

Contact: Masao Wakai, Managing Director, Division Director, Corporate Planning Division

Tel: +81-3-6890-0750

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Preparation of supplementary materials for quarterly financial results: None

Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter (March 1, 2021 – May 31, 2021) of the Fiscal Year Ending February 28, 2022

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 31, 2021	3,957	28.6	195	-	206	-	145	-
Three months ended May 31, 2020	3,076	6.9	(165)	-	(154)	-	(121)	-

Note: Comprehensive income Three months ended May 31, 2021: 280 million yen (-%)

Three months ended May 31, 2020: (164) million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended May 31, 2021	8.69	-
Three months ended May 31, 2020	(7.28)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of May 31, 2021	20,000	13,830	69.2	825.96
As of Feb. 28, 2021	20,499	13,884	67.7	829.21

Reference: Equity capital As of May 31, 2021: 13,830 million yen As of Feb. 28, 2021: 13,884 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 28, 2021	-	0.00	-	20.00	20.00
Fiscal year ending Feb. 28, 2022	-	-	-	-	-
Fiscal year ending Feb. 28, 2022 (forecast)	-	0.00	-	20.00	20.00

Note: Revision to the most recently announced dividend forecast: None

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2022 (March 1, 2021 – February 28, 2022)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	18,500	10.3	1,100	(4.2)	1,130	(16.0)	790	(20.7)	47.18

Note: Revision to the most recently announced consolidated forecast: None

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the current fiscal year, COVID-19 cases started increasing rapidly in the middle of March, mainly in the Kansai area, partly because of a new, highly infectious variant. A third state of emergency was declared on April 25, creating worries about a slower pace of the economic recovery.

The COVID-19 pandemic is declining in many areas of the world, mainly in affluent countries, because of vaccinations. This improvement is producing expectations for a broad-based economic recovery as restrictions on various activities are lifted in stages. However, the pace of vaccinations is slow in emerging countries, other than China, and these countries are still struggling to hold down the spread of infections. As a result, the outlook concerning a global economic recovery is still uncertain.

In the pharmaceutical industry, which is the primary source of demand for Freund Group products, companies must take actions in response to changes in the business climate. Changes include heightened measures to hold down healthcare expenditures, such as national health insurance drug price revisions and the increasing use of generic drugs, and the rising cost of R&D programs as well as the associated risk. In addition, the benefits of measures by the Japanese government to increase the use of generic drugs are declining, resulting in a slow decline in the growth rate of the generic drug market.

The fiscal year ended in February 2021 was the first year of the Freund Group's Eighth Medium-term Management Plan covering the three-year period ending February 2023. This plan is centered on the themes of customers, new products, a global perspective and growth. In addition, the plan has the following seven goals.

1. Group solidarity and collaboration
2. Putting clients' views 1st
3. Make innovation a priority
4. Global management of the Freund Group
5. Progress based on a strategy for growth
6. Business process and working style reforms
7. Make compliance/governance a priority

While focusing on these goals, the overall objective is to structure business operations so that performance is not vulnerable to a change in conditions in any particular market where the Freund Group operates. In the current fiscal year, all group companies are working on reaching the consolidated targets of sales of 18,500 million yen and an operating profit of 1,100 million yen.

Net sales increased 28.6% year-over-year to 3,957 million yen, operating profit was 195 million yen (compared with operating loss of 165 million yen in the same period of the previous fiscal year), ordinary profit was 206 million yen (compared with ordinary loss of 154 million yen in the same period of the previous fiscal year), and profit attributable to owners of parent was 145 million yen (compared with loss attributable to owners of parent of 121 million yen in the same period of the previous fiscal year).

Results by business segment were as follows.

Machinery Business Segment

Granulating and coating equipment are the main products of this segment. In the first quarter, segment sales for the entire Freund Group, including U.S. subsidiary Freund-Vector Corporation and Japanese subsidiary Freund-Turbo Corporation, were higher than one year earlier despite delays in some export shipments. The recent consolidation of Italian subsidiary Cos.Mec S.r.l. also contributed to first quarter growth of sales and the operating profit.

As a result, net sales increased 56.9% year-over-year to 2,651 million yen and segment profit was 112 million yen (compared with segment loss of 125 million yen in the same period of the previous fiscal year).

Chemicals Business Segment

Sales of pharmaceutical excipients used for oral drugs were unchanged from one year earlier even though deliveries of some products were postponed to the second quarter. The operating profit was higher because of cost reduction measures.

As in the previous fiscal year, sales and earnings of food preservatives were impacted by sluggish sales of confectionery products at department stores and theme parks because of COVID-19. However, sales and the operating profit were higher than one year earlier because of an increase in sales of confectionery products at supermarkets and convenience stores.

Sales and operating profit for health food products for other companies decreased because of a smaller volume of orders from some large customers.

As a result, net sales decreased 5.8 % year-over-year to 1,305 million yen and segment profit increased 148.0% to 193 million yen.

(2) Explanation of Financial Position

Total assets decreased 499 million yen from the end of the previous fiscal year to 20,000 million yen at the end of the first quarter. This mainly reflected a decrease of 950 million yen in cash and deposits, while there was an increase of 404 million yen in work in process.

Total liabilities decreased 444 million yen from the end of the previous fiscal year to 6,170 million yen at the end of the first quarter. This mainly reflected decreases of 554 million yen in notes and accounts payable-trade and 115 million yen in income taxes payable, while there was an increase of 312 million yen in advances received.

Net assets decreased 54 million yen from the end of the previous fiscal year to 13,830 million yen at the end of the first quarter. This mainly reflected a decrease of 189 million yen in retained earnings, while there was an increase of 125 million yen in foreign currency translation adjustment.

(3) Explanation of Consolidated Forecast and Other Forward-looking Statements

There are no revisions to the full year consolidated forecasts for the fiscal year ending February 28, 2022, which were disclosed in the Consolidated Financial Results for the Fiscal Year Ended February 28, 2021 dated April 13, 2021.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Thousands of yen)

	FY2/21 (As of Feb. 28, 2021)	First quarter of FY2/22 (As of May 31, 2021)
Assets		
Current assets		
Cash and deposits	4,498,482	3,547,764
Notes and accounts receivable-trade	4,659,895	4,493,234
Electronically recorded monetary claims-operating	210,221	351,943
Securities	212,500	219,520
Merchandise and finished goods	798,624	812,443
Work in process	1,457,682	1,861,842
Raw materials and supplies	1,217,155	1,190,656
Prepaid expenses	151,597	158,892
Other	362,421	344,809
Allowance for doubtful accounts	(10,342)	(11,304)
Total current assets	13,558,237	12,969,801
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,015,990	2,024,486
Land	1,159,307	1,140,604
Other, net	1,559,328	1,542,104
Total property, plant and equipment	4,734,626	4,707,196
Intangible assets		
Goodwill	1,089,741	1,123,794
Software	24,138	22,559
Other	75,659	139,651
Total intangible assets	1,189,539	1,286,004
Investments and other assets		
Deferred tax assets	214,482	233,219
Other	808,102	809,500
Allowance for doubtful accounts	(5,400)	(5,400)
Total investments and other assets	1,017,185	1,037,320
Total non-current assets	6,941,351	7,030,520
Total assets	20,499,588	20,000,322
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,754,454	1,199,968
Electronically recorded obligations-operating	1,212,083	1,115,074
Short-term borrowings	55,793	34,880
Income taxes payable	245,299	129,488
Advances received	1,170,091	1,482,738
Provision for bonuses	258,586	346,298
Provision for bonuses for directors (and other officers)	43,156	17,518
Other	1,077,963	1,045,186
Total current liabilities	5,817,429	5,371,154
Non-current liabilities		
Lease obligations	394,370	393,832
Retirement benefit liability	280,598	285,019
Asset retirement obligations	46,472	46,501
Provision for retirement benefits for directors (and other officers)	23,697	3,147
Other	52,338	70,435
Total non-current liabilities	797,476	798,936
Total liabilities	6,614,905	6,170,090

	(Thousands of yen)	
	FY2/21 (As of Feb. 28, 2021)	First quarter of FY2/22 (As of May 31, 2021)
Net assets		
Shareholders' equity		
Share capital	1,035,600	1,035,600
Capital surplus	1,289,513	1,289,513
Retained earnings	12,625,221	12,435,881
Treasury shares	(773,363)	(773,363)
Total shareholders' equity	14,176,972	13,987,632
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,149	30,878
Foreign currency translation adjustment	(330,168)	(204,450)
Remeasurements of defined benefit plans	15,729	16,171
Total accumulated other comprehensive income	(292,289)	(157,400)
Total net assets	13,884,682	13,830,231
Total liabilities and net assets	20,499,588	20,000,322

(2) Quarterly Consolidated Statements of Income and Comprehensive Income**Quarterly Consolidated Statement of Income****(For the Three-month Period)**

(Thousands of yen)

	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)	First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)
Net sales	3,076,175	3,957,087
Cost of sales	2,130,359	2,528,616
Gross profit	945,815	1,428,471
Selling, general and administrative expenses	1,111,740	1,233,317
Operating profit (loss)	(165,924)	195,153
Non-operating income		
Interest income	154	1,420
Dividend income	4,101	3,998
Technical support fee income	2,819	2,019
Compensation income	3,183	-
Other	3,118	6,915
Total non-operating income	13,377	14,354
Non-operating expenses		
Interest expenses	190	2,846
Foreign exchange losses	2,067	556
Other	123	26
Total non-operating expenses	2,381	3,430
Ordinary profit (loss)	(154,928)	206,076
Extraordinary income		
Gain on sales of non-current assets	-	839
Gain on sales of investment securities	-	1,298
Total extraordinary income	-	2,137
Extraordinary losses		
Loss on sales of non-current assets	-	795
Loss on retirement of non-current assets	232	0
Total extraordinary losses	232	795
Profit (loss) before income taxes	(155,161)	207,418
Income taxes	(33,321)	61,868
Profit (loss)	(121,839)	145,550
Profit (loss) attributable to owners of parent	(121,839)	145,550

Quarterly Consolidated Statement of Comprehensive Income
(For the Three-month Period)

(Thousands of yen)

	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)	First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)
Profit (loss)	(121,839)	145,550
Other comprehensive income		
Valuation difference on available-for-sale securities	4,559	8,729
Foreign currency translation adjustment	(46,668)	125,718
Remeasurements of defined benefit plans, net of tax	(261)	441
Total other comprehensive income	(42,370)	134,888
Comprehensive income	(164,210)	280,438
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(164,210)	280,438

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements

The tax expenses are calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the fiscal year in which the period falls, and multiplying that rate by the profit before income taxes for the period. However, the Company uses the statutory effective tax rate to calculate tax expenses for cases in which using the estimated tax rate gives a noticeably irrational result.

Additional Information

Effect of COVID-19 on accounting estimates

There are no significant changes in the assumptions concerning COVID-19, including the expected end of this pandemic, used for accounting estimates that are in the supplementary information section of the Securities Report for the previous fiscal year.

Segment and Other Information**Segment information**

I First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)

1. Information related to net sales and profit or loss for each reportable segment (Thousands of yen)

	Machinery Business	Chemicals Business	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales					
(1) External sales	1,689,928	1,386,247	3,076,175	-	3,076,175
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	1,689,928	1,386,247	3,076,175	-	3,076,175
Segment profit (loss)	(125,388)	77,925	(47,462)	(118,461)	(165,924)

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 118,461 thousand yen to segment profit (loss) includes corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.

2. Segment profit (loss) is adjusted to be consistent with operating profit recorded in the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Not applicable.

3. Information by region

Net sales

In addition to the disclosure of information required by the “Accounting Standard for Quarterly Financial Statements,” the Company provides information by region (net sales) based on the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” for the purpose of providing investors with useful information.

(Thousands of yen)

Japan	United States	Latin America	Europe	Asia	Other	Total
2,685,463	158,363	28,775	54,107	99,053	50,413	3,076,175

Notes: 1. Classification of net sales is based on the location of the client and categorized by country or region.

2. Groupings of countries and regions other than Japan are determined by geographic proximity and mutual operational relationships. Major countries and regions in each geographic segment are as follows.

- (1) Latin America: Brazil, etc.
- (2) Europe: France, Italy, UK, etc.
- (3) Asia: China, India, etc.
- (4) Other: Middle East, etc.

II First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)

1. Information related to net sales and profit or loss for each reportable segment (Thousands of yen)

	Machinery Business	Chemicals Business	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales					
(1) External sales	2,651,364	1,305,722	3,957,087	-	3,957,087
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	2,651,364	1,305,722	3,957,087	-	3,957,087
Segment profit	112,996	193,278	306,274	(111,121)	195,153

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 111,121 thousand yen to segment profit includes corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of general and administrative expenses that are not attributable to any of the reportable segments.

2. Segment profit is adjusted to be consistent with operating profit recorded in the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Omitted due to immateriality.

3. Information by region

Net sales

In addition to the disclosure of information required by the “Accounting Standard for Quarterly Financial Statements,” the Company provides information by region (net sales) based on the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” for the purpose of providing investors with useful information.

(Thousands of yen)

Japan	United States	Latin America	Europe	Asia	Other	Total
2,952,865	412,436	99,995	90,408	323,415	77,967	3,957,087

Notes: 1. Classification of net sales is based on the location of the client and categorized by country or region.

2. Groupings of countries and regions other than Japan are determined by geographic proximity and mutual operational relationships. Major countries and regions in each geographic segment are as follows.

- (1) Latin America: Brazil, etc.
- (2) Europe: France, Italy, UK, etc.
- (3) Asia: China, India, etc.
- (4) Other: Middle East, etc.

In the first three months of FY2/22, net sales included in “Other” in prior periods were reclassified into “Asia” and “Other” in association with revisions to administrative segments. For consistency with these changes, figures presented in “3. Information by region (Net sales)” for the first three months of FY2/21 have been revised.

As a result, “Other” of 149,466 thousand yen previously presented in information by region (net sales) for the first three months of FY2/21 is reclassified and divided into “Asia” of 99,053 thousand yen and “Other” of 50,413 thousand yen.

3. Others**Orders and Sales****(1) Orders received**

(Thousands of yen)

Operating segment	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)		First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	3,268,876	126.5	3,132,809	95.8

Notes: 1. No orders received are shown for the Chemicals Business because production is based on sales plans rather than specific orders.

2. Orders received are based on selling prices; inter-segment transactions have been eliminated.
3. Orders received do not include consumption taxes.

(2) Order backlog

(Thousands of yen)

Operating segment	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)		First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	6,295,241	94.6	7,175,760	114.0

Notes: 1. No order backlog is shown for the Chemicals Business because production is based on sales plans rather than specific orders.

2. Order backlog is based on selling prices; inter-segment transactions have been eliminated.
3. Order backlog does not include consumption taxes.

(3) Sales

(Thousands of yen)

Operating segment	First three months of FY2/21 (Mar. 1, 2020 – May 31, 2020)		First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)	
	Amount	Composition (%)	Amount	Composition (%)
Machinery Business	1,689,928	54.9	2,651,364	67.0
Chemicals Business	1,386,247	45.1	1,305,722	33.0
Total	3,076,175	100.0	3,957,087	100.0

Notes: 1. Sales are based on selling prices; inter-segment transactions have been eliminated.

2. Sales do not include consumption taxes.

This summary report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.