

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending February 28, 2025
(Three Months Ended May 31, 2024)

[Japanese GAAP]

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Listing: Tokyo Stock Exchange
 URL: <https://www.freund.co.jp>

Scheduled date of filing of Quarterly Report: July 16, 2024

Scheduled date of payment of dividend: -

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, 2024 – May 31, 2024) of the Fiscal Year Ending February 28, 2025

(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, 2024	4,124	(1.8)	(264)	-	(247)	-	(205)	-
Three months ended May 31, 2023	4,200	18.8	(29)	-	(17)	-	(18)	-

Note: Comprehensive income
 Three months ended May 31, 2024: (16) million yen (-%)
 Three months ended May 31, 2023: 71 million yen (down 78.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended May 31, 2024	(12.16)	-
Three months ended May 31, 2023	(1.12)	-

Reference: Equity in earnings of affiliates
 Three months ended May 31, 2024: (11) million yen
 Three months ended May 31, 2023: (3) million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of May 31, 2024	25,272	14,677	58.1	868.72
As of Feb. 29, 2024	25,789	15,023	58.3	889.03

Reference: Equity capital
 As of May 31, 2024: 14,677 million yen
 As of Feb. 29, 2024: 15,023 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. 29, 2024	-	0.00	-	20.00	20.00
Fiscal year ending Feb. 28, 2025	-	-	-	-	-
Fiscal year ending Feb. 28, 2025 (forecast)	-	0.00	-	25.00	25.00

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

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2025 (March 1, 2024 – February 28, 2025)

(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	23,500	2.6	1,100	(13.4)	1,100	(14.4)	770	0.7	45.76

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

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

Note: Please refer to page 8 “(3) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” for details.

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of May 31, 2024:	18,400,000 shares	As of Feb. 29, 2024:	18,400,000 shares
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2) Number of treasury shares at the end of the period

As of May 31, 2024:	1,503,851 shares	As of Feb. 29, 2024:	1,501,308 shares
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3) Average number of shares outstanding during the period

Three months ended May 31, 2024:	16,898,650 shares	Three months ended May 31, 2023:	16,744,520 shares
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This financial report is not subject to quarterly review by certified public accountants or auditing firms.

Cautionary statement with respect to forecasts of future performance and other special items

Statements about future performance, including forecasts in this document are based on certain assumptions that the Company considers to be reasonable and the information currently available. Actual performance may significantly differ due to various reasons. Please refer to the section “Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 3 of the attachments regarding preconditions or other related matters for forecasts shown above.

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1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

In the first quarter of the fiscal year ending February 2025, the Japanese economy saw an increase in consumer spending due to improvements in employment and personal income, along with higher demand from foreign tourists. However, the outlook for the Japanese economy remains uncertain. The continuing Ukraine and Middle East conflicts are creating geopolitical tensions, economic growth is slowing in China, and the yen's depreciation is raising prices in Japan.

In the pharmaceutical industry, a key user of Freund Group products, there has been a large volume of capital expenditures in Japan. This is primarily driven by large pharmaceutical companies increasing production to address the social issue of shortages of pharmaceuticals, as well as making other expenditures to replace aging equipment. In addition, the pharmaceutical industry is expected to continue to grow in the global market, driven by the aging populations in developed countries and the increase in populations and improvement of healthcare standards in emerging countries.

The Freund Group remained strongly committed to meeting the growing demand for production mainly at large pharmaceutical companies in Japan. Our group companies diligently focused on achieving steady shipments of orders to solve the social issue of pharmaceutical supply shortages. In addition, activities will continue with the goal of strengthening the Freund brand in markets worldwide by further increasing collaboration and synergies among group companies through its global five-pole framework, which includes Japan, the United States, India, Italy, and China.

In the current fiscal year, we are working on reaching the consolidated targets of sales of 23,500 million yen and an operating profit of 1,100 million yen.

In the first quarter of the fiscal year ending in February 2025, net sales decreased 1.8% year-over-year to 4,124 million yen, operating loss was 264 million yen compared with a loss of 29 million yen one year earlier, ordinary loss was 247 million yen compared with a loss of 17 million yen one year earlier, and loss attributable to owners of parent was 205 million yen compared with a loss of 18 million yen one year earlier.

Operating results by segment are as follows.

Machinery Business Segment

Segment sales increased year-over-year as machinery orders in Japan rose due to increased expenditures by generic drug manufacturers to boost production capacity. Additionally, the order backlog remains stable at a high level. However, SG&A expenses increased due to one-time expenses associated with the core IT system update.

Moreover, both the U.S. and Italian subsidiaries saw a significant drop in first-quarter sales, resulting in operating losses. The sales decline was partly due to a reactionary drop from the large number of shipments at the end of the previous fiscal year.

As a result, net sales decreased 2.0% year-over-year to 2,506 million yen and segment loss was 219 million yen compared with segment loss of 76 million yen one year earlier.

Chemicals Business Segment

Sales of pharmaceutical excipients used for oral drugs are on track to surpass the previous fiscal year's record high. One reason was higher orders from major customers in Japan for increasing production.

Sales of food preservatives fell below the level in the previous fiscal year due to some major customers switching to procuring from multiple companies to ensure business continuity.

SG&A expenses increased also in this segment due to one-time expenses associated with the change to a new core IT system.

As a result, net sales decreased 1.5% year-over-year to 1,618 million yen and segment profit decreased 40.6% to 123 million yen.

(2) Explanation of Financial Position

Total assets decreased 516 million yen from the end of the previous fiscal year to 25,272 million yen at the end of the first quarter. This mainly reflected decreases of 1,231 million yen in notes and accounts receivable-trade, and contract assets, 104 million yen in electronically recorded monetary claims-operating and 757 million yen in software in progress, while there were increases of 1,035 million yen in work in process and 579 million yen in software.

Total liabilities decreased 171 million yen from the end of the previous fiscal year to 10,594 million yen at the end of the first quarter. This mainly reflected decreases of 663 million yen in notes and accounts payable-trade, 265 million yen in income taxes payable and 170 million yen in electronically recorded obligations-operating, while there was an increase of 962 million yen in contract liabilities.

Net assets decreased 345 million yen from the end of the previous fiscal year to 14,677 million yen at the end of the first quarter. This mainly reflected a decrease of 543 million yen in retained earnings, while there was an increase of 180 million yen in foreign currency translation adjustment.

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

As of the date of publication of this material, there are no revisions to the full year consolidated forecasts for the fiscal year ending February 28, 2025, which were disclosed in the Consolidated Financial Results for the Fiscal Year Ended February 29, 2024 dated April 12, 2024.

2. Quarterly Consolidated Financial Statements and Notes
(1) Quarterly Consolidated Balance Sheet

	(Thousands of yen)	
	FY2/24 (As of Feb. 29, 2024)	First quarter of FY2/25 (As of May 31, 2024)
Assets		
Current assets		
Cash and deposits	4,736,849	4,603,813
Notes and accounts receivable-trade, and contract assets	6,121,064	4,889,237
Electronically recorded monetary claims-operating	937,132	832,510
Merchandise and finished goods	921,946	980,400
Work in process	2,661,592	3,697,493
Raw materials and supplies	2,232,055	2,135,341
Prepaid expenses	221,569	263,505
Other	754,733	785,783
Allowance for doubtful accounts	(49,689)	(52,644)
Total current assets	18,537,254	18,135,441
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,080,391	2,165,652
Land	1,148,176	1,149,300
Other, net	1,227,261	1,112,790
Total property, plant and equipment	4,455,829	4,427,743
Intangible assets		
Software	22,458	601,882
Software in progress	757,542	-
Customer relationship	332,488	338,089
Other	38,231	35,390
Total intangible assets	1,150,721	975,362
Investments and other assets		
Deferred tax assets	503,485	581,835
Other	1,147,370	1,157,583
Allowance for doubtful accounts	(5,400)	(5,400)
Total investments and other assets	1,645,455	1,734,019
Total non-current assets	7,252,006	7,137,125
Total assets	25,789,260	25,272,566
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,567,304	1,904,148
Electronically recorded obligations-operating	1,313,951	1,143,933
Short-term borrowings	515,031	407,524
Income taxes payable	330,261	65,172
Contract liabilities	3,932,098	4,894,354
Provision for bonuses	276,915	383,238
Provision for bonuses for directors (and other officers)	33,973	6,850
Other	951,170	974,581
Total current liabilities	9,920,707	9,779,802
Non-current liabilities		
Lease liabilities	380,961	381,413
Retirement benefit liability	294,323	280,623
Asset retirement obligations	67,396	67,429
Provision for retirement benefits for directors (and other officers)	18,933	18,304
Other	83,514	67,052
Total non-current liabilities	845,129	814,823
Total liabilities	10,765,836	10,594,625

	(Thousands of yen)	
	FY2/24 (As of Feb. 29, 2024)	First quarter of FY2/25 (As of May 31, 2024)
Net assets		
Shareholders' equity		
Share capital	1,035,600	1,035,600
Capital surplus	1,289,513	1,300,067
Retained earnings	12,287,564	11,744,147
Treasury shares	(701,365)	(702,571)
Total shareholders' equity	13,911,313	13,377,243
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65,162	73,673
Foreign currency translation adjustment	1,022,683	1,203,270
Remeasurements of defined benefit plans	24,264	23,753
Total accumulated other comprehensive income	1,112,110	1,300,697
Total net assets	15,023,424	14,677,940
Total liabilities and net assets	25,789,260	25,272,566

(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 FY2/24 (Mar. 1, 2023 – May 31, 2023)	First three months of FY2/25 (Mar. 1, 2024 – May 31, 2024)
Net sales	4,200,237	4,124,618
Cost of sales	2,858,637	2,697,403
Gross profit	1,341,599	1,427,214
Selling, general and administrative expenses	1,371,148	1,691,559
Operating loss	(29,548)	(264,345)
Non-operating income		
Interest income	0	4,631
Dividend income	4,198	4,149
Technical support fee income	5,137	2,375
Foreign exchange gains	8,670	21,834
Other	12,746	4,822
Total non-operating income	30,753	37,812
Non-operating expenses		
Interest expenses	14,720	8,970
Share of loss of entities accounted for using equity method	3,256	11,265
Other	383	1,033
Total non-operating expenses	18,360	21,269
Ordinary loss	(17,155)	(247,802)
Extraordinary income		
Gain on sale of non-current assets	142	-
Total extraordinary income	142	-
Extraordinary losses		
Loss on retirement of non-current assets	3,936	4,130
Loss on valuation of investment securities	6,285	-
Total extraordinary losses	10,221	4,130
Loss before income taxes	(27,235)	(251,932)
Income taxes	(8,446)	(46,489)
Loss	(18,789)	(205,443)
Loss attributable to owners of parent	(18,789)	(205,443)

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

	(Thousands of yen)	
	First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)	First three months of FY2/25 (Mar. 1, 2024 – May 31, 2024)
Loss	(18,789)	(205,443)
Other comprehensive income		
Valuation difference on available-for-sale securities	(5,068)	8,510
Foreign currency translation adjustment	97,665	167,093
Remeasurements of defined benefit plans, net of tax	(627)	(510)
Share of other comprehensive income of entities accounted for using equity method	(1,257)	13,492
Total other comprehensive income	90,712	188,586
Comprehensive income	71,923	(16,856)
(Breakdown)		
Comprehensive income attributable to owners of parent	71,923	(16,856)

(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, Freund uses the statutory effective tax rate to calculate tax expenses for cases in which using the estimated effective tax rate gives a noticeably irrational result.

Segment and Other Information**Segment information**

I First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)

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	2,556,527	1,643,710	4,200,237	-	4,200,237
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	2,556,527	1,643,710	4,200,237	-	4,200,237
Segment profit (loss)	(76,259)	207,094	130,834	(160,383)	(29,548)

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 160,383 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 loss 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
2,556,808	590,951	372,746	155,132	387,041	137,557	4,200,237

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 FY2/25 (Mar. 1, 2024 – May 31, 2024)

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	2,506,203	1,618,414	4,124,618	-	4,124,618
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	2,506,203	1,618,414	4,124,618	-	4,124,618
Segment profit (loss)	(219,518)	123,108	(96,410)	(167,934)	(264,345)

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 167,934 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 loss 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
3,473,408	230,140	75,047	154,172	140,437	51,412	4,124,618

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, Mexico, etc.
- (2) Europe: France, Italy, UK, etc.
- (3) Asia: China, India, etc.
- (4) Other: Middle East, Africa, etc.

Revenue Recognition

Information of breakdown on revenue from contracts with customers

First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)

(Thousands of yen)

	Reportable segments		
	Machinery Business	Chemicals Business	Total
Japan	989,534	1,567,273	2,556,808
United States	590,951	-	590,951
Latin America	372,746	-	372,746
Europe	133,035	22,097	155,132
Asia	333,614	53,427	387,041
Other	136,645	912	137,557
Revenue from contracts with customers	2,556,527	1,643,710	4,200,237
External sales	2,556,527	1,643,710	4,200,237

First three months of FY2/25 (Mar. 1, 2024 – May 31, 2024)

(Thousands of yen)

	Reportable segments		
	Machinery Business	Chemicals Business	Total
Japan	1,969,336	1,504,071	3,473,408
United States	230,140	-	230,140
Latin America	74,552	495	75,047
Europe	111,752	42,420	154,172
Asia	69,504	70,932	140,437
Other	50,917	495	51,412
Revenue from contracts with customers	2,506,203	1,618,414	4,124,618
External sales	2,506,203	1,618,414	4,124,618

3. Others

Orders and Sales

(1) Orders received (Thousands of yen)

Operating segment	First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)		First three months of FY2/25 (Mar. 1, 2024 – May 31, 2024)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	4,200,255	103.9	3,056,331	72.8

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.

(2) Order backlog (Thousands of yen)

Operating segment	First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)		First three months of FY2/25 (Mar. 1, 2024 – May 31, 2024)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	14,607,614	112.1	16,636,801	113.9

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) Sales (Thousands of yen)

Operating segment	First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)		First three months of FY2/25 (Mar. 1, 2024 – May 31, 2024)	
	Amount	Composition (%)	Amount	Composition (%)
Machinery Business	2,556,527	60.9	2,506,203	60.8
Chemicals Business	1,643,710	39.1	1,618,414	39.2
Total	4,200,237	100.0	4,124,618	100.0

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

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.