



January 12, 2024

Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending February 29, 2024
(Nine Months Ended November 30, 2023)

[Japanese GAAP]

Company name: Freund Corporation

Listing: Tokyo Stock Exchange

Securities code: 6312

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Scheduled date of filing of Quarterly Report:

January 12, 2024

Scheduled date of payment of dividend:

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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 Third Quarter (March 1, 2023 – November 30, 2023) of the Fiscal Year Ending February 29, 2024

(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	%
Nine months ended Nov. 30, 2023	14,170	13.3	118	161.5	125	(5.1)	54	-
Nine months ended Nov. 30, 2022	12,504	4.3	45	(90.1)	132	(73.1)	1	(99.6)

Note: Comprehensive income Nine months ended Nov. 30, 2023: 387 million yen (down 49.2%)

Nine months ended Nov. 30, 2022: 761 million yen (up 47.6%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Nov. 30, 2023	3.24	-
Nine months ended Nov. 30, 2022	0.06	-

Reference: Equity in earnings of affiliates Nine months ended Nov. 30, 2023: (13) million yen

Nine months ended Nov. 30, 2022: (12) million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Nov. 30, 2023	23,858	14,187	59.5	839.46
As of Feb. 28, 2023	22,758	14,117	62.0	843.09

Reference: Equity capital As of Nov. 30, 2023: 14,187 million yen As of Feb. 28, 2023: 14,117 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, 2023	-	0.00	-	20.00	20.00
Fiscal year ending Feb. 29, 2024	-	0.00	-		
Fiscal year ending Feb. 29, 2024 (forecast)				20.00	20.00

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

3. Consolidated Forecast for the Fiscal Year Ending February 29, 2024 (March 1, 2023 – February 29, 2024)

(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	20,000	1.7	700	55.0	650	16.3	450	-	26.87

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: Yes

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 Nov. 30, 2023:	18,400,000 shares	As of Feb. 28, 2023:	18,400,000 shares
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2) Number of treasury shares at the end of the period

As of Nov. 30, 2023:	1,498,808 shares	As of Feb. 28, 2023:	1,655,480 shares
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3) Average number of shares outstanding during the period

Nine months ended Nov. 30, 2023:	16,805,071 shares	Nine months ended Nov. 30, 2022:	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 relies on 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

The Japanese economy was supported by the recovery of consumer spending and the return of foreign tourists during the first nine months of the current fiscal year. However, the outlook remains uncertain due to concerns about a possible economic downturn. The main causes of this uncertainty are the prolonged Ukraine conflict, turmoil in the Middle East, monetary tightening by countries worldwide in response to inflation, and slowing economic growth in China.

In the pharmaceutical industry, a key user of Freund Group products, there has been a prolonged shortage of pharmaceuticals in Japan, especially generic drugs. As a result, there is consistently strong demand for equipment for new and expanded factories, particularly at generic drug manufacturers in Japan, to provide a reliable supply of drugs.

The Freund Group is strongly committed to meeting the growing demand for pharmaceuticals by ensuring a stable supply of its products. All group companies are determined to contribute to health care and healthy lifestyles. In addition, the Group is pursuing and accelerating the development of group synergy through its global five-pole framework, which includes Japan, the United States, India, Italy and China.

In the first nine months of the fiscal year ending in February 2024, net sales increased 13.3% year-over-year to 14,170 million yen, operating profit increased 161.5% to 118 million yen, ordinary profit decreased 5.1% to 125 million yen, and profit attributable to owners of parent was 54 million yen compared with profit attributable to owners of parent of 1 million yen one year earlier.

Operating results by segment are as follows

Machinery Business Segment

The order backlog increased to a record-high 18,012 million yen as orders in Japan remained strong, mainly due to expenditures by generic drug manufacturers to increase production capacity. However, extended lead times for purchasing certain parts and delivering finished products continue to affect the performance of this business.

In the first nine months of the previous fiscal year, sales and earnings were negatively impacted by significant shipment delays due to the tight labor supply in the U.S. and extended lead times for parts/materials procurement caused by supply chain disruptions at the U.S. subsidiary. In the first nine months of the current fiscal year, sales and earnings have recovered steadily because of improvements involving shipments and other aspects of operations. Despite these improvements, there was a loss in this segment due to the negative impact on profitability of delivery delays concerning prior orders.

As a result, net sales increased 16.4% year-over-year to 9,056 million yen and segment loss was 76 million yen compared with segment loss of 263 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 is higher orders from major customers in Japan for increasing production.

In the food preservatives sector, sales are benefiting from the steady recovery of demand for confectionery products that is backed by the recovery of trips and other outings, including by foreign tourists in Japan, following the downgrading of the classification of COVID-19 by the Japanese government in May. As with pharmaceutical excipients, sales in the first nine months in this sector are on a pace to surpass the previous fiscal year's performance.

As a result, net sales increased 8.3% year-over-year to 5,113 million yen and segment profit decreased 0.7% to 736 million yen.

(2) Explanation of Financial Position

Total assets increased 1,100 million yen from the end of the previous fiscal year to 23,858 million yen at the end of the third quarter. This mainly reflected increases of 1,700 million yen in work in process and 85 million yen in raw materials and supplies, while there was a decrease of 694 million yen in notes and accounts receivable-trade, and contract assets.

Total liabilities increased 1,029 million yen from the end of the previous fiscal year to 9,671 million yen at the end of the third quarter. This mainly reflected increases of 818 million yen in contract liabilities, 365 million yen in electronically recorded obligations-operating and 143 million yen in notes and accounts payable-trade, while there was a decrease of 228 million yen in short-term borrowings.

Net assets increased 70 million yen from the end of the previous fiscal year to 14,187 million yen at the end of the third quarter. This mainly reflected an increase of 320 million yen in foreign currency translation adjustment and a decrease of 73 million yen in treasury shares, while there was a decrease of 335 million yen in retained earnings.

(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 29, 2024, which were disclosed in the Consolidated Financial Results for the Fiscal Year Ended February 28, 2023 dated May 8, 2023.

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

	(Thousands of yen)	
	FY2/23 (As of Feb. 28, 2023)	Third quarter of FY2/24 (As of Nov. 30, 2023)
Assets		
Current assets		
Cash and deposits	3,917,128	3,229,230
Notes and accounts receivable-trade, and contract assets	4,915,548	4,220,685
Electronically recorded monetary claims-operating	619,666	669,240
Merchandise and finished goods	760,326	913,745
Work in process	2,717,692	4,418,501
Raw materials and supplies	2,108,285	2,193,671
Prepaid expenses	199,546	176,937
Other	647,052	703,928
Allowance for doubtful accounts	(15,226)	(17,840)
Total current assets	15,870,019	16,508,100
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,005,809	2,042,341
Land	1,145,522	1,147,510
Other, net	1,290,121	1,275,177
Total property, plant and equipment	4,441,453	4,465,029
Intangible assets		
Software	32,499	24,444
Software in progress	560,486	886,006
Customer relationship	324,848	341,464
Other	49,621	41,240
Total intangible assets	967,456	1,293,156
Investments and other assets		
Deferred tax assets	366,398	453,131
Other	1,118,946	1,144,979
Allowance for doubtful accounts	(5,400)	(5,400)
Total investments and other assets	1,479,946	1,592,711
Total non-current assets	6,888,855	7,350,897
Total assets	22,758,875	23,858,997
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,896,836	2,040,494
Electronically recorded obligations-operating	833,521	1,199,212
Short-term borrowings	896,092	667,260
Income taxes payable	130,135	8,946
Contract liabilities	2,913,026	3,731,356
Provision for bonuses	220,553	129,957
Provision for bonuses for directors (and other officers)	17,185	23,700
Other	907,894	1,018,681
Total current liabilities	7,815,246	8,819,609
Non-current liabilities		
Lease liabilities	408,206	414,866
Retirement benefit liability	267,351	275,980
Asset retirement obligations	67,263	67,362
Provision for retirement benefits for directors (and other officers)	12,096	17,656
Other	71,522	75,613
Total non-current liabilities	826,439	851,480
Total liabilities	8,641,685	9,671,089

	(Thousands of yen)	
	FY2/23 (As of Feb. 28, 2023)	Third quarter of FY2/24 (As of Nov. 30, 2023)
Net assets		
Shareholders' equity		
Share capital	1,035,600	1,035,600
Capital surplus	1,289,513	1,289,513
Retained earnings	11,899,999	11,564,886
Treasury shares	(773,363)	(700,173)
Total shareholders' equity	13,451,750	13,189,826
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32,992	47,191
Foreign currency translation adjustment	612,727	933,070
Remeasurements of defined benefit plans	19,719	17,819
Total accumulated other comprehensive income	665,439	998,081
Total net assets	14,117,189	14,187,908
Total liabilities and net assets	22,758,875	23,858,997

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

	(Thousands of yen)	
	First nine months of FY2/23 (Mar. 1, 2022 – Nov. 30, 2022)	First nine months of FY2/24 (Mar. 1, 2023 – Nov. 30, 2023)
Net sales	12,504,922	14,170,273
Cost of sales	8,365,442	9,817,856
Gross profit	4,139,479	4,352,417
Selling, general and administrative expenses	4,094,193	4,233,989
Operating profit	45,286	118,427
Non-operating income		
Interest income	55	2,246
Dividend income	5,809	6,015
Technical support fee income	13,731	11,277
Foreign exchange gains	81,472	29,590
Other	26,162	24,083
Total non-operating income	127,229	73,213
Non-operating expenses		
Interest expenses	19,891	51,318
Share of loss of entities accounted for using equity method	12,192	13,663
Other	7,792	811
Total non-operating expenses	39,876	65,793
Ordinary profit	132,640	125,847
Extraordinary income		
Gain on sale of non-current assets	13,967	149
Total extraordinary income	13,967	149
Extraordinary losses		
Impairment losses	6,693	-
Loss on sale of non-current assets	1,124	-
Loss on retirement of non-current assets	37,672	17,282
Loss on valuation of investment securities	27,812	6,240
Total extraordinary losses	73,303	23,522
Profit before income taxes	73,304	102,474
Income taxes	72,287	48,078
Profit	1,017	54,396
Profit attributable to owners of parent	1,017	54,396

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

	(Thousands of yen)	
	First nine months of FY2/23 (Mar. 1, 2022 – Nov. 30, 2022)	First nine months of FY2/24 (Mar. 1, 2023 – Nov. 30, 2023)
Profit	1,017	54,396
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,426)	14,199
Foreign currency translation adjustment	753,441	305,160
Remeasurements of defined benefit plans, net of tax	1,967	(1,900)
Share of other comprehensive income of entities accounted for using equity method	12,909	15,182
Total other comprehensive income	760,892	332,641
Comprehensive income	761,909	387,038
(Breakdown)		
Comprehensive income attributable to owners of parent	761,909	387,038

(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.

Changes in Accounting Policies

Change in valuation method for inventories

Beginning with the first quarter of the current fiscal year, some foreign consolidated subsidiaries have changed the valuation method for inventories from the lower of cost or market method with cost determined by the first-in first-out method to the lower of cost or market method with cost determined by the gross average method.

This change was made as part of a reexamination of valuation methods that was performed due to a change in IT system. The new valuation method was not applied retroactively because its monetary effect is negligible.

Segment and Other Information**Segment information**

I First nine months of FY2/23 (Mar. 1, 2022 – Nov. 30, 2022)

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	7,783,433	4,721,488	12,504,922	-	12,504,922
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	7,783,433	4,721,488	12,504,922	-	12,504,922
Segment profit (loss)	(263,334)	742,190	478,856	(433,569)	45,286

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 433,569 thousand yen to segment profit (loss) includes corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of selling, 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

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
8,167,784	1,068,220	937,467	761,099	1,439,415	130,935	12,504,922

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 nine months of FY2/24 (Mar. 1, 2023 – Nov. 30, 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	9,056,788	5,113,485	14,170,273	-	14,170,273
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	9,056,788	5,113,485	14,170,273	-	14,170,273
Segment profit (loss)	(76,653)	736,637	659,984	(541,556)	118,427

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 541,556 thousand yen to segment profit (loss) includes corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of selling, 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
8,418,772	1,259,034	1,929,435	807,363	1,154,213	601,453	14,170,273

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 nine months of FY2/23 (Mar. 1, 2022 – Nov. 30, 2022)

(Thousands of yen)

	Reportable segments		
	Machinery Business	Chemicals Business	Total
Japan	3,716,114	4,451,670	8,167,784
United States	1,068,100	120	1,068,220
Latin America	937,467	-	937,467
Europe	590,053	171,045	761,099
Asia	1,340,763	98,652	1,439,415
Other	130,935	-	130,935
Revenue from contracts with customers	7,783,433	4,721,488	12,504,922
External sales	7,783,433	4,721,488	12,504,922

First nine months of FY2/24 (Mar. 1, 2023 – Nov. 30, 2023)

(Thousands of yen)

	Reportable segments		
	Machinery Business	Chemicals Business	Total
Japan	3,508,025	4,910,747	8,418,772
United States	1,259,034	-	1,259,034
Latin America	1,929,435	-	1,929,435
Europe	728,625	78,737	807,363
Asia	1,035,008	119,205	1,154,213
Other	596,658	4,795	601,453
Revenue from contracts with customers	9,056,788	5,113,485	14,170,273
External sales	9,056,788	5,113,485	14,170,273

3. Others

Orders and Sales

(1) Orders received (Thousands of yen)

Operating segment	First nine months of FY2/23 (Mar. 1, 2022 – Nov. 30, 2022)		First nine months of FY2/24 (Mar. 1, 2023 – Nov. 30, 2023)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	11,655,332	109.8	13,747,604	118.0

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 nine months of FY2/23 (Mar. 1, 2022 – Nov. 30, 2022)		First nine months of FY2/24 (Mar. 1, 2023 – Nov. 30, 2023)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	15,365,269	159.6	18,012,587	117.2

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 nine months of FY2/23 (Mar. 1, 2022 – Nov. 30, 2022)		First nine months of FY2/24 (Mar. 1, 2023 – Nov. 30, 2023)	
	Amount	Composition (%)	Amount	Composition (%)
Machinery Business	7,783,433	62.2	9,056,788	63.9
Chemicals Business	4,721,488	37.8	5,113,485	36.1
Total	12,504,922	100.0	14,170,273	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.