

Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending February 28, 2025
(Nine Months Ended November 30, 2024)

[Japanese GAAP]

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

Scheduled date of payment of dividend: -
 Preparation of supplementary materials for financial results: Yes
 Holding of financial results meeting: None

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

1. Consolidated Financial Results for the Third Quarter (March 1, 2024 – November 30, 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	%
Nine months ended Nov. 30, 2024	14,920	5.3	336	184.0	373	197.0	114	110.3
Nine months ended Nov. 30, 2023	14,170	13.3	118	161.5	125	(5.1)	54	-

Note: Comprehensive income
 Nine months ended Nov. 30, 2024: 121 million yen (down 68.7%)
 Nine months ended Nov. 30, 2023: 387 million yen (down 49.2%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Nov. 30, 2024	6.77	-
Nine months ended Nov. 30, 2023	3.24	-

Reference: Equity in earnings of affiliates
 Nine months ended Nov. 30, 2024: (38) million yen
 Nine months ended Nov. 30, 2023: (13) 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, 2024	26,263	14,852	56.6	877.90
As of Feb. 29, 2024	25,789	15,023	58.3	889.03

Reference: Equity capital
 As of Nov. 30, 2024: 14,852 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	-	0.00	-		
Fiscal year ending Feb. 28, 2025 (forecast)				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) Significant changes in the scope of consolidation during the period: 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 Nov. 30, 2024:	18,400,000 shares	As of Feb. 29, 2024:	18,400,000 shares
2) Number of treasury shares at the end of the period			
As of Nov. 30, 2024:	1,481,985 shares	As of Feb. 29, 2024:	1,501,308 shares
3) Average number of shares outstanding during the period			
Nine months ended Nov. 30, 2024:	16,907,344 shares	Nine months ended Nov. 30, 2023:	16,805,071 shares

Review of the attached quarterly consolidated financial statements by a certified public accountant or auditing firm: None

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 nine months of the fiscal year ending February 2025, the Japanese economy remained healthy as employment and personal income improved. The U.S. economy remained strong but signs of weakness continued in Europe and China. The outlook for the economy continues to be unclear because of geopolitical tension stemming from the prolonged conflicts in Ukraine and the Middle East, slowing economic growth in China, rising prices in Japan due to the yen's weakness and the labor shortage, and other reasons.

In the pharmaceutical industry, a key user of Freund Group products, many companies, chiefly large drug manufacturers, are continuing to increase output capacity in response to drug shortages that are a serious social issue. In addition, the pharmaceutical industry is expected to continue to grow worldwide, driven by the aging populations of developed countries and the increasing populations and improvement of healthcare standards in emerging countries.

The Freund Group is firmly committed to playing a role in maintaining a reliable supply of pharmaceuticals by strengthening activities for manufacturing and selling machinery used for pharmaceutical production processes and by providing maintenance services for machines in use by Freund's customers. At the Freund factory in Hamamatsu, there was originally a plan to build a new factory to meet the growing demand for pharmaceutical excipients and maintain a steady supply of these materials. Subsequently, the decision was made to cancel this plan because the expected cost of building this factory is now much higher than anticipated. Freund is considering other actions that can be implemented quickly, such as adding production lines to existing factories, to ensure a reliable supply of pharmaceuticals in Japan. Outside Japan, many activities are under way to strengthen the Freund brand worldwide by further increasing collaboration and synergies among group companies through the Freund Group's global five-pole framework consisting of Japan, the United States, India, Italy and China.

In the first nine months of the fiscal year ending in February 2025, net sales increased 5.3% year-over-year to 14,920 million yen. Operating profit increased 184.0% to 336 million yen, ordinary profit increased 197.0% to 373 million yen and profit attributable to owners of parent increased 110.3% to 114 million yen.

Operating results for business segments are as follows.

Machinery Business Segment

Machinery sales in Japan increased significantly mainly due to deliveries of products as planned. Orders were down from the same period of last year when there was a large volume of new orders but the order backlog remains high. Although SG&A expenses increased because of one-time expenses in the first quarter for updating the core IT system, there was an operating profit because of higher sales.

At consolidated subsidiaries outside Japan, sales were down from one year earlier and there was an operating loss. One reason is lower volume of shipments following the big increase at the end of the previous fiscal year. Another reason is the large number of shipments that are planned in the fourth quarter for large orders in the United States.

As a result, net sales increased 10.3% year-over-year to 9,994 million yen and there was segment profit of 396 million yen compared with a loss of 76 million yen one year earlier.

Chemicals Business Segment

Sales of pharmaceutical excipients used for oral drugs were down from one year earlier. The decline was due to a temporary constraint on shipments, as some major customers in Japan shifted production capacity to resolve drug shortages.

Sales of food preservatives also declined from one year earlier, as some major customers began to source from multiple suppliers to ensure business continuity.

SG&A expenses for this segment increased due to one-time expenses incurred in the first quarter for the implementation of a new core IT system.

As a result, net sales decreased 3.7% year-over-year to 4,925 million yen and segment profit decreased 25.7% to 547 million yen.

(2) Explanation of Financial Position

Total assets increased 474 million yen from the end of the previous fiscal year to 26,263 million yen at the end of the third quarter. This mainly reflected increases of 195 million yen in electronically recorded monetary claims-operating and 2,384 million yen in work in process, while there were decreases of 410 million yen in cash and deposits and 1,715 million yen in notes and accounts receivable-trade, and contract assets.

Total liabilities increased 645 million yen from the end of the previous fiscal year to 11,411 million yen at the end of the third quarter. This mainly reflected increases of 971 million yen in contract liabilities and 481 million yen in electronically recorded obligations-operating, while there were decreases of 467 million yen in notes and accounts payable-trade and 241 million yen in income taxes payable.

Net assets decreased 171 million yen from the end of the previous fiscal year to 14,852 million yen at the end of the third quarter. This mainly reflected a decrease of 223 million yen in retained earnings, while there was an increase of 36 million yen in capital surplus.

(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)	Third quarter of FY2/25 (As of Nov. 30, 2024)
Assets		
Current assets		
Cash and deposits	4,736,849	4,326,790
Notes and accounts receivable-trade, and contract assets	6,121,064	4,405,070
Electronically recorded monetary claims-operating	937,132	1,132,326
Merchandise and finished goods	921,946	1,217,980
Work in process	2,661,592	5,046,486
Raw materials and supplies	2,232,055	2,353,633
Prepaid expenses	221,569	281,567
Other	754,733	718,692
Allowance for doubtful accounts	(49,689)	(43,506)
Total current assets	18,537,254	19,439,041
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,080,391	2,074,380
Land	1,148,176	1,148,189
Other, net	1,227,261	1,058,418
Total property, plant and equipment	4,455,829	4,280,988
Intangible assets		
Software	22,458	543,944
Software in progress	757,542	10,395
Customer relationship	332,488	315,841
Other	38,231	29,466
Total intangible assets	1,150,721	899,648
Investments and other assets		
Deferred tax assets	503,485	537,601
Other	1,147,370	1,111,653
Allowance for doubtful accounts	(5,400)	(5,400)
Total investments and other assets	1,645,455	1,643,855
Total non-current assets	7,252,006	6,824,492
Total assets	25,789,260	26,263,533
Liabilities		
Current liabilities		
Notes and accounts payable-trade	2,567,304	2,099,714
Electronically recorded obligations-operating	1,313,951	1,795,555
Short-term borrowings	515,031	560,708
Income taxes payable	330,261	88,791
Contract liabilities	3,932,098	4,903,951
Provision for bonuses	276,915	129,436
Provision for bonuses for directors (and other officers)	33,973	20,550
Other	951,170	1,059,133
Total current liabilities	9,920,707	10,657,843
Non-current liabilities		
Lease liabilities	380,961	356,466
Retirement benefit liability	294,323	244,875
Asset retirement obligations	67,396	67,495
Provision for retirement benefits for directors (and other officers)	18,933	-
Other	83,514	84,537
Total non-current liabilities	845,129	753,376
Total liabilities	10,765,836	11,411,219

	(Thousands of yen)	
	FY2/24 (As of Feb. 29, 2024)	Third quarter of FY2/25 (As of Nov. 30, 2024)
Net assets		
Shareholders' equity		
Share capital	1,035,600	1,035,600
Capital surplus	1,289,513	1,326,343
Retained earnings	12,287,564	12,063,969
Treasury shares	(701,365)	(692,398)
Total shareholders' equity	13,911,313	13,733,514
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	65,162	59,295
Foreign currency translation adjustment	1,022,683	1,036,561
Remeasurements of defined benefit plans	24,264	22,943
Total accumulated other comprehensive income	1,112,110	1,118,799
Total net assets	15,023,424	14,852,314
Total liabilities and net assets	25,789,260	26,263,533

(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 FY2/24 (Mar. 1, 2023 – Nov. 30, 2023)	First nine months of FY2/25 (Mar. 1, 2024 – Nov. 30, 2024)
Net sales	14,170,273	14,920,098
Cost of sales	9,817,856	9,640,819
Gross profit	4,352,417	5,279,279
Selling, general and administrative expenses	4,233,989	4,942,901
Operating profit	118,427	336,378
Non-operating income		
Interest income	2,246	9,979
Dividend income	6,015	6,452
Technical support fee income	11,277	11,966
Insurance claim income	339	73,368
Foreign exchange gains	29,590	-
Other	23,743	21,991
Total non-operating income	73,213	123,757
Non-operating expenses		
Interest expenses	51,318	28,343
Share of loss of entities accounted for using equity method	13,663	38,038
Foreign exchange losses	-	17,876
Other	811	2,070
Total non-operating expenses	65,793	86,328
Ordinary profit	125,847	373,806
Extraordinary income		
Gain on sale of non-current assets	149	259
Total extraordinary income	149	259
Extraordinary losses		
Loss on retirement of non-current assets	17,282	4,276
Loss on valuation of investment securities	6,240	-
Total extraordinary losses	23,522	4,276
Profit before income taxes	102,474	369,789
Income taxes	48,078	255,411
Profit	54,396	114,378
Profit attributable to owners of parent	54,396	114,378

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

	(Thousands of yen)	
	First nine months of FY2/24 (Mar. 1, 2023 – Nov. 30, 2023)	First nine months of FY2/25 (Mar. 1, 2024 – Nov. 30, 2024)
Profit	54,396	114,378
Other comprehensive income		
Valuation difference on available-for-sale securities	14,199	(5,867)
Foreign currency translation adjustment	305,160	4,907
Remeasurements of defined benefit plans, net of tax	(1,900)	(1,321)
Share of other comprehensive income of entities accounted for using equity method	15,182	8,970
Total other comprehensive income	332,641	6,689
Comprehensive income	387,038	121,067
(Breakdown)		
Comprehensive income attributable to owners of parent	387,038	121,067

(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 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.

II First nine months of FY2/25 (Mar. 1, 2024 – Nov. 30, 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	9,994,129	4,925,969	14,920,098	-	14,920,098
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	9,994,129	4,925,969	14,920,098	-	14,920,098
Segment profit	396,892	547,428	944,320	(607,942)	336,378

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 607,942 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

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
11,111,619	1,259,724	708,495	856,178	574,192	409,887	14,920,098

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.

Notes to Consolidated Statement of Cash Flows

The quarterly consolidated statement of cash flows for the first nine months of FY2/25 was not prepared. Depreciation (including amortization of intangible assets) for the first nine months of FY2/24 and FY2/25 is as follows.

(Thousands of yen)

	First nine months of FY2/24 (Mar. 1, 2023 – Nov. 30, 2023)	First nine months of FY2/25 (Mar. 1, 2024 – Nov. 30, 2024)
Depreciation	404,374	485,527

3. Others**Orders and Sales****(1) Orders received** (Thousands of yen)

Operating segment	First nine months of FY2/24 (Mar. 1, 2023 – Nov. 30, 2023)		First nine months of FY2/25 (Mar. 1, 2024 – Nov. 30, 2024)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	13,747,604	118.0	13,448,179	97.8

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 nine months of FY2/24 (Mar. 1, 2023 – Nov. 30, 2023)		First nine months of FY2/25 (Mar. 1, 2024 – Nov. 30, 2024)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	18,012,587	117.2	19,412,916	107.8

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 FY2/24 (Mar. 1, 2023 – Nov. 30, 2023)		First nine months of FY2/25 (Mar. 1, 2024 – Nov. 30, 2024)	
	Amount	Composition (%)	Amount	Composition (%)
Machinery Business	9,056,788	63.9	9,994,129	67.0
Chemicals Business	5,113,485	36.1	4,925,969	33.0
Total	14,170,273	100.0	14,920,098	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.