

Consolidated Financial Results for the Fiscal Year Ended February 28, 2022

[Japanese GAAP]

Company name: Freund Corporation

Listing: Tokyo Stock Exchange

Securities code: 6312

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

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Scheduled date of Annual General Meeting of Shareholders: May 27, 2022

Scheduled date of filing of Annual Securities Report: May 30, 2022

Scheduled date of payment of dividend: May 30, 2022

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended February 28, 2022

(March 1, 2021 – 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	%
Fiscal year ended Feb. 28, 2022	17,632	5.2	981	(11.6)	1,032	(21.1)	543	(44.0)
Fiscal year ended Feb. 28, 2021	16,765	(0.0)	1,111	99.0	1,308	124.5	970	154.4

Note: Comprehensive income Fiscal year ended Feb. 28, 2022: 830 million yen (down 12.6%)

Fiscal year ended Feb. 28, 2021: 949 million yen (up 189.0%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
Fiscal year ended Feb. 28, 2022	32.46	-	3.9	4.8	5.6
Fiscal year ended Feb. 28, 2021	57.96	-	7.2	6.7	6.6

Reference: Equity in earnings of affiliates Fiscal year ended Feb. 28, 2022: - million yen

Fiscal year ended Feb. 28, 2021: - million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2022	22,273	14,354	64.4	857.28
As of Feb. 28, 2021	20,575	13,858	67.4	827.67

Reference: Equity capital As of Feb. 28, 2022: 14,354 million yen As of Feb. 28, 2021: 13,858 million yen

Note: The provisional accounting treatment for a business combination with Cos.Mec S.r.l. was finalized as of February 28, 2022 and figures as of February 28, 2021 reflect the finalized content of the provisional accounting treatment.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of the period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Feb. 28, 2022	701	(680)	(427)	4,145
Fiscal year ended Feb. 28, 2021	2,280	(1,726)	(371)	4,498

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended Feb. 28, 2021	Yen -	Yen 0.00	Yen -	Yen 20.00	Yen 20.00	Million yen 334	% 34.5	% 2.5
Fiscal year ended Feb. 28, 2022	Yen -	Yen 0.00	Yen -	Yen 20.00	Yen 20.00	Million yen 334	% 61.6	% 2.4
Fiscal year ending Feb. 28, 2023 (forecast)	Yen -	Yen 0.00	Yen -	Yen 20.00	Yen 20.00		% 74.4	

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2023 (March 1, 2022 – February 28, 2023)

(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	4.9	700	(28.7)	720	(30.3)	450	(17.2)	26.87

* 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) 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

(3) Number of outstanding shares (common stock)

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

As of Feb. 28, 2022: 18,400,000 shares As of Feb. 28, 2021: 18,400,000 shares

2) Number of treasury shares at the end of the period

As of Feb. 28, 2022: 1,655,480 shares As of Feb. 28, 2021: 1,655,480 shares

3) Average number of shares outstanding during the period

Fiscal year ended Feb. 28, 2022: 16,744,520 shares Fiscal year ended Feb. 28, 2021: 16,744,520 shares

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2022

(March 1, 2021 – February 28, 2022)

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Feb. 28, 2022	12,661	1.8	1,198	33.4	1,316	38.4	779	17.8
Fiscal year ended Feb. 28, 2021	12,432	4.4	898	68.0	951	61.5	661	83.3

	Net income per share		Diluted net income per share	
	Yen		Yen	
Fiscal year ended Feb. 28, 2022	46.55		-	
Fiscal year ended Feb. 28, 2021	39.53		-	

(2) Non-consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of Feb. 28, 2022	17,366		13,312		76.7		795.02	
As of Feb. 28, 2021	17,244		12,850		74.5		767.42	

Reference: Shareholders' equity As of Feb. 28, 2022: 13,312 million yen As of Feb. 28, 2021: 12,850 million yen

This financial report is not subject to audit by certified public accountants or auditing firms.

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

Forecasts regarding future performance in these materials are based on certain assumptions judged to be valid and information currently available to the Company. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to the section "1. Overview of Results of Operations (4) Outlook" on page 4 of the attachments regarding preconditions or other related matters for forecasts shown above.

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1. Overview of Results of Operations

(1) Results of Operations

There was significant downward pressure on the Japanese economy mainly due to sluggish consumer spending during the current fiscal year due to more declarations of states of emergency and other pandemic safety measures against the emergence of new variants of the virus that causes COVID-19. Restrictions due to the pandemic have been gradually lifted as more people are vaccinated and actions are taken to live with this virus. However, the economic recovery has been slow because of the increasing number of infections caused by new variants and shortages of semiconductors and many types of materials.

In other countries, economies are recovering as pandemic restrictions are eased as more people are vaccinated, mainly in developed countries. In some regions, there are signs of another increase in infections. In addition, there are widespread logistics and supply chain disruptions. In addition, there are concerns about the impact on the global economy of sanctions imposed on Russia following its February 2022 invasion of Ukraine. As a result, the outlook for the global economy is unclear.

In the pharmaceutical industry, which is the primary source of demand for Freund Group products, companies need to deal with the challenges of the rising cost of R&D programs and increasing measures to hold down healthcare expenditures. In Japan, drug prices will be affected as the national health insurance drug price revisions will be implemented annually instead of once every two years as in prior years. In the generic drug market, the growth rate of sales is expected to decrease as the benefits of actions by the Japanese government to increase the use of these drugs decline. Due to problems involving manufacturing operations at some companies, there is a need to build a sound infrastructure for ensuring the quality and supply reliability of generic drugs.

The Freund Group is taking many actions based on the 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 collaboration
2. Putting clients' views first
3. Emphasis on innovation
4. Global management
5. Execution of growth strategy
6. Business process reengineering and working style reforms
7. Emphasis on compliance and corporate governance

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. During the current fiscal year, all group companies worked on reaching the consolidated targets of sales of 18,500 million yen and an operating profit of 1,100 million yen.

Net sales increased 5.2% year-over-year to 17,632 million yen, operating profit decreased 11.6% to 981 million yen, ordinary profit decreased 21.1% to 1,032 million yen, and profit attributable to owners of parent decreased 44.0% to 543 million yen.

In the machinery business, there was a large volume of orders but the performance of this business was severely impacted by difficulties procuring parts and materials at overseas subsidiaries because of supply chain disruptions. The result was a big downturn in shipments.

In Japan, an extraordinary loss was recorded due to an impairment charge for equipment that is no longer expected to be used, a payment involving litigation concerning a copyright infringement, and other items.

In the fiscal year that ended in February 2021, operating profit, ordinary profit and profit attributable to owners of parent increased at U.S. subsidiary Freund Vector Corporation due to the receipt of a pandemic subsidiary of about 200 million yen from the U.S. government and there were other one-time items that affected earnings, including insurance income of about 100 million yen. In the fiscal year that ended in February 2022, consolidated operating profit and ordinary profit were about the same as in the prior after excluding the contribution of these one-time items

Results by business segment were as follows.

Machinery Business Segment

Granulating and coating equipment are the main products of this segment. The recent consolidation of Italian subsidiary Cos.Mec S.r.l. contributed to sales growth. As was explained earlier, the volume of orders was high but shipments of products were delayed by supply chain disruptions, mainly at companies outside Japan. In addition, the receipt of a pandemic subsidy by U.S. subsidiary Freund-Vector Corporation contributed to earnings in the previous fiscal year. For these reasons, the operating profit of this segment decreased.

As a result, net sales increased 6.0% year-over-year to 11,836 million yen and segment profit decreased 40.5% to 623 million yen.

Chemicals Business Segment

Sales and operating profit of pharmaceutical excipients increased because of the strong performance of this business sector in Japan and other countries and 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 the pandemic. However, sales and the operating profit were higher than one year earlier due to an increase in sales of confectionery products at supermarkets and convenience stores as well as to cost reductions.

Sales of health food products fell sharply because of the completion of a contract for manufacturing products for a high-volume customer. However, there was only a small decline in operating profit because this contract had a small profit margin.

As a result, net sales increased 3.6% year-over-year to 5,795 million yen and segment profit increased 62.0% to 884 million yen.

(2) Financial Position

Total assets increased 1,698 million yen from the end of the previous fiscal year to 22,273 million yen at the end of the current fiscal year. This mainly reflected increases of 932 million yen in work in process and 815 million yen in raw materials and supplies.

Total liabilities increased 1,202 million yen from the end of the previous fiscal year to 7,919 million yen at the end of the current fiscal year. This mainly reflected an increase of 1,635 million yen in advances received, while there was a decrease of 235 million yen in electronically recorded obligations-operating.

Net assets increased 495 million yen from the end of the previous fiscal year to 14,354 million yen at the end of the current fiscal year.

(3) Cash Flows

The balance of cash and cash equivalents at the end of the current fiscal year was 4,145 million yen, down 353 million yen over the end of the previous fiscal year (this compares with an increase of 184 million yen in the previous fiscal year).

The cash flow components during the current fiscal year and the main reasons for changes are as described below.

Cash flows from operating activities

Net cash provided by operating activities was 701 million yen (compared with net cash provided of 2,280 million yen in the previous fiscal year). Although there were negative factors including an increase in inventories of 1,430 million yen, there were positive factors including an increase in advances received of 1,565 million yen and depreciation of 570 million yen.

Cash flows from investing activities

Net cash used in investing activities was 680 million yen (compared with net cash used of 1,726 million yen in the previous fiscal year). There were negative factors including purchase of property, plant and equipment of 460

million yen and purchase of intangible assets of 236 million yen.

Cash flows from financing activities

Net cash used in financing activities was 427 million yen (compared with net cash used of 371 million yen in the previous fiscal year). This was mainly the result of dividends paid of 335 million yen.

(4) Outlook

Although we expect that the new variants of COVID-19 will continue to have an effect on the Japanese and global economies, we anticipate a decline in the pandemic's impact as restrictions on economic activity are lifted, mainly in affluent countries, along with progress with vaccinations and COVID-19 drugs. We forecast a continuation for the time being of supply chain turmoil and shortages of semiconductors and many types of parts and materials. In addition, economic sanctions on Russia in response to its invasion of Ukraine are likely to affect the global economy. Due to many events that may cause an economic downturn, the outlook for the economy will remain uncertain.

In the pharmaceutical industry, which is the primary source of demand for Freund Group products, sales are expected to continue to decrease very slowly in Japan. This outlook is based on the positive effect of rising sales volumes as Japan's population ages and the expected recovery in sales as pandemic-related medical examination restrictions end along with the negative effect of measures to hold down drug prices, such as by revising national health insurance drug prices every year. In Japan's generic drug market, we forecast slowing growth because of the end of benefits of government actions to increase the use of these drugs and the effects of supply limitations caused by manufacturing problems at some generic drug producers. To end limitations on the supply of these drugs, several companies, primarily large generic drug manufacturers, plan to enlarge factories and take other steps to raise production capacity.

The global pharmaceutical market as well has been impacted by the reluctance of people to see physicians because of the COVID-19 crisis. Nevertheless, global pharmaceutical sales are expected to continue to grow as the populations of affluent countries age while in emerging countries populations and the quality of medical care increase.

Due to the current business climate, the Freund Group is currently implementing the Eighth Medium-term Management Plan, which covers the three-year period ending in February 2023. Further strengthening sales capabilities in the machinery and chemicals businesses is one goal of the new plan. Another goal is building an infrastructure for utilizing the Freund Group's technologies for meeting customers' most important needs. All of these initiatives will create a sound base for even more aggressive product development and sales activities worldwide. To accomplish the goals of this plan, we are building a global infrastructure centered on five locations by adding operations in three regions in addition to the existing bases in Japan and the United States. We established operations in India in 2019, Italy in 2020 and will start work on establishing a base of operations in China in 2022.

The fiscal year ending in February 2023 is the final year of the Eighth Medium-term Management Plan. When this plan was established, the targets for the final year were consolidated sales of 20,100 million yen and operating profit of 1,400 million yen.

In the machinery business, we believe that orders will be consistently high because of orders carried over from the previous fiscal year and expenditures by Japanese generic drug manufacturers for factory expansions and purchases of production machinery.

However, we foresee a continuation of the negative effects of supply chain disruptions outside Japan and the associated delays in the procurement of various parts and materials. In Japan as well, there are difficulties involving the procurement of semiconductors and other parts and materials and there are still no signs of when this situation will improve. Furthermore, we are raising selling prices as much as possible to pass on the higher cost of raw materials, but we expect a gap between the increase in expenses and the benefit of higher selling prices. Consequently, our forecasts for the fiscal year ending in February 2023 reflect a cautious stance about the business climate.

Based on this outlook, we expect sales to increase 4.9% year-over-year to 18,500 million yen and operating profit,

ordinary profit, and profit attributable to owners of parent to decrease 28.7%, 30.3% and 17.2% to 700 million yen, 720 million yen, and 450 million yen, respectively.

This forecast is based on the premise that the impact of the COVID-19 crisis will slowly decline and finally come to an end by February 2023.

For the performance of foreign subsidiaries, we assume an average exchange rate of 120 yen to the U.S. dollar and 130 yen for the euro during the fiscal year.

(5) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years

Maximizing shareholder value is the highest priority of Freund. Our policy is to use the benefits of higher shareholder value for earnings distributions to shareholders while retaining earnings for making the company stronger in order to adapt swiftly and accurately to changes in the operating environment.

The basic policy for the distribution of earnings is to make distributions based on results of operations. The target for the annual consolidated dividend payout ratio is 30%. We will maintain stable distributions while taking into account the need for retained earnings in order to build a stronger base of operations and take actions aimed at growth.

For the fiscal year that ended in February 2022, we plan to pay an ordinary year-end dividend of 20 yen per share, which is the same as for the previous fiscal year. Although earnings decreased, we are basing the dividend on our policy of paying a consistent and stable dividend. As a result, the payout ratio will be 61.6%, which is higher than our target of 30%.

For the fiscal year ending February 2023, we plan to pay an ordinary year-end dividend of 20 yen per share.

We will use retained earnings in the fiscal year ended February 28, 2022 for making our operations stronger, entering new business domains and other activities that contribute to future growth.

2. Basic Approach to the Selection of Accounting Standards

The Freund Group has a policy of preparing its consolidated financial statements using Japanese GAAP to permit comparisons with other fiscal years as well as comparisons with the performance of other Japanese companies.

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

(Thousands of yen)

	FY2/21 (As of Feb. 28, 2021)	FY2/22 (As of Feb. 28, 2022)
Assets		
Current assets		
Cash and deposits	4,498,482	4,145,207
Notes and accounts receivable-trade	4,659,895	4,902,513
Electronically recorded monetary claims-operating	210,221	326,231
Securities	212,500	-
Merchandise and finished goods	798,624	667,070
Work in process	1,457,682	2,390,278
Raw materials and supplies	1,217,155	2,032,755
Prepaid expenses	151,597	211,030
Other	362,421	341,948
Allowance for doubtful accounts	(10,342)	(12,624)
Total current assets	13,558,237	15,004,411
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,940,707	4,103,299
Accumulated depreciation	(1,924,716)	(2,088,393)
Buildings and structures, net	2,015,990	2,014,906
Machinery, equipment and vehicles	2,474,831	2,725,284
Accumulated depreciation	(1,647,906)	(1,859,522)
Machinery, equipment and vehicles, net	826,924	865,761
Land	1,159,307	1,141,676
Construction in progress	349,369	177,492
Other	1,522,699	1,621,454
Accumulated depreciation	(1,139,664)	(1,258,329)
Other, net	383,035	363,125
Total property, plant and equipment	4,734,626	4,562,962
Intangible assets		
Goodwill	658,901	643,241
Software	24,138	31,945
Software in progress	-	224,080
Customer-related assets	533,084	472,554
Other	75,659	63,008
Total intangible assets	1,291,783	1,434,830
Investments and other assets		
Investment securities	334,321	592,710
Business insurance funds	269,227	269,227
Deferred tax assets	187,885	235,394
Retirement benefit asset	1,251	429
Other	203,302	179,337
Allowance for doubtful accounts	(5,400)	(5,400)
Total investments and other assets	990,588	1,271,699
Total non-current assets	7,016,998	7,269,492
Total assets	20,575,235	22,273,904

	(Thousands of yen)	
	FY2/21	FY2/22
	(As of Feb. 28, 2021)	(As of Feb. 28, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,754,454	1,767,452
Electronically recorded obligations-operating	1,212,083	976,189
Short-term borrowings	55,793	27,180
Income taxes payable	245,299	256,087
Accrued expenses	379,357	340,643
Advances received	1,170,091	2,805,781
Provision for bonuses	258,586	252,662
Provision for bonuses for directors (and other officers)	43,156	29,918
Other	698,606	579,858
Total current liabilities	5,817,429	7,035,774
Non-current liabilities		
Long-term accounts payable-other	34,689	36,314
Lease obligations	394,370	376,253
Retirement benefit liability	280,598	316,216
Asset retirement obligations	46,472	67,130
Provision for retirement benefits for directors (and other officers)	23,697	6,591
Other	118,991	80,847
Total non-current liabilities	898,820	883,353
Total liabilities	6,716,249	7,919,127
Net assets		
Shareholders' equity		
Share capital	1,035,600	1,035,600
Capital surplus	1,289,513	1,289,513
Retained earnings	12,600,004	12,808,681
Treasury shares	(773,363)	(773,363)
Total shareholders' equity	14,151,755	14,360,432
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,149	39,688
Foreign currency translation adjustment	(330,648)	(37,972)
Remeasurements of defined benefit plans	15,729	(7,371)
Total accumulated other comprehensive income	(292,769)	(5,655)
Total net assets	13,858,986	14,354,776
Total liabilities and net assets	20,575,235	22,273,904

(2) Consolidated Statements of Income and Comprehensive Income**Consolidated Statement of Income**

(Thousands of yen)

	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)	FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)
Net sales	16,765,389	17,632,243
Cost of sales	11,126,271	11,620,336
Gross profit	5,639,118	6,011,906
Selling, general and administrative expenses	4,528,057	5,030,033
Operating profit	1,111,060	981,872
Non-operating income		
Interest income	3,667	824
Dividend income	7,023	7,210
Technical support fee income	9,881	12,979
Rental income	1,297	1,285
Insurance claim income	152,876	3,357
Foreign exchange gains	-	16,568
Other	33,364	22,127
Total non-operating income	208,111	64,353
Non-operating expenses		
Interest expenses	2,008	10,672
Compensation expenses	1,199	-
Foreign exchange losses	5,782	-
Other	1,858	2,774
Total non-operating expenses	10,848	13,446
Ordinary profit	1,308,323	1,032,779
Extraordinary income		
Gain on sale of non-current assets	25,748	2,083
Gain on sale of investment securities	-	1,298
Total extraordinary income	25,748	3,381
Extraordinary losses		
Loss on retirement of non-current assets	36,396	4,558
Loss on sale of non-current assets	7,546	795
Impairment losses	3,631	75,353
Settlement-related costs	-	126,984
Total extraordinary losses	47,574	207,692
Profit before income taxes	1,286,497	828,469
Income taxes-current	315,532	376,098
Income taxes-deferred	369	(91,196)
Total income taxes	315,902	284,902
Profit	970,595	543,566
Profit attributable to owners of parent	970,595	543,566

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)	FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)
Profit	970,595	543,566
Other comprehensive income		
Valuation difference on available-for-sale securities	8,469	17,538
Foreign currency translation adjustment	(31,899)	290,668
Remeasurements of defined benefit plans, net of tax	2,761	(23,101)
Share of other comprehensive income of entities accounted for using equity method	-	2,007
Total other comprehensive income	(20,667)	287,114
Comprehensive income	949,927	830,680
(Breakdown)		
Comprehensive income attributable to owners of parent	949,927	830,680

(3) Consolidated Statement of Changes in Equity

FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,035,600	1,289,513	11,964,299	(773,363)	13,516,050
Cumulative effects of changes in accounting policies					-
Restated balance	1,035,600	1,289,513	11,964,299	(773,363)	13,516,050
Changes during period					
Dividends of surplus			(334,890)		(334,890)
Profit attributable to owners of parent			970,595		970,595
Purchase of treasury shares					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	635,705	-	635,705
Balance at end of period	1,035,600	1,289,513	12,600,004	(773,363)	14,151,755

(Thousands of yen)

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	13,680	(298,749)	12,967	(272,101)	13,243,948
Cumulative effects of changes in accounting policies					-
Restated balance	13,680	(298,749)	12,967	(272,101)	13,243,948
Changes during period					
Dividends of surplus					(334,890)
Profit attributable to owners of parent					970,595
Purchase of treasury shares					-
Net changes in items other than shareholders' equity	8,469	(31,899)	2,761	(20,667)	(20,667)
Total changes during period	8,469	(31,899)	2,761	(20,667)	615,037
Balance at end of period	22,149	(330,648)	15,729	(292,769)	13,858,986

FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,035,600	1,289,513	12,600,004	(773,363)	14,151,755
Cumulative effects of changes in accounting policies					-
Restated balance	1,035,600	1,289,513	12,600,004	(773,363)	14,151,755
Changes during period					
Dividends of surplus			(334,890)		(334,890)
Profit attributable to owners of parent			543,566		543,566
Purchase of treasury shares					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	208,676	-	208,676
Balance at end of period	1,035,600	1,289,513	12,808,681	(773,363)	14,360,432

(Thousands of yen)

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	22,149	(330,648)	15,729	(292,769)	13,858,986
Cumulative effects of changes in accounting policies					-
Restated balance	22,149	(330,648)	15,729	(292,769)	13,858,986
Changes during period					
Dividends of surplus					(334,890)
Profit attributable to owners of parent					543,566
Purchase of treasury shares					-
Net changes in items other than shareholders' equity	17,538	292,676	(23,101)	287,114	287,114
Total changes during period	17,538	292,676	(23,101)	287,114	495,790
Balance at end of period	39,688	(37,972)	(7,371)	(5,655)	14,354,776

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY2/21	FY2/22
	(Mar. 1, 2020 – Feb. 28, 2021)	(Mar. 1, 2021 – Feb. 28, 2022)
Cash flows from operating activities		
Profit before income taxes	1,286,497	828,469
Depreciation	461,891	570,385
Impairment losses	3,631	75,353
Amortization of goodwill	16,579	74,180
Payment compensation costs	1,199	-
Insurance claim income	(152,876)	(3,357)
Settlement-related costs	-	126,984
Increase (decrease) in provision for bonuses	20,963	(7,613)
Increase (decrease) in provision for bonuses for directors (and other officers)	37,127	(13,788)
Increase (decrease) in allowance for doubtful accounts	250	1,668
Interest and dividend income	(10,691)	(8,035)
Interest expenses	2,008	10,672
Foreign exchange losses (gains)	1,091	(12,185)
Loss (gain) on sale of property, plant and equipment	(18,202)	(1,287)
Loss (gain) on sale of investment securities	-	(1,298)
Loss on retirement of property, plant and equipment	36,396	4,558
Decrease (increase) in trade receivables	674,520	(299,214)
Decrease (increase) in inventories	(112,902)	(1,430,220)
Decrease (increase) in other assets	190,585	17,908
Increase (decrease) in trade payables	(340,684)	(154,909)
Increase (decrease) in advances received	110,119	1,565,469
Increase (decrease) in other liabilities	83,116	(150,896)
Other, net	(10,467)	130
Subtotal	2,280,153	1,192,973
Interest and dividends received	10,691	8,035
Interest paid	(2,008)	(10,672)
Proceeds from insurance income	152,876	3,357
Income taxes refund	7,121	10,146
Income taxes paid	(174,019)	(394,188)
Settlement-related costs paid	-	(110,721)
Other, net	5,659	3,000
Net cash provided by (used in) operating activities	2,280,475	701,930
Cash flows from investing activities		
Expenditures for acquisition of equity in subsidiaries resulting in change in scope of consolidation	(1,106,137)	-
Payments for asset retirement obligations	(4,700)	-
Purchase of property, plant and equipment	(469,320)	(460,797)
Proceeds from sale of property, plant and equipment	88,986	22,191
Payments for retirement of property, plant and equipment	(4,410)	(2,068)
Purchase of intangible assets	(8,321)	(236,970)
Purchase of investment securities	(3,558)	(232,927)
Proceeds from sale of investment securities	-	7,883
Payments of guarantee deposits	(28,729)	(984)
Proceeds from refund of guarantee deposits	21,695	410
Proceeds from withdrawal of negotiable certificates of deposit	-	222,980
Payments into negotiable certificates of deposit	(211,950)	-
Net cash provided by (used in) investing activities	(1,726,445)	(680,282)

	(Thousands of yen)	
	FY2/21	FY2/22
	(Mar. 1, 2020 – Feb. 28, 2021)	(Mar. 1, 2021 – Feb. 28, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(27,470)	(30,039)
Proceeds from long-term borrowings	-	25,982
Repayments of long-term borrowings	-	(7,477)
Repayments of lease obligations	(9,141)	(39,759)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	-	(41,224)
Dividends paid	(333,793)	(335,128)
Other, net	(1,560)	-
Net cash provided by (used in) financing activities	(371,966)	(427,646)
Effect of exchange rate change on cash and cash equivalents	2,296	52,724
Net increase (decrease) in cash and cash equivalents	184,359	(353,274)
Cash and cash equivalents at beginning of period	4,314,123	4,498,482
Cash and cash equivalents at end of period	4,498,482	4,145,207

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Changes in Accounting Policies

Not applicable.

Additional Information

Effect of COVID-19 on accounting estimates

The Freund Group uses information that is available when the consolidated financial statements are prepared for the determination of accounting estimates for the impairment of non-current assets and other items. Predicting the severity of the pandemic and when this crisis will end are impossible at this time. Our current assumption is that the severity of the pandemic will slowly decline during the fiscal year ending in February 2023 and that the effects of the pandemic on our operations will not be significant.

There are still many uncertainties concerning the pandemic. If there is an increase in the number of infections that restricts economic and social activities resulting in an unexpectedly challenging business climate, there may be an effect on the Freund Group's financial position and results of operations.

Business Combinations

Finalization of provisional accounting treatment for business combinations

A provisional accounting treatment was used at the end of the previous fiscal year for the Freund Group's acquisition of Cos.Mec S.r.l on November 5, 2020, and this treatment was finalized in the current fiscal year.

Based on the finalization of this provisional accounting treatment, a material review has been reflected in the allocated amount of the acquisition cost in the comparative information included in the consolidated financial statements for the current fiscal year as follows.

Goodwill prior to this review includes an adjustment due to an additional payment associated with the finalization of the acquisition payment with conditions that was recorded in the first quarter of the current fiscal year.

Revisions to allocations	(Thousands of yen)
Goodwill (before adjustment)	1,131,631
Intangible assets (Customer-related assets)	(568,698)
Deferred tax liabilities	136,487
Total adjustments	(432,210)
Goodwill (after adjustment)	699,420

Goodwill amortization method and period: 10 years using the straight-line method

Weighted average amortization period for the total amount allocated to intangible assets other than goodwill and major categories

Intangible assets (Customer-related assets)	15 years
Intangible assets (Order backlog)	0.5 years
Total	13 years

Segment and Other Information

Segment information

1. Overview of reportable segment

The reportable segments of the Freund Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The primary business activities of the Freund Group are the manufacture and sale of machinery and chemical products. Consequently, the Freund Group has two reportable business segments: the Machinery Business and the Chemicals Business.

Main products and services of each reportable segment

Machinery Business: Granulating devices; construction of granulating machinery plants; measuring instruments and parts; and outsourced granulation of synthetic resins

Chemicals Business: Pharmaceutical excipients and dietary supplements; food preservatives; R&D, formulation studies and other projects for pharmaceuticals, food, chemicals and other products; and development and technology licensing of new dosage forms of pharmaceutical products

2. Calculation method for net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting methods used for reportable segments are generally the same as those adopted for preparation of the consolidated financial statements.

Segment profit (loss) for reportable business segments is based on operating profit (loss).

Inter-segment sales are based on prices used for third-party transactions.

3. Information related to net sales, profit or loss, assets, liabilities, and other items for each reportable segment

FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Machinery Business	Chemicals Business	Total		
Net sales					
External sales	11,171,415	5,593,974	16,765,389	-	16,765,389
Inter-segment sales and transfers	-	-	-	-	-
Total	11,171,415	5,593,974	16,765,389	-	16,765,389
Segment profit	1,047,726	546,112	1,593,838	(482,777)	1,111,060
Segment assets	11,688,980	4,234,078	15,923,059	4,652,176	20,575,235
Other items					
Depreciation	307,242	148,937	456,179	5,711	461,891
Increase in property, plant and equipment and intangible assets	954,984	203,940	1,158,925	11,407	1,170,332

Notes: 1. Adjustments include the following items.

- (1) The negative adjustment of 482,777 thousand yen to segment profit is 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) The 4,652,176 thousand yen adjustment to segment assets is corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of Freund's surplus funds (cash and deposits), long-term investment funds (investment securities and insurance funds), and assets of the administrative operations of Freund.
 - (3) The 5,711 thousand yen adjustment to depreciation is mainly depreciation of corporate assets that are not allocated to any of the reportable segments.
 - (4) The 11,407 thousand yen adjustment to increase in property, plant and equipment and intangible assets is mainly the sum of corporate assets that are not allocated to the reportable segments.
2. Segment profit is adjusted to be consistent with operating profit recorded in the consolidated statement of income.

3. Segment information for FY2/21 reflects the revision of the information in “Finalization of provisional accounting treatment of business combinations” in “(5) Notes to Consolidated Financial Statements (Business Combinations).”

FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)

(Thousands of yen)

	Reportable segment			Adjustment (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Machinery Business	Chemicals Business	Total		
Net sales					
External sales	11,836,513	5,795,729	17,632,243	-	17,632,243
Inter-segment sales and transfers	-	-	-	-	-
Total	11,836,513	5,795,729	17,632,243	-	17,632,243
Segment profit	623,434	884,892	1,508,326	(526,454)	981,872
Segment assets	13,630,268	4,707,537	18,337,806	3,936,098	22,273,904
Other items					
Depreciation	421,367	143,884	565,251	5,133	570,385
Investment in equity-method affiliate	-	236,218	236,218	-	236,218
Increase in property, plant and equipment and intangible assets	338,721	190,059	528,780	43,024	571,805

Notes: 1. The adjustment includes the following items.

- (1) The negative adjustment of 526,454 thousand yen to segment profit is 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) The 3,936,098 thousand yen adjustment to segment assets is corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of Freund’s surplus funds (cash and deposits), long-term investment funds (investment securities and insurance funds), and assets of the administrative operations of Freund.
 - (3) The 5,133 thousand yen adjustment to depreciation is mainly depreciation of corporate assets that are not allocated to any of the reportable segments.
 - (4) The 43,024 thousand yen adjustment to increase in property, plant and equipment and intangible assets is mainly the sum of corporate assets that are not allocated to the reportable segments.
2. Segment profit is adjusted to be consistent with operating profit recorded in the consolidated statement of income.

Related information

FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	US	Latin America	Europe	Asia	Other	Total
12,089,840	1,571,995	642,003	702,471	1,304,285	454,793	16,765,389

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

(2) Property, plant and equipment

(Thousands of yen)

Japan	US	Italy	Total
2,988,811	1,158,830	586,985	4,734,626

3. Information by major client

Not applicable.

FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)

1. Information by product or service

This information is omitted because the same information is presented in segment information.

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	US	Latin America	Europe	Asia	Other	Total
12,503,682	1,388,615	882,062	1,009,661	1,516,878	331,342	17,632,243

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

(2) Property, plant and equipment

(Thousands of yen)

Japan	US	Italy	Total
2,790,103	1,186,308	586,550	4,562,962

3. Information by major client

Not applicable.

In 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 “2. Information by region, (1) Net sales” for FY2/21 have been revised.

As a result, “Other” of 1,759,078 thousand yen previously presented in information by region (net sales) for FY2/21 is reclassified and divided into “Asia” of 1,304,285 thousand yen and “Other” of 454,793 thousand yen.

Information related to impairment losses on non-current assets for each reportable segment

FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)

There was no impairment loss allocated to reportable segments. The amount of impairment losses related to non-current assets that was not allocated to these segments was 3,631 thousand yen.

FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)

The Company has recognized impairment losses related to non-current assets of 25,658 thousand yen in the Machinery Business segment and 49,694 thousand yen in the Chemicals Business segment.

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)

Goodwill amortization of 16,579 thousand yen was recorded in the Machinery Business segment. Unamortized balance of this goodwill was 658,901 thousand yen.

FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)

Goodwill amortization of 74,180 thousand yen was recorded in the Machinery Business segment. Unamortized balance of this goodwill was 643,241 thousand yen.

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per Share Information

(Yen)

	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)	FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)
Net assets per share	827.67	857.28
Net income per share	57.96	32.46

Notes: 1. Diluted net income per share is not presented since the Company has no outstanding dilutive shares.

2. The basis of calculating the net income per share is as follows:

(Thousands of yen)

	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)	FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)
Profit attributable to owners of the parent	970,595	543,566
Amounts not attributable to common shareholders	-	-
Profit attributable to common shareholders of parent	970,595	543,566
Average number of common shares outstanding during the period (Thousand shares)	16,744	16,744

Subsequent Events

Not applicable.

4. Others**Orders and Sales**

(1) Orders received

(Thousands of yen)

Operating segment	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)		FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	12,386,712	121.1	15,621,186	126.1

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	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)		FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	6,615,881	140.9	10,574,211	159.8

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. Order backlog does not include consumption taxes.

(3) Sales

(Thousands of yen)

Operating segment	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)		FY2/22 (Mar. 1, 2021 – Feb. 28, 2022)	
	Amount	Composition (%)	Amount	Composition (%)
Machinery Business	11,171,415	66.6	11,836,513	67.1
Chemicals Business	5,593,974	33.4	5,795,729	32.9
Total	16,765,389	100.0	17,632,243	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.