

Consolidated Financial Results for the Fiscal Year Ended February 29, 2024

[Japanese GAAP]

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Scheduled date of Annual General Meeting of Shareholders: May 30, 2024
 Scheduled date of filing of Annual Securities Report: May 31, 2024
 Scheduled date of payment of dividend: May 31, 2024
 Preparation of supplementary materials for financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and securities analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended February 29, 2024

(March 1, 2023 – 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	%
Fiscal year ended Feb. 29, 2024	22,903	16.5	1,270	181.3	1,285	129.9	764	-
Fiscal year ended Feb. 28, 2023	19,658	11.5	451	(54.0)	559	(45.9)	(538)	-

Note: Comprehensive income Fiscal year ended Feb. 29, 2024: 1,211 million yen (up 933.4%)
 Fiscal year ended Feb. 28, 2023: 117 million yen (down 85.9%)

	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. 29, 2024	45.46	-	5.3	5.3	5.5
Fiscal year ended Feb. 28, 2023	(32.15)	-	(3.8)	2.5	2.3

Reference: Equity in earnings of affiliates Fiscal year ended Feb. 29, 2024: (24) million yen
 Fiscal year ended Feb. 28, 2023: (15) million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 29, 2024	25,789	15,023	58.3	889.03
As of Feb. 28, 2023	22,758	14,117	62.0	843.09

Reference: Equity capital As of Feb. 29, 2024: 15,023 million yen As of Feb. 28, 2023: 14,117 million yen

(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. 29, 2024	2,368	(739)	(874)	4,736
Fiscal year ended Feb. 28, 2023	(196)	(666)	451	3,917

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, 2023	-	0.00	-	20.00	20.00	334	-	2.4
Fiscal year ended Feb. 29, 2024	-	0.00	-	20.00	20.00	337	44.0	2.3
Fiscal year ending Feb. 28, 2025 (forecast)	-	0.00	-	25.00	25.00		54.6	

Note: Breakdown of the year-end dividend for the fiscal year ending Feb. 28, 2025: Ordinary dividend: 20.00 yen
 Commemorative dividend: 5.00 yen

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

*** 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: | Yes |
| 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. 29, 2024: 18,400,000 shares As of Feb. 28, 2023: 18,400,000 shares

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

As of Feb. 29, 2024: 1,501,308 shares As of Feb. 28, 2023: 1,655,480 shares

3) Average number of shares outstanding during the period

Fiscal year ended Feb. 29, 2024: 16,828,646 shares Fiscal year ended Feb. 28, 2023: 16,744,520 shares

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended February 29, 2024

(March 1, 2023 – February 29, 2024)

(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. 29, 2024	13,650	15.7	1,004	22.9	1,114	12.3	614	-
Fiscal year ended Feb. 28, 2023	11,795	(6.8)	817	(31.8)	992	(24.6)	(315)	-

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Feb. 29, 2024	36.53	-
Fiscal year ended Feb. 28, 2023	(18.85)	-

(2) Non-consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of Feb. 29, 2024	19,934		12,961		65.0		766.99	
As of Feb. 28, 2023	17,162		12,619		73.5		753.66	

Reference: Shareholders' equity As of Feb. 29, 2024: 12,961 million yen As of Feb. 28, 2023: 12,619 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

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.

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1. Overview of Results of Operations

(1) Results of Operations

Expectations for an economic recovery in Japan increased during the fiscal year that ended in February 2024. Economic activity began to return to normal after the pandemic, employment and personal income improved, and there were upturns in consumer spending and foreign tourists in Japan. However, the outlook for the Japanese economy remains uncertain. The Ukraine and Middle East conflicts are creating geopolitical tensions, economic growth is slowing in China because of the weak real estate market and other reasons, and the yen's depreciation is raising prices in Japan.

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

During the fiscal year, the Freund Group remained strongly committed to meeting the growing demand for production mainly at large pharmaceutical companies in Japan; our group companies diligently focused on achieving steady shipments of orders to solve the social issue of pharmaceutical supply shortages. On the other hand, operations started at a business site in China in June 2023, which expanded the Freund Group's global network to five regions. Activities will continue with the goal of strengthening the Freund brand in markets worldwide by further increasing collaboration and synergies among group companies.

In the fiscal year ended February 2024, net sales increased 16.5 % year-over-year to 22,903 million yen, operating profit increased 181.3% to 1,270 million yen, ordinary profit increased 129.9% to 1,285 million yen, and profit attributable to owners of parent was 764 million yen compared with a loss attributable to owners of parent of 538 million yen in the previous fiscal year.

In the machinery business, sales increased due to consistent shipments achieved in Japan and other countries. In the chemicals business, sales of pharmaceutical excipients and food preservatives remained strong. The result was record-high fiscal year sales. The order backlog also increased to a record high during the fiscal year.

Earnings increased as sales growth more than offset the rising cost of parts and materials, labor, and other items. In the previous fiscal year, impairment losses on goodwill and intangible assets related to consolidated subsidiary Cos. Mec S.r.l. in Italy held down earnings. As a result of a decrease in those losses in the current fiscal year, there was a significant increase in profit attributable to owners of parent following the loss one year earlier.

Operating results by segment are as follows.

Machinery Business Segment

In Japan, we collaborated with partner companies to ensure early shipment of orders backed by the strong demand for capital expenditures mentioned above. Our overseas subsidiaries focused diligently on shipping products to Latin America, resulting in steady shipments both domestically and internationally. In the previous fiscal year, sales and earnings were negatively impacted by significant shipment delays due to the tight labor supply and extended lead times for parts/materials procurement caused by supply chain disruptions at the U.S. subsidiary. In the current fiscal year, sales and earnings recovered because of the strong shipments and an improvement in profitability.

As a result, net sales increased 20.1% year-over-year to 16,157 million yen and segment profit was 924 million yen compared with segment profit of 59 million yen one year earlier.

Chemicals Business Segment

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

In the food preservatives sector, sales benefited from the steady recovery of demand for confectionery products that was backed by the recovery of trips and other outings, including by foreign tourists in Japan. As with pharmaceutical excipients, sales in the current fiscal year in this sector surpassed the previous fiscal year's record high.

As a result, net sales increased 8.6% year-over-year to 6,745 million yen and segment profit increased 7.0% to 1,044 million yen.

(2) Financial Position

Total assets increased 3,030 million yen from the end of the previous fiscal year to 25,789 million yen at the end of the current fiscal year. This increase is primarily the result of increases of 1,205 million yen in notes and accounts receivable-trade, and contract assets, 819 million yen in cash and deposits, 317 million yen in electronically recorded monetary claims-operating, 197 million yen in software in progress and 161 million yen in merchandise and finished goods.

Total liabilities increased 2,124 million yen from the end of the previous fiscal year to 10,765 million yen at the end of the current fiscal year. This increase is mainly the result of increases of 1,019 million yen in contract liabilities, 670 million yen in notes and accounts payable-trade and 480 million yen in electronically recorded obligations-operating.

Net assets increased 906 million yen from the end of the previous fiscal year to 15,023 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 4,736 million yen, up 819 million yen over the end of the previous fiscal year (this compares with a decrease of 228 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 2,368 million yen (compared with net cash used of 196 million yen in the previous fiscal year). Profit before income taxes of 1,101 million yen and an increase in notes and accounts payable-trade of 1,085 million yen were major sources of cash.

Cash flows from investing activities

Net cash used in investing activities was 739 million yen (compared with net cash used of 666 million yen in the previous fiscal year). This was primarily due to expenditures of 348 million yen for acquisition of property, plant and equipment and expenditures of 391 million yen for acquisition of intangible assets.

Cash flows from financing activities

Net cash used in financing activities was 874 million yen (compared with net cash provided of 451 million yen in the previous fiscal year). This was mainly the result of a net decrease of 450 million yen in short-term borrowings and dividends paid of 333 million yen.

(4) Outlook

The Japanese economy is expected to continue its recovery during the fiscal year ending in February 2025, supported by capital expenditures and further improvements in employment and personal income. In the global economy, there may be increasing geopolitical risks, high costs of fuel and raw material, and a downturn, primarily in Europe, the United States and China. In addition, numerous elections in major countries and regions during 2024 are another source of uncertainty. As a result, the outlook for the Japanese and global economies is likely to remain uncertain.

The Freund Group will celebrate its 60th anniversary in the fiscal year ending in February 2025. This fiscal year also marks the start of the Ninth Medium-term Management Plan* that covers the three-year period ending in February 2027. In line with the corporate philosophy of “Develop the Future through Creativity®,” our group companies will implement the measures outlined in this new plan to achieve sustained growth, strengthen the management foundation, and increase corporate value.

Forecasts for the fiscal year ending in February 2025 are as follows.

Consolidated forecasts for the fiscal year ending February 28, 2025

(Millions of yen)

Net sales	Operating profit	Ordinary profit	Profit attributable to owners of parent
23,500	1,100	1,100	770

For the performance of foreign subsidiaries, the Group assumes an average exchange rate of 140 yen to the U.S. dollar and 150 yen for the euro during the fiscal year.

* Ninth Medium-term Management Plan

Access IR News on the Freund website for more information in Japanese about this management plan.

<https://www.freund.co.jp/news/2024/ir/>

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

Freund Corporation considers the maximization of shareholder value as the most critical management objective. The goals are to enhance its corporate structure to effectively respond to changes in the business environment and distribute profits to its shareholders.

Regarding profit distribution, the basic principle is to allocate earnings based on performance, targeting an annual consolidated dividend payout ratio of 30%. The policy is to pay a consistent and stable dividend while using a comprehensive approach that includes the retention of earnings for strengthening business operations and future growth and other considerations.

For the fiscal year that ended in February 2024, Freund plans to pay an ordinary year-end dividend of 20 yen per share, which is the same as for the previous fiscal year, in line with the policy of maintaining a consistent and stable dividend.

For the fiscal year ending February 2025, Freund plans to pay a year-end dividend of 25 yen per share, which includes an ordinary dividend of 20 yen and a commemorative dividend of 5 yen for Freund's 60th anniversary.

2. Basic Approach to the Selection of Accounting Standards

The Freund Group uses Japanese GAAP for the preparation of its consolidated financial statements, which allows comparisons across different fiscal years and with other Japanese companies.

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

	(Thousands of yen)	
	FY2/23 (As of Feb. 28, 2023)	FY2/24 (As of Feb. 29, 2024)
Assets		
Current assets		
Cash and deposits	3,917,128	4,736,849
Notes and accounts receivable-trade, and contract assets	4,915,548	6,121,064
Electronically recorded monetary claims-operating	619,666	937,132
Merchandise and finished goods	760,326	921,946
Work in process	2,717,692	2,661,592
Raw materials and supplies	2,108,285	2,232,055
Advance payments to suppliers	414,129	431,632
Prepaid expenses	199,546	221,569
Other	232,922	323,101
Allowance for doubtful accounts	(15,226)	(49,689)
Total current assets	15,870,019	18,537,254
Non-current assets		
Property, plant and equipment		
Buildings and structures	4,279,200	4,597,415
Accumulated depreciation	(2,273,390)	(2,517,024)
Buildings and structures, net	2,005,809	2,080,391
Machinery, equipment and vehicles	2,673,424	2,758,083
Accumulated depreciation	(1,978,021)	(2,177,315)
Machinery, equipment and vehicles, net	695,402	580,768
Land	1,145,522	1,148,176
Construction in progress	204,971	285,647
Other	1,828,426	1,965,379
Accumulated depreciation	(1,438,679)	(1,604,534)
Other, net	389,746	360,844
Total property, plant and equipment	4,441,453	4,455,829
Intangible assets		
Software	32,499	22,458
Software in progress	560,486	757,542
Customer relationship	324,848	332,488
Other	49,621	38,231
Total intangible assets	967,456	1,150,721
Investments and other assets		
Investment securities	657,433	681,608
Business insurance funds	269,227	269,227
Deferred tax assets	366,398	503,485
Other	192,286	196,534
Allowance for doubtful accounts	(5,400)	(5,400)
Total investments and other assets	1,479,946	1,645,455
Total non-current assets	6,888,855	7,252,006
Total assets	22,758,875	25,789,260

	(Thousands of yen)	
	FY2/23 (As of Feb. 28, 2023)	FY2/24 (As of Feb. 29, 2024)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,896,836	2,567,304
Electronically recorded obligations-operating	833,521	1,313,951
Short-term borrowings	896,092	515,031
Income taxes payable	130,135	330,261
Accrued expenses	435,497	488,834
Contract liabilities	2,913,026	3,932,098
Provision for bonuses	220,553	276,915
Provision for bonuses for directors (and other officers)	17,185	33,973
Other	472,396	462,335
Total current liabilities	7,815,246	9,920,707
Non-current liabilities		
Lease liabilities	408,206	380,961
Retirement benefit liability	267,351	294,323
Asset retirement obligations	67,263	67,396
Provision for retirement benefits for directors (and other officers)	12,096	18,933
Other	71,522	83,514
Total non-current liabilities	826,439	845,129
Total liabilities	8,641,685	10,765,836
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	12,287,564
Treasury shares	(773,363)	(701,365)
Total shareholders' equity	13,451,750	13,911,313
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32,992	65,162
Foreign currency translation adjustment	612,727	1,022,683
Remeasurements of defined benefit plans	19,719	24,264
Total accumulated other comprehensive income	665,439	1,112,110
Total net assets	14,117,189	15,023,424
Total liabilities and net assets	22,758,875	25,789,260

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

(Thousands of yen)

	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)	FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)
Net sales	19,658,519	22,903,644
Cost of sales	13,665,247	15,859,736
Gross profit	5,993,272	7,043,908
Selling, general and administrative expenses	5,541,697	5,773,777
Operating profit	451,574	1,270,131
Non-operating income		
Interest income	299	3,043
Dividend income	7,714	7,984
Technical support fee income	19,098	14,771
Rental income	1,325	1,166
Foreign exchange gains	109,030	39,420
Other	32,332	40,874
Total non-operating income	169,800	107,260
Non-operating expenses		
Interest expenses	34,511	65,256
Share of loss of entities accounted for using equity method	15,429	24,691
Other	12,415	2,172
Total non-operating expenses	62,356	92,119
Ordinary profit	559,018	1,285,272
Extraordinary income		
Gain on sale of non-current assets	31,063	8,676
Total extraordinary income	31,063	8,676
Extraordinary losses		
Loss on retirement of non-current assets	33,051	186,609
Loss on sale of non-current assets	1,124	-
Loss on valuation of investment securities	28,456	6,240
Impairment losses	933,929	-
Total extraordinary losses	996,562	192,849
Profit (loss) before income taxes	(406,480)	1,101,099
Income taxes - current	284,763	447,571
Income taxes - deferred	(152,826)	(111,442)
Total income taxes	131,936	336,129
Profit (loss)	(538,417)	764,970
Profit (loss) attributable to owners of parent	(538,417)	764,970

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY2/23	FY2/24
	(Mar. 1, 2022 – Feb. 28, 2023)	(Mar. 1, 2023 – Feb. 29, 2024)
Profit (loss)	(538,417)	764,970
Other comprehensive income		
Valuation difference on available-for-sale securities	(6,695)	32,169
Foreign currency translation adjustment	633,343	402,983
Remeasurements of defined benefit plans, net of tax	27,091	4,544
Share of other comprehensive income of entities accounted for using equity method	1,926	6,973
Total other comprehensive income	655,664	446,670
Comprehensive income	117,247	1,211,641
(Breakdown)		
Comprehensive income attributable to owners of parent	117,247	1,211,641

(3) Consolidated Statement of Changes in Equity

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)

(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	12,808,681	(773,363)	14,360,432
Cumulative effects of changes in accounting policies			(35,373)		(35,373)
Restated balance	1,035,600	1,289,513	12,773,307	(773,363)	14,325,058
Changes during period					
Dividends of surplus			(334,890)		(334,890)
Loss attributable to owners of parent			(538,417)		(538,417)
Net changes in items other than shareholders' equity					
Total changes during period	-	-	(873,307)	-	(873,307)
Balance at end of period	1,035,600	1,289,513	11,899,999	(773,363)	13,451,750

(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	39,688	(37,972)	(7,371)	(5,655)	14,354,776
Cumulative effects of changes in accounting policies					(35,373)
Restated balance	39,688	(37,972)	(7,371)	(5,655)	14,319,403
Changes during period					
Dividends of surplus					(334,890)
Loss attributable to owners of parent					(538,417)
Net changes in items other than shareholders' equity	(6,695)	650,699	27,091	671,094	671,094
Total changes during period	(6,695)	650,699	27,091	671,094	(202,213)
Balance at end of period	32,992	612,727	19,719	665,439	14,117,189

FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)

(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	11,899,999	(773,363)	13,451,750
Changes during period					
Dividends of surplus			(334,890)		(334,890)
Profit attributable to owners of parent			764,970		764,970
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares			(42,514)	71,998	29,484
Net changes in items other than shareholders' equity					
Total changes during period	-	-	387,565	71,997	459,563
Balance at end of period	1,035,600	1,289,513	12,287,564	(701,365)	13,911,313

(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	32,992	612,727	19,719	665,439	14,117,189
Changes during period					
Dividends of surplus					(334,890)
Profit attributable to owners of parent					764,970
Purchase of treasury shares					(0)
Disposal of treasury shares					29,484
Net changes in items other than shareholders' equity	32,169	409,956	4,544	446,670	446,670
Total changes during period	32,169	409,956	4,544	446,670	906,234
Balance at end of period	65,162	1,022,683	24,264	1,112,110	15,023,424

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY2/23	FY2/24
	(Mar. 1, 2022 – Feb. 28, 2023)	(Mar. 1, 2023 – Feb. 29, 2024)
Cash flows from operating activities		
Profit (loss) before income taxes	(406,480)	1,101,099
Depreciation	565,043	539,728
Impairment losses	933,929	-
Amortization of goodwill	77,811	-
Share-based payment expenses	-	29,483
Increase (decrease) in provision for bonuses	(33,987)	55,547
Increase (decrease) in provision for bonuses for directors (and other officers)	(12,733)	16,788
Increase (decrease) in allowance for doubtful accounts	964	31,231
Interest and dividend income	(8,013)	(11,027)
Interest expenses	34,511	65,256
Foreign exchange losses (gains)	(92,707)	(44,863)
Share of loss (profit) of entities accounted for using equity method	15,429	24,691
Loss (gain) on sale of property, plant and equipment	(29,938)	(8,676)
Loss (gain) on valuation of investment securities	28,456	6,240
Loss on retirement of property, plant and equipment	33,051	19,860
Loss on retirement of intangible assets	-	166,748
Decrease (increase) in trade receivables	(171,232)	(1,380,355)
Decrease (increase) in inventories	(54,315)	95,370
Decrease (increase) in other assets	(147,044)	22,480
Increase (decrease) in trade payables	(78,886)	1,085,979
Increase (decrease) in contract liabilities	(356,219)	887,624
Increase (decrease) in other liabilities	(56,941)	(51,889)
Other, net	(4,128)	341
Subtotal	236,569	2,651,659
Interest and dividends received	8,013	11,027
Interest paid	(34,511)	(65,256)
Income taxes refund	2,450	34,238
Income taxes paid	(412,829)	(267,448)
Other, net	4,260	4,106
Net cash provided by (used in) operating activities	(196,046)	2,368,327
Cash flows from investing activities		
Purchase of property, plant and equipment	(269,229)	(348,310)
Proceeds from sale of property, plant and equipment	40,877	13,348
Payments for retirement of property, plant and equipment	(8,213)	(10,512)
Purchase of intangible assets	(330,339)	(391,471)
Purchase of investment securities	(97,422)	(1,974)
Payments of guarantee deposits	(3,604)	(2,104)
Proceeds from refund of guarantee deposits	1,269	1,131
Net cash provided by (used in) investing activities	(666,663)	(739,893)

	(Thousands of yen)	
	FY2/23	FY2/24
	(Mar. 1, 2022 – Feb. 28, 2023)	(Mar. 1, 2023 – Feb. 29, 2024)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	852,796	(450,438)
Repayments of long-term borrowings	(6,956)	(6,586)
Repayments of lease liabilities	(60,201)	(83,228)
Dividends paid	(333,960)	(333,749)
Net cash provided by (used in) financing activities	451,677	(874,002)
Effect of exchange rate change on cash and cash equivalents	182,952	65,289
Net increase (decrease) in cash and cash equivalents	(228,079)	819,721
Cash and cash equivalents at beginning of period	4,145,207	3,917,128
Cash and cash equivalents at end of period	3,917,128	4,736,849

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

Change in valuation method for inventories

From the beginning 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

1. Overview of reportable segments

The reportable segments of the Freund Group are components for which discrete financial information is available. These segments are subject to regular reviews by the Board of Directors to make decisions regarding resource allocation and to evaluate performance.

The Freund Group is engaged in manufacturing 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 reportable segments follow the accounting methods that are generally consistent with those adopted for preparation of the consolidated financial statements.

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

Inter-segment sales are derived from prices in third-party transactions.

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

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)

(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	13,448,982	6,209,537	19,658,519	-	19,658,519
Inter-segment sales and transfers	-	-	-	-	-
Total	13,448,982	6,209,537	19,658,519	-	19,658,519
Segment profit	59,461	976,289	1,035,751	(584,177)	451,574
Segment assets	13,706,794	4,946,841	18,653,635	4,105,239	22,758,875
Other items					
Depreciation	413,697	145,723	559,421	5,622	565,043
Investment in equity-method affiliate	-	332,714	332,714	-	332,714
Increase in property, plant and equipment and intangible assets	323,859	268,681	592,541	53,861	646,402

Notes: 1. The adjustment includes the following items.

- (1) The negative adjustment of 584,177 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 4,105,239 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 5,622 thousand yen adjustment to depreciation is mainly depreciation of corporate assets that are not allocated to any of the reportable segments.
- (4) The 53,861 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 financial statements .

FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)

(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	16,157,667	6,745,977	22,903,644	-	22,903,644
Inter-segment sales and transfers	-	-	-	-	-
Total	16,157,667	6,745,977	22,903,644	-	22,903,644
Segment profit	924,984	1,044,181	1,969,165	(699,034)	1,270,131
Segment assets	15,157,631	5,567,904	20,725,535	5,063,724	25,789,260
Other items					
Depreciation	397,333	135,072	532,405	7,322	539,728
Investment in equity-method affiliate	-	314,996	314,996	-	314,996
Increase in property, plant and equipment and intangible assets	302,225	365,972	668,198	63,655	731,853

Notes: 1. The adjustment includes the following items.

- (1) The negative adjustment of 699,034 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 5,063,724 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 7,322 thousand yen adjustment to depreciation is mainly depreciation of corporate assets that are not allocated to any of the reportable segments.
 - (4) The 63,655 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 financial statements.

Related information

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)

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
11,716,020	1,716,232	2,506,738	1,042,741	2,322,929	353,857	19,658,519

Note: 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
2,616,743	1,373,598	451,110	4,441,453

3. Information by major client

This information is omitted because no specific external client accounts for 10% or more of consolidated net sales on the consolidated statement of income.

FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)

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
13,994,388	2,009,921	2,867,795	1,384,712	1,787,693	859,134	22,903,644

Note: 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
2,638,002	1,382,340	435,486	4,455,829

3. Information by major client

This information is omitted because no specific external client accounts for 10% or more of consolidated net sales on the consolidated statement of income.

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

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)

The Company has recognized impairment losses related to non-current assets of 933,094 thousand yen in the Machinery Business segment, 624 thousand yen in the Chemicals Business segment, and 210 thousand yen in the category of corporate assets that are not allocated to any of the reportable segments.

FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)

Not applicable.

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

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)

Goodwill amortization of 77,811 thousand yen was recorded for consolidated subsidiary Cos. Mec S.r.l. in the Machinery Business segment. There is no unamortized balance of this goodwill.

FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)

Not applicable.

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Revenue Recognition

Information of breakdown on revenue from contracts with customers

FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)

(Thousands of yen)

	Reportable segments		
	Machinery Business	Chemicals Business	Total
Japan	5,845,815	5,870,204	11,716,020
United States	1,716,112	120	1,716,232
Latin America	2,506,738	-	2,506,738
Europe	833,865	208,875	1,042,741
Asia	2,193,002	129,926	2,322,929
Other	353,447	410	353,857
Revenue from contracts with customers	13,448,982	6,209,537	19,658,519
External sales	13,448,982	6,209,537	19,658,519

FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)

(Thousands of yen)

	Reportable segments		
	Machinery Business	Chemicals Business	Total
Japan	7,533,997	6,460,390	13,994,388
United States	2,009,921	-	2,009,921
Latin America	2,867,795	-	2,867,795
Europe	1,261,954	122,757	1,384,712
Asia	1,630,649	157,044	1,787,693
Other	853,349	5,785	859,134
Revenue from contracts with customers	16,157,667	6,745,977	22,903,644
External sales	16,157,667	6,745,977	22,903,644

Per Share Information

(Yen)

	FY2/23	FY2/24
	(Mar. 1, 2022 – Feb. 28, 2023)	(Mar. 1, 2023 – Feb. 29, 2024)
Net assets per share	843.09	889.03
Net income (loss) per share	(32.15)	45.46

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 (loss) per share is as follows:

(Thousands of yen)

	FY2/23	FY2/24
	(Mar. 1, 2022 – Feb. 28, 2023)	(Mar. 1, 2023 – Feb. 29, 2024)
Profit (loss) attributable to owners of the parent	(538,417)	764,970
Amounts not attributable to common shareholders	-	-
Profit (loss) attributable to common shareholders of parent	(538,417)	764,970
Average number of common shares outstanding during the period (Thousand shares)	16,744	16,828

Subsequent Events

Not applicable.

4. Others

Orders and Sales

(1) Orders received (Thousands of yen)

Operating segment	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)		FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	14,630,593	93.7	18,600,239	127.1

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.

(2) Order backlog (Thousands of yen)

Operating segment	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)		FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	12,826,511	121.3	15,842,927	123.5

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	FY2/23 (Mar. 1, 2022 – Feb. 28, 2023)		FY2/24 (Mar. 1, 2023 – Feb. 29, 2024)	
	Amount	Composition (%)	Amount	Composition (%)
Machinery Business	13,448,982	68.4	16,157,667	70.5
Chemicals Business	6,209,537	31.6	6,745,977	29.5
Total	19,658,519	100.0	22,903,644	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.