

Consolidated Financial Results for the Fiscal Year Ended February 28, 2021

[Japanese GAAP]

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 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, 2021

(March 1, 2020 – February 28, 2021)

(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, 2021	16,765	(0.0)	1,147	105.5	1,344	130.7	995	161.0
Fiscal year ended Feb. 29, 2020	16,772	(8.9)	558	(54.3)	582	(56.1)	381	(54.8)

Note: Comprehensive income Fiscal year ended Feb. 28, 2021: 975 million yen (up 196.8%)
 Fiscal year ended Feb. 29, 2020: 328 million yen (down 64.5%)

	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, 2021	59.47	-	7.3	6.9	6.8
Fiscal year ended Feb. 29, 2020	22.79	-	2.9	3.2	3.3

Reference: Equity in earnings of affiliates Fiscal year ended Feb. 28, 2021: - million yen
 Fiscal year ended Feb. 29, 2020: - 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, 2021	20,499	13,884	67.7	829.21
As of Feb. 29, 2020	18,505	13,243	71.6	790.94

Reference: Equity capital As of Feb. 28, 2021: 13,884 million yen As of Feb. 29, 2020: 13,243 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. 28, 2021	2,280	(1,726)	(371)	4,498
Fiscal year ended Feb. 29, 2020	(27)	(852)	(325)	4,314

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Feb. 29, 2020	-	0.00	-	20.00	20.00	334	87.8	2.5
Fiscal year ended Feb. 28, 2021	-	0.00	-	20.00	20.00	334	33.6	2.5
Fiscal year ending Feb. 28, 2022 (forecast)	-	0.00	-	20.00	20.00		42.4	

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2022 (March 1, 2021 – February 28, 2022)

(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	10.3	1,100	(4.2)	1,130	(16.0)	790	(20.7)	47.18

* 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, 2021: 18,400,000 shares As of Feb. 29, 2020: 18,400,000 shares

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

As of Feb. 28, 2021: 1,655,480 shares As of Feb. 29, 2020: 1,655,480 shares

3) Average number of shares outstanding during the period

Fiscal year ended Feb. 28, 2021: 16,744,520 shares Fiscal year ended Feb. 29, 2020: 16,744,520 shares

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended February 28, 2021

(March 1, 2020 – February 28, 2021)

(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, 2021	12,432	4.4	898	68.0	951	61.5	661	83.3
Fiscal year ended Feb. 29, 2020	11,908	(9.2)	534	(54.7)	588	(54.4)	361	(60.2)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Feb. 28, 2021	39.53	-
Fiscal year ended Feb. 29, 2020	21.56	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Feb. 28, 2021	17,244	12,850	74.5	767.42
As of Feb. 29, 2020	16,930	12,514	73.9	747.39

Reference: Shareholders' equity As of Feb. 28, 2021: 12,850 million yen As of Feb. 29, 2020: 12,514 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

In the fiscal year that ended February 28, 2021, there was an unprecedented economic downturn in Japan in April and May 2020 because of the global COVID-19 pandemic. Economic activity resumed after the state of emergency ended in May 2020 and the Japanese economy has been recovering slowly.

However, another state of emergency was declared in January 2021 in response to the third wave of infections that started in November. The pace of the economic recovery declined because of this upturn in infections and the outlook for the economy is uncertain.

The COVID-19 pandemic triggered a sharp economic downturn worldwide. Following this decline, the global economy has been recovering at a moderate pace as each country took actions aimed at supporting their economies while controlling the spread of the pandemic. However, the outlook for the global economy has become even more uncertain because of the renewed growth of COVID-19 cases.

In the pharmaceutical industry, which is the primary source of demand for Freund Group products, companies must take actions in response to changes in the business climate. Changes include heightened measures to hold down healthcare expenditures, such as national health insurance drug price revisions and the increasing use of generic drugs, and the rising cost of R&D programs as well as the associated risk. In addition, the benefits of measures by the Japanese government to increase the use of generic drugs are declining, resulting in a slow decline in the growth rate of the generic drug market.

The fiscal year ended in February 2021 was the first year of the Freund Group's 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 solidarity and collaboration
2. Always use the customer's perspective
3. Make innovation a priority
4. Global management of the Freund Group
5. Progress based on a strategy for growth
6. Business process and working style reforms
7. Make compliance/governance a priority

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 were working on reaching the consolidated targets of sales of 17,800 million yen and an operating profit of 1,000 million yen.

Net sales decreased 0.0% year-over-year to 16,765 million yen, operating profit increased 105.5% to 1,147 million yen, ordinary profit was up 130.7% to 1,344 million yen, and profit attributable to owners of parent increased 161.0% to 995 million yen.

Results by business segment were as follows.

Machinery Business Segment

In the machinery segment, where granulating and coating equipment are the main products, there was only a small increase in sales as some export shipments were delayed because of the COVID-19 crisis. But operating profit increased in part because a U.S. subsidiary received a COVID-19 subsidy of about 2.1 million dollars from the U.S. government and every Freund Group company implemented cost-reduction measures.

In November 2020, Freund acquired Cos.Mec S.r.l., an Italian manufacturer of pharmaceutical production machinery. This company, which is now a wholly owned subsidiary, was included in the consolidated financial statements beginning with the fourth quarter of the fiscal year that ended in February 2021.

As a result, net sales increased 0.5% year-over-year to 11,171 million yen and segment profit increased 248.5% to 1,084 million yen.

Chemicals Business Segment

Sales and operating profit of pharmaceutical excipients used for oral drugs declined in part because sales of some products were affected by production reductions at some customers and by the postponement of deliveries to the next fiscal year.

Sales and operating profit of food preservatives also decreased. The main reason was lower sales of souvenirs for tourists and confectionery products at department stores because of the spread of COVID-19.

Sales and operating profit for the production of health food products for other companies increased as these companies increased their inventories of these products.

As a result, net sales decreased 1.1 % year-over-year to 5,593 million yen and segment profit decreased 30.1% to 546 million yen.

(2) Financial Position

Total assets increased 1,994 million yen from the end of the previous fiscal year to 20,499 million yen at the end of the current fiscal year. This mainly reflected increases of 1,089 million yen in goodwill, 597 million yen in buildings and structures, net, 212 million yen in securities and 203 million yen in raw materials and supplies.

Total liabilities increased 1,353 million yen from the end of the previous fiscal year to 6,614 million yen at the end of the current fiscal year. This mainly reflected increases of 391 million yen in lease obligations (non-current liabilities), 239 million yen in advances received, 183 million yen in income taxes payable and 115 million yen in retirement benefit liability.

Net assets increased 640 million yen from the end of the previous fiscal year to 13,884 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 4,498 million yen, up 184 million yen over the end of the previous fiscal year (this compares with a decrease of 1,220 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 2,280 million yen (compared with net cash used of 27 million yen in the previous fiscal year). Although there were negative factors including a decrease in trade payables of 340 million yen, there were positive factors including profit before income taxes of 1,323 million yen and a decrease in trade receivables of 674 million yen and depreciation of 414 million yen.

Cash flows from investing activities

Net cash used in investing activities was 1,726 million yen (compared with net cash used of 852 million yen in the previous fiscal year). There were negative factors including expenditures for acquisition of equity in subsidiaries accompanying change in scope of consolidation (acquisition of Cos.Mec) of 1,106 million yen and a payment for the purchase of property, plant and equipment of 469 million yen.

Cash flows from financing activities

Net cash used in financing activities was 371 million yen (compared with net cash used of 325 million yen in the previous fiscal year). This was mainly the result of dividends paid of 333 million yen.

(4) Outlook

The COVID-19 pandemic has reduced economic activity in Japan and around the world. The global economy is expected to recover slowly as countries and companies continue to work on maintaining the proper balance between measures to prevent infections and measures to return to normal economic activity. There are many sources of uncertainty, notably the speed of vaccinations, the length of vaccine efficacy and the ability of vaccines to provide protection against new strains of COVID-19. Consequently, the outlook is uncertain.

In the pharmaceutical industry, which is the primary source of demand for Freund Group products, in Japan, sales volumes of some high-priced drugs increased, but the pharmaceuticals market was negatively affected by the reductions in national health insurance drug prices and reluctance of people to see a physician because of the COVID-19 crisis. Although Japan's aging population is expected to contribute to an increase in the volume of pharmaceutical sales, a small decrease in total pharmaceutical sales is expected because of government measures to hold down drug prices, such as by revising national health insurance drug prices and recalculating the outlook for market growth. In addition, the benefits of measures by the Japanese government to increase the use of generic drugs are declining, resulting in a slow decline in the growth rate of the generic drug market.

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 growing 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 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.

Based on these strategies, we expect sales to increase 10.3% year-over-year to 18,500 million yen and operating profit, ordinary profit, and profit attributable to owners of parent to decrease 4.2%, 16.0% and 20.7% to 1,100 million yen, 1,130 million yen, and 790 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 2022.

For the performance of foreign subsidiaries, we assume an average exchange rate of 105 yen to the U.S. dollar and 125 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 ended February 28, 2021, we plan to pay an ordinary year-end dividend of 20 yen per share.

For the fiscal year ending February 2022, we plan to pay an ordinary year-end dividend of 20 yen per share.

We will use retained earnings for the fiscal year ended February 28, 2021 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 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)

	FY2/20 (As of Feb. 29, 2020)	FY2/21 (As of Feb. 28, 2021)
Assets		
Current assets		
Cash and deposits	4,314,123	4,498,482
Notes and accounts receivable-trade	5,013,789	4,659,895
Electronically recorded monetary claims-operating	417,513	210,221
Securities	-	212,500
Merchandise and finished goods	647,754	798,624
Work in process	1,390,426	1,457,682
Raw materials and supplies	1,013,444	1,217,155
Prepaid expenses	139,944	151,597
Other	261,804	362,421
Allowance for doubtful accounts	(5,471)	(10,342)
Total current assets	13,193,328	13,558,237
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,327,759	3,940,707
Accumulated depreciation	(1,909,199)	(1,924,716)
Buildings and structures, net	1,418,559	2,015,990
Machinery, equipment and vehicles	2,026,554	2,474,831
Accumulated depreciation	(1,390,508)	(1,647,906)
Machinery, equipment and vehicles, net	636,046	826,924
Land	1,231,252	1,159,307
Construction in progress	530,193	349,369
Other	1,423,302	1,522,699
Accumulated depreciation	(1,029,473)	(1,139,664)
Other, net	393,828	383,035
Total property, plant and equipment	4,209,880	4,734,626
Intangible assets		
Goodwill	-	1,089,741
Software	19,811	24,138
Other	76,270	75,659
Total intangible assets	96,081	1,189,539
Investments and other assets		
Investment securities	319,151	334,321
Business insurance funds	269,227	269,227
Deferred tax assets	208,497	214,482
Retirement benefit asset	1,530	1,251
Other	213,029	203,302
Allowance for doubtful accounts	(5,400)	(5,400)
Total investments and other assets	1,006,036	1,017,185
Total non-current assets	5,311,999	6,941,351
Total assets	18,505,327	20,499,588

	(Thousands of yen)	
	FY2/20	FY2/21
	(As of Feb. 29, 2020)	(As of Feb. 28, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,754,324	1,754,454
Electronically recorded obligations-operating	1,367,537	1,212,083
Short-term borrowings	32,829	55,793
Income taxes payable	61,729	245,299
Accrued expenses	333,886	379,357
Advances received	775,289	1,014,771
Provision for bonuses	237,693	269,742
Provision for bonuses for directors (and other officers)	6,000	32,000
Other	454,630	853,926
Total current liabilities	5,023,920	5,817,429
Non-current liabilities		
Long-term accounts payable-other	35,547	34,689
Lease obligations	2,601	394,370
Retirement benefit liability	165,114	280,598
Asset retirement obligations	31,683	46,472
Provision for retirement benefits for directors (and other officers)	-	23,697
Other	2,512	17,648
Total non-current liabilities	237,458	797,476
Total liabilities	5,261,378	6,614,905
Net assets		
Shareholders' equity		
Share capital	1,035,600	1,035,600
Capital surplus	1,289,513	1,289,513
Retained earnings	11,964,299	12,625,221
Treasury shares	(773,363)	(773,363)
Total shareholders' equity	13,516,050	14,176,972
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	13,680	22,149
Foreign currency translation adjustment	(298,749)	(330,168)
Remeasurements of defined benefit plans	12,967	15,729
Total accumulated other comprehensive income	(272,101)	(292,289)
Total net assets	13,243,948	13,884,682
Total liabilities and net assets	18,505,327	20,499,588

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

(Thousands of yen)

	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)
Net sales	16,772,877	16,765,389
Cost of sales	11,344,395	11,126,271
Gross profit	5,428,481	5,639,118
Selling, general and administrative expenses	4,870,030	4,491,453
Operating profit	558,450	1,147,664
Non-operating income		
Interest income	4,380	3,667
Dividend income	7,547	7,023
Technical support fee income	5,974	9,881
Rental income	1,266	1,297
Insurance claim income	4,548	152,876
Foreign exchange gains	786	-
Other	10,894	33,364
Total non-operating income	35,397	208,111
Non-operating expenses		
Interest expenses	719	2,008
Compensation expenses	8,373	1,199
Foreign exchange losses	-	5,782
Other	1,888	1,858
Total non-operating expenses	10,981	10,848
Ordinary profit	582,866	1,344,926
Extraordinary income		
Gain on sales of non-current assets	14,231	25,748
Gain on sales of investment securities	2,200	-
Total extraordinary income	16,431	25,748
Extraordinary losses		
Loss on retirement of non-current assets	26,445	36,396
Loss on sales of non-current assets	1,155	7,546
Loss on valuation of investment securities	950	-
Impairment loss	2,188	3,631
Total extraordinary losses	30,739	47,574
Profit before income taxes	568,558	1,323,101
Income taxes-current	237,283	315,532
Income taxes-deferred	(50,252)	11,756
Total income taxes	187,030	327,288
Profit	381,528	995,812
Profit attributable to owners of parent	381,528	995,812

Consolidated Statement of Comprehensive Income

	(Thousands of yen)	
	FY2/20	FY2/21
	(Mar. 1, 2019 – Feb. 29, 2020)	(Mar. 1, 2020 – Feb. 28, 2021)
Profit	381,528	995,812
Other comprehensive income		
Valuation difference on available-for-sale securities	(21,778)	8,469
Foreign currency translation adjustment	(33,096)	(31,419)
Remeasurements of defined benefit plans, net of tax	2,050	2,761
Total other comprehensive income	(52,825)	(20,188)
Comprehensive income	328,703	975,624
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	328,703	975,624

(3) Consolidated Statement of Changes in Equity

FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)

(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	11,918,177	(773,363)	13,469,928
Cumulative effects of changes in accounting policies			(515)		(515)
Restated balance	1,035,600	1,289,513	11,917,661	(773,363)	13,469,412
Changes during period					
Dividends of surplus			(334,890)		(334,890)
Profit attributable to owners of parent			381,528		381,528
Purchase of treasury shares					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	46,637	-	46,637
Balance at end of period	1,035,600	1,289,513	11,964,299	(773,363)	13,516,050

(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	35,459	(265,653)	10,917	(219,276)	13,250,651
Cumulative effects of changes in accounting policies					(515)
Restated balance	35,459	(265,653)	10,917	(219,276)	13,250,136
Changes during period					
Dividends of surplus					(334,890)
Profit attributable to owners of parent					381,528
Purchase of treasury shares					-
Net changes in items other than shareholders' equity	(21,778)	(33,096)	2,050	(52,825)	(52,825)
Total changes during period	(21,778)	(33,096)	2,050	(52,825)	(6,187)
Balance at end of period	13,680	(298,749)	12,967	(272,101)	13,243,948

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			995,812		995,812
Purchase of treasury shares					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	660,921	-	660,921
Balance at end of period	1,035,600	1,289,513	12,625,221	(773,363)	14,176,972

(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					995,812
Purchase of treasury shares					-
Net changes in items other than shareholders' equity	8,469	(31,419)	2,761	(20,188)	(20,188)
Total changes during period	8,469	(31,419)	2,761	(20,188)	640,733
Balance at end of period	22,149	(330,168)	15,729	(292,289)	13,884,682

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY2/20	FY2/21
	(Mar. 1, 2019 – Feb. 29, 2020)	(Mar. 1, 2020 – Feb. 28, 2021)
Cash flows from operating activities		
Profit before income taxes	568,558	1,323,101
Depreciation	386,491	414,446
Impairment loss	2,188	3,631
Payment compensation costs	8,373	1,199
Amortization of goodwill	-	27,420
Insurance claim income	-	(152,876)
Increase (decrease) in provision for bonuses	25,126	32,090
Increase (decrease) in provision for bonuses for directors (and other officers)	(24,000)	26,000
Increase (decrease) in allowance for doubtful accounts	(3,270)	250
Interest and dividend income	(11,927)	(10,691)
Interest expenses	719	2,008
Foreign exchange losses (gains)	(1,827)	1,091
Loss (gain) on sales of property, plant and equipment	(13,075)	(18,202)
Loss (gain) on sales of investment securities	(2,200)	-
Loss (gain) on valuation of investment securities	950	-
Loss (gain) on cancellation of insurance policies	321	-
Loss on retirement of property, plant and equipment	26,445	36,396
Decrease (increase) in trade receivables	(1,106,299)	674,520
Decrease (increase) in inventories	(590,227)	(112,902)
Decrease (increase) in other assets	(94,541)	186,875
Increase (decrease) in trade payables	921,933	(340,684)
Increase (decrease) in advances received	114,548	(42,301)
Increase (decrease) in other liabilities	66,026	235,536
Other, net	(352)	(6,757)
Subtotal	273,960	2,280,153
Interest and dividends received	11,927	10,691
Interest paid	(719)	(2,008)
Proceeds from insurance income	-	152,876
Income taxes refund	19,469	7,121
Income taxes paid	(324,133)	(174,019)
Other, net	(8,373)	5,659
Net cash provided by (used in) operating activities	(27,868)	2,280,475
Cash flows from investing activities		
Expenditures for acquisition of equity in subsidiaries accompanying change in scope of consolidation	-	(1,106,137)
Payments for asset retirement obligations	-	(4,700)
Purchase of property, plant and equipment	(835,378)	(469,320)
Proceeds from sales of property, plant and equipment	30,470	88,986
Payments for retirement of property, plant and equipment	(585)	(4,410)
Purchase of intangible assets	(56,637)	(8,321)
Purchase of investment securities	(2,502)	(3,558)
Proceeds from sales of investment securities	4,200	-
Proceeds from cancellation of insurance funds	9,661	-
Payments of guarantee deposits	(1,697)	(28,729)
Proceeds from refund of guarantee deposits	147	21,695
Payments into negotiable certificates of deposit	-	(211,950)
Net cash provided by (used in) investing activities	(852,322)	(1,726,445)

	(Thousands of yen)	
	FY2/20	FY2/21
	(Mar. 1, 2019 – Feb. 29, 2020)	(Mar. 1, 2020 – Feb. 28, 2021)
Cash flows from financing activities		
Proceeds from short-term borrowings	36,389	48,548
Repayments of short-term borrowings	-	(76,018)
Repayments of lease obligations	(3,653)	(9,141)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(25,398)	-
Dividends paid	(333,131)	(333,793)
Other, net	-	(1,560)
Net cash provided by (used in) financing activities	(325,794)	(371,966)
Effect of exchange rate change on cash and cash equivalents	(14,323)	2,296
Net increase (decrease) in cash and cash equivalents	(1,220,308)	184,359
Cash and cash equivalents at beginning of period	5,534,431	4,314,123
Cash and cash equivalents at end of period	4,314,123	4,498,482

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

Not applicable.

Additional Information

The COVID-19 pandemic is affecting the Freund Group's operations as shipments of products in the Machinery Business were delayed and sales of food preservatives in the Chemicals Business declined because of slow sales of confectionery products associated with closings and reduced operating hours of amusement parks and department stores.

The enormous negative effects of the COVID-19 pandemic on economic and social activities are having a significant impact on the business activities of the Freund Group. Furthermore, this crisis is likely to continue longer than was initially expected. Based on the assumption that this crisis will slowly end toward the end of February 2022, the decision was made to make revisions to accounting estimates for impairment losses on non-current assets, the recoverability of deferred tax assets and other items.

Business Combinations

Business combination through acquisition

1. Summary of business combination

(1) Acquired companies and their business activities

Acquired companies: Cos.Mec S.r.l. and its subsidiary

Business activities: Producing and selling pharmaceutical manufacturing equipment

(2) Reasons for acquisition

Freund is guided by the management vision of contribution to better medical care and health for people worldwide and creating and utilizing technologies for fulfilling lives and food safety. In March 2020, Freund started its Eighth Medium-term Management Plan, which includes the goals of managing operations on a global scale and taking strategic actions for growth.

The Japanese pharmaceutical market is expected to continue growing steadily as the population ages. However, pharmaceutical sales in emerging countries are projected to increase faster than in affluent countries because of rising populations and the growing demand for pharmaceuticals.

Following an examination that took these factors into consideration about the acquisition of Cos.Mec, a manufacturer of pharmaceutical production machinery in Italy, Freund reached the decision to sign a contract for the acquisition of this company.

Purposes and reasons of acquiring Cos.Mec

a	There is very little duplication between the products of the Freund Group and those of Cos.Mec. In addition, use of the Freund Group's sales network is expected to increase sales of Cos.Mec pharmaceutical intermediate handling and processing machinery, which are widely used in the pharmaceutical industry. Freund also believes that the Cos.Mec sales network can increase sales of the Freund Group's granulation and coating machinery, which are two of the Group's core products.
b	Most of the customers of Cos. Mec and the Freund Group are located in different countries and regions. This will make it possible to cross-sell the products of the two companies.
c	Backed by 30 years of experience, Cos.Mec is highly cost competitive and manufactures its machinery internally, resulting in consistently strong sales and earnings.
d	Acquiring Cos.Mec gives the Freund Group sound positions in Japan (Freund Corporation), the United States (Freund-Vector Corporation) and Europe (Cos.Mec). With these three bases, the Freund Group is even better positioned to sell products worldwide, including emerging countries.

(3) Acquisition date

November 5, 2020 (acquisition of equity interests)

September 30, 2020 (assumed acquisition date)

(4) Legal form of acquisition

Acquisition of equity interests with cash.

(5) Company's name after acquisition

There is no change in the company's name.

(6) Percentage of voting rights acquired

100%

(7) Basis for choosing the company to acquire

Freund acquired the equity interests in exchange for cash.

2. Period of the acquired companies' performance included in the consolidated financial statements

From October 1 to December 31, 2020.

3. Acquisition cost of acquired company and breakdown by type of consideration

Payment for the acquisition: Cash	9,750,000 euros (1,192,425,000 yen)
<hr/>	
Acquisition cost:	9,750,000 euros (1,192,425,000 yen)

This acquisition cost is a provisional figure. The final acquisition cost may be different because of the possibility of adjustments to the price. The euro-denominated figures are converted into yen at the exchange rate on November 5, 2020.

4. Goodwill resulting from the acquisition

(1) Value of goodwill

8,775,000 euros (1,089,673,000 yen)

This is a provisional figure for goodwill that will be finalized later because the allocation of the cost of this acquisition had not been completed as of the end of the current fiscal year.

(2) Source of goodwill

The source is primarily the expectation of excess earnings power emerging from business development in the future.

(3) Amortization method and amortization period

Goodwill is amortized over ten years by the straight-line method.

Segment and Other Information

Segment information

1. Overview of reportable segment

The reportable segments of the 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 Group include manufacture and sale of machinery and chemical products. Consequently, the 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 policies for reportable business segments are generally the same as those described in “Significant Accounting Policies in the Preparation of Consolidated Financial Statements.”

Segment profit (loss) for reportable business segments are 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

FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)

(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	11,118,858	5,654,018	16,772,877	-	16,772,877
Inter-segment sales and transfers	-	-	-	-	-
Total	11,118,858	5,654,018	16,772,877	-	16,772,877
Segment profit	311,116	781,690	1,092,806	(534,356)	558,450
Segment assets	9,167,797	4,197,371	13,365,169	5,140,158	18,505,327
Other items					
Depreciation	250,634	130,195	380,829	5,662	386,491
Increase in property, plant and equipment and intangible assets	660,048	290,799	950,848	348	951,196

Notes: 1. Contents of adjustments are as follows.

- (1) The negative adjustment of 534,356 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 5,140,158 thousand yen adjustment to segment assets is corporate assets that are not allocated to any of the reportable segments. Corporate assets mainly consist of the Company's surplus funds (cash and deposits), long-term investment funds (investment securities and insurance funds), and assets of the administrative operations of the Company.
 - (3) The 5,662 thousand yen adjustment to depreciation is mainly depreciation of corporate assets that are not allocated to any of the reportable segments.
 - (4) The 348 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.

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	1,084,329	546,112	1,630,441	(482,777)	1,147,664
Segment assets	11,613,333	4,234,078	15,857,713	4,652,176	20,499,588
Other items					
Depreciation	259,797	148,937	408,735	5,711	414,446
Increase in property, plant and equipment and intangible assets	421,900	203,940	625,840	11,407	637,248

Notes: 1. Contents of adjustments are as follows.

- (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 the Company's surplus funds (cash and deposits), long-term investment funds (investment securities and insurance funds), and assets of the administrative operations of the Company.
 - (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.

Related information

FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)

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	Other	Total
12,195,441	1,393,026	1,502,174	557,828	1,124,406	16,772,877

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
2,973,552	1,147,321	89,006	4,209,880

3. Information by major client

Not applicable.

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	Other	Total
12,089,840	1,571,995	642,003	702,471	1,759,078	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.

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

FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)

The Company has recognized impairment losses related to non-current assets of 203 thousand yen in the Machinery Business segment and 1,984 thousand yen in the Chemicals Business 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.

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

FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)

Not applicable.

FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)

Goodwill amortization of 27,420 thousand yen was recorded in the Machinery Business segment. Unamortized balance of this goodwill was 1,089,741 thousand yen.

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per Share Information

(Yen)

	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)
Net assets per share	790.94	829.21
Net income per share	22.79	59.47

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)

	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)	FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)
Profit attributable to owners of the parent	381,528	995,812
Amounts not attributable to common shareholders	-	-
Profit attributable to common shareholders of parent	381,528	995,812
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	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)		FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	10,227,445	86.4	12,386,712	121.1

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	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)		FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	4,695,673	86.5	6,615,881	140.9

Notes: 1. No order backlog is shown for the Chemicals Business because production is based on sales plans rather than specific orders.

2. Order backlog is based on selling prices; inter-segment transactions have been eliminated.

3. Order backlog does not include consumption taxes.

(3) Sales

(Thousands of yen)

Operating segment	FY2/20 (Mar. 1, 2019 – Feb. 29, 2020)		FY2/21 (Mar. 1, 2020 – Feb. 28, 2021)	
	Amount	Composition (%)	Amount	Composition (%)
Machinery Business	11,118,858	66.3	11,171,415	66.6
Chemicals Business	5,654,018	33.7	5,593,974	33.4
Total	16,772,877	100.0	16,765,389	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.