

**Consolidated Financial Results**  
**for the First Quarter of the Fiscal Year Ending February 29, 2024**  
**(Three Months Ended May 31, 2023)**

[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 filing of Quarterly Report:

July 11, 2023

Scheduled date of payment of dividend:

-

Preparation of supplementary materials for quarterly financial results:

None

Holding of quarterly financial results meeting:

None

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

**1. Consolidated Financial Results for the First Quarter (March 1, 2023 – May 31, 2023) of the Fiscal Year Ending February 29, 2024**

(1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 31, 2023	4,200	18.8	(29)	-	(17)	-	(18)	-
Three months ended May 31, 2022	3,535	(10.6)	(104)	-	(43)	-	(45)	-

Note: Comprehensive income

Three months ended May 31, 2023: 71 million yen (down 78.5%)

Three months ended May 31, 2022: 334 million yen (up 31.9%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended May 31, 2023	(1.12)	-
Three months ended May 31, 2022	(2.73)	-

Reference: Equity in earnings of affiliates Three months ended May 31, 2023: (3) million yen

Three months ended May 31, 2022: (4) million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of May 31, 2023	22,605	13,854	61.3	827.39
As of Feb. 28, 2023	22,758	14,117	62.0	843.09

Reference: Equity capital

As of May 31, 2023: 13,854 million yen

As of Feb. 28, 2023: 14,117 million yen

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 28, 2023	-	0.00	-	20.00	20.00
Fiscal year ending Feb. 29, 2024	-				
Fiscal year ending Feb. 29, 2024 (forecast)		0.00	-	20.00	20.00

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

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

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	20,000	1.7	700	55.0	650	16.3	450	-	26.87

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

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: - Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: Yes

Note: Please refer to page 8 “(3) Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements” for details.

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: Yes

3) Changes in accounting-based estimates: None

4) Restatements: None

(4) Number of outstanding shares (common stock)

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

As of May 31, 2023:	18,400,000 shares	As of Feb. 28, 2023:	18,400,000 shares
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2) Number of treasury shares at the end of the period

As of May 31, 2023:	1,655,480 shares	As of Feb. 28, 2023:	1,655,480 shares
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3) Average number of shares outstanding during the period

Three months ended May 31, 2023:	16,744,520 shares	Three months ended May 31, 2022:	16,744,520 shares
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This financial report is not subject to quarterly review by certified public accountants or auditing firms.

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

Statements about future performance, including forecasts in this document are based on certain assumptions that the Company considers to be reasonable and relies on and the information currently available. Actual performance may significantly differ due to various reasons. Please refer to the section “Explanation of Consolidated Forecast and Other Forward-looking Statements” on page 3 of the attachments regarding preconditions or other related matters for forecasts shown above.

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## 1. Qualitative Information on Quarterly Consolidated Financial Performance

### (1) Explanation of Results of Operations

The Japanese economy slowly recovered during the first quarter of the current fiscal year as pandemic restrictions on activities were eased and economic activity returned to normal. However, the outlook for the economy remains uncertain because of the soaring energy prices and inflation caused by the prolonged Ukraine conflict and ongoing global financial tightening. There are also concerns about the impact on the Japanese economy of a downturn in overseas economies.

In the pharmaceutical industry, a key user of Freund Group products, companies face challenges such as dealing with health insurance drug price revisions, reinforced measures to control healthcare expenditures and the rapidly rising R&D expenses. In addition, many pharmaceutical companies need to build factories and replace equipment due to aging facilities. In the generic drug industry, the effects of the government's measures to increase the use of generic drugs have run their course. Due to deficiencies of some manufacturers in their manufacturing systems, the industry as a whole need to build a sound infrastructure for ensuring the quality and stable supply of generic drugs. Major generic drug manufacturers plan to expand their operations, such as by building additional plants, to address this need.

The outlook is positive for the global pharmaceutical industry as expectations increase for growing demand for pharmaceuticals as the world's population increases and ages, and living standards in emerging countries improve. In June 2023, in addition to Japan, the United States, India and Italy, operations started at a business site in China, which gives the Freund Group its long-awaited five-pole global structure. With this structure, the Freund Group will take more actions to maximize synergies among group companies to enhance its presence in Japan and international markets.

In the chemicals business as well, there are activities for further strengthening sales capabilities and manufacturing operations. The Group has established a framework for utilizing its technologies to meet customers' true needs. All of these initiatives will create a sound base for even more product development, manufacturing and sales activities worldwide.

In the current fiscal year, we are working on reaching the consolidated targets of sales of 20,000 million yen and an operating profit of 700 million yen.

In the first quarter of the fiscal year ending in February 2024, net sales increased 18.8% year-over-year to 4,200 million yen, there was an operating loss of 29 million yen compared with a loss of 104 million yen one year earlier, the ordinary loss was 17 million yen compared with a loss of 43 million yen one year earlier, and there was a loss attributable to owners of parent of 18 million yen compared with loss attributable to owners of parent of 45 million yen one year earlier.

Operating results by segment are as follows

#### **Machinery Business Segment**

Although orders in Japan remain strong, there have still not been any improvements regarding the long time required to purchase some parts and the increasing length of delivery lead times for finished products.

In the first quarter of the previous fiscal year, shipments were delayed due to the tight labor supply and long time required to procure parts/materials caused by supply chain disruptions at the U.S. subsidiary. Performance recovered significantly in the first quarter of the current fiscal year due to steady progress with shipping products to customers.

As a result, net sales increased 22.9% year-over-year to 2,556 million yen and segment loss was 76 million yen compared with segment loss of 156 million yen in the same period of the previous fiscal year).

## **Chemicals Business Segment**

First quarter sales were higher than one year earlier, which was a new record for quarterly sales, because of strong sales of both pharmaceutical excipients and food preservatives.

There were big increases in sales and operating profit of pharmaceutical excipients because some sales of certain highly profitable products expected to be recognized in the first quarter of the previous fiscal year were pushed back to the second quarter. First quarter sales of these products returned to normal in the current fiscal year.

Food preservative sales and operating profit increased. Demand remained strong because of strong e-commerce sales of bread.

As a result, net sales increased 13.0% year-over-year to 1,643 million yen and segment profit increased 7.6% to 207 million yen.

## **(2) Explanation of Financial Position**

Total assets decreased 153 million yen from the end of the previous fiscal year to 22,605 million yen at the end of the first quarter. This mainly reflected decreases of 656 million yen in notes and accounts receivable-trade and contract assets and 634 million yen in cash and deposits, while there were increases of 819 million yen in work in process, 203 million yen in electronically recorded monetary claims-operating and 114 million yen in software in progress.

Total liabilities increased 109 million yen from the end of the previous fiscal year to 8,750 million yen at the end of the first quarter. This mainly reflected increases of 229 million yen in short-term borrowings, 108 million yen in electronically recorded obligations-operating, and 106 million yen in provision for bonuses, while there were decreases of 313 million yen in notes and accounts payable-trade and 25 million yen in contract liabilities.

Net assets decreased 262 million yen from the end of the previous fiscal year to 13,854 million yen at the end of the first quarter. This mainly reflected a decrease of 353 million yen in retained earnings, while there was an increase of 96 million yen in foreign currency translation adjustment.

## **(3) Explanation of Consolidated Forecast and Other Forward-looking Statements**

There are no revisions to the full year consolidated forecasts for the fiscal year ending February 29, 2024, which were disclosed in the Consolidated Financial Results for the Fiscal Year Ended February 28, 2023 dated May 8, 2023.

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

	(Thousands of yen)	
	FY2/23 (As of Feb. 28, 2023)	First quarter of FY2/24 (As of May 31, 2023)
<b>Assets</b>		
Current assets		
Cash and deposits	3,917,128	3,283,012
Notes and accounts receivable-trade, and contract assets	4,915,548	4,259,498
Electronically recorded monetary claims-operating	619,666	823,072
Merchandise and finished goods	760,326	764,736
Work in process	2,717,692	3,537,154
Raw materials and supplies	2,108,285	1,925,947
Prepaid expenses	199,546	201,850
Other	647,052	742,974
Allowance for doubtful accounts	(15,226)	(16,528)
Total current assets	15,870,019	15,521,719
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,005,809	2,019,820
Land	1,145,522	1,146,159
Other, net	1,290,121	1,314,200
Total property, plant and equipment	4,441,453	4,480,179
Intangible assets		
Software	32,499	29,538
Software in progress	560,486	675,074
Customer relationship	324,848	328,046
Other	49,621	46,855
Total intangible assets	967,456	1,079,515
Investments and other assets		
Deferred tax assets	366,398	415,294
Other	1,118,946	1,113,815
Allowance for doubtful accounts	(5,400)	(5,400)
Total investments and other assets	1,479,946	1,523,709
Total non-current assets	6,888,855	7,083,404
Total assets	22,758,875	22,605,124
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	1,896,836	1,583,218
Electronically recorded obligations-operating	833,521	942,022
Short-term borrowings	896,092	1,125,363
Income taxes payable	130,135	47,669
Contract liabilities	2,913,026	2,887,954
Provision for bonuses	220,553	327,194
Provision for bonuses for directors (and other officers)	17,185	7,900
Other	907,894	1,008,116
Total current liabilities	7,815,246	7,929,439
Non-current liabilities		
Lease liabilities	408,206	408,075
Retirement benefit liability	267,351	263,585
Asset retirement obligations	67,263	67,296
Provision for retirement benefits for directors (and other officers)	12,096	13,734
Other	71,522	68,769
Total non-current liabilities	826,439	821,461
Total liabilities	8,641,685	8,750,901

	(Thousands of yen)	
	FY2/23 (As of Feb. 28, 2023)	First quarter of FY2/24 (As of May 31, 2023)
Net assets		
Shareholders' equity		
Share capital	1,035,600	1,035,600
Capital surplus	1,289,513	1,289,513
Retained earnings	11,899,999	11,546,319
Treasury shares	(773,363)	(773,363)
Total shareholders' equity	13,451,750	13,098,070
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	32,992	27,924
Foreign currency translation adjustment	612,727	709,135
Remeasurements of defined benefit plans	19,719	19,091
Total accumulated other comprehensive income	665,439	756,152
Total net assets	14,117,189	13,854,222
Total liabilities and net assets	22,758,875	22,605,124

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

(Thousands of yen)

	First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)	First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)
Net sales	3,535,718	4,200,237
Cost of sales	2,331,587	2,858,637
Gross profit	1,204,131	1,341,599
Selling, general and administrative expenses	1,308,480	1,371,148
Operating loss	(104,349)	(29,548)
Non-operating income		
Interest income	14	0
Dividend income	3,949	4,198
Technical support fee income	5,098	5,137
Foreign exchange gains	52,198	8,670
Other	6,162	12,746
Total non-operating income	67,423	30,753
Non-operating expenses		
Interest expenses	1,841	14,720
Share of loss of entities accounted for using equity method	4,917	3,256
Other	140	383
Total non-operating expenses	6,899	18,360
Ordinary loss	(43,825)	(17,155)
Extraordinary income		
Gain on sale of non-current assets	13,506	142
Total extraordinary income	13,506	142
Extraordinary losses		
Loss on sale of non-current assets	1,309	-
Loss on retirement of non-current assets	18	3,936
Loss on valuation of investment securities	1,929	6,285
Total extraordinary losses	3,257	10,221
Loss before income taxes	(33,576)	(27,235)
Income taxes	12,057	(8,446)
Loss	(45,633)	(18,789)
Loss attributable to owners of parent	(45,633)	(18,789)



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

	(Thousands of yen)	
	First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)	First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)
Loss	(45,633)	(18,789)
Other comprehensive income		
Valuation difference on available-for-sale securities	(15,159)	(5,068)
Foreign currency translation adjustment	385,662	97,665
Remeasurements of defined benefit plans, net of tax	2,529	(627)
Share of other comprehensive income of entities accounted for using equity method	7,209	(1,257)
Total other comprehensive income	380,241	90,712
Comprehensive income	334,607	71,923
(Breakdown)		
Comprehensive income attributable to owners of parent	334,607	71,923

### **(3) Notes to Quarterly Consolidated Financial Statements**

#### **Going Concern Assumption**

Not applicable.

#### **Significant Changes in Shareholders' Equity**

Not applicable.

#### **Application of Special Accounting Methods for Presenting Quarterly Consolidated Financial Statements**

The tax expenses are calculated by first estimating the effective tax rate after the application of tax effect accounting with respect to profit before income taxes during the fiscal year in which the period falls, and multiplying that rate by the profit before income taxes for the period. However, Freund uses the statutory effective tax rate to calculate tax expenses for cases in which using the estimated effective tax rate gives a noticeably irrational result.

#### **Changes in Accounting Policies**

Change in valuation method for inventories

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

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

## Segment and Other Information

### Segment information

I First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)

#### 1. Information related to net sales and profit or loss for each reportable segment (Thousands of yen)

	Machinery Business	Chemicals Business	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales					
(1) External sales	2,080,664	1,455,054	3,535,718	-	3,535,718
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	2,080,664	1,455,054	3,535,718	-	3,535,718
Segment profit (loss)	(156,911)	192,542	35,631	(139,980)	(104,349)

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 139,980 thousand yen to segment profit (loss) includes corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of selling, general and administrative expenses that are not attributable to any of the reportable segments.

2. Segment profit (loss) is adjusted to be consistent with operating loss recorded in the quarterly consolidated statement of income.

#### 2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Not applicable.

#### 3. Information by region

Net sales

In addition to the disclosure of information required by the “Accounting Standard for Quarterly Financial Statements,” the Company provides information by region (net sales) based on the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” for the purpose of providing investors with useful information.

(Thousands of yen)

Japan	United States	Latin America	Europe	Asia	Other	Total
2,522,956	89,890	363,519	190,918	339,388	29,045	3,535,718

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

2. Groupings of countries and regions other than Japan are determined by geographic proximity and mutual operational relationships. Major countries and regions in each geographic segment are as follows.

- (1) Latin America: Brazil, etc.
- (2) Europe: France, Italy, UK, etc.
- (3) Asia: China, India, etc.
- (4) Other: Middle East, etc.

II First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)

1. Information related to net sales and profit or loss for each reportable segment (Thousands of yen)

	Machinery Business	Chemicals Business	Total	Adjustment (Note 1)	Amounts shown on quarterly consolidated statement of income (Note 2)
Net sales					
(1) External sales	2,556,527	1,643,710	4,200,237	-	4,200,237
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	2,556,527	1,643,710	4,200,237	-	4,200,237
Segment profit (loss)	(76,259)	207,094	130,834	(160,383)	(29,548)

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 160,383 thousand yen to segment profit (loss) includes corporate expenses that are not allocated to any of the reportable segments. Corporate expenses mainly consist of selling, general and administrative expenses that are not attributable to any of the reportable segments.

2. Segment profit (loss) is adjusted to be consistent with operating profit recorded in the quarterly consolidated statement of income.

2. Information related to impairment losses on non-current assets, goodwill, etc. for each reportable segment

Not applicable.

3. Information by region

Net sales

In addition to the disclosure of information required by the “Accounting Standard for Quarterly Financial Statements,” the Company provides information by region (net sales) based on the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” for the purpose of providing investors with useful information.

(Thousands of yen)

Japan	United States	Latin America	Europe	Asia	Other	Total
2,556,808	590,951	372,746	155,132	387,041	137,557	4,200,237

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

2. Groupings of countries and regions other than Japan are determined by geographic proximity and mutual operational relationships. Major countries and regions in each geographic segment are as follows.

- (1) Latin America: Brazil, Mexico, etc.
- (2) Europe: France, Italy, UK, etc.
- (3) Asia: China, India, etc.
- (4) Other: Middle East, Africa, etc.

**Revenue Recognition**

Information of breakdown on revenue from contracts with customers

First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)

(Thousands of yen)

	Reportable segments		
	Machinery Business	Chemicals Business	Total
Japan	1,175,430	1,347,525	2,522,956
United States	89,770	120	89,890
Latin America	363,519	-	363,519
Europe	133,474	57,444	190,918
Asia	289,423	49,964	339,388
Other	29,045	-	29,045
Revenue from contracts with customers	2,080,664	1,455,054	3,535,718
External sales	2,080,664	1,455,054	3,535,718

First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)

(Thousands of yen)

	Reportable segments		
	Machinery Business	Chemicals Business	Total
Japan	989,534	1,567,273	2,556,808
United States	590,951	-	590,951
Latin America	372,746	-	372,746
Europe	133,035	22,097	155,132
Asia	333,614	53,427	387,041
Other	136,645	912	137,557
Revenue from contracts with customers	2,556,527	1,643,710	4,200,237
External sales	2,556,527	1,643,710	4,200,237

### 3. Others

#### Orders and Sales

(1) Orders received (Thousands of yen)

Operating segment	First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)		First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	4,043,512	129.1	4,200,255	103.9

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

2. Orders received are based on selling prices; inter-segment transactions have been eliminated.

(2) Order backlog (Thousands of yen)

Operating segment	First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)		First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	13,026,352	181.5	14,607,614	112.1

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

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

(3) Sales (Thousands of yen)

Operating segment	First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)		First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023)	
	Amount	Composition (%)	Amount	Composition (%)
Machinery Business	2,080,664	58.8	2,556,527	60.9
Chemicals Business	1,455,054	41.2	1,643,710	39.1
Total	3,535,718	100.0	4,200,237	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.*