

**Consolidated Financial Results**  
**for the Third Quarter of the Fiscal Year Ending February 28, 2022**  
**(Nine Months Ended November 30, 2021)**

[Japanese GAAP]

Company name: Freund Corporation

Listing: Tokyo (JASDAQ)

Securities code: 6312

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

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Scheduled date of filing of Quarterly Report: January 12, 2022

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 Third Quarter (March 1, 2021 – November 30, 2021) of the Fiscal Year Ending February 28, 2022**

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Nov. 30, 2021	11,988	10.5	459	17.4	492	13.2	270	(2.5)
Nine months ended Nov. 30, 2020	10,852	(2.3)	391	320.4	435	290.9	277	634.0

Note: Comprehensive income Nine months ended Nov. 30, 2021: 516 million yen (up 221.9%)

Nine months ended Nov. 30, 2020: 160 million yen (-%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Nov. 30, 2021	16.13	-
Nine months ended Nov. 30, 2020	16.55	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Nov. 30, 2021	21,728	14,040	64.6	838.51
As of Feb. 28, 2021	20,575	13,858	67.4	827.67

Reference: Equity capital As of Nov. 30, 2021: 14,040 million yen As of Feb. 28, 2021: 13,858 million yen

Note: The provisional accounting treatment for a business combination with Cos.Mec S.r.l. was finalized as of November 30, 2021 and figures as of February 28, 2021 reflect the finalized content of the provisional accounting treatment.

**2. Dividends**

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 28, 2021	-	0.00	-	20.00	20.00
Fiscal year ending Feb. 28, 2022	-	0.00	-	-	-
Fiscal year ending Feb. 28, 2022 (forecast)	-	-	-	20.00	20.00

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

**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	(1.0)	1,130	(13.6)	790	(18.6)	47.18

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:    None

3) Changes in accounting-based estimates:    None

4) Restatements:    None

(4) Number of outstanding shares (common stock)

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

As of Nov. 30, 2021:	18,400,000 shares	As of Feb. 28, 2021:	18,400,000 shares
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2) Number of treasury shares at the end of the period

As of Nov. 30, 2021:	1,655,480 shares	As of Feb. 28, 2021:	1,655,480 shares
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3) Average number of shares outstanding during the period

Nine months ended Nov. 30, 2021:	16,744,520 shares	Nine months ended Nov. 30, 2020:	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

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 “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

There was significant downward pressure on the Japanese economy mainly due to sluggish consumer spending during the first nine months of the current fiscal year due to more declarations of states of emergency in 2021 because of the emergence of new variants of the virus that causes COVID-19. The economy has been recovering as pandemic restrictions were eased along with progress with vaccinations. However, the outlook for the economy remains uncertain because of new variants of the virus, shortages of semiconductors and other items, and other reasons.

In other countries, economies are recovering as pandemic restrictions are eased as more people are vaccinated, mainly in affluent countries. In some regions, there are signs of another increase in infections. In addition, there are widespread logistics and supply chain disruptions. As a result, the outlook for the global economy is still unclear.

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

The Freund Group is taking many actions based on the Eighth Medium-term Management Plan covering the three-year period ending February 2023. This plan is centered on the themes of customers, new products, a global perspective and growth. In addition, the plan has the following seven goals.

1. Group collaboration
2. Putting clients' views first
3. Emphasis on innovation
4. Global management
5. Execution of growth strategy
6. Promotion of business process reengineering and working style reforms
7. Emphasis on compliance and corporate governance

While focusing on these goals, the overall objective is to structure business operations so that performance is not vulnerable to a change in conditions in any particular market where the Freund Group operates. In the current fiscal year, all group companies are working on reaching the consolidated targets of sales of 18,500 million yen and an operating profit of 1,100 million yen.

Net sales increased 10.5% year-over-year to 11,988 million yen, operating profit increased 17.4% to 459 million yen, ordinary profit increased 13.2% to 492 million yen, and profit attributable to owners of parent decreased 2.5% to 270 million yen.

In the first nine months of the previous fiscal year, U.S. subsidiary Freund-Vector Corporation received a COVID-19 subsidy of about 200 million yen from the U.S. government, which increased operating profit, ordinary profit and profit attributable to owners of parent. In the first nine months of the current fiscal year, the Freund Group was able to achieve year-on-year growth of operating profit and ordinary profit despite the contribution to earnings of this one-time item one year earlier.

Results by business segment were as follows.

#### **Machinery Business Segment**

Granulating and coating equipment are the main products of this segment. In the first nine months, segment sales for the entire Freund Group, including U.S. subsidiary Freund-Vector Corporation and Japanese subsidiary Freund-Turbo Corporation, were higher than one year earlier despite delays in some shipments. The recent

consolidation of Italian subsidiary Cos.Mec S.r.l. also contributed to sales growth in the first nine months. Operating profit decreased because of the inclusion in earnings one year earlier of a U.S. government COVID-19 subsidy paid to Freund-Vector Corporation.

As a result, net sales increased 19.6% year-over-year to 7,740 million yen and segment profit decreased 26.4% to 262 million yen.

### **Chemicals Business Segment**

Sales of pharmaceutical excipients increased despite the negative effects of quality and supply problems in the generic drug industry. Cost reduction measures resulted in higher operating profit.

As in the previous fiscal year, sales and earnings of food preservatives were impacted by sluggish sales of confectionery products at department stores and theme parks because of the pandemic. However, sales and the operating profit were higher than one year earlier because of an increase in sales of confectionery products at supermarkets and convenience stores.

Sales decreased significantly and operating profit was slightly lower for health food products manufactured for other companies because of the termination of orders from large customers.

As a result, net sales decreased 3.0% year-over-year to 4,248 million yen and segment profit increased 48.7% to 602 million yen.

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

Total assets increased 1,153 million yen from the end of the previous fiscal year to 21,728 million yen at the end of the third quarter. This mainly reflected increases of 1,538 million yen in work in process and 348 million yen in raw materials and supplies, while there was a decrease of 874 million yen in notes and accounts receivable-trade.

Total liabilities increased 972 million yen from the end of the previous fiscal year to 7,688 million yen at the end of the third quarter. This mainly reflected an increase of 1,707 million yen in advances received, while there were decreases of 212 million yen in electronically recorded obligations-operating, 151 million yen in income taxes payable and 135 million yen in provision for bonuses.

Net assets increased 181 million yen from the end of the previous fiscal year to 14,040 million yen at the end of the third quarter.

### **(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 28, 2022, which were disclosed in the Consolidated Financial Results for the Fiscal Year Ended February 28, 2021 dated April 13, 2021.

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

	(Thousands of yen)	
	FY2/21 (As of Feb. 28, 2021)	Third quarter of FY2/22 (As of Nov. 30, 2021)
<b>Assets</b>		
Current assets		
Cash and deposits	4,498,482	4,606,053
Notes and accounts receivable-trade	4,659,895	3,785,264
Electronically recorded monetary claims-operating	210,221	436,560
Securities	212,500	-
Merchandise and finished goods	798,624	764,271
Work in process	1,457,682	2,996,171
Raw materials and supplies	1,217,155	1,565,458
Prepaid expenses	151,597	171,875
Other	362,421	338,720
Allowance for doubtful accounts	(10,342)	(11,433)
Total current assets	<u>13,558,237</u>	<u>14,652,943</u>
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,015,990	1,997,915
Land	1,159,307	1,141,346
Other, net	1,559,328	1,474,582
Total property, plant and equipment	<u>4,734,626</u>	<u>4,613,844</u>
Intangible assets		
Goodwill	658,901	658,324
Software	24,138	34,337
Software in progress	-	211,164
Customer-related assets	533,084	478,750
Other	75,659	67,365
Total intangible assets	<u>1,291,783</u>	<u>1,449,942</u>
Investments and other assets		
Deferred tax assets	187,885	218,023
Other	808,102	799,362
Allowance for doubtful accounts	(5,400)	(5,400)
Total investments and other assets	<u>990,588</u>	<u>1,011,985</u>
Total non-current assets	<u>7,016,998</u>	<u>7,075,772</u>
Total assets	<u>20,575,235</u>	<u>21,728,715</u>
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable-trade	1,754,454	1,736,266
Electronically recorded obligations-operating	1,212,083	999,449
Short-term borrowings	55,793	11,574
Income taxes payable	245,299	93,934
Advances received	1,170,091	2,877,283
Provision for bonuses	258,586	122,644
Provision for bonuses for directors (and other officers)	43,156	23,408
Other	1,077,963	964,392
Total current liabilities	<u>5,817,429</u>	<u>6,828,953</u>
Non-current liabilities		
Lease obligations	394,370	376,162
Retirement benefit liability	280,598	287,041
Asset retirement obligations	46,472	46,558
Provision for retirement benefits for directors (and other officers)	23,697	5,421
Other	153,681	144,165
Total non-current liabilities	<u>898,820</u>	<u>859,349</u>
Total liabilities	<u>6,716,249</u>	<u>7,688,303</u>

	(Thousands of yen)	
	FY2/21 (As of Feb. 28, 2021)	Third quarter of FY2/22 (As of Nov. 30, 2021)
Net assets		
Shareholders' equity		
Share capital	1,035,600	1,035,600
Capital surplus	1,289,513	1,289,513
Retained earnings	12,600,004	12,535,263
Treasury shares	(773,363)	(773,363)
Total shareholders' equity	14,151,755	14,087,014
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	22,149	31,118
Foreign currency translation adjustment	(330,648)	(95,494)
Remeasurements of defined benefit plans	15,729	17,773
Total accumulated other comprehensive income	(292,769)	(46,601)
Total net assets	13,858,986	14,040,412
Total liabilities and net assets	20,575,235	21,728,715

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

(Thousands of yen)

	First nine months of FY2/21 (Mar. 1, 2020 – Nov. 30, 2020)	First nine months of FY2/22 (Mar. 1, 2021 – Nov. 30, 2021)
Net sales	10,852,320	11,988,176
Cost of sales	7,323,081	7,765,334
Gross profit	3,529,238	4,222,841
Selling, general and administrative expenses	3,138,004	3,763,605
Operating profit	391,234	459,235
Non-operating income		
Interest income	308	2,532
Dividend income	5,615	5,655
Technical support fee income	6,089	9,344
Compensation income	3,183	-
Insurance claim income	21,809	-
Foreign exchange gains	-	9,891
Other	14,232	14,215
Total non-operating income	51,238	41,639
Non-operating expenses		
Interest expenses	359	6,652
Foreign exchange losses	4,479	-
Other	2,190	1,399
Total non-operating expenses	7,029	8,052
Ordinary profit	435,443	492,823
Extraordinary income		
Gain on sales of non-current assets	4,213	1,953
Gain on sales of investment securities	-	1,298
Total extraordinary income	4,213	3,251
Extraordinary losses		
Impairment loss	-	49,685
Loss on sales of non-current assets	7,546	795
Loss on retirement of non-current assets	12,472	4,557
Total extraordinary losses	20,019	55,039
Profit before income taxes	419,637	441,035
Income taxes	142,564	170,887
Profit	277,072	270,148
Profit attributable to owners of parent	277,072	270,148



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

(Thousands of yen)

	First nine months of FY2/21 (Mar. 1, 2020 – Nov. 30, 2020)	First nine months of FY2/22 (Mar. 1, 2021 – Nov. 30, 2021)
Profit	277,072	270,148
Other comprehensive income		
Valuation difference on available-for-sale securities	2,619	8,968
Foreign currency translation adjustment	(118,515)	235,154
Remeasurements of defined benefit plans, net of tax	(785)	2,043
Total other comprehensive income	(116,682)	246,167
Comprehensive income	160,390	516,316
(Breakdown)		
Comprehensive income attributable to owners of parent	160,390	516,316

### **(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 tax rate gives a noticeably irrational result.

#### **Additional Information**

Effect of COVID-19 on accounting estimates

There are no significant changes in the assumptions concerning COVID-19, including the expected end of this pandemic, used for accounting estimates that are in the supplementary information section of the Securities Report for the previous fiscal year.

## Segment and Other Information

### Segment information

I First nine months of FY2/21 (Mar. 1, 2020 – Nov. 30, 2020)

#### 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	6,472,383	4,379,937	10,852,320	-	10,852,320
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	6,472,383	4,379,937	10,852,320	-	10,852,320
Segment profit	357,397	404,946	762,344	(371,110)	391,234

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 371,110 thousand yen to segment profit 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 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

##### Significant change in goodwill

At the time of the business combination with Cos.Mec S.r.l. on November 5, 2020, the amount of goodwill was determined on a provisional basis as the allocation process of the acquisition cost was not completed. With completion of the allocation process during the third quarter of FY2/22, Freund adjusted the amount of goodwill in the Machinery Business segment that had been accounted for on a provisional basis.

#### 3. Information by region

##### Net sales

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

(Thousands of yen)

Japan	United States	Latin America	Europe	Asia	Other	Total
8,454,746	789,429	191,561	363,566	913,203	139,812	10,852,320

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 nine months of FY2/22 (Mar. 1, 2021 – Nov. 30, 2021)

## 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	7,740,139	4,248,036	11,988,176	-	11,988,176
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	7,740,139	4,248,036	11,988,176	-	11,988,176
Segment profit	262,994	602,269	865,263	(406,027)	459,235

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 406,027 thousand yen to segment profit 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 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

## Significant change in goodwill

At the time of the business combination with Cos.Mec S.r.l. on November 5, 2020, the amount of goodwill was determined on a provisional basis as the allocation process of the acquisition cost was not completed. With completion of the allocation process in the third quarter of FY2/22, Freund adjusted the amount of goodwill in the Machinery Business segment that had been accounted for on a provisional basis.

## Significant impairment losses related to non-current assets

In the Chemicals Business segment, Freund has recognized impairment losses on construction in progress of 49,685 thousand yen with no prospects for use in the future.

## 3. Information by region

## Net sales

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

(Thousands of yen)

Japan	United States	Latin America	Europe	Asia	Other	Total
8,549,907	990,666	535,763	667,101	995,099	249,638	11,988,176

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.

In the first three months of FY2/22, net sales included in “Other” in prior periods were reclassified into “Asia” and “Other” in association with revisions to administrative segments. For consistency with these changes, figures presented in “3. Information by region (Net sales)” for the first nine months of FY2/21 have been revised.

As a result, “Other” of 1,053,015 thousand yen previously presented in information by region (net sales) for the first nine months of FY2/21 is reclassified and divided into “Asia” of 913,203 thousand yen and “Other” of 139,812 thousand yen.

**Business Combinations**

Finalization of provisional accounting treatment for business combinations

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

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

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

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

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

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

Intangible assets (Customer-related assets)	15 years
Intangible assets (Order backlog)	0.5 years
Total	<u>13 years</u>

### 3. Others

#### Orders and Sales

##### (1) Orders received

(Thousands of yen)

Operating segment	First nine months of FY2/21 (Mar. 1, 2020 – Nov. 30, 2020)		First nine months of FY2/22 (Mar. 1, 2021 – Nov. 30, 2021)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	9,084,141	126.0	10,612,323	116.8

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

2. Orders received are based on selling prices; inter-segment transactions have been eliminated.
3. Orders received do not include consumption taxes.

##### (2) Order backlog

(Thousands of yen)

Operating segment	First nine months of FY2/21 (Mar. 1, 2020 – Nov. 30, 2020)		First nine months of FY2/22 (Mar. 1, 2021 – Nov. 30, 2021)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	7,389,756	123.3	9,626,868	130.3

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	First nine months of FY2/21 (Mar. 1, 2020 – Nov. 30, 2020)		First nine months of FY2/22 (Mar. 1, 2021 – Nov. 30, 2021)	
	Amount	Composition (%)	Amount	Composition (%)
Machinery Business	6,472,383	59.6	7,740,139	64.6
Chemicals Business	4,379,937	40.4	4,248,036	35.4
Total	10,852,320	100.0	11,988,176	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.*