

Consolidated Financial Results
for the Second Quarter of the Fiscal Year Ending February 28, 2023
(Six Months Ended August 31, 2022)

[Japanese GAAP]

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 Scheduled date of payment of dividend: -
 Preparation of supplementary materials for quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and securities analysts)

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

1. Consolidated Financial Results for the Second Quarter (March 1, 2022 – August 31, 2022) of the Fiscal Year Ending February 28, 2023

(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	%
Six months ended Aug. 31, 2022	8,534	6.0	(67)	-	32	(89.6)	(17)	-
Six months ended Aug. 31, 2021	8,048	14.3	293	17.1	314	16.0	204	11.5

Note: Comprehensive income
 Six months ended Aug. 31, 2022: 700 million yen (up 88.5%)
 Six months ended Aug. 31, 2021: 371 million yen (up 321.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended Aug. 31, 2022	(1.02)	-
Six months ended Aug. 31, 2021	12.24	-

Reference: Equity in earnings of affiliates
 Six months ended Aug. 31, 2022: (9) million yen
 Six months ended Aug. 31, 2021: - million yen

Note: The provisional accounting treatment for a business combination with Cos.Mec S.r.l. was finalized in the third quarter of the fiscal year ended February 28, 2022 and figures for the six months ended August 31, 2021 reflect the finalized content of the provisional accounting treatment.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Aug. 31, 2022	23,031	14,694	63.8	877.54
As of Feb. 28, 2022	22,273	14,354	64.4	857.28

Reference: Equity capital
 As of Aug. 31, 2022: 14,694 million yen
 As of Feb. 28, 2022: 14,354 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, 2022	-	0.00	-	20.00	20.00
Fiscal year ending Feb. 28, 2023	-	0.00	-	-	-
Fiscal year ending Feb. 28, 2023 (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, 2023 (March 1, 2022 – February 28, 2023)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	18,500	4.9	700	(28.7)	720	(30.3)	450	(17.2)	26.87

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 10 “(4) 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: | Yes |
| 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 Aug. 31, 2022:	18,400,000 shares	As of Feb. 28, 2022:	18,400,000 shares
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2) Number of treasury shares at the end of the period

As of Aug. 31, 2022:	1,655,480 shares	As of Feb. 28, 2022:	1,655,480 shares
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3) Average number of shares outstanding during the period

Six months ended Aug. 31, 2022:	16,744,520 shares	Six months ended Aug. 31, 2021:	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

The Japanese economy recovered slowly during the first half of the current fiscal year as the number of COVID-19 cases declined and pandemic restrictions were eased. However, the pace of the recovery is slow. One reason is a rapid increase in the severity of the pandemic that started in July. The recovery is also held down by supply-side limitations caused by the prolonged Ukraine crisis and China's restrictions on economic activities and inflation linked to the yen's rapid depreciation.

Most major countries of the world, with the exception of China, are returning to normal economic activity as they live with COVID-19. Despite this positive trend, the outlook remains uncertain. The primary reasons for this uncertainty are the accelerating rate of inflation caused by increasing limitations on the supply of many goods due to the Ukraine conflict and other events, the high price of energy and the tight supply of labor and concerns about the impact of the upturn in interest rates in the United States and Europe on the global economy.

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

The Freund Group is working on further strengthening sales capabilities in the machinery and chemicals businesses and building a framework 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, manufacturing and sales activities worldwide. The Freund Group added to its operations in Japan and the United States by starting operations in India in 2019 and Italy in 2020. We plan to start operations in China during the current fiscal year, which will enlarge our global infrastructure to five locations. Our goal is to benefit from synergies among all group companies in order to give us even better access to markets worldwide.

The fiscal year ending in February 2023 is the final year of the Eighth Medium-term Management Plan. All group companies are working on reaching the consolidated targets of sales of 18,500 million yen and an operating profit of 700 million yen.

Net sales increased 6.0% year-over-year to 8,534 million yen and there was an operating loss of 67 million yen (compared with operating profit of 293 million yen in the same period of the previous fiscal year), ordinary profit decreased 89.6% year-over-year to 32 million yen and loss attributable to owners of parent was 17 million yen (compared with profit attributable to owners of parent of 204 million yen in the same period of the previous fiscal year).

Business segment performance was as follows.

Machinery Business Segment

Granulating and coating equipment are the main products of this segment. The volume of orders has been high because generic drug manufacturers are raising production capacity and the order backlog rose to a new record. At the U.S. subsidiary, there were significant delays in shipments of finished products because of the labor shortage and the long time needed to procure parts and materials due to supply chain disruptions. Furthermore, the higher cost of raw materials caused by rapid inflation exerted downward pressure on profit margins. In Japan as well, lead times for shipments of finished products have increased because of the long time needed to procure semiconductors and other parts and materials.

As a result, net sales increased 1.0% year-over-year to 5,420 million yen and segment loss was 268 million yen (compared with segment profit of 210 million yen in the same period of the previous fiscal year).

Chemicals Business Segment

Sales of pharmaceutical excipients increased in Japan and other countries and are growing at a pace that is expected to result in fiscal year sales that surpass the prior fiscal year's all-time high. Operating profit also increased.

Food preservative sales and operating profit increased. Demand continues to increase because of the recovery in demand for confectionery products and strong e-commerce sales of bread. Sales in this category are also at a level that is expected to exceed the prior fiscal year's all-time high.

Sales of health food products declined because of the completion of a contract for manufacturing products for a high-volume customer.

As a result, net sales increased 16.1% year-over-year to 3,113 million yen and segment profit increased 44.1% to 478 million yen.

(2) Explanation of Financial Position

Total assets increased 757 million yen from the end of the previous fiscal year to 23,031 million yen at the end of the second quarter. This mainly reflected increases of 902 million yen in work in process and 268 million yen in raw materials and supplies, while there were decreases of 604 million yen in notes and accounts receivable-trade, and contract assets, and 506 million yen in cash and deposits.

Total liabilities increased 418 million yen from the end of the previous fiscal year to 8,337 million yen at the end of the second quarter. This mainly reflected an increase of 963 million yen in short-term borrowings, while there were decreases of 340 million yen in electronically recorded obligations-operating and 265 million yen in notes and accounts payable-trade.

Net assets increased 339 million yen from the end of the previous fiscal year to 14,694 million yen at the end of the second quarter. This mainly reflected an increase of 740 million yen in foreign currency translation adjustment, while there was a decrease of 387 million yen in retained earnings.

(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, 2023, which were disclosed in the Consolidated Financial Results for the Fiscal Year Ended February 28, 2022 dated April 13, 2022.

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

	(Thousands of yen)	
	FY2/22 (As of Feb. 28, 2022)	Second quarter of FY2/23 (As of Aug. 31, 2022)
Assets		
Current assets		
Cash and deposits	4,145,207	3,638,515
Notes and accounts receivable-trade	4,902,513	-
Notes and accounts receivable-trade, and contract assets	-	4,298,103
Electronically recorded monetary claims-operating	326,231	209,973
Merchandise and finished goods	667,070	750,755
Work in process	2,390,278	3,293,047
Raw materials and supplies	2,032,755	2,300,869
Prepaid expenses	211,030	204,067
Other	341,948	615,649
Allowance for doubtful accounts	(12,624)	(14,809)
Total current assets	15,004,411	15,296,172
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,014,906	2,160,833
Land	1,141,676	1,145,948
Other, net	1,406,379	1,403,704
Total property, plant and equipment	4,562,962	4,710,486
Intangible assets		
Goodwill	643,241	662,992
Software	31,945	26,758
Software in progress	224,080	404,386
Customer-related assets	472,554	497,799
Other	63,008	57,578
Total intangible assets	1,434,830	1,649,514
Investments and other assets		
Deferred tax assets	235,394	337,279
Other	1,041,705	1,043,517
Allowance for doubtful accounts	(5,400)	(5,400)
Total investments and other assets	1,271,699	1,375,396
Total non-current assets	7,269,492	7,735,397
Total assets	22,273,904	23,031,569
Liabilities		
Current liabilities		
Notes and accounts payable-trade	1,767,452	1,502,434
Electronically recorded obligations-operating	976,189	635,808
Short-term borrowings	27,180	990,748
Income taxes payable	256,087	143,157
Advances received	2,805,781	-
Contract liabilities	-	2,962,736
Provision for bonuses	252,662	204,277
Provision for bonuses for directors (and other officers)	29,918	17,387
Other	920,502	994,200
Total current liabilities	7,035,774	7,450,750
Non-current liabilities		
Lease obligations	376,253	390,006
Retirement benefit liability	316,216	306,003
Asset retirement obligations	67,130	67,196
Provision for retirement benefits for directors (and other officers)	6,591	8,988
Other	117,161	114,598
Total non-current liabilities	883,353	886,794
Total liabilities	7,919,127	8,337,545

	(Thousands of yen)	
	FY2/22	Second quarter of FY2/23
	(As of Feb. 28, 2022)	(As of Aug. 31, 2022)
Net assets		
Shareholders' equity		
Share capital	1,035,600	1,035,600
Capital surplus	1,289,513	1,289,513
Retained earnings	12,808,681	12,421,305
Treasury shares	(773,363)	(773,363)
Total shareholders' equity	14,360,432	13,973,056
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	39,688	24,902
Foreign currency translation adjustment	(37,972)	702,130
Remeasurements of defined benefit plans	(7,371)	(6,065)
Total accumulated other comprehensive income	(5,655)	720,968
Total net assets	14,354,776	14,694,024
Total liabilities and net assets	22,273,904	23,031,569

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

	(Thousands of yen)	
	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)
Net sales	8,048,226	8,534,707
Cost of sales	5,243,813	5,853,465
Gross profit	2,804,413	2,681,241
Selling, general and administrative expenses	2,510,435	2,748,835
Operating profit (loss)	293,977	(67,593)
Non-operating income		
Interest income	2,621	39
Dividend income	5,655	5,809
Technical support fee income	5,469	9,897
Foreign exchange gains	1,151	95,044
Other	11,975	11,259
Total non-operating income	26,873	122,050
Non-operating expenses		
Interest expenses	4,867	9,519
Share of loss of entities accounted for using equity method	-	9,051
Other	1,259	3,219
Total non-operating expenses	6,127	21,790
Ordinary profit	314,723	32,666
Extraordinary income		
Gain on sale of non-current assets	1,617	13,834
Gain on sale of investment securities	1,298	-
Total extraordinary income	2,915	13,834
Extraordinary losses		
Loss on sale of non-current assets	795	1,309
Loss on retirement of non-current assets	4,532	2,442
Loss on valuation of investment securities	-	1,907
Total extraordinary losses	5,328	5,659
Profit before income taxes	312,310	40,841
Income taxes	107,374	57,953
Profit (loss)	204,936	(17,111)
Profit (loss) attributable to owners of parent	204,936	(17,111)

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

	(Thousands of yen)	
	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)
Profit (loss)	204,936	(17,111)
Other comprehensive income		
Valuation difference on available-for-sale securities	19,691	(14,785)
Foreign currency translation adjustment	145,578	714,927
Remeasurements of defined benefit plans, net of tax	1,362	1,306
Share of other comprehensive income of entities accounted for using equity method	-	16,122
Total other comprehensive income	166,632	717,571
Comprehensive income	371,569	700,459
(Breakdown)		
Comprehensive income attributable to owners of parent	371,569	700,459

(3) Quarterly Consolidated Statement of Cash Flows

(Thousands of yen)

	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)
Cash flows from operating activities		
Profit before income taxes	312,310	40,841
Depreciation	299,652	275,968
Amortization of goodwill	37,586	37,849
Increase (decrease) in allowance for doubtful accounts	826	370
Increase (decrease) in provision for bonuses	(45,850)	(50,319)
Increase (decrease) in provision for bonuses for directors (and other officers)	(24,930)	(12,531)
Interest and dividend income	(8,277)	(5,849)
Interest expenses	4,867	9,519
Foreign exchange losses (gains)	(2,604)	(97,171)
Share of loss (profit) of entities accounted for using equity method	-	9,051
Loss (gain) on sale of property, plant and equipment	(821)	(12,525)
Loss on retirement of property, plant and equipment	4,532	2,442
Loss (gain) on sale of securities	(1,298)	-
Loss (gain) on valuation of securities	-	1,907
Decrease (increase) in trade receivables	824,375	884,571
Decrease (increase) in inventories	(680,911)	(717,203)
Decrease (increase) in other assets	72,054	(145,185)
Increase (decrease) in trade payables	(762,179)	(674,651)
Increase (decrease) in contract liabilities	820,734	(164,103)
Increase (decrease) in other liabilities	(160,682)	(90,700)
Other, net	57	66
Subtotal	689,443	(707,653)
Interest and dividends received	8,277	5,849
Interest paid	(4,867)	(9,519)
Income taxes refund	8,929	1,343
Income taxes paid	(196,842)	(236,301)
Net cash provided by (used in) operating activities	504,940	(946,281)
Cash flows from investing activities		
Purchase of property, plant and equipment	(310,447)	(130,942)
Proceeds from sale of property, plant and equipment	21,844	28,941
Payments for retirement of property, plant and equipment	(2,043)	(3,556)
Purchase of intangible assets	(67,448)	(160,411)
Purchase of investment securities	(1,501)	(1,581)
Proceeds from sale of investment securities	9,096	-
Payments of guarantee deposits	(853)	(3,509)
Proceeds from refund of guarantee deposits	218	100
Net cash provided by (used in) investing activities	(351,135)	(270,960)

	(Thousands of yen)	
	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)	First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(43,623)	900,083
Proceeds from long-term borrowings	25,978	-
Repayments of long-term borrowings	(4,229)	(3,375)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(41,224)	-
Repayments of lease obligations	(19,211)	(20,908)
Dividends paid	(334,449)	(334,276)
Net cash provided by (used in) financing activities	(416,760)	541,523
Effect of exchange rate change on cash and cash equivalents	23,285	169,026
Net increase (decrease) in cash and cash equivalents	(239,668)	(506,692)
Cash and cash equivalents at beginning of period	4,498,482	4,145,207
Cash and cash equivalents at end of period	4,258,813	3,638,515

(4) 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.

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, that are stated in the supplementary information section of the Securities Report for the previous fiscal year.

Changes in Accounting Policies

Application of Accounting Standard for Revenue Recognition

The Company has applied the Accounting Standard for Revenue Recognition (Accounting Standards Board of Japan (ASBJ) Statement No. 29, March 31, 2020) and the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021) from the beginning of the first quarter of the current fiscal year. Based on these standards, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers. The major revisions due to the application of this new standard are as follows.

1) Identification of performance obligations and allocation of transaction prices

For construction contracts that include the sale of machinery, the performance obligations concerning the sale of machinery and the completion of construction are identified separately. Transaction prices are allocated based on independent selling prices and revenue is now recognized when each obligation has been fulfilled.

2) Revenue recognition for construction contracts

In previous years, the percentage-of-completion method was used for construction contracts for projects where the percentage of completion can be accurately determined. The completed-contract method was used for all other construction contracts. Due to the new revenue recognition standard, revenue is now recognized over a designated period as the performance obligation is fulfilled.

3) Revenue recognition for agent transactions

In previous years, the entire amount received from customers was recognized as revenue. Due to the new revenue recognition standard, for transactions where the Freund Group functions as an agent for the provision of goods or services to customers, net revenue is now recognized by deducting payments to suppliers from the amount received from customers.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional measures in the proviso to Paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the first quarter of the current fiscal year, is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year. The new

standard is then applied beginning with this amount of retained earnings. However, the Company has applied the method prescribed in Paragraph 86 of this standard and has not retrospectively applied the new accounting policy to contracts in which almost all revenue were recognized in accordance with the previous treatment prior to the beginning of the first quarter of the current fiscal year. In addition, the Company has applied the method prescribed in Paragraph 86, Article 1 of the Accounting Standard for Revenue Recognition, and accounted for contract changes made prior to the beginning of the first quarter of the current fiscal year based on the contract terms after reflecting all contract changes, and added or subtracted the cumulative effect of such changes to retained earnings at the beginning of the first quarter of the current fiscal year.

As a result, net sales decreased 44,225 thousand yen and cost of sales decreased 69,102 thousand yen, while operating profit increased 24,876 thousand yen and ordinary profit and profit before income taxes increased 24,222 thousand yen each in the first six months of the current fiscal year. In addition, there was a decrease of 35,373 thousand yen in retained earnings at the beginning of the current fiscal year.

“Notes and accounts receivable-trade” presented in the current assets section of the consolidated balance sheet in the previous fiscal year is, from the first quarter of the current fiscal year, included in “Notes and accounts receivable-trade, and contract assets.” “Advances received,” that was presented in the current liabilities section is, from the current fiscal year, presented as “Contract liabilities.” In accordance with the transitional measures prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to the prior year’s consolidated financial statements to conform to the new presentation.

Furthermore, in accordance with the transitional measures prescribed in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), the Company has not presented information on revenue from contracts with customers broken down for the first half of the previous fiscal year.

Application of the Accounting Standard for Fair Value Measurement

The Company has applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019) from the beginning of the first quarter of the current fiscal year, and has applied the new accounting policies set forth by the Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of this standard has no effect on the quarterly consolidated financial statements.

Segment and Other Information

Segment information

I First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 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	5,366,094	2,682,131	8,048,226	-	8,048,226
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	5,366,094	2,682,131	8,048,226	-	8,048,226
Segment profit	210,209	331,766	541,975	(247,997)	293,977

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 247,997 thousand yen to segment profit includes 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. Segment profit is adjusted to be consistent with operating profit recorded in the quarterly consolidated statement of income.
3. Segment information for the first six months of FY2/22 reflects the revision of the information stated in “Significant revision of the initial allocation of the acquisition cost in the comparative information” in “Business Combinations.”

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

Significant change in goodwill

In the first half of FY2/22, a provisional amount of goodwill was used for the business combination with Cos.Mec S.r.l. on November 5, 2020 because the allocation process of the acquisition cost had not been 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,” 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
5,654,278	777,358	442,713	457,825	575,687	140,363	8,048,226

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 six months of FY2/23 (Mar. 1, 2022 – Aug. 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	5,420,924	3,113,783	8,534,707	-	8,534,707
(2) Inter-segment sales and transfers	-	-	-	-	-
Total	5,420,924	3,113,783	8,534,707	-	8,534,707
Segment profit (loss)	(268,657)	478,130	209,472	(277,066)	(67,593)

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 277,066 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
5,517,286	677,661	717,318	380,502	1,185,629	56,307	8,534,707

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.

Business Combinations

Significant revision of the initial allocation of the acquisition cost in the comparative information

A provisional accounting treatment was used in the second quarter 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 previous fiscal year.

Based on the finalization of this provisional accounting treatment, a significant revision has been reflected in the initially allocated amount of the acquisition cost in the comparative information included in the quarterly consolidated financial statements for the first half of the current fiscal year.

As a result, in the quarterly consolidated statement of income for the first six months of the previous fiscal year, operating profit, ordinary profit and profit before income taxes decreased 35,411 thousand yen each, and profit and profit attributable to owners of parent decreased 21,487 thousand yen each.

Revenue Recognition

Information of breakdown on revenue from contracts with customers

First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)

(Thousands of yen)

	Reportable segments		
	Machinery Business	Chemicals Business	Total
Japan	2,574,616	2,942,670	5,517,286
United States	677,541	120	677,661
Latin America	717,318	-	717,318
Europe	275,877	104,625	380,502
Asia	1,119,262	66,367	1,185,629
Other	56,307	-	56,307
Revenue from contracts with customers	5,420,924	3,113,783	8,534,707
External sales	5,420,924	3,113,783	8,534,707

3. Others

Orders and Sales

(1) Orders received

(Thousands of yen)

Operating segment	First six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)		First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	7,695,049	114.8	8,409,179	109.3

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 six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)		First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	
	Amount	Year-on-year (%)	Amount	Year-on-year (%)
Machinery Business	9,034,195	123.2	14,275,985	158.0

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 six months of FY2/22 (Mar. 1, 2021 – Aug. 31, 2021)		First six months of FY2/23 (Mar. 1, 2022 – Aug. 31, 2022)	
	Amount	Composition (%)	Amount	Composition (%)
Machinery Business	5,366,094	66.7	5,420,924	63.5
Chemicals Business	2,682,131	33.3	3,113,783	36.5
Total	8,048,226	100.0	8,534,707	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.