

Consolidated Financial Results
for the First Quarter of the Fiscal Year Ending February 28, 2025
(Three Months Ended May 31, 2024)

[Japanese GAAP]

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Listing: Tokyo Stock Exchange
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 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, 2024 – May 31, 2024) of the Fiscal Year Ending February 28, 2025

(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, 2024 | 4,124 | (1.8) | (264) | - | (247) | - | (205) | - |
| Three months ended May 31, 2023 | 4,200 | 18.8 | (29) | - | (17) | - | (18) | - |

Note: Comprehensive income
 Three months ended May 31, 2024: (16) million yen (-%)
 Three months ended May 31, 2023: 71 million yen (down 78.5%)

| | Net income per share | Diluted net income per share |
|---------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Three months ended May 31, 2024 | (12.16) | - |
| Three months ended May 31, 2023 | (1.12) | - |

Reference: Equity in earnings of affiliates
 Three months ended May 31, 2024: (11) million yen
 Three months ended May 31, 2023: (3) 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, 2024 | 25,272 | 14,677 | 58.1 | 868.72 |
| As of Feb. 29, 2024 | 25,789 | 15,023 | 58.3 | 889.03 |

Reference: Equity capital
 As of May 31, 2024: 14,677 million yen
 As of Feb. 29, 2024: 15,023 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. 29, 2024 | - | 0.00 | - | 20.00 | 20.00 |
| Fiscal year ending Feb. 28, 2025 | - | - | - | - | - |
| Fiscal year ending Feb. 28, 2025 (forecast) | - | 0.00 | - | 25.00 | 25.00 |

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

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2025 (March 1, 2024 – February 28, 2025)

(Percentages represent year-on-year changes)

| | Net sales | | Operating profit | | Ordinary profit | | Profit attributable to owners of parent | | Net income per share |
|-----------|-------------|-----|------------------|--------|-----------------|--------|---|-----|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| Full year | 23,500 | 2.6 | 1,100 | (13.4) | 1,100 | (14.4) | 770 | 0.7 | 45.76 |

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 May 31, 2024: | 18,400,000 shares | As of Feb. 29, 2024: | 18,400,000 shares |
|---------------------|-------------------|----------------------|-------------------|

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

| | | | |
|---------------------|------------------|----------------------|------------------|
| As of May 31, 2024: | 1,503,851 shares | As of Feb. 29, 2024: | 1,501,308 shares |
|---------------------|------------------|----------------------|------------------|

3) Average number of shares outstanding during the period

| | | | |
|----------------------------------|-------------------|----------------------------------|-------------------|
| Three months ended May 31, 2024: | 16,898,650 shares | Three months ended May 31, 2023: | 16,744,520 shares |
|----------------------------------|-------------------|----------------------------------|-------------------|

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 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

In the first quarter of the fiscal year ending February 2025, the Japanese economy saw an increase in consumer spending due to improvements in employment and personal income, along with higher demand from foreign tourists. However, the outlook for the Japanese economy remains uncertain. The continuing Ukraine and Middle East conflicts are creating geopolitical tensions, economic growth is slowing in China, and the yen's depreciation is raising prices in Japan.

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

The Freund Group remained strongly committed to meeting the growing demand for production mainly at large pharmaceutical companies in Japan. Our group companies diligently focused on achieving steady shipments of orders to solve the social issue of pharmaceutical supply shortages. In addition, activities will continue with the goal of strengthening the Freund brand in markets worldwide by further increasing collaboration and synergies among group companies through its global five-pole framework, which includes Japan, the United States, India, Italy, and China.

In the current fiscal year, we are working on reaching the consolidated targets of sales of 23,500 million yen and an operating profit of 1,100 million yen.

In the first quarter of the fiscal year ending in February 2025, net sales decreased 1.8% year-over-year to 4,124 million yen, operating loss was 264 million yen compared with a loss of 29 million yen one year earlier, ordinary loss was 247 million yen compared with a loss of 17 million yen one year earlier, and loss attributable to owners of parent was 205 million yen compared with a loss of 18 million yen one year earlier.

Operating results by segment are as follows.

Machinery Business Segment

Segment sales increased year-over-year as machinery orders in Japan rose due to increased expenditures by generic drug manufacturers to boost production capacity. Additionally, the order backlog remains stable at a high level. However, SG&A expenses increased due to one-time expenses associated with the core IT system update.

Moreover, both the U.S. and Italian subsidiaries saw a significant drop in first-quarter sales, resulting in operating losses. The sales decline was partly due to a reactionary drop from the large number of shipments at the end of the previous fiscal year.

As a result, net sales decreased 2.0% year-over-year to 2,506 million yen and segment loss was 219 million yen compared with segment loss of 76 million yen one year earlier.

Chemicals Business Segment

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

Sales of food preservatives fell below the level in the previous fiscal year due to some major customers switching to procuring from multiple companies to ensure business continuity.

SG&A expenses increased also in this segment due to one-time expenses associated with the change to a new core IT system.

As a result, net sales decreased 1.5% year-over-year to 1,618 million yen and segment profit decreased 40.6% to 123 million yen.

(2) Explanation of Financial Position

Total assets decreased 516 million yen from the end of the previous fiscal year to 25,272 million yen at the end of the first quarter. This mainly reflected decreases of 1,231 million yen in notes and accounts receivable-trade, and contract assets, 104 million yen in electronically recorded monetary claims-operating and 757 million yen in software in progress, while there were increases of 1,035 million yen in work in process and 579 million yen in software.

Total liabilities decreased 171 million yen from the end of the previous fiscal year to 10,594 million yen at the end of the first quarter. This mainly reflected decreases of 663 million yen in notes and accounts payable-trade, 265 million yen in income taxes payable and 170 million yen in electronically recorded obligations-operating, while there was an increase of 962 million yen in contract liabilities.

Net assets decreased 345 million yen from the end of the previous fiscal year to 14,677 million yen at the end of the first quarter. This mainly reflected a decrease of 543 million yen in retained earnings, while there was an increase of 180 million yen in foreign currency translation adjustment.

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

As of the date of publication of this material, there are no revisions to the full year consolidated forecasts for the fiscal year ending February 28, 2025, which were disclosed in the Consolidated Financial Results for the Fiscal Year Ended February 29, 2024 dated April 12, 2024.

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

| | (Thousands of yen) | |
|--|---------------------------------|---|
| | FY2/24 (As of Feb. 29, 2024) | First quarter of FY2/25 (As of May 31, 2024) |
| Assets | | |
| Current assets | | |
| Cash and deposits | 4,736,849 | 4,603,813 |
| Notes and accounts receivable-trade, and contract assets | 6,121,064 | 4,889,237 |
| Electronically recorded monetary claims-operating | 937,132 | 832,510 |
| Merchandise and finished goods | 921,946 | 980,400 |
| Work in process | 2,661,592 | 3,697,493 |
| Raw materials and supplies | 2,232,055 | 2,135,341 |
| Prepaid expenses | 221,569 | 263,505 |
| Other | 754,733 | 785,783 |
| Allowance for doubtful accounts | (49,689) | (52,644) |
| Total current assets | 18,537,254 | 18,135,441 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 2,080,391 | 2,165,652 |
| Land | 1,148,176 | 1,149,300 |
| Other, net | 1,227,261 | 1,112,790 |
| Total property, plant and equipment | 4,455,829 | 4,427,743 |
| Intangible assets | | |
| Software | 22,458 | 601,882 |
| Software in progress | 757,542 | - |
| Customer relationship | 332,488 | 338,089 |
| Other | 38,231 | 35,390 |
| Total intangible assets | 1,150,721 | 975,362 |
| Investments and other assets | | |
| Deferred tax assets | 503,485 | 581,835 |
| Other | 1,147,370 | 1,157,583 |
| Allowance for doubtful accounts | (5,400) | (5,400) |
| Total investments and other assets | 1,645,455 | 1,734,019 |
| Total non-current assets | 7,252,006 | 7,137,125 |
| Total assets | 25,789,260 | 25,272,566 |
| Liabilities | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 2,567,304 | 1,904,148 |
| Electronically recorded obligations-operating | 1,313,951 | 1,143,933 |
| Short-term borrowings | 515,031 | 407,524 |
| Income taxes payable | 330,261 | 65,172 |
| Contract liabilities | 3,932,098 | 4,894,354 |
| Provision for bonuses | 276,915 | 383,238 |
| Provision for bonuses for directors (and other officers) | 33,973 | 6,850 |
| Other | 951,170 | 974,581 |
| Total current liabilities | 9,920,707 | 9,779,802 |
| Non-current liabilities | | |
| Lease liabilities | 380,961 | 381,413 |
| Retirement benefit liability | 294,323 | 280,623 |
| Asset retirement obligations | 67,396 | 67,429 |
| Provision for retirement benefits for directors (and other officers) | 18,933 | 18,304 |
| Other | 83,514 | 67,052 |
| Total non-current liabilities | 845,129 | 814,823 |
| Total liabilities | 10,765,836 | 10,594,625 |

| | (Thousands of yen) | |
|---|---------------------------------|---|
| | FY2/24 (As of Feb. 29, 2024) | First quarter of FY2/25 (As of May 31, 2024) |
| Net assets | | |
| Shareholders' equity | | |
| Share capital | 1,035,600 | 1,035,600 |
| Capital surplus | 1,289,513 | 1,300,067 |
| Retained earnings | 12,287,564 | 11,744,147 |
| Treasury shares | (701,365) | (702,571) |
| Total shareholders' equity | 13,911,313 | 13,377,243 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 65,162 | 73,673 |
| Foreign currency translation adjustment | 1,022,683 | 1,203,270 |
| Remeasurements of defined benefit plans | 24,264 | 23,753 |
| Total accumulated other comprehensive income | 1,112,110 | 1,300,697 |
| Total net assets | 15,023,424 | 14,677,940 |
| Total liabilities and net assets | 25,789,260 | 25,272,566 |

(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 FY2/24 (Mar. 1, 2023 – May 31, 2023) | First three months of FY2/25 (Mar. 1, 2024 – May 31, 2024) |
|---|---|---|
| Net sales | 4,200,237 | 4,124,618 |
| Cost of sales | 2,858,637 | 2,697,403 |
| Gross profit | 1,341,599 | 1,427,214 |
| Selling, general and administrative expenses | 1,371,148 | 1,691,559 |
| Operating loss | (29,548) | (264,345) |
| Non-operating income | | |
| Interest income | 0 | 4,631 |
| Dividend income | 4,198 | 4,149 |
| Technical support fee income | 5,137 | 2,375 |
| Foreign exchange gains | 8,670 | 21,834 |
| Other | 12,746 | 4,822 |
| Total non-operating income | 30,753 | 37,812 |
| Non-operating expenses | | |
| Interest expenses | 14,720 | 8,970 |
| Share of loss of entities accounted for using equity method | 3,256 | 11,265 |
| Other | 383 | 1,033 |
| Total non-operating expenses | 18,360 | 21,269 |
| Ordinary loss | (17,155) | (247,802) |
| Extraordinary income | | |
| Gain on sale of non-current assets | 142 | - |
| Total extraordinary income | 142 | - |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 3,936 | 4,130 |
| Loss on valuation of investment securities | 6,285 | - |
| Total extraordinary losses | 10,221 | 4,130 |
| Loss before income taxes | (27,235) | (251,932) |
| Income taxes | (8,446) | (46,489) |
| Loss | (18,789) | (205,443) |
| Loss attributable to owners of parent | (18,789) | (205,443) |

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

(Thousands of yen)

| | First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023) | First three months of FY2/25 (Mar. 1, 2024 – May 31, 2024) |
|---|---|---|
| Loss | (18,789) | (205,443) |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (5,068) | 8,510 |
| Foreign currency translation adjustment | 97,665 | 167,093 |
| Remeasurements of defined benefit plans, net of tax | (627) | (510) |
| Share of other comprehensive income of entities accounted for using equity method | (1,257) | 13,492 |
| Total other comprehensive income | 90,712 | 188,586 |
| Comprehensive income | 71,923 | (16,856) |
| (Breakdown) | | |
| Comprehensive income attributable to owners of parent | 71,923 | (16,856) |

(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.

Segment and Other Information**Segment information**

I 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 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 |
|-----------|---------------|---------------|---------|---------|---------|-----------|
| 2,556,808 | 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, etc.
 (2) Europe: France, Italy, UK, etc.
 (3) Asia: China, India, etc.
 (4) Other: Middle East, etc.

II First three months of FY2/25 (Mar. 1, 2024 – May 31, 2024)

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 | 2,506,203 | 1,618,414 | 4,124,618 | - | 4,124,618 |
| (2) Inter-segment sales and transfers | - | - | - | - | - |
| Total | 2,506,203 | 1,618,414 | 4,124,618 | - | 4,124,618 |
| Segment profit (loss) | (219,518) | 123,108 | (96,410) | (167,934) | (264,345) |

Notes: 1. Contents of adjustments are as follows.

The negative adjustment of 167,934 thousand yen to segment profit (loss) 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 (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 |
|-----------|---------------|---------------|---------|---------|--------|-----------|
| 3,473,408 | 230,140 | 75,047 | 154,172 | 140,437 | 51,412 | 4,124,618 |

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 FY2/24 (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 |

First three months of FY2/25 (Mar. 1, 2024 – May 31, 2024)

(Thousands of yen)

| | Reportable segments | | |
|---------------------------------------|---------------------|--------------------|-----------|
| | Machinery Business | Chemicals Business | Total |
| Japan | 1,969,336 | 1,504,071 | 3,473,408 |
| United States | 230,140 | - | 230,140 |
| Latin America | 74,552 | 495 | 75,047 |
| Europe | 111,752 | 42,420 | 154,172 |
| Asia | 69,504 | 70,932 | 140,437 |
| Other | 50,917 | 495 | 51,412 |
| Revenue from contracts with customers | 2,506,203 | 1,618,414 | 4,124,618 |
| External sales | 2,506,203 | 1,618,414 | 4,124,618 |

3. Others

Orders and Sales

(1) Orders received

(Thousands of yen)

| Operating segment | First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023) | | First three months of FY2/25 (Mar. 1, 2024 – May 31, 2024) | |
|--------------------|---|------------------|---|------------------|
| | Amount | Year-on-year (%) | Amount | Year-on-year (%) |
| Machinery Business | 4,200,255 | 103.9 | 3,056,331 | 72.8 |

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.

(2) Order backlog

(Thousands of yen)

| Operating segment | First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023) | | First three months of FY2/25 (Mar. 1, 2024 – May 31, 2024) | |
|--------------------|---|------------------|---|------------------|
| | Amount | Year-on-year (%) | Amount | Year-on-year (%) |
| Machinery Business | 14,607,614 | 112.1 | 16,636,801 | 113.9 |

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) Sales

(Thousands of yen)

| Operating segment | First three months of FY2/24 (Mar. 1, 2023 – May 31, 2023) | | First three months of FY2/25 (Mar. 1, 2024 – May 31, 2024) | |
|--------------------|---|-----------------|---|-----------------|
| | Amount | Composition (%) | Amount | Composition (%) |
| Machinery Business | 2,556,527 | 60.9 | 2,506,203 | 60.8 |
| Chemicals Business | 1,643,710 | 39.1 | 1,618,414 | 39.2 |
| Total | 4,200,237 | 100.0 | 4,124,618 | 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.