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Consolidated Financial Results for the Three Months Ended June 30, 2023 [Japanese GAAP]

August 9, 2023

Company name: RIX CORPORATION

Stock exchange listing: Tokyo Stock Exchange and Fukuoka Stock Exchange

Code number: 7525

URL: <https://www.rix.co.jp/en/>

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Scheduled date of filing quarterly securities report: August 9, 2023

Scheduled date of commencing dividend payments: –

Availability of supplementary explanatory materials on quarterly financial results: Not available

Schedule of quarterly financial results briefing session: Not scheduled

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Results for the Three Months Ended June 30, 2023 (April 1, 2023–June 30, 2023)

(1) Consolidated Operating Results (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended June 30, 2023	11,421	13.8	746	36.6	977	32.3	696	41.7
June 30, 2022	10,036	12.4	546	27.3	739	44.9	491	42.0

(Note) Comprehensive income: Three months ended June 30, 2023: ¥990 million [70.6%]

Three months ended June 30, 2022: ¥580 million [56.8%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	86.16	–
June 30, 2022	60.13	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	37,218	21,986	57.9
As of March 31, 2023	37,442	21,684	56.8

(Reference) Equity: As of June 30, 2023: ¥21,553 million

As of March 31, 2023: ¥21,277 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2023	Yen –	Yen 50.00	Yen –	Yen 85.00	Yen 135.00
Fiscal year ending March 31, 2024	–				
Fiscal year ending March 31, 2024 (Forecast)		60.00	–	60.00	120.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2024 (April 1, 2023–March 31, 2024) (% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	23,200	9.5	1,630	15.3	1,710	(1.4)	1,150	(2.2)	142.30
Full year	47,100	4.1	3,440	3.4	3,550	(5.3)	2,430	(12.1)	300.68

(Note) Revision to the financial results forecast announced most recently: None

* Notes:

- (1) Changes in significant subsidiaries during the period under review: None
Changes in specified subsidiaries resulting in changes in scope of consolidation
Newly included: None; Excluded: None
- (2) Accounting methods adopted particularly for the preparation of quarterly consolidated financial statements: Yes
For further information, please refer to “(3) Notes to Quarterly Consolidated Financial Statements (Accounting Methods Adopted Particularly for the Preparation of Quarterly Consolidated Financial Statements)” on page 9 of the Attachments.
- (3) Changes in accounting policies, changes in accounting estimates and retrospective restatement
 - 1) Changes in accounting policies due to the revision of accounting standards: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Retrospective restatement: None
- (4) Total number of issued shares (common shares)
 - 1) Total number of issued shares at the end of the period (including treasury shares):

June 30, 2023:	8,640,000 shares
March 31, 2023:	8,640,000 shares
 - 2) Total number of treasury shares at the end of the period:

June 30, 2023:	558,451 shares
March 31, 2023:	558,451 shares
 - 3) Average number of shares outstanding during the period:

Three months ended June 30, 2023:	8,081,549 shares
Three months ended June 30, 2022:	8,170,548 shares

* These quarterly consolidated financial results are outside the scope of quarterly review by certified public accountants or an audit firm.

* Explanation of the proper use of financial results forecast and other notes

The earnings forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions that the Company deems reasonable, and the Company does not in any way guarantee the achievement of the forecasts. Actual results may differ significantly from these forecasts due to a wide range of factors. Please refer to “(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information” on page 4 of the Attachments for the assumptions underlying the forecasts and precautions when using the forecasts.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

During the three months ended June 30, 2023, demand in the service industry was recovering in the world although economic conditions slowed in the manufacturing industry as global inflation remained high. The Japanese economy continued to recover especially in the service industry and inbound tourism demand continued to increase, partly because COVID-19 was reclassified as Class 5. In addition, the manufacturing industry saw signs of recovery due in part to the easing of semiconductor supply shortages.

Under these economic circumstances, the Group implemented measures under its medium-term plan “GP2023.” As a result, for the three months ended June 30, 2023, the Group recorded net sales totaling ¥11,421 million (up 13.8% year on year), operating profit totaling ¥746 million (up 36.6% year on year), ordinary profit totaling ¥977 million (up 32.3% year on year), and profit attributable to owners of parent totaling ¥696 million (up 41.7% year on year).

Operating results by reportable segment are as follows. The Group manages business performance by industry to which customers belong, and thus designates the following eight industries as reportable segments: “Steel and Iron,” “Automobile,” “Electronics and Semiconductor,” “Rubber and Tire,” “Machine Tools,” “High-performance Material,” “Environment,” and “Paper and Pulp.”

(Steel and Iron)

On the global level, the steel and iron industry saw a decrease in crude steel production compared to the same period of the previous year. This was partly because production remained at a high level but decreased year over year in China, the largest crude steel producer in the world, and that production was in a declining trend in the European region. In Japan, crude steel production declined, due to lower demand for steel products in Japan and overseas.

The Group focused on sales activities not only for production materials and components but also in the maintenance sector. This contributed to an increase in sales of equipment and machinery for lines newly invested and strong sales of power shaft couplings for overseas steel plants, resulting in an increase in net sales.

As a result, net sales for the steel and iron industry totaled ¥3,423 million (up 21.2% year on year).

(Automobile)

On the global level, automobile production was recovering. In particular, major production growth of new energy vehicles continued in China. In Japan, the impact of the automotive semiconductor supply shortages eased and a recovery trend in production was seen, although the impact still remained persistent.

The Group focused on sales and proposal activities in the battery and motor sectors, which are attracting attention in the CASE market. Consequently, net sales increased mainly due to the contribution of sales of parts and materials to the battery manufacturing sector, sales of repaired electrical components for the machining process, and sales of our original resin feeders.

As a result, net sales for the automobile industry totaled ¥2,034 million (up 18.0% year on year).

(Electronics and Semiconductor)

Globally, sales of semiconductors were recovering, but there was a decrease compared to the same period of the previous fiscal year when sales were brisk due to the digitalization amid the COVID-19 pandemic. In Japan, there was a change in the demand sector, and investment in automotive and power semiconductors continued to grow. Thus, sales of semiconductor production equipment were on a downward trend due to reductions in capital expenditures by major global companies.

The Group focused on sales activities on the frontline and facilities and maintenance sectors, in addition to the repair and recycling businesses. Consequently, orders for components for semiconductor etch systems increased continuously from the previous fiscal year and sales of our original inverters increased, contributing to an increase in net sales.

As a result, net sales for the electronics and semiconductor industry totaled ¥1,547 million (up 2.1% year on year).

(Rubber and Tire)

In Japan, the rubber and tire industry saw a recovery of demand for tires as automobile production recovered thanks to the easing of automotive semiconductor supply shortages. In particular, tire sales for new cars showed signs of expansion.

The Group continued to follow up on development projects and focus on sales activities related to new

projects and capital investment, as in the previous fiscal year. This resulted in continued strong sales both in Japan and overseas from the previous fiscal year of valves and tire-related equipment and heat-insulating plates originally produced by Group companies, contributing to the increase in overall net sales.

As a result, net sales for the rubber and tire industry totaled ¥1,038 million (up 57.0% year on year).

(Machine Tools)

In the machine tools industry, although demand associated with automation and digitalization remained at a high level, orders were on the decrease both in Japan and overseas due to sluggish capital investment, especially in the Chinese market.

The Group focused on the development of new uses and sales of equipment to cater to requests for five-axis machine tools and integration of machine tools. This resulted in a continued increase in sales of our original rotary joints and an increase mainly in sales of pumps and oil skimmers to processing machine manufacturers and coolant system manufacturers.

As a result, net sales for the machine tools industry totaled ¥674 million (up 19.2% year on year).

(High-performance Material)

In the high-performance material industry, production of ethylene, a basic product, was on the decrease due to the global economic slump and sluggish consumption caused by soaring prices, increasing the gap between domestic demand and production capacity.

The Group focused on the repair and recycling businesses, in addition to making further inroads into pharmaceutical and cosmetic industries, expanding orders related to filters. On the other hand, sales were negatively impacted mainly by the fact that there were no facility renewal projects as seen in the same period of the previous fiscal year.

As a result, net sales for the high-performance material industry totaled ¥414 million (down 18.3% year on year).

(Environment)

In the environment industry, orders of environment-related equipment decreased year on year but those of equipment for the manufacturing industry increased, indicating a difference in demand between sectors.

The Group focused on increasing its presence in the environment and energy industries, which are regarded as important in recent years. Consequently, sales of environmental products continued to grow, and orders were received for construction projects of water treatment plants and power plants. However, sales in the segment declined because of the elimination of the special demand that occurred in the same period of the previous year.

As a result, net sales for the environmental industry totaled ¥447 million (down 16.2% year on year).

(Paper and Pulp)

The paper and pulp industry continued to experience deteriorating profitability due to soaring fuel and raw material prices, in addition to declining demand for paper products as a result of the spread of digitalization and rising prices of commodities.

The Group focused on product development in the cutting-edge biomass material CNF, energy, and chemical materials sectors. This resulted in the acquisition of orders for boilers and blowers for factory utilities and an increase in sales of equipment to papermaking equipment manufacturers, contributing to an increase in net sales.

As a result, net sales for the paper and pulp industry totaled ¥251 million (up 18.0% year on year).

(2) Explanation of Financial Position

(Assets)

Current assets decreased 2.1% from the end of the previous fiscal year to ¥28,399 million. Primary factors for the decrease include an increase of ¥356 million in inventories, a decrease of ¥778 million in cash and deposits, a decrease of ¥116 million in trade receivables, and a decrease of ¥100 million in securities.

Non-current assets increased 4.6% from the end of the previous fiscal year to ¥8,819 million. Primary factors for the increase include an increase of ¥391 million in investment securities.

As a result, total assets decreased 0.6% from the end of the previous fiscal year to ¥37,218 million.

(Liabilities)

Current liabilities decreased 3.8% from the end of the previous fiscal year to ¥13,857 million. Primary factors for the decrease include a decrease of ¥500 million in accounts payable - trade, a decrease of ¥152 million in

income taxes payable, a decrease of ¥647 million in other, and an increase of ¥384 million in provision for bonuses.

Non-current liabilities increased 1.1% from the end of the previous fiscal year to ¥1,375 million.

As a result, total liabilities decreased 3.3% from the end of the previous fiscal year to ¥15,232 million.

(Net Assets)

Net assets increased 1.4% from the end of the previous fiscal year to ¥21,986 million. Primary factors for the increase include an increase of ¥224 million in valuation difference on available-for-sale securities and an increase of ¥44 million in foreign currency translation adjustment.

(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information

As of now, no revisions have been made to the financial results forecast announced on May 16, 2023. However, should the need to revise the forecast arise, we will promptly disclose the revision.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	8,695,704	7,917,214
Notes receivable – trade	749,553	642,080
Electronically recorded monetary claims – operating	3,138,483	3,246,951
Accounts receivable – trade	12,864,241	12,747,046
Securities	100,000	–
Merchandise and finished goods	2,512,353	2,763,095
Work in process	330,072	423,211
Raw materials and supplies	268,223	280,582
Other	351,112	379,471
Allowance for doubtful accounts	(502)	(459)
Total current assets	29,009,241	28,399,194
Non-current assets		
Property, plant and equipment	3,611,611	3,629,592
Intangible assets	365,832	366,092
Investments and other assets		
Investment securities	3,232,657	3,624,381
Other	1,238,068	1,214,905
Allowance for doubtful accounts	(15,170)	(15,169)
Total investments and other assets	4,455,555	4,824,117
Total non-current assets	8,432,998	8,819,801
Total assets	37,442,239	37,218,996
Liabilities		
Current liabilities		
Notes payable – trade	653,297	652,808
Electronically recorded obligations – operating	5,287,815	5,543,824
Accounts payable – trade	4,697,885	4,197,294
Short-term borrowings	1,403,428	1,479,226
Current portion of long-term borrowings	21,600	21,600
Income taxes payable	487,447	334,637
Provision for bonuses	–	384,731
Provision for bonuses for directors (and other officers)	–	44,287
Other	1,845,751	1,198,720
Total current liabilities	14,397,226	13,857,131
Non-current liabilities		
Long-term borrowings	248,800	224,991
Provision for retirement benefits for directors (and other officers)	86,460	71,620
Retirement benefit liability	673,742	680,187
Other	351,395	398,966
Total non-current liabilities	1,360,397	1,375,765
Total liabilities	15,757,624	15,232,897

(Thousand yen)

	As of March 31, 2023	As of June 30, 2023
Net assets		
Shareholders' equity		
Share capital	827,900	827,900
Capital surplus	1,069,472	1,069,472
Retained earnings	19,015,440	19,023,869
Treasury shares	(609,731)	(609,731)
Total shareholders' equity	20,303,081	20,311,511
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	705,354	929,463
Foreign currency translation adjustment	266,495	311,440
Remeasurements of defined benefit plans	2,851	965
Total accumulated other comprehensive income	974,700	1,241,869
Non-controlling interests	406,832	432,718
Total net assets	21,684,615	21,986,099
Total liabilities and net assets	37,442,239	37,218,996

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Three Months Ended June 30

(Thousand yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Net sales	10,036,754	11,421,477
Cost of sales	7,602,447	8,485,081
Gross profit	2,434,307	2,936,395
Selling, general and administrative expenses	1,887,502	2,189,695
Operating profit	546,804	746,699
Non-operating income		
Interest income	3,196	4,996
Dividend income	33,212	38,745
Share of profit of entities accounted for using equity method	1,946	19,497
Rental income from real estate	4,902	5,076
Foreign exchange gains	128,071	136,431
Other	23,486	32,542
Total non-operating income	194,816	237,289
Non-operating expenses		
Interest expenses	1,033	1,602
Other	1,164	4,401
Total non-operating expenses	2,198	6,003
Ordinary profit	739,423	977,985
Extraordinary income		
Gain on sale of non-current assets	116	–
Gain on sale of investment securities	–	56,757
Surrender value of insurance policies	–	9,689
Total extraordinary income	116	66,447
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Total extraordinary losses	0	0
Profit before income taxes	739,539	1,044,432
Income taxes	237,896	338,287
Profit	501,643	706,145
Profit attributable to non-controlling interests	10,349	9,806
Profit attributable to owners of parent	491,293	696,338

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Thousand yen)

	For the three months ended June 30, 2022	For the three months ended June 30, 2023
Profit	501,643	706,145
Other comprehensive income		
Valuation difference on available-for-sale securities	(30,546)	237,151
Foreign currency translation adjustment	110,727	47,813
Remeasurements of defined benefit plans, net of tax	(1,799)	(1,886)
Share of other comprehensive income of entities accounted for using equity method	594	1,488
Total other comprehensive income	78,976	284,567
Comprehensive income	580,619	990,712
Comprehensive income attributable to:		
Owners of parent	564,512	963,507
Non-controlling interests	16,107	27,205

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes in Case of Significant Changes in Shareholders' Equity)

Not applicable.

(Accounting Methods Adopted Particularly for the Preparation of Quarterly Consolidated Financial Statements)

(Calculation of Tax Expenses)

For calculation of tax expenses, our Group adopts a method whereby the effective tax rate for the profit before income taxes for the fiscal year under review, including the first quarter of the fiscal year ending March 31, 2024, after the application of tax effect accounting is reasonably estimated, and quarterly profit before income taxes is multiplied by such effective tax rate.

(Segment Information, Etc.)

I For the Three months Ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

1. Information on Net Sales and Profit or Loss by Reportable Segment

(Thousand yen)

	Reportable segment							
	Steel and Iron	Automobile	Electronics and Semiconductor	Rubber and Tire	Machine Tools	High-performance Material	Environment	Paper and Pulp
Net sales								
Net sales to outside customers	2,824,042	1,723,799	1,516,449	661,442	566,001	507,102	534,398	213,542
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–
Total	2,824,042	1,723,799	1,516,449	661,442	566,001	507,102	534,398	213,542
Segment profit (loss)	278,139	138,869	97,764	53,425	69,744	35,693	31,130	13,062

	Reportable segment	Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Total				
Net sales					
Net sales to outside customers	8,546,778	1,489,976	10,036,754	–	10,036,754
Inter-segment net sales or transfers	–	–	–	–	–
Total	8,546,778	1,489,976	10,036,754	–	10,036,754
Segment profit (loss)	717,829	131,216	849,046	(302,241)	546,805

(Notes) 1. The “Other” category is a business segment which is not included in the reportable segments and includes businesses for the food industry and shipbuilding industry.

2. An adjustment of ¥(302,241) thousand in segment profit (loss) includes ¥246,105 thousand for internal profit, ¥96,813 thousand for consolidation elimination, and ¥(645,161) thousand for selling, general and administrative expenses which are not attributable to the reportable segments.

3. Segment profit (loss) is adjusted with operating profit on the Quarterly Consolidated Statements of Income.

2. Information on Impairment Loss on Non-current Assets and Goodwill by Reportable Segment
(Significant Impairment Loss on Non-current Assets)

Not applicable.

II For the Three Months Ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

1. Information on Net Sales and Profit or Loss by Reportable Segment

(Thousand yen)

	Reportable segment							
	Steel and Iron	Automobile	Electronics and Semiconductor	Rubber and Tire	Machine Tools	High-performance Material	Environment	Paper and Pulp
Net sales								
Net sales to outside customers	3,423,535	2,034,544	1,547,870	1,038,134	674,789	414,548	447,894	251,911
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–
Total	3,423,535	2,034,544	1,547,870	1,038,134	674,789	414,548	447,894	251,911
Segment profit (loss)	401,917	236,678	88,856	101,856	59,101	40,361	39,583	18,319

	Reportable segment	Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Total				
Net sales					
Net sales to outside customers	9,833,229	1,588,248	11,421,477	–	11,421,477
Inter-segment net sales or transfers	–	–	–	–	–
Total	9,833,229	1,588,248	11,421,477	–	11,421,477
Segment profit (loss)	986,676	135,473	1,122,150	(375,450)	746,699

- (Notes) 1. The “Other” category is a business segment which is not included in the reportable segments and includes businesses for the food industry and shipbuilding industry.
2. An adjustment of ¥(375,450) thousand in segment profit (loss) includes ¥329,215 thousand for internal profit, ¥124,032 thousand for consolidation elimination, and ¥(828,697) thousand for selling, general and administrative expenses which are not attributable to the reportable segments.
3. Segment profit (loss) is adjusted with operating profit on the Quarterly Consolidated Statements of Income.

2. Information on Impairment Loss on Non-current Assets and Goodwill by Reportable Segment
(Significant Impairment Loss on Non-current Assets)
Not applicable.

(Significant Subsequent Events)

(Disposal of Treasury Shares as Restricted Share Remuneration)

At the Board of Directors' meeting held on July 11, 2023, the Company resolved to dispose of treasury shares as restricted share remuneration (the "Disposal of Treasury Shares") as follows.

1. Overview of the Disposal

(1) Payment date	August 4, 2023
(2) Class and number of shares to be disposed of	7,172 common shares of the Company
(3) Disposal price	¥3,105 per share
(4) Total disposal price	¥22,269,060
(5) Allottee	5 Directors(*) of the Company 4,552 shares 4 Executive Officers of the Company 2,620 shares *Excluding Directors serving as Audit and Supervisory Committee Members and External Directors
(6) Other	In accordance with the Financial Instruments and Exchange Act, the Company has submitted a written notice of securities on the Disposal of Treasury Shares.

2. Purpose of and Reason for the Disposal

At the 76th Annual General Meeting of Shareholders of the Company held on June 23, 2022, it was approved to introduce a share remuneration system (the "System") where restricted shares are delivered to the Company's Directors (excluding Directors serving as Audit and Supervisory Committee Members and External Directors; the "Eligible Directors") so as to share both the merits and risks of stock price fluctuations between Eligible Directors and shareholders, and to further encourage Eligible Directors to contribute to improving the stock price and corporate value. Other matters approved at the meeting in accordance with the System include that the total amount of monetary remuneration receivables to be paid as remuneration, etc. relating to restricted shares for Eligible Directors shall be set to up to 30 million yen per annum; the maximum number of restricted shares to be allocated to Eligible Directors in each fiscal year shall be a total of 30,000 shares; and the transfer restriction period shall be a period from the day when the restricted shares are delivered until the day of retirement of office as both the Company's Director and Executive Officer.