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Consolidated Financial Results for the Nine Months Ended December 31, 2022 [Japanese GAAP]

February 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: February 10, 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 Nine Months Ended December 31, 2022 (April 1, 2022 – December 31, 2022)

(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	%
Nine months ended December 31, 2022	32,961	10.7	2,332	27.8	2,696	27.6	1,850	28.8
December 31, 2021	29,783	–	1,824	56.4	2,113	64.4	1,436	64.1

(Note) Comprehensive income: Nine months ended December 31, 2022: ¥2,172 million [47.8%]

Nine months ended December 31, 2021: ¥1,470 million [37.6%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2022	227.27	–
December 31, 2021	175.83	–

(Note) The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc. from the beginning of the fiscal year ended March 31, 2022. Therefore, the change in net sales for the nine months ended December 31, 2021 from the previous corresponding period is not shown in the table above.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2022	35,768	20,746	56.9
As of March 31, 2022	34,187	19,500	56.0

(Reference) Equity: As of December 31, 2022: ¥20,361 million

As of March 31, 2022: ¥19,143 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended March 31, 2022	Yen –	Yen 25.00	Yen –	Yen 40.00	Yen 65.00
Fiscal year ending March 31, 2023	–	50.00	–		
Fiscal year ending March 31, 2023 (Forecast)				70.00	120.00

(Note) Revision to the forecast for dividends announced most recently: Yes

3. Consolidated Financial Results Forecast for the Fiscal Year Ending March 31, 2023 (April 1, 2022 – March 31, 2023)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	44,400	11.1	3,150	22.1	3,500	17.2	2,400	17.0	295.26

(Note) Revision to the financial results forecast announced most recently: Yes

For further information, please refer to the “Notice Regarding Revision to Financial Results Forecast and Forecast for Dividends” announced today (February 9, 2023).

* 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: Yes
 - 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):

December 31, 2022:	8,640,000 shares
March 31, 2022:	8,640,000 shares
 - 2) Total number of treasury shares at the end of the period:

December 31, 2022:	558,451 shares
March 31, 2022:	469,445 shares
 - 3) Average number of shares outstanding during the period:

Nine months ended December 31, 2022:	8,143,901 shares
Nine months ended December 31, 2021:	8,170,563 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

The prospect of world economy remained uncertain during the nine months ended December 31, 2022 due to soaring energy prices (especially in Western European countries) and prolonged spike in inflation, which constituted a disincentive to economic activity, as well as Russia's prolonged aggression against Ukraine.

On the other hand, the Japanese economy saw a recovery of inbound tourism demand as the government eased entry restrictions for foreign visitors to Japan. Furthermore, there was a momentum of capital investment by the service sector and investment for decarbonization, etc. in anticipation of the post COVID-19 world.

Under these economic circumstances, the Group implemented measures under its medium-term plan "GP2023." As a result, as for the consolidated financial results for the nine months ended December 31, 2022, the Group recorded net sales totaling ¥32,961 million (up 10.7% year on year), operating profit totaling ¥2,332 million (up 27.8% year on year), ordinary profit totaling ¥2,696 million (up 27.6% year on year), and profit attributable to owners of parent totaling ¥1,850 million (up 28.8% 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 continued to face sluggish demand for steel products although the demand varied by region. This was due to a production decrease in China, the largest crude steel producer in the world. In Japan, crude steel production declined in line with the global trend, partly due to the negative impact of automobile production cuts caused by the semiconductor shortages and lower demand for steel products overseas.

The Group focused on sales activities not only in the maintenance sector but also in the operation sector, resulting in an increase in the installation of makeshift water treatment facilities for the purpose of dismantling existing facilities due to the consolidation of steel plants in Japan and operation of these facilities, sales of processing machines for in-house production of processed products that used to be handled outside steel plants, and sales of intrusion prevention fences for existing lines for safety reasons.

As a result, net sales for the steel and iron industry totaled ¥8,928 million (up 5.3% year on year).

(Automobile)

On the global level during the nine months ended December 31, 2022, the automobile industry saw a year-on-year recovery in China, India, and Mexico, the major automobile-producing countries. In particular, major growth in new energy vehicles was seen in China. In Japan, despite the easing impact of the automotive semiconductor supply shortages, there still existed supply constraints, especially for EVs.

The Group focused on sales and proposal activities in the battery and motor sectors, which are attracting attention in the CASE market. This resulted in orders received for capacity expansion projects in the motor and battery manufacturing processes both in Japan and overseas (North America and China) and repairs of electrical components in the machining process, contributing to the increase in sales.

As a result, net sales for the automobile industry totaled ¥6,631 million (up 13.5% year on year).

(Electronics and Semiconductor)

The global electronics and semiconductor industry saw record sales in 2022, although there was no significant growth in overall industry sales partly due to sluggish demand in the memory sector. Meanwhile, in Japan, sales remained on a path of growth as the demand still continued to be high for products related to semiconductor manufacturing equipment, though there was a slowdown of growth to some extent.

The Group focused on sales activities on the facilities and maintenance sectors. This resulted in increases in the number of repair and refurbishment projects for equipment components in semiconductor front-end process factories. In addition, we saw an increase in sales of our original rotary joint products for thriving semiconductor manufacturing equipment makers.

As a result, net sales for the electronics and semiconductor industry totaled ¥4,942 million (up 16.4% year on year).

(Rubber and Tire)

Players in the rubber and tire industry were experiencing a year-on-year increase in sales as the business of

replacement items remained strong and products for new vehicles were also recovering, However, the impact of soaring raw material, energy, and logistics costs was putting pressure on their profits.

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 increases in sales of blast cleaning equipment for tire vulcanization processes, compressors for power facilities, and water treatment equipment, contributing to the increase in sales.

As a result, net sales for the rubber and tire industry totaled ¥2,476 million (up 20.1% year on year).

(Machine Tools)

In the machine tools industry, due to global interest rate hikes and other reasons, the previously steady demand was beginning to falter. Among others, orders for semiconductor-related and other precision applications were on a downward trend, though the demand for labor-saving products was still growing at a high level.

The Group focused on sales and development to cater to requests for the integration and automation of machine tools. This resulted in continued increases in sales of our original rotary joints and oil skimmers.

As a result, net sales for the machine tools industry totaled ¥1,820 million (up 32.1% year on year).

(High-performance Material)

In the high-performance material industry, the price surge of naphtha, a raw material for high-performance materials, settled down due to OPEC's crude oil production increase and China's lockdown.

The Group focused on sales of filters, in addition to making further inroads into pharmaceutical and cosmetic industries. This resulted in strong sales of filters and seals, and the winning of projects to modernize existing facilities, contributing to the increase in sales.

As a result, net sales for the high-performance material industry totaled ¥1,543 million (up 21.9% year on year).

(Environment)

The environment industry saw robust demand for projects for waste treatment and effective utilization of resources. The industry also experienced substantial growth in projects against global warming, which served as a driver of the entire environmental industry.

The Group focused on increasing its presence in the environment and energy industries, which are regarded as important in recent years. This resulted in the winning of maintenance and construction projects concerning clean and recycled water facilities as well as sales of valves for exhaust gas treatment facilities, contributing to the increase in sales.

As a result, net sales for the environmental industry totaled ¥1,598 million (up 2.0% year on year).

(Paper and Pulp)

The paper and pulp industry saw further price hikes for western paper and a decline in shipments of printing and communication paper and other types of paper. Furthermore, shipments of containerboards and other types of paper board, which had sold well previously, showed signs of decline.

The Group focused on product development in the cutting-edge biomass material CNF, chemical materials, and energy sectors. This resulted in continued sales increases from the previous fiscal year in rental of chiller units and the winning of contracts for pumps for pharmaceutical dispensing facilities, among others. Meanwhile, the Group was affected by a decrease in pump renewal projects.

As a result, net sales for the paper and pulp industry totaled ¥577 million (down 14.9% year on year).

(2) Explanation of Financial Position

(Assets)

Current assets increased 1.6% from the end of the previous fiscal year to ¥27,620 million. Primary factors for the increase include an increase of ¥1,846 million in trade receivables, an increase of ¥690 million in inventories, and a decrease of ¥2,227 million in cash and deposits.

Non-current assets increased 16.3% from the end of the previous fiscal year to ¥8,147 million. Primary factors for the increase include an increase of ¥521 million in property, plant and equipment, an increase of ¥158 million in intangible assets, and an increase of ¥347 million in investment securities.

As a result, total assets increased 4.6% from the end of the previous fiscal year to ¥35,768 million.

(Liabilities)

Current liabilities increased 3.1% from the end of the previous fiscal year to ¥13,672 million. Primary factors

for the increase include an increase of ¥163 million in trade payables, ¥576 million yen in short-term borrowings, and a decrease of ¥372 million in income taxes payable.

Non-current liabilities decreased 5.7% from the end of the previous fiscal year to ¥1,349 million.

As a result, total liabilities increased 2.3% from the end of the previous fiscal year to ¥15,021 million.

(Net Assets)

Net assets increased 6.4% from the end of the previous fiscal year to ¥20,746 million. Primary factors for the increase include an increase of ¥1,115 million in retained earnings and an increase of ¥232 million in foreign currency translation adjustment.

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

The operating results for the third quarter (October–December 2022) of the fiscal year ending March 31, 2023 exceeded the planned figures because orders received and sales remained strong mainly in the Automobile, Electronics and Semiconductor, Rubber and Tire, and Machine Tools reportable segments despite the recording of foreign exchange losses due to the appreciation of yen.

As the operating results for the fourth quarter of the fiscal year ending March 31, 2023 are also expected to exceed the planned figures, the Company has made an upward revision of the full-year consolidated financial results forecast (of net sales, operating profit, ordinary profit, and profit attributable to owners of parent).

In addition, the Company has revised upward the year-end ordinary dividend forecast, in association with the upward revision to the financial results forecast.

For details, see the “Notice Regarding Revision to Financial Results Forecast and Forecast for Dividends” released on February 9, 2023.

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash and deposits	9,103,893	6,876,071
Notes receivable – trade	679,645	625,569
Electronically recorded monetary claims – operating	3,042,117	3,758,003
Accounts receivable – trade	11,606,759	12,791,442
Securities	100,000	100,000
Merchandise and finished goods	1,904,187	2,356,135
Work in process	278,980	431,309
Raw materials and supplies	196,064	282,741
Other	273,499	400,310
Allowance for doubtful accounts	(742)	(815)
Total current assets	27,184,404	27,620,767
Non-current assets		
Property, plant and equipment	3,050,120	3,571,381
Intangible assets	163,788	322,743
Investments and other assets		
Investment securities	2,601,939	2,949,203
Other	1,202,040	1,323,386
Allowance for doubtful accounts	(14,673)	(19,199)
Total investments and other assets	3,789,306	4,253,390
Total non-current assets	7,003,215	8,147,515
Total assets	34,187,619	35,768,283
Liabilities		
Current liabilities		
Notes payable – trade	767,572	572,344
Electronically recorded obligations – operating	4,799,985	4,963,819
Accounts payable – trade	3,964,637	4,159,866
Short-term borrowings	1,515,170	2,091,789
Current portion of long-term borrowings	21,600	21,600
Income taxes payable	714,467	342,357
Provision for bonuses	–	420,534
Provision for bonuses for directors (and other officers)	–	90,948
Other	1,474,026	1,009,363
Total current liabilities	13,257,458	13,672,623
Non-current liabilities		
Long-term borrowings	270,400	254,200
Provision for retirement benefits for directors (and other officers)	294,410	92,577
Retirement benefit liability	655,338	673,916
Other	209,942	328,492
Total non-current liabilities	1,430,091	1,349,186
Total liabilities	14,687,549	15,021,810

(Thousand yen)

	As of March 31, 2022	As of December 31, 2022
Net assets		
Shareholders' equity		
Share capital	827,900	827,900
Capital surplus	1,057,212	1,069,472
Retained earnings	16,986,591	18,102,364
Treasury shares	(407,624)	(609,731)
Total shareholders' equity	18,464,080	19,390,006
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	494,706	559,788
Foreign currency translation adjustment	164,516	396,690
Remeasurements of defined benefit plans	20,400	15,002
Total accumulated other comprehensive income	679,623	971,481
Non-controlling interests	356,366	384,984
Total net assets	19,500,069	20,746,473
Total liabilities and net assets	34,187,619	35,768,283

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

Nine Months Ended December 31

(Thousand yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Net sales	29,783,690	32,961,322
Cost of sales	22,694,371	24,683,881
Gross profit	7,089,319	8,277,441
Selling, general and administrative expenses	5,264,575	5,944,780
Operating profit	1,824,743	2,332,660
Non-operating income		
Interest income	9,220	17,062
Dividend income	57,987	79,149
Reversal of allowance for doubtful accounts	2,103	–
Share of profit of entities accounted for using equity method	48,695	15,166
Rental income from real estate	14,917	14,996
Foreign exchange gains	98,778	188,812
Gain on investments in investment partnerships	24,587	16,170
Other	37,188	51,224
Total non-operating income	293,478	382,582
Non-operating expenses		
Interest expenses	2,603	4,471
Provision of allowance for doubtful accounts	–	4,528
Other	1,937	9,538
Total non-operating expenses	4,540	18,538
Ordinary profit	2,113,682	2,696,704
Extraordinary income		
Gain on sale of non-current assets	1,907	188
Gain on sale of investment securities	3,385	–
Surrender value of insurance policies	2,740	–
Total extraordinary income	8,033	188
Extraordinary losses		
Loss on sale of non-current assets	3	–
Loss on retirement of non-current assets	4,853	279
Loss on valuation of investment securities	764	–
Total extraordinary losses	5,621	279
Profit before income taxes	2,116,094	2,696,614
Income taxes	661,274	825,565
Profit	1,454,820	1,871,048
Profit attributable to non-controlling interests	18,154	20,210
Profit attributable to owners of parent	1,436,665	1,850,837

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Thousand yen)

	For the nine months ended December 31, 2021	For the nine months ended December 31, 2022
Profit	1,454,820	1,871,048
Other comprehensive income		
Valuation difference on available-for-sale securities	(71,086)	64,391
Foreign currency translation adjustment	93,631	241,509
Remeasurements of defined benefit plans, net of tax	(6,591)	(5,397)
Share of other comprehensive income of entities accounted for using equity method	(603)	1,083
Total other comprehensive income	15,350	301,586
Comprehensive income	1,470,170	2,172,635
Comprehensive income attributable to:		
Owners of parent	1,458,880	2,142,696
Non-controlling interests	11,289	29,938

(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 third quarter of the fiscal year ending March 31, 2023, after the application of tax effect accounting is reasonably estimated, and quarterly profit before income taxes is multiplied by such effective tax rate.

(Changes in Accounting Policies)

We have applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021; hereinafter referred to as "Fair Value Measurement Guidance") since the beginning of the first quarter of the fiscal year ending March 31, 2023. Pursuant to the transitional treatment prescribed in Paragraph 27-2 of the Fair Value Measurement Guidance, the new accounting policies provided for in the Fair Value Measurement Guidance will be applied going forward.

This shall have no impact on the consolidated financial statements for the third quarter of the fiscal year ending March 31, 2023 or the nine months ended December 31, 2022.

(Segment Information, Etc.)

I For the Nine months Ended December 31, 2021 (from April 1, 2021 to December 31, 2021)

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	8,480,997	5,841,230	4,247,343	2,061,870	1,378,474	1,266,583	1,567,227	679,141
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–
Total	8,480,997	5,841,230	4,247,343	2,061,870	1,378,474	1,266,583	1,567,227	679,141
Segment profit (loss)	857,580	406,222	294,441	116,937	152,402	113,382	146,238	60,168

	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	25,522,867	4,260,823	29,783,690	–	29,783,690
Inter-segment net sales or transfers	–	–	–	–	–
Total	25,522,867	4,260,823	29,783,690	–	29,783,690
Segment profit (loss)	2,147,375	449,233	2,596,608	(771,864)	1,824,743

(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 ¥(771,864) thousand in segment profit (loss) includes ¥830,401 thousand for internal profit, ¥211,552 thousand for consolidation elimination, and ¥(1,813,818) 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 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 Nine months Ended December 31, 2022 (from April 1, 2022 to December 31, 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	8,928,117	6,631,881	4,942,703	2,476,292	1,820,302	1,543,556	1,598,185	577,648
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–
Total	8,928,117	6,631,881	4,942,703	2,476,292	1,820,302	1,543,556	1,598,185	577,648
Segment profit (loss)	905,057	780,822	369,380	224,747	227,452	153,065	112,922	45,034

	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	28,518,687	4,442,635	32,961,322	–	32,961,322
Inter-segment net sales or transfers	–	–	–	–	–
Total	28,518,687	4,442,635	32,961,322	–	32,961,322
Segment profit (loss)	2,818,481	441,018	3,259,499	(926,838)	2,332,660

- (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 ¥(926,838) thousand in segment profit (loss) includes ¥804,675 thousand for internal profit, ¥326,058 thousand for consolidation elimination, and ¥(2,057,571) 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 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.