

Disclaimer: This document is an English translation of the original document in Japanese and has been prepared solely for reference purposes. In the event of any discrepancy between this English translation and the original in Japanese, the original shall prevail in all respects.

Consolidated Financial Results for the Three Months Ended June 30, 2022 [Japanese GAAP]



August 9, 2022

Company name: RIX CORPORATION

Stock exchange listing: Tokyo Stock Exchange and Fukuoka Stock Exchange

Code number: 7525

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

Representative: Takashi Yasui, Representative Director, President and Executive Officer

Contact: Toru Karita, Director and Managing Executive Officer & Division Manager-Administration

Phone: +81-92-472-7311

Scheduled date of filing quarterly securities report: August 9, 2022

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, 2022 (April 1, 2022 – June 30, 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	%
Three months ended June 30, 2022	10,036	12.4	546	27.3	739	44.9	491	42.0
June 30, 2021	8,929	–	429	56.0	510	63.1	345	85.2

(Note) Comprehensive income: Three months ended June 30, 2022: ¥580 million [56.8%]

Three months ended June 30, 2021: ¥370 million [34.6%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	60.13	–
June 30, 2021	42.34	–

(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 three months ended June 30, 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 June 30, 2022	33,809	19,752	57.3
As of March 31, 2022	34,187	19,500	56.0

(Reference) Equity: As of June 30, 2022: ¥19,380 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	–				
Fiscal year ending March 31, 2023 (Forecast)		50.00	–	50.00	100.00

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

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
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	21,200	10.5	1,400	22.7	1,500	13.0	1,020	12.6	124.84
Full year	43,900	9.8	2,950	14.3	3,100	3.8	2,100	2.3	257.02

(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: 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 and outstanding shares (common shares)
 - 1) Total number of issued and outstanding shares at the end of the period (including treasury shares):

June 30, 2022:	8,640,000 shares
March 31, 2022:	8,640,000 shares
 - 2) Total number of treasury shares at the end of the period:

June 30, 2022:	469,471 shares
March 31, 2022:	469,445 shares
 - 3) Average number of shares during the period:

Three months ended June 30, 2022:	8,170,548 shares
Three months ended June 30, 2021:	8,170,575 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.

Table of Contents - Attachments

1. Qualitative Information on Quarterly Financial Results	2
(1) Explanation of Operating Results	2
(2) Explanation of Financial Position	3
(3) Explanation of Consolidated Financial Results Forecast and Other Forward-looking Information ...	4
2. Quarterly Consolidated Financial Statements and Principal Notes	5
(1) Quarterly Consolidated Balance Sheets	5
(2) Quarterly Consolidated Statements of Income and Comprehensive Income	7
(3) Notes to Quarterly Consolidated Financial Statements	9
(Notes on Going Concern Assumption)	9
(Notes in Case of Significant Changes in Shareholders' Equity)	9
(Accounting Methods Adopted Particularly for the Preparation of Quarterly Consolidated Financial Statements)	9
(Changes in Accounting Policies)	9
(Segment Information, Etc.)	10
(Significant Subsequent Events)	12

1. Qualitative Information on Quarterly Financial Results

(1) Explanation of Operating Results

The world economy showed a moderate recovery during the three months ended June 30, 2022. While inflation accelerated due to sharp rises in raw material, energy, and food prices caused by the Russia-Ukraine conflict, consumption saw a solid increase chiefly because lifestyles for living with COVID-19 took root. The Japanese economy experienced a recovery trend mainly in the service industry. However, increases in import prices and sharp rises in prices of materials and other goods, resulting from what took place in the world and a weak yen, left concerns over the business outlook.

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 three months ended June 30, 2022, the Group recorded net sales totaling ¥10,036 million (up 12.4% year on year), operating profit totaling ¥546 million (up 27.3% year on year), ordinary profit totaling ¥739 million (up 44.9% year on year), and profit attributable to owners of parent totaling ¥491 million (up 42.0% 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 largely due to a production decrease in China, the largest crude steel producer in the world. Japan also saw a decrease in crude steel production because prolonged supply shortages of semiconductors and other parts led to a sluggish growth in automobile production, despite recovery in demand for industrial machines.

The Group focused on sales activities not only in the maintenance sector but also in the operation sector, resulting in the growth of sales of reserve supplies and maintenance services. Also, sales of reduction rolls, steel fabrication products manufactured overseas, special valves for the hot-rolling process, etc., contributed to the increase in sales.

As a result, net sales for the steel and iron industry totaled ¥2,824 million (up 5.8% year on year).

(Automobile)

On the global level, the automobile industry saw a year-on-year recovery in China, India, and Mexico, the major automobile producing countries. Meanwhile, compared with overseas, production in Japan experienced a slower recovery due to the prolonged impact of automotive semiconductor supply shortages.

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 dispenser sales expanding into the motor manufacturing sector, and the repair business for control parts and other equipment contributed to the increase in sales.

As a result, net sales for the automobile industry totaled ¥1,723 million (up 4.5% year on year).

(Electronics and Semiconductor)

Semiconductor sales increased both globally, although growth rates varied by region, and in Japan. Meanwhile, the world saw prolonged supply shortages amid higher demand for semiconductors.

The Group focused on sales activities on the frontline and facilities and maintenance sectors, in addition to the repair and recycling businesses. This resulted in increases in the sales of sealing materials for semiconductor manufacturing equipment and our original rotary joint products.

As a result, net sales for the electronics and semiconductor industry totaled ¥1,516 million (up 15.4% year on year).

(Rubber and Tire)

On the global level, the rubber and tire industry saw a recovery of demand for tires, following the recovery of automobile production. In Japan, tire sales for new cars decreased year on year, as automobile production experienced a sluggish recovery chiefly due to the impact of automotive semiconductor supply shortages. Meanwhile, shipments of tires for commercial sales increased year on year.

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 sales of valves for vulcanizers and flowmeters contributing to the increase in sales.

As a result, net sales for the rubber and tire industry totaled ¥661 million (up 11.2% year on year).

(Machine Tools)

The machine tools industry enjoyed strong orders both in Japan and overseas, mainly in relation to semiconductors and electric vehicles. Meanwhile, continued difficulty in procuring semiconductors and other parts left concerns over production decrease.

The Group focused on sales and development of multi-port rotary joints that respond to requests for the integration of machine tools. This resulted in increases in sales of rotary joints and coolant pumps.

As a result, net sales for the machine tools industry totaled ¥566 million (up 37.0% year on year).

(High-performance Material)

The high-performance material industry saw continued surges in naphtha prices. Prices of food containers made from naphtha, as well as polystyrene for cushioning materials used in transportation, soared and were passed on to the products.

The Group focused the repair and recycling businesses, in addition to making further inroads into pharmaceutical and cosmetic industries. This resulted in the increase in sales of air purifiers and cleaning equipment. Works for cold isostatic pressing equipment, among others, also contributed to the sales increase.

As a result, net sales for the high-performance material industry totaled ¥507 million (up 36.4% year on year).

(Environment)

The environment industry saw a year-on-year increase in the sales of environment-related equipment, especially industrial wastewater treatment equipment for the manufacturing industry, sludge treatment equipment for government organizations, and urban garbage treatment equipment.

The Group focused on increasing our presence in the environment and energy industries, which are regarded as important in recent years. This resulted in sales of filters for the exhaust gas treatment process, bellows for biomass facilities, vessels for semiconductor manufacturing plants, and other products contributing to the sales increase.

As a result, net sales for the environmental industry totaled ¥534 million (up 35.3% year on year).

(Paper and Pulp)

The paper and pulp industry enjoyed strong shipments of containerboards and other types of paper board, supported by an increase in electronic business transactions. Meanwhile, paper shipments showed a downward trend due to the impact of digitalization.

The Group focused on product development in the cutting-edge biomass material CNF and energy sectors. This resulted in orders for pulp facility repair projects and other products, securing sales. However, the Group was affected by decreases in the sales of boiler facility equipment and other products.

As a result, net sales for the paper and pulp industry totaled ¥213 million (down 10.3% year on year).

(2) Explanation of Financial Position

(Assets)

Current assets decreased 4.0% from the end of the previous fiscal year to ¥26,089 million. Primary factors for the decrease in current assets include a decrease of ¥1,258 million in cash and deposits, a decrease of ¥451 million in trade receivables, and an increase of ¥515 million in inventories.

Non-current assets increased 10.2% from the end of the previous fiscal year to ¥7,720 million. Primary factors for the increase include an increase of ¥537 million in property, plant and equipment and an increase of ¥100 million in investment securities.

As a result, total assets decreased 1.1% from the end of the previous fiscal year to ¥33,809 million.

(Liabilities)

Current liabilities decreased 4.4% from the end of the previous fiscal year to ¥12,669 million. Primary factors for the decrease include a decrease of ¥446 million in income taxes payable, a decrease of ¥565 million in other, and an increase of ¥295 million in provision for bonuses.

Non-current liabilities decreased 2.9% from the previous fiscal year end to ¥1,388 million.

As a result, total liabilities decreased 4.3% from the end of the previous fiscal year to ¥14,057 million.

(Net Assets)

Net assets increased 1.3% from the end of the previous fiscal year to ¥19,752 million. Primary factors for the increase in net assets include an increase of ¥164 million in retained earnings and an increase of ¥104 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, 2022. 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, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	9,103,893	7,845,360
Notes receivable – trade	679,645	649,531
Electronically recorded monetary claims – operating	3,042,117	3,075,164
Accounts receivable – trade	11,606,759	11,152,293
Securities	100,000	100,000
Merchandise and finished goods	1,904,187	2,263,715
Work in process	278,980	392,281
Raw materials and supplies	196,064	238,633
Other	273,499	372,816
Allowance for doubtful accounts	(742)	(673)
Total current assets	27,184,404	26,089,123
Non-current assets		
Property, plant and equipment	3,050,120	3,587,474
Intangible assets	163,788	200,175
Investments and other assets		
Investment securities	2,601,939	2,701,956
Other	1,202,040	1,245,788
Allowance for doubtful accounts	(14,673)	(14,672)
Total investments and other assets	3,789,306	3,933,071
Total non-current assets	7,003,215	7,720,720
Total assets	34,187,619	33,809,844
Liabilities		
Current liabilities		
Notes payable – trade	767,572	674,995
Electronically recorded obligations – operating	4,799,985	4,910,484
Accounts payable – trade	3,964,637	4,006,292
Short-term borrowings	1,515,170	1,556,560
Current portion of long-term borrowings	21,600	21,600
Income taxes payable	714,467	268,277
Provision for bonuses	–	295,220
Provision for bonuses for directors (and other officers)	–	27,892
Other	1,474,026	908,441
Total current liabilities	13,257,458	12,669,765
Non-current liabilities		
Long-term borrowings	270,400	265,000
Provision for retirement benefits for directors (and other officers)	294,410	245,807
Retirement benefit liability	655,338	666,960
Other	209,942	210,275
Total non-current liabilities	1,430,091	1,388,043
Total liabilities	14,687,549	14,057,808

(Thousand yen)

	As of March 31, 2022	As of June 30, 2022
Net assets		
Shareholders' equity		
Share capital	827,900	827,900
Capital surplus	1,057,212	1,057,212
Retained earnings	16,986,591	17,150,603
Treasury shares	(407,624)	(407,675)
Total shareholders' equity	18,464,080	18,628,040
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	494,706	465,344
Foreign currency translation adjustment	164,516	268,896
Remeasurements of defined benefit plans	20,400	18,601
Total accumulated other comprehensive income	679,623	752,841
Non-controlling interests	356,366	371,153
Total net assets	19,500,069	19,752,035
Total liabilities and net assets	34,187,619	33,809,844

(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, 2021	For the three months ended June 30, 2022
Net sales	8,929,508	10,036,754
Cost of sales	6,791,431	7,602,447
Gross profit	2,138,076	2,434,307
Selling, general and administrative expenses	1,708,659	1,887,502
Operating profit	429,416	546,804
Non-operating income		
Interest income	2,443	3,196
Dividend income	21,676	33,212
Share of profit of entities accounted for using equity method	2,697	1,946
Rental income from real estate	4,938	4,902
Foreign exchange gains	41,092	128,071
Other	13,135	23,486
Total non-operating income	85,984	194,816
Non-operating expenses		
Interest expenses	460	1,033
Provision of allowance for doubtful accounts	3,820	–
Other	979	1,164
Total non-operating expenses	5,260	2,198
Ordinary profit	510,140	739,423
Extraordinary income		
Gain on sale of non-current assets	–	116
Gain on sale of investment securities	3,385	–
Surrender value of insurance policies	2,682	–
Total extraordinary income	6,067	116
Extraordinary losses		
Loss on sale of non-current assets	83	–
Loss on retirement of non-current assets	338	0
Total extraordinary losses	422	0
Profit before income taxes	515,786	739,539
Income taxes	163,802	237,896
Profit	351,983	501,643
Profit attributable to non-controlling interests	6,012	10,349
Profit attributable to owners of parent	345,970	491,293

Quarterly Consolidated Statements of Comprehensive Income

Three Months Ended June 30

(Thousand yen)

	For the three months ended June 30, 2021	For the three months ended June 30, 2022
Profit	351,983	501,643
Other comprehensive income		
Valuation difference on available-for-sale securities	(55,001)	(30,546)
Foreign currency translation adjustment	73,950	110,727
Remeasurements of defined benefit plans, net of tax	(2,197)	(1,799)
Share of other comprehensive income of entities accounted for using equity method	1,666	594
Total other comprehensive income	18,417	78,976
Comprehensive income	370,401	580,619
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	364,844	564,512
Comprehensive income attributable to non-controlling interests	5,557	16,107

(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, 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 first quarter of the fiscal year ending March 31, 2023 or the three months ended June 30, 2022.

(Segment Information, Etc.)

I For the Three Months Ended June 30, 2021 (from April 1, 2021 to June 30, 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	2,670,387	1,649,019	1,314,372	594,673	413,115	371,756	394,988	238,108
Inter-segment net sales or transfers	–	–	–	–	–	–	–	–
Total	2,670,387	1,649,019	1,314,372	594,673	413,115	371,756	394,988	238,108
Segment profit (loss)	280,784	87,365	72,952	16,360	41,253	20,269	40,158	19,076

	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	7,646,422	1,283,086	8,929,508	–	8,929,508
Inter-segment net sales or transfers	–	–	–	–	–
Total	7,646,422	1,283,086	8,929,508	–	8,929,508
Segment profit (loss)	578,220	109,030	687,250	(257,833)	429,416

(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 ¥(257,833) thousand in segment profit (loss) includes ¥248,243 thousand for internal profit, ¥81,121 thousand for consolidation elimination, and ¥(587,198) 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, 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.

(Significant Subsequent Events)

(Disposal of Treasury Shares as Restricted Share Remuneration)

At the Board of Directors' meeting held on July 8, 2022, the Company resolved to dispose of treasury shares as restricted share remuneration (the "Disposal of Treasury Shares").

1. Overview of the Disposal

(1) Payment date	August 1, 2022
(2) Class and number of shares to be disposed of	11,020 common shares of the Company
(3) Disposal price	¥1,989 per share
(4) Total disposal price	¥21,918,780
(5) Allottee	5 Directors(*) of the Company 7,135 shares 4 Executive Officers of the Company 3,885 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

Treasury shares are disposed of as restricted share remuneration, and restricted shares are allotted to the Company's Directors (excluding Directors serving as Audit and Supervisory Committee Members and External Directors; the "Eligible Directors") as part of their remuneration. The purpose of and reason for the disposal is to give the Eligible Directors an incentive to work toward sustainable improvement of the Company's medium- to long-term performance and corporate value, share both the merits and risks of share price fluctuations with shareholders, and to further encourage the Eligible Directors to contribute to share price increase.