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Consolidated Financial Results for the Nine Months Ended December 31, 2023 [Japanese GAAP]

February 9, 2024

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 13, 2024

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, 2023 (April 1, 2023–December 31, 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	%
Nine months ended December 31, 2023	37,052	12.4	2,795	19.8	3,149	16.8	2,200	18.9
December 31, 2022	32,961	10.7	2,332	27.8	2,696	27.6	1,850	28.8

(Note) Comprehensive income: Nine months ended December 31, 2023: ¥2,740 million [26.2%]

Nine months ended December 31, 2022: ¥2,172 million [47.8%]

	Basic earnings per share	Diluted earnings per share
Nine months ended	Yen	Yen
December 31, 2023	272.12	–
December 31, 2022	227.27	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2023	39,762	23,191	57.2
As of March 31, 2023	37,442	21,684	56.8

(Reference) Equity: As of December 31, 2023: ¥22,729 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	—	70.00	—		
Fiscal year ending March 31, 2024 (Forecast)				78.00	148.00

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

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
Full year	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
	48,800	7.9	3,580	7.6	3,950	5.4	2,980	7.8	368.53

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

* 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):

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

December 31, 2023:	551,303 shares
March 31, 2023:	558,451 shares
 - 3) Average number of shares outstanding during the period:

Nine months ended December 31, 2023:	8,085,448 shares
Nine months ended December 31, 2022:	8,143,901 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 nine months ended December 31, 2023, the world economy slowed down as demand in the service industry, which had been driven by a recovery in personal consumption, ran its course. Economic conditions in the manufacturing industry remained weak, due in part to the persistently high global inflation.

The Japanese economy continued to see a recovery of inbound tourism demand, with the number of foreign visitors to Japan returning to pre-pandemic levels. In the manufacturing industry, capital investment had been restrained due to the impact of the slowdown in overseas economies, but signs of recovery emerged as investment momentum picked up.

Under these economic circumstances, the Group implemented measures under its medium-term plan “GP2023.” As a result, for the nine months ended December 31, 2023, the Group recorded net sales totaling ¥37,052 million (up 12.4% year on year), operating profit totaling ¥2,795 million (up 19.8% year on year), ordinary profit totaling ¥3,149 million (up 16.8% year on year), and profit attributable to owners of parent totaling ¥2,200 million (up 18.9% 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 an increasing trend of crude steel production across the world as the production remained at a high level notably in India. In Japan, demand from the recovering automobile industry remained firm, but demand for steel products for export was weak due to China’s economic downturn.

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 net sales, mainly due to orders for cleaning equipment for overseas markets as well as orders for machinery and equipment automation projects and labor-saving remotely operated heavy machinery projects.

As a result, net sales for the steel and iron industry totaled ¥10,484 million (up 17.4% year on year).

(Automobile)

On the global level, automobile production increased across the world. In particular, production and export of new energy vehicles continued to grow in China. In Japan, the impact of the ongoing supply shortage of automotive semiconductors waned and there was a recovery trend in production.

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 continued growth in sales of parts and materials to plants in Japan and overseas in the battery manufacturing sector. Sales of conveyance equipment for the manufacturing process also contributed to the increase in net sales.

As a result, net sales for the automobile industry totaled ¥7,562 million (up 14.0% year on year).

(Electronics and Semiconductor)

Globally, sales related to semiconductors had been declining compared to the same period of the previous fiscal year, but returned to positive year-on-year growth by the end of 2023. In Japan, sales of semiconductor production equipment fell year on year, but manufacturing and investment in automotive and power semiconductors were thriving.

The Group focused on sales activities on the frontline and facilities and maintenance sectors, in addition to the repair and recycling businesses. Consequently, net sales increased mainly due to increases in sales of components for semiconductor production equipment as well as sales of our original cleaning equipment to newly-constructed plants.

As a result, net sales for the electronics and semiconductor industry totaled ¥5,031 million (up 1.8% 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 expansion, while demand for replacement tires continued to decline amid rising prices.

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 of valves and tire-related equipment originally produced by Group companies and orders for capital investment projects of component manufacturers, among other things, contributing to the increase in overall net sales.

As a result, net sales for the rubber and tire industry totaled ¥3,109 million (up 25.6% year on year).

(Machine Tools)

In the machine tools industry, orders decreased both in Japan and overseas due to a downturn in the semiconductor- and automotive-related industries, which had boomed in the same period of the previous fiscal year, and due to restraint on investment caused by a slowdown of China's economy.

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 pumps to coolant system manufacturers. However, the third quarter of the current fiscal year was negatively affected by sluggish industries.

As a result, net sales for the machine tools industry totaled ¥1,909 million (up 4.9% year on year).

(High-performance Material)

In the high-performance material industry, production of ethylene, a basic product, continued to decrease due to lower domestic consumption amid rising prices, although demand varied by sector.

The Group focused on the repair and recycling businesses, in addition to making further inroads into pharmaceutical and cosmetic industries. This led to an increase in net sales, mainly due to orders for rental products associated with equipment failures and sales of filters to equipment manufacturers. However, net sales were lower than those in the same period of the previous fiscal year.

As a result, net sales for the high-performance material industry totaled ¥1,509 million (down 2.2% year on year).

(Environment)

In the environment industry, orders of environment-related equipment increased year on year for the manufacturing industry, but decreased overall, including other industries.

The Group focused on increasing its presence in the environment and energy industries, which are regarded as important in recent years. This resulted in continued orders for our original equipment at incineration plant facilities as well as orders for new construction projects at utility facilities, contributing to an increase in net sales.

As a result, net sales for the environmental industry totaled ¥1,768 million (up 10.7% year on year).

(Paper and Pulp)

In the paper and pulp industry, demand for paper products continued to decline both in Japan and overseas as a result of the spread of digitalization and rising prices.

The Group made inroads into biomass material and energy sectors, in which other companies focused on. This resulted in the acquisition of orders for high-pressure pumps and increases in sales of repair parts and construction-related sales, contributing to an increase in net sales.

As a result, net sales for the paper and pulp industry totaled ¥658 million (up 14.0% year on year).

(2) Explanation of Financial Position

(Assets)

Current assets increased 5.5% from the end of the previous fiscal year to ¥30,593 million. Primary factors for the increase include an increase of ¥2,454 million in trade receivables, an increase of ¥709 million in inventories, and a decrease of ¥1,777 million in cash and deposits.

Non-current assets increased 8.7% from the end of the previous fiscal year to ¥9,169 million. Primary factors for the increase include an increase of ¥112 million in property, plant and equipment, an increase of ¥116 million in intangible assets, and an increase of ¥502 million in investment securities.

As a result, total assets increased 6.2% from the end of the previous fiscal year to ¥39,762 million.

(Liabilities)

Current liabilities increased 5.4% from the end of the previous fiscal year to ¥15,178 million. Primary factors for the increase include an increase of ¥715 million in trade payables and an increase of ¥148 million in short-term borrowings.

Non-current liabilities increased 2.4% from the end of the previous fiscal year to ¥1,392 million.
As a result, total liabilities increased 5.2% from the end of the previous fiscal year to ¥16,571 million.

(Net Assets)

Net assets increased 6.9% from the end of the previous fiscal year to ¥23,191 million. Primary factors for the increase include an increase of ¥945 million in retained earnings, an increase of ¥296 million in valuation difference on available-for-sale securities, and an increase of ¥193 million in foreign currency translation adjustment.

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

During the nine months ended December 31, 2023, net sales and segment profit were strong mainly in the Steel and Iron, Automobile, and Rubber and Tire segments, offsetting slower growth in the Electronics and Semiconductor and Machine Tools segments. Furthermore, the Electronics and Semiconductor segment's second-half results are expected to decline less than initially anticipated.

Based on these factors, the Company has revised its full-year financial results forecast upward to reflect the second-half results, which are expected to exceed the forecast that was left unchanged in the previous earnings release, and the estimated tax credits under the tax measure to promote wage increases.

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, 2024 (available in Japanese only).

2. Quarterly Consolidated Financial Statements and Principal Notes

(1) Quarterly Consolidated Balance Sheets

(Thousand yen)

	As of March 31, 2023	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	8,695,704	6,918,662
Notes receivable – trade	749,553	891,985
Electronically recorded monetary claims – operating	3,138,483	4,082,571
Accounts receivable – trade	12,864,241	14,231,827
Securities	100,000	100,000
Merchandise and finished goods	2,512,353	3,129,893
Work in process	330,072	434,760
Raw materials and supplies	268,223	255,841
Other	351,112	548,371
Allowance for doubtful accounts	(502)	(553)
Total current assets	29,009,241	30,593,358
Non-current assets		
Property, plant and equipment	3,611,611	3,724,438
Intangible assets	365,832	482,086
Investments and other assets		
Investment securities	3,232,657	3,735,196
Other	1,238,068	1,242,505
Allowance for doubtful accounts	(15,170)	(15,171)
Total investments and other assets	4,455,555	4,962,530
Total non-current assets	8,432,998	9,169,055
Total assets	37,442,239	39,762,414
Liabilities		
Current liabilities		
Notes payable – trade	653,297	725,113
Electronically recorded obligations – operating	5,287,815	6,025,717
Accounts payable – trade	4,697,885	4,603,445
Short-term borrowings	1,403,428	1,551,968
Current portion of long-term borrowings	21,600	31,608
Income taxes payable	487,447	493,700
Provision for bonuses	–	492,232
Provision for bonuses for directors (and other officers)	–	117,802
Other	1,845,751	1,136,666
Total current liabilities	14,397,226	15,178,255
Non-current liabilities		
Long-term borrowings	248,800	235,086
Provision for retirement benefits for directors (and other officers)	86,460	76,590
Retirement benefit liability	673,742	675,817
Other	351,395	405,258
Total non-current liabilities	1,360,397	1,392,752
Total liabilities	15,757,624	16,571,007

(Thousand yen)

	As of March 31, 2023	As of December 31, 2023
Net assets		
Shareholders' equity		
Share capital	827,900	827,900
Capital surplus	1,069,472	1,083,828
Retained earnings	19,015,440	19,960,713
Treasury shares	(609,731)	(601,895)
Total shareholders' equity	20,303,081	21,270,546
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	705,354	1,002,148
Foreign currency translation adjustment	266,495	459,989
Remeasurements of defined benefit plans	2,851	(2,806)
Total accumulated other comprehensive income	974,700	1,459,330
Non-controlling interests	406,832	461,529
Total net assets	21,684,615	23,191,406
Total liabilities and net assets	37,442,239	39,762,414

(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, 2022	For the nine months ended December 31, 2023
Net sales	32,961,322	37,052,601
Cost of sales	24,683,881	27,705,494
Gross profit	8,277,441	9,347,106
Selling, general and administrative expenses	5,944,780	6,551,757
Operating profit	2,332,660	2,795,348
Non-operating income		
Interest income	17,062	16,530
Dividend income	79,149	89,080
Share of profit of entities accounted for using equity method	15,166	55,962
Rental income from real estate	14,996	15,239
Foreign exchange gains	188,812	131,048
Gain on investments in investment partnerships	16,170	–
Other	51,224	61,888
Total non-operating income	382,582	369,749
Non-operating expenses		
Interest expenses	4,471	4,392
Provision of allowance for doubtful accounts	4,528	–
Loss on investments in investment partnerships	–	3,514
Other	9,538	7,530
Total non-operating expenses	18,538	15,437
Ordinary profit	2,696,704	3,149,661
Extraordinary income		
Gain on sale of non-current assets	188	1,405
Gain on sale of investment securities	–	71,681
Surrender value of insurance policies	–	9,689
Total extraordinary income	188	82,776
Extraordinary losses		
Loss on retirement of non-current assets	279	290
Total extraordinary losses	279	290
Profit before income taxes	2,696,614	3,232,146
Income taxes	825,565	997,332
Profit	1,871,048	2,234,814
Profit attributable to non-controlling interests	20,210	34,618
Profit attributable to owners of parent	1,850,837	2,200,196

Quarterly Consolidated Statements of Comprehensive Income

Nine Months Ended December 31

(Thousand yen)

	For the nine months ended December 31, 2022	For the nine months ended December 31, 2023
Profit	1,871,048	2,234,814
Other comprehensive income		
Valuation difference on available-for-sale securities	64,391	308,013
Foreign currency translation adjustment	241,509	201,443
Remeasurements of defined benefit plans, net of tax	(5,397)	(5,658)
Share of other comprehensive income of entities accounted for using equity method	1,083	2,229
Total other comprehensive income	301,586	506,027
Comprehensive income	2,172,635	2,740,842
Comprehensive income attributable to:		
Owners of parent	2,142,696	2,684,826
Non-controlling interests	29,938	56,016

(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, 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 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
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
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
Segment profit (loss)	905,057	780,822	369,380	224,747	227,452	153,065	112,922

	Reportable segment		Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Paper and Pulp	Total				
Net sales						
Net sales to outside customers	577,648	28,518,687	4,442,635	32,961,322	–	32,961,322
Inter-segment net sales or transfers	–	–	–	–	–	–
Total	577,648	28,518,687	4,442,635	32,961,322	–	32,961,322
Segment profit (loss)	45,034	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 Quarterly Consolidated Statements of Income.

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

Not applicable.

II For the Nine Months Ended December 31, 2023 (from April 1, 2023 to December 31, 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
Net sales							
Net sales to outside customers	10,484,271	7,562,455	5,031,089	3,109,105	1,909,451	1,509,211	1,768,986
Inter-segment net sales or transfers	–	–	–	–	–	–	–
Total	10,484,271	7,562,455	5,031,089	3,109,105	1,909,451	1,509,211	1,768,986
Segment profit (loss)	1,243,691	1,005,629	317,885	306,089	174,675	179,193	176,404

	Reportable segment		Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in Quarterly Consolidated Statements of Income (Note 3)
	Paper and Pulp	Total				
Net sales						
Net sales to outside customers	658,488	32,033,059	5,019,541	37,052,601	–	37,052,601
Inter-segment net sales or transfers	–	–	–	–	–	–
Total	658,488	32,033,059	5,019,541	37,052,601	–	37,052,601
Segment profit (loss)	52,407	3,455,976	452,581	3,908,557	(1,113,209)	2,795,348

(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 ¥(1,113,209) thousand in segment profit (loss) includes ¥871,639 thousand for internal profit, ¥373,765 thousand for consolidation elimination, and ¥(2,358,615) 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 Losses on Non-current Assets and Goodwill by Reportable Segment (Significant Impairment Losses on Non-current Assets)

Not applicable.