July 12, 2022

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending February 28, 2023 (Three Months Ended May 31, 2022)

[Japanese GAAP]

Company name: AIT CORPORATION
Listing: Tokyo Stock Exchange
Securities code: 9381
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Scheduled date of filing of Quarterly Report: July 15, 2022
Scheduled date of payment of dividend: -
Preparation of supplementary materials for quarterly financial results: None
Holding of quarterly financial results meeting: None

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Quarter (March 1, 2022 – May 31, 2022) of the Fiscal Year Ending February 28, 2023

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Three months ended May 31, 2022	17,305	28.0	1,306	76.1	1,202	46.4	810	56.7
Three months ended May 31, 2021	13,515	22.1	741	71.8	821	61.1	517	49.4

Note: Comprehensive income Three months ended May 31, 2022:1,179 million yen (up 53.2%)
Three months ended May 31, 2021: 769 million yen (up 203.1%)

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended May 31, 2022	34.49	-
Three months ended May 31, 2021	22.01	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of May 31, 2022	24,529	14,467	58.0
As of Feb. 28, 2022	23,516	14,134	59.2

Reference: Equity capital As of May 31, 2022: 14,220 million yen As of Feb. 28, 2022: 13,931 million yen

2. Dividends

	Dividend per share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended Feb. 28, 2022	-	22.00	-	36.00	58.00
Fiscal year ending Feb. 28, 2023	-				
Fiscal year ending Feb. 28, 2023 (forecast)		30.00	-	31.00	61.00

Notes: 1. Revision to the most recently announced dividend forecast: None

2. Breakdown of the year-end dividend forecast for the fiscal year ended February 28, 2022
Ordinary dividend: ¥29.00; Commemorative dividend to celebrate 15th listing anniversary: ¥7.00

3. Consolidated Forecast for the Fiscal Year Ending February 28, 2023 (March 1, 2022 – February 28, 2023)

(Percentages represent year-on-year changes)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	33,500	24.2	2,350	53.3	2,310	38.1	1,610	65.2	68.53
Full year	69,300	15.6	4,930	37.7	4,980	30.3	3,430	44.9	146.00

Note: Revision to the most recently announced forecast of consolidated results: Yes

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

Newly added: -

Excluded: -

(2) Application of special accounting methods for presenting quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others:	Yes
2) Changes in accounting policies other than 1) above:	None
3) Changes in accounting-based estimates:	None
4) Restatements:	None

(4) Number of outstanding shares (common stock)

1) Number of shares outstanding at the end of the period (including treasury shares)			
As of May 31, 2022:	23,913,600 shares	As of Feb. 28, 2022:	23,913,600 shares
2) Number of treasury shares at the end of the period			
As of May 31, 2022:	420,008 shares	As of Feb. 28, 2022:	419,975 shares
3) Average number of shares during the period			
Three months ended May 31, 2022:	23,493,615 shares	Three months ended May 31, 2021:	23,493,688 shares

The current quarterly financial report is not subject to quarterly review by certified public accountants or auditing firms.

Cautionary statement with respect to forecasts of future performance and other special items

Forward-looking statements in these materials are based on certain assumptions judged to be valid and information currently available to AIT. These statements are not promises by AIT regarding future performance. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to “1. Qualitative Information on Quarterly Consolidated Financial Performance, (3) Explanation of Forecast of Consolidated Results and Other Forward-looking Statements” on page 3 of the attachments regarding preconditions or other related matters for forecasts shown above.

Contents of Attachments

1. Qualitative Information on Quarterly Consolidated Financial Performance

(1) Explanation of Results of Operations

During the first quarter of the fiscal year ending February 28, 2023, the Japanese economy recovered gradually despite challenges posed by the COVID 19 pandemic. But the outlook remains unclear because of several uncertainties. There is no sign of an end to the COVID-19 pandemic, the Ukraine situation has become increasingly tense, raw material prices are soaring and the yen has weakened sharply.

The business climate for the AIT Group remained challenging because of lockdowns in Shanghai due to resurgence of the COVID-19 infections. Many of our shippers have production plants in Shanghai which had to be closed due to the lockdowns. In addition, supply chains were disrupted, and international cargo transportation as well as domestic truck transportation was affected causing logistics disruptions.

Under these circumstances, the AIT Group worked closely with its subsidiaries in China, proactively provided information to customers, and used Shanghai and ports in its vicinity for cargoes that could be shipped, to ensure stable international cargo transportation. At the same time, logistics costs have gone up further for many shippers as ocean freight rates have spiked and the yen has weakened sharply. Since the Group focuses on sales activities using proposals involving international freight, it views these challenges as an opportunity to add new customers and strengthen relationships with current customers to increase revenue. There were also many sales activities with the goal of receiving even more orders for integrated services. As the yen weakened, we concentrated on winning more cargo out of Japan.

Lockdowns in Shanghai had particularly strong impact in the first quarter of the current fiscal year as the container handling volume and customs clearance orders decreased compared with the same period a year earlier. On the other hand, shortages of cargo space and other factors caused freight rates to remain at high levels and the ongoing depreciation of the yen provided a tailwind for earnings growth, offsetting the declines in cargo volume and other factors. The Group also focused on DX initiatives to improve operational efficiency and continued to hold down selling, general and administrative expenses to the greatest degree possible in order to increase earnings.

Operating revenue increased 28.0% year-on-year to 17,305 million yen. Earnings at all levels were much higher than one year earlier mainly because of the significant increase in operating revenue. Operating profit increased 76.1% to 1,306 million yen, ordinary profit was up 46.4% to 1,202 million yen and profit attributable to owners of parent increased 56.7% to 810 million yen.

Results by business segment are as follows.

In the China reportable segment, Nisshin International Trading Co.,Ltd. is currently being liquidated.

1) Japan

While economic activities are gradually returning to normal following the lifting of the state of emergency declaration in late March, the situation for consumer spending remains challenging as prices of daily necessities have soared and other factors. Furthermore, lockdowns in Shanghai have disrupted cargo transportation services between Japan and China.

In this difficult environment, we have stepped up sales activities, to leverage the Group's strength in integrated services from international freight forwarding and customs clearance to delivery. The number of containers handled in the sea freight sector decreased 11.3% from one year earlier to 61,117 TEU for imports and the total for imports and exports decreased 9.6% to 65,347 TEU mainly due to the lockdown in Shanghai. Customs clearance orders were lower than one year earlier, decreasing 5.9% to 34,752 because of lower ocean freight volume. On the other hand, high ocean freight rates and the depreciation of the yen contributed to increasing operating revenue and the gross profit. We are also constantly reexamining selling, general and administrative expenses and using the digital transformation to operate more efficiently in order to cut costs for further earnings growth.

As a result, operating revenue increased 30.6% from one year earlier to 14,945 million yen. Segment profit increased 80.3% to 1,189 million yen mainly because of a big increase in the gross profit and measures to hold down personnel expenses and expenses for sales activities.

2) China

The volume of apparel shipments is recovering but the recovery is not yet robust. Consequently, the situation of orders for merchandise inspections, needle detection and other services associated with these shipments is difficult. On the other hand, the volume of freight for Japan handled by the AIT Group has increased during January to March 2022as the volume of non-apparel cargo was favorable. This created opportunities for increasing revenue involving cargo shipments within China. In addition, the amount of foreign currency translation gain was also higher due to appreciation of the Chinese yuan.

As a result, operating revenue increased 1.4% from one year earlier to 1,885 million yen and segment profit decreased 31.4% to 52 million yen because of higher expenses caused partly by an increase in personnel expenses one year earlier.

3) Other

The volume of cargo handled and revenue remained steady at subsidiaries in Taiwan and Vietnam. Revenue is also recovering at the Myanmar subsidiary as the effects of the COVID-19 pandemic and civil unrest are easing. As a result, operating revenue increased 119.6% from one year earlier to 474 million yen and segment profit was 64 million yen compared with segment profit of 5 million yen.

Note: TEU (twenty-foot equivalent unit) is a unit of cargo capacity based on a standard intermodal container.

(2) Explanation of Financial Position

Assets

Total assets increased 1,013 million yen from the end of the previous fiscal year to 24,529 million yen at the end of the period under review.

Current assets increased 995 million yen to 20,230 million yen. This was mainly due to increases in notes and accounts receivable-trade, and contract assets of 544 million yen, advances paid of 228 million yen and cash and deposits of 160 million yen.

Non-current assets increased 17 million yen to 4,298 million yen. This was mainly due to an increase in investment securities of 74 million yen.

Liabilities

Total liabilities increased 679 million yen to 10,061 million yen.

Current liabilities increased 680 million yen to 8,555 million yen. This was mainly due to an increase in accounts payable-trade of 782 million yen, which was partially offset by a decrease in income taxes payable of 347 million yen.

Non-current liabilities decreased 0 million yen to 1,506 million yen.

Net assets

Net assets increased 333 million yen to 14,467 million yen. This was mainly due to a booking of profit attributable to owners of parent of 810 million yen, dividends distributed from retained earnings of 845 million yen and a 322 million yen increase in foreign currency translation adjustment.

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

Based on the recent results of operations, AIT has revised its forecast for the fiscal year ending February 28, 2023 that was announced on April 13, 2022. For further details, see the release titled “Notice Regarding Revisions to Forecasts (Upward revisions)” (Japanese version only).

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY2/22 (As of Feb. 28, 2022)	First quarter of FY2/23 (As of May 31, 2022)
Assets		
Current assets		
Cash and deposits	12,654	12,814
Notes and accounts receivable-trade	4,757	-
Notes and accounts receivable-trade, and contract assets	-	5,302
Advances paid	1,629	1,858
Other	235	300
Allowance for doubtful accounts	(41)	(45)
Total current assets	19,235	20,230
Non-current assets		
Property, plant and equipment	635	585
Intangible assets		
Goodwill	761	734
Customer-related assets	1,842	1,776
Other	168	180
Total intangible assets	2,772	2,691
Investments and other assets		
Investment securities	525	600
Guarantee deposits	285	290
Other	93	162
Allowance for doubtful accounts	(31)	(31)
Total investments and other assets	872	1,022
Total non-current assets	4,280	4,298
Total assets	23,516	24,529
Liabilities		
Current liabilities		
Accounts payable-trade	3,007	3,790
Current portion of long-term borrowings	2,700	2,700
Income taxes payable	817	469
Provision for bonuses	446	461
Provision for bonuses for directors (and other officers)	37	9
Other	866	1,124
Total current liabilities	7,875	8,555
Non-current liabilities		
Deferred tax liabilities	383	394
Retirement benefit liability	646	660
Provision for retirement benefits for directors (and other officers)	155	162
Asset retirement obligations	206	206
Other	115	82
Total non-current liabilities	1,507	1,506
Total liabilities	9,382	10,061

(Millions of yen)

	FY2/22 (As of Feb. 28, 2022)	First quarter of FY2/23 (As of May 31, 2022)
Net assets		
Shareholders’ equity		
Share capital	271	271
Capital surplus	5,274	5,274
Retained earnings	8,189	8,153
Treasury shares	(392)	(392)
Total shareholders’ equity	13,341	13,306
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9	10
Foreign currency translation adjustment	586	908
Remeasurements of defined benefit plans	(5)	(5)
Total accumulated other comprehensive income	589	913
Non-controlling interests	202	247
Total net assets	14,134	14,467
Total liabilities and net assets	23,516	24,529

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Three-month Period)

(Millions of yen)

	First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)	First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)
Operating revenue		
Forwarding income	13,515	17,305
Total operating revenue	13,515	17,305
Operating costs		
Forwarding cost	11,243	14,485
Total operating costs	11,243	14,485
Gross profit	2,271	2,820
Selling, general and administrative expenses	1,529	1,513
Operating profit	741	1,306
Non-operating income		
Interest income	6	4
Dividend income	0	2
Share of profit of entities accounted for using equity method	38	32
Foreign exchange gains	24	-
Other	13	8
Total non-operating income	83	47
Non-operating expenses		
Interest expenses	3	3
Foreign exchange losses	-	148
Other	0	0
Total non-operating expenses	3	151
Ordinary profit	821	1,202
Extraordinary income		
Gain on sale of non-current assets	-	29
Total extraordinary income	-	29
Extraordinary losses		
Loss on retirement of non-current assets	0	0
Loss on liquidation of subsidiaries and associates	0	-
Business restructuring expenses	-	4
Total extraordinary losses	0	5
Profit before income taxes	821	1,227
Income taxes-current	294	419
Income taxes-deferred	3	(32)
Total income taxes	298	386
Profit	522	840
Profit attributable to non-controlling interests	5	30
Profit attributable to owners of parent	517	810

Quarterly Consolidated Statement of Comprehensive Income

(For the Three-month Period)

(Millions of yen)

	First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)	First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)
Profit	522	840
Other comprehensive income		
Valuation difference on available-for-sale securities	3	1
Foreign currency translation adjustment	209	297
Share of other comprehensive income of entities accounted for using equity method	33	40
Remeasurements of defined benefit plans, net of tax	0	0
Total other comprehensive income	246	338
Comprehensive income	769	1,179
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	760	1,134
Comprehensive income attributable to non-controlling interests	9	45

(3) Notes to Quarterly Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Changes in Shareholders' Equity

Not applicable.

Changes in Accounting Policies

Application of the Accounting Standard for Revenue Recognition

Beginning with the first quarter of the current fiscal year, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) has been applied. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the goods and services is transferred to customers. Accordingly, revenue from performance obligation over time is recognized based on the progress towards completion of the performance obligation.

In previous years, the Group recognized the total amount received from customers as revenue for transactions in which the Group provides products or services to customers as an agent. The Group has changed to a method of recognizing revenue as the net amount obtained by deducting the amount paid to the supplier from the amount received from the customer.

For the application of the accounting standard for revenue recognition, in accordance with the transitional treatment in the proviso to paragraph 84 of this standard, the new standard is then applied from the first quarter of the current fiscal year. However, the Company has applied the method prescribed in paragraph 86 of this standard and has not retrospectively applied the new accounting policy to contracts in which almost all revenue were recognized in accordance with the previous treatment prior to the beginning of the first quarter of the current fiscal year.

The effect of this change on operating revenue and profit in the first quarter of the current fiscal year is insignificant, and there is no impact on the balance of retained earnings at the beginning of the period under review.

Due to the application of the Revenue Recognition Accounting Standard, "Notes and accounts receivable-trade" presented under "Current assets" in the consolidated balance sheet for the previous fiscal year has now been included in "Notes and accounts receivable-trade, and contractual assets" in the consolidated balance sheet for the period under review. In accordance with the transitional treatment set forth in Paragraph 89-2 of the Revenue Recognition Accounting Standard, reclassification based on the new presentation method has not been carried out for the previous fiscal year. In addition, in accordance with the transitional treatment set forth in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12 issued on March 31, 2020), disaggregated revenue arising from contracts with customers in the first quarter of the previous fiscal year is not presented.

Application of the Accounting Standard for Fair Value Measurement

We have applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued on July 4, 2019; hereinafter the "Fair Value Measurement Accounting Standard") from the beginning of the period under review. In accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued on July 4, 2019), we have decided to prospectively apply the new accounting policy set forth in the Fair Value Measurement Accounting Standard. This decision has no impact on the quarterly financial statements for the period under review.

Additional Information

Impact of the COVID-19 pandemic on accounting estimates

There is no important change in the assumptions about the impact of the COVID-19 pandemic on accounting estimates which was presented in additional information in the Annual Securities Report for the previous fiscal year.

Segment and Other Information

Segment Information

I First three months of FY2/22 (Mar. 1, 2021 – May 31, 2021)

Information related to operating revenue and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment			Other (Note 2)	Total	Adjustment	Amounts shown on quarterly consolidated statement of income (Note 3)
	Japan	China (Note 1)	Sub-total				
Operating revenue							
(1) Revenue from external customers	11,440	1,858	13,298	216	13,515	-	13,515
(2) Inter-segment revenue and transfers	39	963	1,003	111	1,114	(1,114)	-
Total	11,480	2,821	14,302	328	14,630	(1,114)	13,515
Segment profit	659	76	736	5	741	-	741

Notes: 1. "China" includes the business activities of entities in China and Hong Kong.

2. "Other" is a business segment not included in reportable segments and includes the business activities of entities in Taiwan, Vietnam and Myanmar. U.S. subsidiary AIT International of America, Inc. was liquidated in the first quarter of FY2/22 and excluded from consolidation.

3. Segment profit is consistent with operating revenue recorded in the quarterly consolidated statement of income.

II First three months of FY2/23 (Mar. 1, 2022 – May 31, 2022)

1. Information related to operating revenue and profit or loss for each reportable segment

(Millions of yen)

	Reportable segment			Other (Note 2)	Total	Adjustment	Amounts shown on quarterly consolidated statement of income (Note 3)
	Japan	China (Note 1)	Sub-total				
Operating revenue							
Revenue from contracts with customers	14,945	1,885	16,830	474	17,305	-	17,305
(1) Revenue from external customers	14,945	1,885	16,830	474	17,305	-	17,305
(2) Inter-segment revenue and transfers	34	1,174	1,208	173	1,381	(1,381)	-
Total	14,980	3,059	18,039	648	18,687	(1,381)	17,305
Segment profit	1,189	52	1,242	64	1,306	-	1,306

Notes: 1. "China" includes the business activities of entities in China and Hong Kong. In the "China" segment, consolidated subsidiary Nisshin International Trading is currently being liquidated.

2. "Other" is a business segment not included in reportable segments and includes the business activities of entities in Taiwan, Vietnam and Myanmar.

3. Segment profit is consistent with operating revenue recorded in the quarterly consolidated statement of income.

2. Information related to revisions for reportable segments

As described in Changes in Accounting Policies, the AIT Group has applied the Accounting Standard for Revenue Recognition from the beginning of the first quarter of the current fiscal year and changed the accounting method for revenue recognition. The method for calculating profit or loss in business segments has been changed accordingly.

The effect of this change on operating revenue and segmet proft for reportable segments for the first three months of FY2/23 is insignificant.