January 11, 2023

Consolidated Financial Results
for the Third Quarter of the Fiscal Year Ending February 28, 2023
(Nine Months Ended November 30, 2022)

[Japanese GAAP]

Company name: AIT CORPORATION
Listing: Tokyo Stock Exchange
Securities code: 9381
URL: https://www.ait-jp.com/
Representative: Hidekazu Yagura, President and CEO
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Scheduled date of filing of Quarterly Report: January 16, 2023
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 Third Quarter (March 1, 2022 – November 30, 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	%
Nine months ended Nov. 30, 2022	55,689	25.8	4,569	54.5	4,788	51.8	3,265	63.8
Nine months ended Nov. 30, 2021	44,282	31.6	2,957	76.0	3,154	64.7	1,993	55.1

Note: Comprehensive income Nine months ended Nov. 30, 2022: 4,013 million yen (up 74.0%)
Nine months ended Nov. 30, 2021: 2,306 million yen (up 75.5%)

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended Nov. 30, 2022	139.01	-
Nine months ended Nov. 30, 2021	84.87	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Nov. 30, 2022	25,928	16,566	62.8
As of Feb. 28, 2022	23,516	14,134	59.2

Reference: Equity capital As of Nov. 30, 2022: 16,280 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	-	30.00	-		
Fiscal year ending Feb. 28, 2023 (forecast)				50.00	80.00

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
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: None

*** 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 Nov. 30, 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 Nov. 30, 2022:	420,008 shares	As of Feb. 28, 2022:	419,975 shares
3) Average number of shares during the period			
Nine months ended Nov. 30, 2022:	23,493,599 shares	Nine months ended Nov. 30, 2021:	23,493,654 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

Note concerning forward-looking statements

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 4 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 nine months of the fiscal year ending February 28, 2023, there was a slow recovery of the Japanese economy as economic and social activities gradually returned to normal as restrictions due to the pandemic ended. However, the outlook for the economy remains uncertain. Consumer spending in Japan, which had been recovering, is losing momentum as people become cautious and seeking ways to economize due to inflation. Prices of raw materials and energy are rising because of the Ukraine crisis and the yen's rapid depreciation is also fueling inflation.

Early in the fiscal year, international cargo movements, cargo shipments by truck in China and other logistics operations declined due to temporary supply chain disruptions caused by lockdowns in Shanghai in April and May 2022. In response to these challenges, AIT worked closely with its subsidiaries in China in order to ensure the stability of international cargo shipments.

In the ocean cargo transport sector, which is the core business of the AIT Group, shipping rates remained high on routes from China, which accounts for a large share of the group's ocean shipments. Rates are declining on routes in some regions, including North America and Southeast Asia. In addition, logistics costs have increased even more for many shippers because the yen weakened significantly. Since the AIT Group focuses on sales activities using proposals involving international freight, group companies view these challenges as a positive opportunity to increase revenue by adding new customers and strengthening relationships with current customers. There were also many sales activities with the goal of receiving even more orders for integrated services. As the yen weakened, we also concentrated on handling more export shipments from Japan.

During the first nine months, container volume and customs clearance orders were lower than one year earlier because of lockdowns in Shanghai and a reduction of imports by some customers due to the yen's depreciation. However, the AIT Group was able to offset downward pressure on earnings from lower cargo volume and other challenges because of consistently high ocean freight rates on China routes and the even greater positive effect on operating revenue of the yen's depreciation. The AIT Group also continued to focus on digital transformation initiatives to improve operational efficiency and continued to hold down selling, general and administrative expenses as much as possible in order to increase earnings.

Operating revenue increased 25.8% year-on-year to 55,689 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 54.5% to 4,569 million yen, ordinary profit was up 51.8% to 4,788 million yen and profit attributable to owners of parent increased 63.8% to 3,265 million yen.

Results by business segment are as follows.

1) Japan

The business climate in Japan was challenging during the first nine months despite progress with returning to normal economic and social activities. Shippers had to raise prices of imported goods because of inflation and the yen's depreciation, which is making consumers reluctant to purchase items. Furthermore, there was a significant, although temporary, disruption of shipments between Japan and China because of lockdowns in Shanghai.

In this difficult environment, we focused on sales activities that leverage the AIT Group's ability to provide integrated services extending from international freight forwarding and customs clearance to delivery. Although problems involving containership capacity constraints are declining, the volume of Japan's imports decreased because of lockdowns in Shanghai and weakening of the yen. The number of containers handled in the sea freight sector decreased 6.9% from one year earlier to 191,459 TEU for imports and the total for imports and exports decreased 5.5% to 203,895 TEU. Customs clearance orders were lower than one year earlier, decreasing 5.4% to 106,944 because of lower ocean freight volume.

Despite these declines, operating revenue and gross profit increased significantly because of consistently high ocean freight rates on China routes, which account for the largest share of the AIT Group's cargo volume, and the positive effect of the yen's depreciation. We are 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 31.9% from one year earlier to 48,670 million yen. Segment profit increased 61.3% to 3,963 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, receiving 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 increased between January to March 2022 because of the large volume of household and other miscellaneous products. The volume of cargo decreased because of lockdowns in Shanghai in April and May and the subsequent rapid depreciation of the yen also held down shipments to Japan. As a result, opportunities to receive orders in China decreased.

As a result, operating revenue decreased 12.6% from one year earlier to 5,787 million yen and segment profit decreased 7.0% to 433 million yen.

3) Other

At the Taiwan subsidiary, opportunities for receiving orders decreased as the volume of cargo shipped to Japan declined due to the yen's depreciation and other reasons. The volume of cargo handled and revenue remained steady at subsidiaries in Vietnam. Revenue is recovering at the Myanmar subsidiary as the effects of the pandemic and civil unrest are declining. The effect of the weaker yen on yen translations of local currency revenue and earnings further contributed to the performance of this sector. As a result, operating revenue increased 64.3% from one year earlier to 1,231 million yen and segment profit was 172 million yen compared with segment profit of 33 million yen one year earlier.

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 2,411 million yen from the end of the previous fiscal year to 25,928 million yen at the end of the first nine months of the current fiscal year.

Current assets increased 2,719 million yen to 21,955 million yen. This was mainly due to increases in notes and accounts receivable-trade, and contract assets of 1,448 million yen, cash and deposits of 824 million yen and advances paid of 321 million yen.

Non-current assets decreased 308 million yen to 3,972 million yen. This was mainly due to decreases in customer-related assets of 197 million yen, goodwill of 81 million yen and guarantee deposits of 76 million yen.

Liabilities

Total liabilities decreased 20 million yen to 9,361 million yen.

Current liabilities decreased 1,802 million yen to 6,072 million yen. This was mainly due to an increase in accounts payable-trade of 819 million yen, while there was a decrease in current portion of long-term borrowings of 2,700 million yen.

Non-current liabilities increased 1,781 million yen to 3,288 million yen. This was mainly due to an increase in long-term borrowings of 1,700 million yen.

Net assets

Net assets increased 2,432 million yen to 16,566 million yen. This was mainly due to profit attributable to owners of parent of 3,265 million yen, dividends distributed from retained earnings of 1,550 million yen and a 629 million yen increase in foreign currency translation adjustment.

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

Although problems involving containership capacity constraints are decreasing, as was explained in the results of operations section, ocean freight rates on some routes handled by the AIT Group are declining. Furthermore, the volume of shipments is less than normal because of rising prices of imported goods in Japan due to the yen's depreciation as well as inflation. The outlook is uncertain for ocean freight rates for shipments from China to Japan, which is the primary business of the AIT Group. For these reasons, there are no changes at this time to the fiscal year forecast that was announced on July 12, 2022.

We will continue to monitor changes in the business climate and will make an announcement promptly if we decide that there is a need to revise the fiscal year forecast.

2. Quarterly Consolidated Financial Statements and Notes

(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	FY2/22 (As of Feb. 28, 2022)	Third quarter of FY2/23 (As of Nov. 30, 2022)
Assets		
Current assets		
Cash and deposits	12,654	13,478
Notes and accounts receivable-trade	4,757	-
Notes and accounts receivable-trade, and contract assets	-	6,205
Advances paid	1,629	1,950
Other	235	369
Allowance for doubtful accounts	(41)	(49)
Total current assets	19,235	21,955
Non-current assets		
Property, plant and equipment	635	612
Intangible assets		
Goodwill	761	680
Customer-related assets	1,842	1,645
Other	168	171
Total intangible assets	2,772	2,496
Investments and other assets		
Investment securities	525	554
Guarantee deposits	285	208
Other	93	132
Allowance for doubtful accounts	(31)	(31)
Total investments and other assets	872	863
Total non-current assets	4,280	3,972
Total assets	23,516	25,928
Liabilities		
Current liabilities		
Accounts payable-trade	3,007	3,826
Current portion of long-term borrowings	2,700	-
Income taxes payable	817	809
Provision for bonuses	446	357
Provision for bonuses for directors (and other officers)	37	29
Other	866	1,050
Total current liabilities	7,875	6,072
Non-current liabilities		
Long-term borrowings	-	1,700
Deferred tax liabilities	383	358
Retirement benefit liability	646	669
Provision for retirement benefits for directors (and other officers)	155	175
Asset retirement obligations	206	226
Other	115	157
Total non-current liabilities	1,507	3,288
Total liabilities	9,382	9,361

(Millions of yen)

	FY2/22 (As of Feb. 28, 2022)	Third quarter of FY2/23 (As of Nov. 30, 2022)
Net assets		
Shareholders' equity		
Share capital	271	271
Capital surplus	5,274	5,274
Retained earnings	8,189	9,904
Treasury shares	(392)	(392)
Total shareholders' equity	13,341	15,057
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	9	12
Foreign currency translation adjustment	586	1,216
Remeasurements of defined benefit plans	(5)	(4)
Total accumulated other comprehensive income	589	1,223
Non-controlling interests	202	286
Total net assets	14,134	16,566
Total liabilities and net assets	23,516	25,928

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statement of Income

(For the Nine-month Period)

(Millions of yen)

	First nine months of FY2/22 (Mar. 1, 2021 – Nov. 30, 2021)	First nine months of FY2/23 (Mar. 1, 2022 – Nov. 30, 2022)
Operating revenue		
Forwarding income	44,282	55,689
Total operating revenue	44,282	55,689
Operating costs		
Forwarding cost	36,865	46,610
Total operating costs	36,865	46,610
Gross profit	7,416	9,078
Selling, general and administrative expenses	4,459	4,509
Operating profit	2,957	4,569
Non-operating income		
Interest income	22	17
Dividend income	1	4
Share of profit of entities accounted for using equity method	142	151
Foreign exchange gains	3	22
Other	37	33
Total non-operating income	207	229
Non-operating expenses		
Interest expenses	9	11
Other	0	0
Total non-operating expenses	10	11
Ordinary profit	3,154	4,788
Extraordinary income		
Gain on sale of non-current assets	-	34
Other	-	7
Total extraordinary income	-	41
Extraordinary losses		
Loss on sale of non-current assets	3	-
Loss on retirement of non-current assets	2	23
Loss on liquidation of subsidiaries and associates	0	-
Business restructuring expenses	87	22
Total extraordinary losses	94	46
Profit before income taxes	3,060	4,783
Income taxes-current	982	1,467
Income taxes-deferred	56	(35)
Total income taxes	1,038	1,431
Profit	2,021	3,352
Profit attributable to non-controlling interests	27	86
Profit attributable to owners of parent	1,993	3,265

Quarterly Consolidated Statement of Comprehensive Income

(For the Nine-month Period)

(Millions of yen)

	First nine months of FY2/22 (Mar. 1, 2021 – Nov. 30, 2021)	First nine months of FY2/23 (Mar. 1, 2022 – Nov. 30, 2022)
Profit	2,021	3,352
Other comprehensive income		
Valuation difference on available-for-sale securities	3	3
Foreign currency translation adjustment	233	588
Share of other comprehensive income of entities accounted for using equity method	47	68
Remeasurements of defined benefit plans, net of tax	0	0
Total other comprehensive income	284	661
Comprehensive income	2,306	4,013
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,308	3,899
Comprehensive income attributable to non-controlling interests	(2)	114

(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 (Accounting Standards Board of Japan (ASBJ) Statement No. 29 issued on 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 beginning of 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 nine months of the current fiscal year is insignificant, and there is no impact on the balance of retained earnings at the beginning of the current fiscal year.

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 contract assets" in the consolidated balance sheet for the first quarter of the current fiscal year. 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 nine months 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 first quarter of the current fiscal year. 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 first nine months of the current fiscal year.

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 nine months of FY2/22 (Mar. 1, 2021 – Nov. 30, 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	36,913	6,619	43,532	749	44,282	-	44,282
(2) Inter-segment revenue and transfers	103	3,294	3,397	367	3,764	(3,764)	-
Total	37,016	9,913	46,930	1,116	48,046	(3,764)	44,282
Segment profit	2,457	466	2,923	33	2,957	-	2,957

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 profit recorded in the quarterly consolidated statement of income.

II First nine months of FY2/23 (Mar. 1, 2022 – Nov. 30, 2022)

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

(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	48,579	5,787	54,367	1,231	55,598	-	55,598
Other revenue	91	-	91	-	91	-	91
(1) Revenue from external customers	48,670	5,787	54,458	1,231	55,689	-	55,689
(2) Inter-segment revenue and transfers	85	4,564	4,650	538	5,188	(5,188)	-
Total	48,756	10,352	59,109	1,769	60,878	(5,188)	55,689
Segment profit	3,963	433	4,397	172	4,569	-	4,569

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.
3. Segment profit is consistent with operating profit 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 nine months of FY2/23 is insignificant.